

**MINUTES – REGULAR BOARD MEETING
July 15, 2008**

Ann Arbor-Ypsilanti SmartZone Local Development Finance Authority

**City of Ann Arbor, Guy C. Larcom, Jr. Municipal Building, 2nd Floor Council Workroom
100 N. Fifth Ave., Ann Arbor, MI**

Members Present: Michael Korybalski, Michael Reid, Richard King, Stephen Rapundalo, Theresa Carroll, Lisa Kurek, Roselyn Zator-Ex-officio, Tom Crawford-Ex-officio

Members Excused: Rob Risser, Darryl Daniels

Others Present: Mickey Katz-Pek, Scott Olson-SPARK, Greg Fronizer-SPARK, Elizabeth Parkinson-SPARK, Sandi Bird-City of Ann Arbor-Finance

CALL TO ORDER:

Korybalski called the meeting to order at 8:03am. A quorum was present.

APPROVAL OF THE AGENDA:

Reid moved, seconded by Rapundalo, to approve the Agenda for this meeting with amendments in the form presented at this meeting. Motion approved unanimously.

MOTIONS & RESOLUTIONS:

1. Minutes of the June 10, 2008 Board Meeting:

Reid moved, seconded by Rapundalo, to approve the Minutes of the June 10, 2008 board meeting in the form presented at this meeting. Motion approved unanimously.

LDFA CHAIR'S REPORT:

Korybalski recognized Mickey Katz-Pek for her years of service on the LDFA Board and thanked her for her commitment/efforts, particularly in the past year, as the LDFA Board Chair.

Korbalski recognized Tom Kinnear for his years of service on the LDFA Board and thanked him for his role in leading the Contract Committee this past year.

It was also noted Jonnie Bryant resigned as a member of the LDFA board, effective July 5, 2008.

REPORTS FROM SERVICE PROVIDERS:

1. Ann Arbor SPARK: Business Accelerator Status Report – 4th Quarter:

Reid moved, seconded by King, to postpone until the next meeting. Motion approved unanimously.

Rapundalo moved, seconded by King to adopt a policy requiring agenda items & presentation materials to be received by board members at least 3 business days prior to a scheduled meeting. Motion approved unanimously.

Reid moved, seconded by Rapundalo to provide Ann Arbor SPARK notice of the untimely submission of their 4th Quarter Business Accelerator Status Report, as it was not in technical compliance of the Attachment A to the Agreement between LDFA and Ann Arbor SPARK, dated July 1, 2007, Section 3. Payment of Fees for Direct Services, "Contractor shall submit to the LDFA Board a written report within 10 business days following the end of the fiscal quarter.....". Motion approved unanimously.

LDFA TREASURER'S REPORT:

1. LDFA Financial Report – 4th Quarter Ended June 30, 2008:

Reid moved, seconded by King, to postpone until the next meeting. Motion approved unanimously.

ELECTION OF OFFICERS:

Chair:

Reid moved, seconded by Rapundalo, to nominate Richard King as Chair to serve a one year term. Motion approved unanimously.

Vice Chair:

Reid moved, seconded by Rapundalo, to nominate Mike Korybalski as Vice Chair to serve a one year term. Motion approved unanimously.

Treasurer:

Rapundalo moved, seconded by King, to nominate Mike Reid as Treasurer to serve a one year term. Motion approved unanimously.

Ex-officios and Recording Secretary

King moved, seconded by Rapundalo to approve Roselyn Zator as an Ex-officio member of the board and Tom Crawford as Recording Secretary for FY 2009. Motion approved unanimously.

APPROVAL OF THE FY 2009 BOARD MEETING SCHEDULE:

Rapundalo moved, seconded by Carroll, to approve the FY 2009 Board meeting schedule in the form presented at this meeting, as amended per discussion, and attached hereto and made a part hereof. Motion approved unanimously.

REPORTS FROM COMMITTEES:

1. Update of FY 2009 LDFA Contract Committee:

Reid informed the LDFA Board that under the leadership of former board member and Contract Committee Chair Tom Kinnear, a contract between the LDFA and Ann Arbor SPARK for FY 2009 had been successfully negotiated and executed. A copy of this contract is attached hereto and made a part hereof this meeting.

Reid further noted Attachment B to the Agreement between LDFA and Ann Arbor SPARK, dated January 15, 2008, in the form presented at this meeting, and attached hereto and made a part hereof, reflects the budget increase for Business Accelerator services approved at the January 15, 2008 board meeting.

2. Update of FY 2009 LDFA Audit Committee:

Reid moved, seconded by Rapundalo, to approve the recommendation of the audit committee to accept the proposal submitted by Abraham & Gaffney, PC and proceed with a compliance audit of the FY 2008 Ann Arbor SPARK Business Accelerator Services. Motion approved unanimously.

3. Update of FY 2009 LDFA Nominating Recommendation Committee:

Rapundalo requested a notice to be provided to the City of Ypsilanti regarding the vacant position, formerly held by Jonnie Bryant.

OTHER BUSINESS:

1. Committee Appointment:

The Board unanimously agreed to postpone until the next meeting.

2. Ann Arbor SPARK FY 2009 Marketing & Public Relations Plan:

The Board unanimously agreed to postpone until the next meeting.

3. Ann Arbor SPARK FY 2009 Entrepreneurial Education Plan:

The Board unanimously agreed to postpone until the next meeting.

4. LDFA FY 2008 Budget:

Korybalski recognized Scott Olson to speak on behalf of Ann Arbor SPARK. Olson requested the LDFA Board consider offering a motion to accept and approve a marketing plan document as required by the terms of the FY 2009 contract between the LDFA and Ann Arbor SPARK. The discussion closed for lack of a motion.

Secondly, Olson requested the LDFA Board consider a offering a motion to accept and approve an entrepreneurial education plan document as required by the terms of the FY 2009 contract between the LDFA and Ann Arbor SPARK. The discussion closed for lack of a motion.

Finally, Olson informed the LDFA Board that SPARK had exceeded the maximum number of billable hours authorized for Phase I and Phase III Business Accelerator services in the FY 2008 contract and requested the LDFA Board consider offering a motion to approve a retroactive budget reallocation of \$17,850 to fund reimbursement to Ann Arbor SPARK for Phase I and Phase III Business Accelerator cost overruns.

King moved, seconded by Korybalski, to provide additional funding of \$17,850 for Phase III Business Accelerator Services, to authorize the proportionate reallocation of the net unexpended Phase II contract amounts for Phase I and Phase III services, to fund the additional line item cost overruns by reducing the Cantillon Entrepreneurial Education budget line item, and to authorize the officers to execute and deliver an amendment to the FY 2008 Agreement between LDFA and Ann Arbor SPARK, Amendment C, to reflect the adjustment in the Contract amounts and carry out the purpose and intent of this resolution.

Reid requested a roll call vote:

King – Yes	Carroll – Yes
Korybalski – Yes	Reid - No
Kurek – Yes	Rapundalo - No

Motion carried 4-2.

MOTION TO ADJOURN:

King moved, seconded by Reid, to adjourn the meeting at 9:43am. Motion approved unanimously.

Respectfully Submitted,

Tom Crawford, Recording Secretary



PUBLIC MEETING NOTICE

Ann Arbor-Ypsilanti SmartZone Local Development Finance Authority

Location:

City of Ann Arbor
Guy C. Larcom Building, 2nd Floor Council Workroom
100 N. Fifth Avenue
Ann Arbor, Michigan 48104
(734) 994-2730

FY 2009 Meeting Schedule:

September 23, 2008	8:15am – 10:15am
October 28, 2008	8:15am – 10:15am
January 27, 2009	8:15am – 10:15am
March 17, 2009	8:15am – 10:15am
April 28, 2009	8:15am – 10:15am
June 16, 2009	8:15am – 10:15am
July 28, 2009	8:15am – 10:15am

Persons with disabilities are encouraged to participate. Accommodations, including sign language interpreters, may be arranged by contacting the City Clerk's Office by telephone at 994-2725 or by written request addressed to the City Clerk's Office, 100 N. Fifth Ave., Ann Arbor, MI 48104, at least 24 hours in advance.

ATTACHMENT B

(Effective as of January 15, 2008)

By authority of the resolution passed by the LDFA's Board of Directors on January 15, 2008, this ATTACHMENT B amends certain provisions contained in ATTACHMENT A to the Agreement dated September 4, 2007 and effective as of July 1, 2007 by and between the Ann Arbor/Ypsilanti SmartZone Local Development Finance Authority ("LDFA") and Ann Arbor SPARK ("Contractor").


- The language contained in Section 1.1.1 of ATTACHMENT A to the agreement dated September 4, 2007 and effective as of July 1, 2007 is stricken in its entirety and is replaced with the following:

1.1.1 Phase I. Phase I is defined as Contractor's initial contact and screening phase to understand and assess the business and technology proposition and determine in Contractor's sole discretion if advancement to a Phase II engagement is warranted. This includes but is not limited to: (a) review/screen for general programmatic fit, (b) solicit reviews from advisors/consultants for high level reaction, (c) referral to Phase II or other programs or outside resources. This Phase I normally takes less than two hours per company, and in no event shall the average time spent for all Phase I engagements exceed two (2) hours. The maximum fee shall be \$ 24,719.

- The language contained in Section 1.1.2 of ATTACHMENT A to the agreement dated September 4, 2007 and effective as of July 1, 2007 is stricken in its entirety and is replaced with the following:

1.1.2 Phase II. Phase II is defined as more in-depth evaluation of prospective client firms to determine if the business is capable and/or ready for substantial Contractor investment for business plan and consulting assistance in Phase III. This includes but is not limited to: (a) Contractor review for qualification of opportunity attractiveness, (b) opportunity and issue assessment, (c) scope of engagement for Phase III, (d) feedback to client from assessment, and (e) identification of criteria required for reconsideration. This Phase II normally takes less than 10 hours of consulting time, and in no event shall the average time spent for all Phase II engagements exceed ten (10) hours. The maximum fee shall be \$ 45,375. Contractor and client for whom Phase II services are performed shall sign an engagement letter acknowledging:

- (i) That the engagement is non-exclusive, and Contractor is free to provide similar services to other clients, and client is free to obtain similar services from another provider at client's own expense;

Initial  Initial 
LDFA Contractor

- (ii) LDFA may audit the services provided to client, any agreement regarding confidentiality notwithstanding; and
- (iii) Client has been informed of Contractor's conflict of interest policies.

- The language contained in Section 1.1.3 of ATTACHMENT A to the agreement dated September 4, 2007 and effective as of July 1, 2007 is stricken in its entirety and is replaced with the following:

1.1.3 Phase III. Phase III is defined as substantial Contractor investment for business development to advance client firms beyond the startup phase to the seed stage. This includes but is not limited to: (a) development or refinement of a plan, schedule, and budget for achievement of high value milestone(s), (b) addressing a strategic issue, (c) implementation of a milestone plan, (d) advancing the client on 1-3 strategic fronts, and (e) development of an extended plan at the end of the engagement. This Phase III normally takes less than 40 hours of consulting time per year, and in no event shall the average time spent for all Phase III engagements in the 2007-2008 contract year exceed forty (40) hours. It is further stipulated that the maximum lifetime value of goods and services provided by Contractor to any single client firm eligible for LDFA funded services is \$50,000 and that this limitation shall be liberally applied to include any and all goods and services provided by Contractor to client firms whether or not the source of funding was the LDFA. The calculation of the cumulative value of goods and services shall specifically exclude any grant, donation, outright gift, or award to a client firm; examples include the State of Michigan 21st Century Jobs Fund or the Michigan Innovation Equipment Depot (MIED) programs presently administered by Contractor. Phase III services eligible for reimbursement may include:

- Business plan, operational consulting, and business development assistance;
- Patent, licensing, and intellectual property rights consulting;
- Talent and recruitment assistance;
- Identification and development of bank, angel, venture capital, seed, pre-seed, customer, governmental, or private grant funding sources.

The maximum fee shall be \$329,906. Contractor and client for whom Phase III services are performed shall sign an engagement letter acknowledging:

Initial  Initial 
LDFA Contractor

- (i) That the engagement is non-exclusive, and Contractor is free to provide similar services to other clients, and client is free to obtain similar services from another provider at client's own expense;
- (ii) LDFA may audit the services provided to client, any agreement regarding confidentiality notwithstanding; and
- (iii) Client has been informed of Contractor's conflict of interest policies.

The effective date of this ATTACHMENT B shall be January 15, 2008. All other terms, conditions, rights, obligations, and provisions contained in ATTACHMENT A to the Agreement dated September 4, 2007 and effective as of July 1, 2007 that have not been expressly modified in this ATTACHMENT B shall survive intact.

Agreed to and accepted this 13 day of June, 2008.

Authorized Agent for the LDFA:

By: Thomas Kinneer

Thomas Kinneer, LDFA Contract Committee Chair

Authorized Agent(s) for Contractor:

By: Michael A. Finney

Michael A. Finney



**MINUTES – REGULAR BOARD MEETING
September 23, 2008**

Ann Arbor-Ypsilanti SmartZone Local Development Finance Authority

**City of Ann Arbor, Guy C. Larcom, Jr. Municipal Building, 2nd Floor Council Workroom
100 N. Fifth Ave., Ann Arbor, MI**

Members Present: Richard King, Michael Korybalski, Darryl Daniels, Michael Reid, Stephen Rapundalo, Theresa Carroll, Lisa Kurek, Roselyn Zator-Ex-officio, Tom Crawford-Ex-officio

Members Excused: Rob Risser

Others Present: Michael Finney-SPARK, Scott Olson-SPARK, Greg Fronizer-SPARK, Elizabeth Parkinson-SPARK, Susanna Thomashefski-SPARK, Sandi Bird-City of Ann Arbor-Finance, Tina Reed-Ann Arbor News, Nathan Bomey-Ann Arbor Business Review, Alan Panter-Abraham & Gaffney, PC, Mickey Katz-Pek

CALL TO ORDER:

King called the meeting to order at 8:15am. A quorum was present.

APPROVAL OF THE AGENDA:

Korybalski moved, seconded by Reid, to approve the Agenda for this meeting in the form presented at this meeting. Motion approved unanimously.

MOTIONS & RESOLUTIONS:

1. Minutes of the July 15, 2008 Board Meeting:

Rapundalo moved, seconded by Korybalski, to approve the Minutes of the July 15, 2008 board meeting in the form presented at this meeting. Motion approved unanimously.

REPORT FROM AUDIT COMMITTEE:

1. Audit Report (Alan Panter, Abraham & Gaffney, PC):

Korybalski moved, seconded by Rapundalo, to accept the audit report in the form presented at this meeting, and attached hereto and made a part hereof. Motion approved unanimously.

2. Audit Committee Recommendations Report (Reid):

Daniels moved, seconded by Korybalski, to to accept the audit committee recommendations report in the form presented at this meeting, and attached hereto and made a part hereof. Motion approved unanimously.

Daniels moved, seconded by Carroll to vote on the audit committee recommendations individually listed within the report under the corrective action steps. Motion approved unanimously.

Items #1, #2, #3, #4, #5 listed under the corrective action steps to be considered under a Memorandum of Understanding

Item # 4:

Carroll moved, seconded by Reid, to approve the recommendation with the following ammendments:

SPARK shall submit for approval written internal control policies and procedures designed to detect and prevent instances of contractual non-compliance within 45 days. These policies and procedures should strengthen and clarify conflict of interest policies, related party transaction policies, and accounting practices used as the basis for generating reimbursement requests;

Motion approved unanimously.

Item # 1:

Rapundalo moved, seconded by Daniels, to approve the recommendation with the following amendments:

SPARK shall ensure that all submitted invoices will be compliant with terms of the in-force contract;

Motion approved unanimously, with the exception of Korybalski-abstained.

Item # 3:

King moved, seconded by Daniels, to approve the recommendation with the following amendments:

SPARK shall conduct an internal review of all invoices submitted for payment in the 2007-2008 and 2008-2009 contract years, and to provide a report and basis for any repayment to the audit committee for which there are instances of overbilling for review and discussion. The audit committee will provide recommendations to the LDFA board by the Ocotber meeting, for which action is to follow within 10 business days;

Reid requested a roll call vote:

Carroll – Yes	Korybalski – Yes
Kurek – Yes	Rapundalo - No
Reid– No	King - Yes
Daniels - Yes	

Motion carried 5-2.

Item # 2:

Reid moved, seconded by Carroll to strike out this recommendation.

Motion approved unanimously.

Item # 5:

Carroll moved, seconded by Reid, to approve the recommendation with the following amendments:

Within 45 days, SPARK shall deliver evidence of the LDFA's intellectual property rights to use, license, and receive payment for all Cantillon modules. SPARK shall disclose any new or pre-existing contractual arrangements or licensing or sub-licensing or forms of agreement with content providers, presenters, users, vendors, partners, or third party distributors.

Motion approved unanimously.

Items # 1, #2, #3 listed under the corrective action steps to be considered for adoption by Board resolution:

Item # 1:

Reid moved, seconded by Korybalski to approve the recommendation as written and for the names of the ad-hoc committee members, including the SPARK representative be named at the next board meeting.

Motion approved unanimously.

Items # 2 and # 3:

No action taken with regard to these items.

LDFA CHAIR'S REPORT:

1. Approval of the LDFA Financial Report – FY 2008 4th Quarter:

Postponed until the next meeting.

REPORTS FROM SERVICE PROVIDERS:

1. Ann Arbor SPARK: Business Accelerator Status Report – 4th Quarter:

Postponed until the next meeting.

2. Ann Arbor SPARK: Retrospective Report – As of the End of FY 2008:

Postponed until the next meeting.

3. Ann Arbor SPARK: FY 2008 Program Progress Report:

Postponed until the next meeting.

4. FY 2009 Ann Arbor SPARK Entrepreneurial Education Plan:

Postponed until the next meeting.

5. FY 2008 LDFA Marketing Plan Results:

Presented by Elizabeth Parkinson-Ann Arbor SPARK.

Reid noted for the record that the Marketing and public relations efforts of Ann Arbor SPARK was one of the truly exceptional points in the overall relationship with the LDFA, and one the LDFA should be eager to continue. The quantity and quality of the media placements not only highlight Business Accelerator success stories but reflect well on Ann Arbor and the region as a destination place for high tech companies to start and prosper.

6. FY 2009 LDFA Marketing Plan:

Rapundalo moved, seconded by Reid, to approve the SPARK Marketing Plan in the form presented at this meeting and attached hereto and made a part hereof, and for the LDFA to authorize up to \$50,400 for marketing expenditures. Motion approved unanimously.

LDFA TREASURER'S REPORT:

1. LDFA Financial Report – 4th Quarter Ended June 30, 2008:

Postponed until the next meeting.

REPORTS FROM COMMITTEES:

1. Report from Nominating Recommendation Committee:

Postponed until the next meeting.

REPORT FROM MEDC:

Postponed until the next meeting.

OTHER BUSINESS:

1. Ex-officio Appointment – Past President Mickey Katz-Pek:

Postponed until the next meeting.

2. Committee Appointments – Contract/Budget, Nominating Recommendation, By-laws, Strategic Planning and Audit:

Postponed until the next meeting.

3. FY 2008 LDFA Annual Report:

Postponed until the next meeting.

4. LDFA Board Meeting Location:

Postponed until the next meeting.

MOTION TO ADJOURN:

Daniels moved, seconded by Korybalski, to adjourn the meeting at 11:43am. Motion approved unanimously.

Respectfully Submitted,

Tom Crawford, Recording Secretary



SPARK REQUESTS TO LDFA

LDFA Board Meeting
September 23, 2008

Ann Arbor USA

SPARK Requests

1. Approval of Integrated Marketing Plan
2. Approval of Entrepreneurial Education Plan

Note: Memos with details of each item distributed with Board materials

@nn arbor usa

September 17, 2008

To: LDFA Board
From: Scott Olson, Ann Arbor SPARK
Elizabeth Parkinson, Ann Arbor SPARK
Subject: Business Accelerator Marketing and Public Relations Plan 2008-2009

NOTE: This memo replaces the memo of July 15, 2007.

Ann Arbor SPARK (SPARK) is engaged in a variety of ongoing marketing and public relations efforts in support of the SPARK Business Accelerator (BA). These activities promote the creation and growth of innovation based companies within the Ann Arbor/Ypsilanti SmartZone. Our marketing supports:

- Business Accelerator Services
- Biannual Entrepreneurial Boot Camp Program
- Business formation training
- Educational and networking events
- Cantillon eCourse
- Start-up business resources, including consulting, wet-lab and business incubators
- Michigan Innovation Equipment Depot, funding guidance and support
- Attraction and retention of innovation-based business and talent to the region

To fully leverage its marketing and PR efforts, SPARK has teamed up with local, regional and state-level partners to maximize its resources. It uses numerous outlets for communication, balancing client-related messaging, regional promotion and overall SPARK awareness. This complexity demands that the marketing and PR activities be conducted on an integrated basis, to assure consistency and impact of the brand and messaging over time.

This plan has an overall Communication Objective for the SmartZone's intended audiences; it pursues the objective via several distinct Communication Strategies; it incorporates electronic and traditional media Tactics to achieve the goals; and it targets specific Outcomes of importance to the mission of the SmartZone. Each of these is presented below, followed by implications for the budget.

Communication Objective

Increase awareness of the SPARK Business Accelerator as the local source for start-up/entrepreneurial education, funding assistance, business plan development, incubation and networking. With emphasis on the following key industries and audiences:

Key industries:

- Life Sciences (medical devices, biotechnology, contract research organizations, medical IT)
- Information Technology (including applications development, software-as-a-service, internet-related businesses)
- Cleantech (including alternative energy, transportation, energy storage and efficiency)
- Photonics (including optics, imaging, lasers, communications and related automation)

Key Audiences:

- Entrepreneurs
- Talent who help start-ups
- Tech-enabled innovations
- Professional investors
- Angel investors
- University technology
- User groups
- Network-existing networking community
- University entrepreneurs
- Partner organizations
- Trade groups
- Micro-clusters
- Service providers (e.g., law firms, banks)
- Media outlets

Communication Strategies

The goals of the Marketing and Public Relations Programs:

- Establish and reinforce the Ann Arbor/Ypsilanti area as a desirable and supportive area for launching and growing a technology-based company
- Promote SPARK training and educational programs within the entrepreneurial community
- Lead the conversation related to promoting the Ann Arbor/Ypsilanti area as a start-up business destination and an entrepreneurial “hot spot”
- Promote Business Accelerator resources and services
- Promote the business incubator space and clients
- Support the SPARK talent enhancement initiatives including:
 - Starting Your Own Business seminars (SYOB)
 - Mingle and Match
 - Hot Shots
 - MichAgain ad campaign
 - Weekly talent newsletter

Communication Tactics

Marketing and Advertising	Public Relations and Events
<p>Website</p> <ul style="list-style-type: none"> • Design • Navigation reorganization • SEO • Content update • Blogging strategy <p>Talent Ad Campaign - MichAgain</p> <ul style="list-style-type: none"> • Alumni trade publications • Industry specific trade publications <ul style="list-style-type: none"> - Fuel Cell/Alternative Energy - Biotechnology - Optics/Imaging • General Business Publications <p>Marketing and AdWords Campaign</p> <ul style="list-style-type: none"> • Targeting Business Accelerator Services including MIED, incubator, Boot Camp • Targeting key geographies and sectors: <ul style="list-style-type: none"> - Life Sciences - Information Technology - Cleantech - Photonics <p>Geographies:</p> <ul style="list-style-type: none"> - Austin - Columbus - Seattle - Boulder - Berkeley - Durham - Cambridge - Chapel Hill - Palo Alto <p>Banner Ads/Website links</p> <ul style="list-style-type: none"> • Target by leading key industry and partner sites 	<p>Proactive media relations</p> <ul style="list-style-type: none"> • Consistently reach out to local, national business and industry-specific trade media with positive stories about the Ann Arbor area and our successful start-up companies and programs <p>Incoming mission trips/familiarization tours</p> <ul style="list-style-type: none"> • Support SPARK FAM tours for key site selectors and corporate relocation managers <p>Outbound mission trips</p> <ul style="list-style-type: none"> • Support SPARK missions to visit key industry clusters <p>Trade Show participation</p> <ul style="list-style-type: none"> • Work with SPARK to identify key trade shows and opportunities associated with them (speaking opportunities, booths, etc.) <p>Events Promotion</p> <ul style="list-style-type: none"> • Community calendar, website posting and weekly update e-mail newsletter • Promotional support of entrepreneurial-focused events with varying outcomes and purposes; networking, training, educational and talent placement • Promotion of area entrepreneurial events and programs <p>Collateral Materials</p> <ul style="list-style-type: none"> • Industry Brochures <ul style="list-style-type: none"> - Life Sciences - Information Technology - Cleantech - Photonics • Update existing materials including Cantillon

Anticipated Outcomes

- Double the number of website conversions from 10/month to 20/month (Business Idea Submission/Incubator Application Form, Contact Us, Business Relocation Information)
- Increase the pipeline of BA clients by 20%, from 270 to 320 companies
- Increase the number of BA engagements by 20% -- from 98 start-ups receiving Phase III services in 2008 to 118 start-ups in 2009
- Increase the pipeline of Boot Camp participants from 25 to 30
- Garner 25-35 media placements which feature Business Accelerator/client success stories, programs and events
- Promote the SPARK Central incubator to ensure full occupancy

Budget

The following budget is representative of the planned spend and timing on outside services for marketing and PR during the first six months of the contract year. Figures for July and August are actual. The last six months of the year are projected to be similar. The total budget is \$50,400; each six-month period is expected to consume one-half of the total, or \$25,200.

	Jul (actual)	Aug (actual)	Sep	Oct	Nov	Dec
Marketing & Advertising	1,005.84	288.53	1,000	1,000	1,000	1,000
Website Expenses	1,672.03	534.04	2,000	2,000	2,000	2,000
Public Relations	0	742.50	2,850	2,500	1,800	1,800
Totals	2,677.87	1,565.07	5,850	5,500	4,800	4,800

LDFA AUDIT COMMITTEE REPORT

TO: LDFA BOARD OF DIRECTORS
FROM: LDFA AUDIT COMMITTEE
SUBJECT: RELEASE OF FINAL AUDIT REPORT & RECOMMENDATIONS FOR CORRECTIVE ACTION
DATE: SEPTEMBER 18, 2008
CC: SEPTEMBER 23, 2008 LDFA BOARD MEETING PACKET

The LDFA Audit Committee met as a group on July 17, 2008 with our independent audit partner at Abraham & Gaffney P.C. (Alan Panter, CPA) to review the scope of the engagement, and on July 23, 2008 in a joint meeting with Alan Panter and members of SPARK's management team to review the audit checklist and establish a mutually agreeable timeline for completion. The onsite inspection was conducted at SPARK from July 29 through August 1, 2008 under the supervision of Alan Panter, CPA. The Audit Committee met again on September 10, 2008 to review the initial draft report and to discuss a timeline that allowed SPARK to address findings of fact directly with Abraham & Gaffney P.C. which they believed to be in error or outside the permissible scope of the audit. The final independent audit report was released to members of the Audit Committee at 3:30 PM on Tuesday September 16, 2008.

The enclosed report from Abraham & Gaffney P.C. presents findings from the audit engagement authorized and initiated by the LDFA. We urge the LDFA Board to read the independent audit report carefully and in its entirety. In the absence of corrective action, the Audit Committee believes the LDFA's ability to gauge the effectiveness of programs and services underwritten with taxpayer provided funds could be impeded. Without question, this diminishes our ability as appointed officials to discharge an obligation to serve the public trust.

Based on our review of the independent audit report, the LDFA Audit Committee recommends the following corrective action steps be adopted under a Memorandum of Understanding:

1. SPARK shall immediately refrain from submitting invoices for payment that are non-compliant with terms of the in-force contract;

2. Pursuant to findings contained in the independent audit report, SPARK shall immediately refund all monies invoiced to the LDFA for which there are instances of overbilling, related parties used as consultants, geographic ineligibility, or insufficient supporting documentation. Adjustments for instances of underbilling shall not be permitted;

3. Within 45 days, SPARK shall conduct a forensic review of all invoices submitted for payment in the 2007-2008 and 2008-2009 contract years, and refund all monies invoiced to the LDFA for which there are instances of overbilling, related parties used as consultants, geographic ineligibility, or insufficient supporting documentation. Adjustments for instances of underbilling shall not be permitted;

4. SPARK shall submit for approval written internal control policies and procedures designed to detect and prevent instances of contractual non-compliance within 45 days. These policies and procedures should strengthen and clarify conflict of interest policies, prohibitions against related party transactions, and accounting practices used as the basis for generating reimbursement requests;

5. Within 45 days, SPARK shall deliver legally binding evidence of the LDFA's intellectual property rights to use, license, and receive payment for all Cantillon modules. SPARK shall disclose any new or pre-existing contractual arrangement or licensing or sub-licensing agreement with content providers, presenters, users, vendors, partners, or third party distributors that may expose the LDFA to litigation regarding its perpetual rights to use, license or distribute Cantillon.

The LDFA Audit Committee recommends the following corrective action steps be considered for adoption by Board resolution:

1. Within 45 days, an ad-hoc committee of the Board be convened to re-design and communicate standardized reporting elements required of SPARK that track key performance metrics and gauge the effectiveness of programs and activities outlined in the 2008-2009 contract year;

2. The LDFA Board shall instruct the Treasurer to withhold authorization of payment on outstanding invoices submitted by SPARK until outstanding deficiencies have been satisfactorily resolved;

3. The LDFA Board communicates its intent to terminate the contract with SPARK in the event deficiencies are not rectified within the proscribed period of time.

Respectfully submitted by the LDFA Audit Committee

Mike Reid
Stephen Rapundalo
Tom Crawford
Rob Risser

Enclosure: Ann Arbor-Ypsilanti SmartZone LDFA Audit of SPARK Entrepreneurial Services 07-08.pdf



**MINUTES – REGULAR BOARD MEETING
October 28, 2008**

Ann Arbor-Ypsilanti SmartZone Local Development Finance Authority

**City of Ann Arbor, Guy C. Larcom, Jr. Municipal Building, 5th Floor Conference Room
100 N. Fifth Ave., Ann Arbor, MI**

Members Present: Richard King, Michael Korybalski, Rob Risser, Stephen Rapundalo, Theresa Carroll, Mark Maynard, Roselyn Zator-Ex-officio, Tom Crawford-Ex-officio

Members Excused: Darryl Daniels, Lisa Kurek

Others Present: Michael Finney-SPARK, Scott Olson-SPARK, Greg Fronizer-SPARK, Elizabeth Parkinson-SPARK, Sandi Bird-City of Ann Arbor-Finance, Tina Reed-Ann Arbor News, Nathan Bomey-Ann Arbor Business Review, Mickey Katz-Pek, Stuart Nelson

CALL TO ORDER:

King called the meeting to order at 8:28am. A quorum was present.

APPROVAL OF THE AGENDA:

King requested to add under Other Business the following items;

- 1) Conference telephone call during board meeting
- 2) Proposed Special meeting in December
- 3) Proposed Retreat meeting in February

Korybalski moved, seconded by Rapundalo, to approve the Agenda for this meeting in the form presented at this meeting, with the above amendments. Motion approved unanimously.

MOTIONS & RESOLUTIONS:

1. Minutes of the September 23, 2008 Board Meeting:

Rapundalo moved, seconded by Korybalski, to approve the Minutes of the September 23, 2008 board meeting in the form presented at this meeting. Motion approved unanimously.

REPORT FROM SERVICE PROVIDERS:

Risser moved, seconded by Carroll, to accept the following service provider reports presented by Ann Arbor SPARK:

- A) The **Ann Arbor SPARK Business Accelerator Report for the quarter ended June 30, 2008**, in the form presented at this meeting and attached hereto and made a part hereof.
- B) The **Ann Arbor SPARK Retrospective Report, as of the end of FY 2008**, in the form presented at this meeting and attached hereto and made a part thereof.
- C) The **FY 2008 Ann Arbor SPARK Program Progress Report**, in the form presented at this meeting and attached hereto and made a part hereof.
- D) The **Ann Arbor SPARK Business Accelerator Report for the quarter ended September 30, 2008**, with exception to page 5, titled "Attachment A: Business Accelerator Clients" (to be re-submitted) in the form presented at this meeting and attached hereto and made a part thereof.

After discussion and consideration of the reports, motion approved unanimously.

LDFA TREASURER'S REPORT:

1. LDFA Financial Reports – 4th Quarter Ended June 30, 2008 and 1st Quarter Ended September 30, 2008:

Risser moved, seconded by Korybalski, to approve the LDFA financial reports for the 4th and 1st quarters ended June 30, 2008 and September 30, 2008, respectively, in the form presented at this meeting and attached hereto and made a part hereof. After discussion and consideration of the reports, motion approved unanimously.

REPORT FROM COMMITTEES:

1. Nominating Recommendation Committee (King):

King introduced Mark Maynard, new LDFA Ypsilanti appointed board member, 4-year term expiring 6/30/12.

2. Audit Committee (Risser):

Risser distributed "Summary of Detailed Audit Findings" report prepared by the Audit Committee for LDFA Board.

Risser moved, seconded by Korybalski, in reference to the FY 2008 Agreement between the LDFA and Ann Arbor SPARK, whereby Ann Arbor SPARK owes the LDFA **\$37,875.00** for net overbillings relative to the audit findings, subject to the potential adjustment for the \$5,125 inadequate documentation for Phase II and Phase III if provided within 30 days. Payment schedule to be determined. Motion failed 3-3.

Risser moved, seconded by Korybalski, in reference to the FY 2008 Agreement between the LDFA and Ann Arbor SPARK, whereby Ann Arbor SPARK owes the LDFA **\$13,718.75** for net overbillings relative to the audit findings, less the 193.25 hours for geographic ineligible "N/A –

Phase I" (\$37,875.00 – 24,156.25 = \$13,718.75), subject to the potential adjustment for the \$5,125 inadequate documentation for Phase II and Phase III if provided within 30 days. Payment schedule to be determined. Motion failed 4-2.

Rapundalo moved, seconded by Risser, in reference to the FY 2008 Agreement between the LDFA and Ann Arbor SPARK, whereby Ann Arbor SPARK owes the LDFA **\$59,906.25** for the gross overbillings relative to the audit findings, subject to the potential adjustment for the \$5,125 inadequate documentation for Phase II and Phase III if provided within 30 days. Payment schedule to be determined. Motion failed 1-5.

REPORT FROM CHAIR:

King requested a special meeting in two weeks to come back to the questions posed regarding
1) the number of votes required to approve a motion when a 6 member quorum is present and
2) to clarify the intent for the geographic location requirement for Phase I clients in the FY 2009 Agreement between the LDFA and Ann Arbor Spark:

REPORT FROM MEDC:

Postponed until the next meeting.

OTHER BUSINESS:

1. Ex-officio Appointment – Past President Mickey Katz-Pek:

Postponed until the next meeting.

2. Nomination of Officer Position – Treasurer

Postponed until the next meeting.

3. Committee Appointments – Contract/Budget, Nominating Recommendation, By-laws, Strategic Planning and Audit, Ad-hoc Committee for Re-design of SPARK Reporting Elements:

Postponed until the next meeting.

4. FY 2008 LDFA Annual Report:

Postponed until the next meeting.

5. FY 2009 Administrative Agreement between the LDFA and the City of Ann Arbor:

Postponed until the next meeting.

6. Executed Copy of Attachment C to the FY 2008 Agreement between the LDFA and Ann Arbor SPARK:

Postponed until the next meeting.

7. Update of Ann Arbor Angels:

Postponed until the next meeting.

8. Proposed Meetings:

- 4) Conference telephone call during board meeting
- 5) Proposed Special meeting in December
- 6) Proposed Retreat meeting in February

Postponed until the next meeting.

MOTION TO ADJOURN:

Risser moved, seconded by King, to adjourn the meeting at 10:26am. Motion approved unanimously.

Respectfully Submitted,

Tom Crawford, Recording Secretary



**MINUTES – REGULAR BOARD MEETING
January 27, 2009**

Ann Arbor-Ypsilanti SmartZone Local Development Finance Authority

**SPARK Central Incubator
330 E. Liberty Street, Ann Arbor, MI 48104**

Members Present: Richard King, Michael Korybalski (by telephone), Rob Risser, Stephen Rapundalo, Theresa Carroll, Mark Maynard, Darryl Daniels, Richard Beedon, Tom Crawford-Ex-officio

Members Excused: Lisa Kurek, Roselyn Zator-Ex-officio

Others Present: Greg Fronizer-SPARK, Elizabeth Parkinson-SPARK, Skip Simms-SPARK, Kurt Riegger-SPARK, Susanna Thomashefski-SPARK, Sandi Bird-City of Ann Arbor-Finance, Tina Reed-Ann Arbor News, Michael Cole & Dave Hartmann-Ann Arbor Angels

CALL TO ORDER:

King called the meeting to order at 8:20am. A quorum was present.

APPROVAL OF THE AGENDA:

Risser moved, seconded by Rapundalo, to approve the Agenda for this meeting in the form presented at this meeting, as amended per discussion. Motion approved unanimously.

MOTIONS & RESOLUTIONS:

1. Minutes of the November 14, 2008, Special Board Meeting:

Risser moved, seconded by Carroll, to approve the Minutes of the November 14, 2008 special board meeting in the form presented at this meeting. Motion approved unanimously.

REPORT FROM SERVICE PROVIDERS:

1. Ann Arbor SPARK Business Accelerator Report FY 2009 2nd Quarter Ended December 31, 2008:

Risser moved, seconded by Daniels, to accept The Ann Arbor SPARK Business Accelerator Report for the FY 2009 2nd quarter ended December 31, 2008, in the form presented at this meeting and attached hereto and made a part thereof. After discussion and consideration of the report, motion approved unanimously.

2. Ann Arbor SPARK FY 2009 Entrepreneurial Plan:

Postponed until the next meeting.

3. Ann Arbor SPARK FY 2009 Cantillon Maintenance Plan:

Postponed until the next meeting.

LDFA TREASURER'S REPORT:

1. LDFA Financial Report – FY 2009 2nd Quarter Ended December 31, 2008:

Rapundalo moved, seconded by Risser, to approve the LDFA financial report for the FY 2009 2nd quarter ended December 31, 2008 in the form presented at this meeting and attached hereto and made a part hereof. After discussion and consideration of the report, motion approved unanimously.

REPORT FROM COMMITTEES:

1. Audit Committee:

A) Review/Acceptance of SPARK Corrective Actions Plan, Dated November 7, 2008:

Postponed until the next meeting.

B) Abraham & Gaffney Engagement Letter - FY 2009 Ann Arbor SPARK Audit:

Risser moved, seconded by Rapundalo, to approve the recommendation of the audit committee to engage Abraham & Gaffney, PC and proceed with a compliance audit of the interim period of the FY 2009 Ann Arbor SPARK Business Accelerator Services contract year. Motion approved unanimously.

2. Budget/Contract Committee:

Rapundalo moved, seconded by Daniels to authorize the Budget/Contract Committee to review and clarify the policy relative to the language in the Agreement between the LDFA and Ann Arbor SPARK in Section 3.1.2. regarding reimbursable activities of Phase III services. Motion approved unanimously.

REPORT FROM THE MEDC:

Postponed until the next meeting.

OTHER BUSINESS:

1. Ann Arbor Angels Proposal

Michael Cole, Ann Arbor Angels, presented a proposal with the following funding request:

	Feb 1, 2009	April 7, 2009	June 15, 2009	Total
L DFA Payments	\$ 6,250	\$3,125	\$3,125	\$12,500

Rapundalo moved, seconded by Korybalski to support the Ann Arbor Angels funding request as a contracted services under Ann Arbor SPARK and to provide funding of \$12,500 for the Angel Investment Group Development (new budget line item), and to authorize the budget reallocation by reducing the unexpended Business Accelerator Phase III – Intensive Services budget line item, and to prepare Attachment B to the Agreement between the LDFA and Ann Arbor SPARK, dated June 30, 2008 and effective as of July 1, 2008, for this Contract amendment. Motion approved unanimously, except Carroll abstained.

Risser was excused at 10:05am
Crawford was excused at 10:15am

2. Committee Appointments – Nominating Recommendation:

Postponed until the next meeting.

3. FY 2008 LDFA Annual Report

Daniels moved, seconded by Rapundalo to approve the FY 2008 LDFA Annual Report in the form presented at this meeting and attached hereto and made a part thereof, and to submit the report to the City of Ann Arbor Council. Motion approved unanimously.

4. Next Meeting Location:

King recommended the location of the March 17, 2009 and April 28, 2009 LDFA board meetings to remain at the same location, SPARK Central Incubator, due to the current City Hall construction with limited parking space.

MOTION TO ADJOURN:

Daniels moved, seconded by Maynard, to adjourn the meeting at 10:38am. Motion approved unanimously.

Respectfully Submitted,

Tom Crawford, Recording Secretary

Ann Arbor-Ypsilanti SmartZone
Local Development Finance Authority
Ann Arbor SPARK
Quarterly Report

October 1, 2008 through December 31, 2008

Work Accomplished

Number and identity of companies in each phase, plus relevant aspects of commercialization

59 companies in Ann Arbor were served this quarter. Counting companies outside the area a total of about 80 companies were served with Phase I, II and III services.

The following companies only received Phase I reviews

Absolute 3D Imaging	Livonia	Business planning
AviCenna Medical Systems, Inc.	Ann Arbor	Business planning assistance
Bio Logic Engineering, Inc.	Dexter	Assistance with business planning, financial modeling, funding
Brooks Newco	Troy	Concept validation and referral
Brugeman Newco	Ann Arbor	Business model decisions and implications for planning
Carew Energy, Inc.	Grand Blanc	Converting waste to nutraceutical.
Cutting Image Histology, LLC	Ann Arbor	Business plan development
DiMarzo Newco	Ann Arbor	Business planning
DVM Newco	Ann Arbor	Organizing next steps, possible MLSIC tenant
ePack	Ann Arbor	MEMS packaging source
fiftySense LLC	Chelsea	Newco
Global Management Consultants, LLC	Ann Arbor	Quality management consulting

Grease Monkeys, LLC	Ann Arbor	Business planning and network connections
In-Source Business Academy	Ypsilanti	Eligibility requirement
Intermz	Ann Arbor	Newco
Nanosystems	Ann Arbor	New product commercialization help
Patient Provider Communications	Ann Arbor	Referral to BBC for SBIR
Photonic Crystal Biosystems	Ann Arbor	Market validation and business planning
Pillar Technology	Brighton	Outside the area
Real3D Places	Howell	Can't help
Rate My Student Rental	Flint	Online student housing site
Smoothie Llama	Ann Arbor	Mobile Smoothie Franchise
Softrek	Franklin	Newco
Stephanie Freeth Newco	Ann Arbor	Business Idea Form
stopyourforeclosure.org	Novi	Referred to others
thePatientConnection	Ann Arbor	
Threefold Sensors/IA, Inc.	Ann Arbor	Looking for funding
Toolpax		Market entry strategy, introductions
Valenta Newco	Dexter	Business planning for investment
Wedlink		Web 2.0 for linking photographers and weddings
Worknet Systems	Ann Arbor	Growth strategy

The following companies were in Phase II Due Diligence this quarter but have not reached Phase III

Boomdash	Ann Arbor	Market entry strategy for second market channel
ExpressByte	Ann Arbor	Marketing assistance

Mobatech, Inc.	Ann Arbor	Education, Financial, Business Plan
Phios Analytical Laboratories	Ann Arbor	Review plans for moving forward
UrTurn	Ann Arbor	Fundraising assistance
AdGuru	Ann Arbor	Due diligence, develop engagement proposal
TheGISH	Ann Arbor	Business planning and technical assistance
Audiallo	Ann Arbor	Next steps
Better Rehab, LLC	Ann Arbor	Branding, web architecture and IP assistance
Huckestein Newco	Ann Arbor	Evaluate technology hurdles
Kiyo Networks	Ann Arbor	Business Idea Form
MarketMonitor HQ	Ann Arbor	Newco
Nudge Them Inc.	Ann Arbor	Initial Meeting

The following companies received Phase III level support

Account Name	City	BA Request Amt	BA Contract Amt	Statement of Work or Milestones
Accio Energy, Inc.	Ann Arbor	18000	18000	Market assessment and product mapping
Akervall Technologies	Ann Arbor	4000		Market assessment and entry strategy recommendations
Daixo	Ann Arbor	2500	2500	Development of financial assumptions and reports
EcoBlade	Ann Arbor		4200	Value chain analysis, market segmentation and meeting w/DTE
EiPon Learning, LLC	Ann Arbor		16800	Corporate identity
Fitness Motivation Online	Ann Arbor		4000	Market assessment and partnering opportunities
Fontis Biotechnologies	Ann Arbor		9000	Business planning
Hygieia, Inc.	Ann Arbor	6400	6400	Business plan review for funding
OcuSciences, Inc	Ann Arbor		5105	Combination of remaining amounts from earlier Proposals
Sentry Medical Technologies	Ann Arbor	15000	11000	Product development and market research

Switchback LLC	Ann Arbor	2400		Development of sales and marketing structure
Velesco Pharmaceutical Services LLC	Ann Arbor	14700	11725	Website marketing tactics and strategy
Wizrad	Ann Arbor			Market research

Number and identity of companies that completed phase III engagements

EiPon Learning, LLC	Ann Arbor	16800		Corporate identity
Hygieia, Inc.	Ann Arbor	6400	6400	Business plan review for funding
Sentry Medical Technologies	Ann Arbor	15000	11000	Product development and market research
Switchback LLC	Ann Arbor	2400		Development of sales and marketing structure
Velesco Pharmaceutical Services LLC	Ann Arbor	14700	11725	Website marketing tactics and strategy

Founding location, current location

We have just started tracking where the companies were located at the time the initial contact occurred. We do not yet have enough data to provide a meaningful report with this information.

Work to be Accomplished:

We anticipate the volume of companies served next quarter will be slightly higher than this quarter.

Next Boot Camp will be held in April.

Problems

SPARK would like clarity on:

1. Phase III use of funds for companies that need services not easily or practically billable at an hourly rate
2. Event Sponsorship qualifications or limitations, if any
3. Hosted Event location limitations within SmartZone

Significant Deviation from Scope of Work

Number of companies reaching Phase II due diligence is under our projections. This is due in part to the number of companies actually located in the city of Ann Arbor at a stage of development or preparedness for acceleration services. Despite this anomaly we are using more

Phase III services with companies to accelerate their progress. This will continue to be the case. The forecast for the next two quarters for Phase II and Phase III expenditures are significantly higher than the first half of the year but we believe we could reach them. The hours spent in Due Diligence is averaging much less than originally estimated and may be too high still, but Phase III support will be ramped up the next half of the year.

Business Incubator expense this quarter was higher than forecast because paid rents were significantly in arrears. We experienced significant IT challenges also which drove up maintenance costs. Our concern going forward is the number of paying tenants meeting our estimates.

Business Services

The following companies attended the 14th Entrepreneur Boot Camp in November:

Anita GoodBee		511 Fairview	Ypsilanti
Audiallo		819 Brown #3	Ann Arbor
Biomatrix Photonics (BMP)	Transcutaneous Raman Spectroscopy (TRS) is an optical diagnostic tool for non-invasive measurement of bone quality.	930 N. University Ave., Lab 4638	Ann Arbor
C'est Moi!		26677 West Twelve Mile Road	Southfield
FitFire	Fitness motivation (FM) is an AI-based recommendation system that draws on personality and population data.	1645 Morehead Drive	Ann Arbor
Fontis Biotechnologies		2284 Hardyke Ct.	Ann Arbor
GIDEON		University of Michigan	Ann Arbor
i2 Imagination International		University of Michigan	Ann Arbor
In the Groove		7600 Madeline Street	Saginaw
Magic Bio		1601 Pond Shore Drive	Ann Arbor
Michigan Aerospace		1777 Highland Dr., Suite B	Ann Arbor
MKP Structural Design Associates, Inc.		2500 Packard Street, Suite 105	Ann Arbor
Next Generation Therapeutics		2900 Huron Parkway Suite 8	Ann Arbor

Phoenix Technologies	Wireless sensor motes that offer the sensing and computational capabilities of traditional sensor motes with costs and form factor similar to those of passive sensors (RFID tags).	3424 EECS Building, 1301 Beal Ann Arbor Ave
Switchback LLC	A traditional website mimics print marketing. A CMS lets a client make the most of the internet by managing their own website.	536 South First Street Ann Arbor
WindStar Energy		1684 Parkside Ct. Ann Arbor

Hosted Events

SPARK hosted 19 entrepreneurial events this quarter, all at SPARK Central. Attendance ranged from 9 to 64 entrepreneurs with a total of 566 attending.

Sponsorships/Partnered Events

We sponsored only one event this quarter. ArbCamp was an ad-hoc 'unconference' of ideas shared in an open environment for technology entrepreneurs and could-be entrepreneurs. 163 people attended.

See invoice for details of each event.

SPARK Central Incubator

Five companies were tenants at SPARK Central this quarter, four tenants at the end of the quarter. They are:

- Openworld Institute - Entrepreneur looking for opportunities - December, 2008
- Vision Interface Technologies - Non-contact spatial input/pointing system - December, 2007
- Ruby Skills - Computer code around Ruby technology - August
- Hygieia - Glucose monitor that recommends dosage adjustments for improved glycemic control - September

Outreach

Cantillon Entrepreneurial Education

The following entrepreneurs took advantage of the Cantillon program. These are mostly attendees of the November Boot Camp and focused on Unit 2 "The Executive Summary".

Alice Brown - In Groove

Last Login: October 21, 2008, 2:06 AM
Total Login Time: 5 hours, 36 minutes

Good activity - 1 Plan review taken

Mark Birac - GIDEON

Last Login: December 22, 2007, 2:32 PM
Total Login Time: 14 hours, 0 minutes
Excellent activity – 24 plan reviews taken

Scott Hanson

Last Login: October 14, 2008, 9:44 PM
Total Login Time: 6 hours, 6 minutes
Excellent activity – 17 plans downloaded and 3 reviews taken

Greg Hulbert – MKP

Last Login: October 24, 2008, 3:25 PM
Total Login Time: 2 hours, 1 minutes
Very good activity

Zd Ma – MKP

Last Login: October 16, 2008, 2:25 PM
Total Login Time: 2 hours, 59 minutes

Ravi Birla – Not camper this cycle

Last Login: October 6, 2008, 11:07 PM
Total Login Time: 5 hours, 8 minutes

Vladimir Marakov – auditor this cycle

Last Login: July 28, 2008, 5:27 PM
Total Login Time: 16 hours, 5 minutes
Exceptional activity- 21 visits to the course over the period of 2 months; 17 plans downloaded

Stephen Colson - Switchback

Last Login: October 21, 2008, 12:31 PM
Total Login Time: 1 hours, 0 minutes
Limited activity

Cliff Williams –MI Areo

Last Login: October 15, 2008, 2:27 PM
Total Login Time: 19 minutes
Limited activity

Katie Miller –i2 Imagination

Last Login: October 18, 2008, 12:29 PM
Total Login Time: 29 minutes

Esmonde Whites

Last Login: October 14, 2008, 9:00 PM
Total Login Time: 4 minutes
Limited activity – downloads

Interest in using Cantillon as a tool for entrepreneurs continues to grow with SmartZones at TechTown, Battle Creek Unlimited incubator, and the OUIIncubator looking to contract for licenses. Jackson Community College, Kettering University, Saginaw Valley State, and Northern Lakes Regional ED are evaluating the product. Professors at U of M and EMU are piloting the use of the product as part of their class syllabus.

Other

In a separate proposal is a plan for the maintenance, enhancement and ongoing operation of Cantillon.

Lastly, there is a separate proposal from Ann Arbor Angels which we support. The revival of this Angel network is vital for the long term success of our efforts to accelerate companies. With limited capital investment available to young companies it is more important than ever in today's economic climate to have a robust source of capital.

Ann Arbor-Ypsilanti SmartZone
Local Development Finance Authority

Ann Arbor SPARK

Quarterly Report

October 1, 2008 through December 31, 2008

Addendum

SPARK Central Incubator

Total number of Full Tenants (those in a cubicle with secure space and full privileges) totaled five companies with five paid seats. Tenants are charged a license fee per seat, or person(s) using the space.

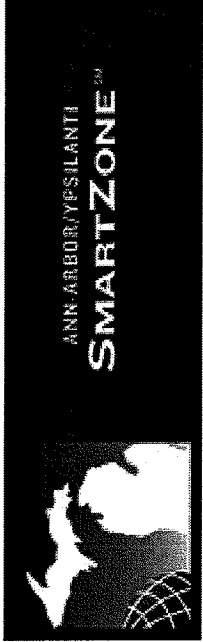
Full Tenants 7/1/08	# of Seats	Full Tenants 10/1/08	# of Seats	Full Tenants 12/31/08	# of Seats
Boomdash	3	Boomdash	3	Hygieia	1
UrTurn	1	Hygieia	1	Openworld	1
Vision Interface Solutions	1	Ruby Skills	1	Ruby Skills	1
		UrTurn	1	UrTurn	1
		Vision Interface Solutions	1	Vision Interface Solutions	1
TOTAL	5		7		5

Virtual Tenants (those without secure space and secondary access to conference rooms) doubled in the past six months. Virtual Tenants pay by person.

Virtual Tenants 7/1/08	Virtual Tenants 10/1/08	Virtual Tenants 12/31/08
Daixo	Daixo	Boomdash
Eipon Learning	Eipon Learning	Daixo
GTI Risk Management	GTI Risk Management	Eipon Learning
Hygieia	Jenco Industries	GTI Risk Management
Jenco Industries	Locomatix	Jenco Industries
Locomatix	Mobatech	Locomatix
Mobatech	Monarch Antenna	Mobatech
Monarch Antenna	Vision Solution International	Monarch Antenna
Next Media Solutions		Vision Solution International
Vision Solution International		
Wizrad		

The following report shows the activity of incubator interest the past quarter.

Company	Description	Incubator Type	Start Date	End Date	Status
Project Freestyle	Web 2.0 community for soccer players	Tenant			Waiting for Funding
Sungrace Software	Engineering, 3-D design, software consulting	Tenant			Waiting for Funding
Eipon Learning	SaaS company using proprietary digital recording technology to aid in language learning	Tenant			Virtual looking to move to Tenant
Chrysalis Ventures	leading source of equity capital for young growth companies in the under-ventured Midwest and South	Tenant			Looking for office for Ann Arbor presence
SimuQuest	Hand coded software for embedded systems	Tenant (3/4)			Arranging tour of facility early 2009
Fifty Sense	Website gateway to active lifestyle information for baby boomers	Virtual			Waiting to see if company will move forward



FINANCIAL SUMMARY

as of December 31, 2008

Smart Zone LDFA
DELIVERABLES
as of December 31, 2008

	<u>ACTUAL</u> Q1	<u>ACTUAL</u> Q2	<u>FORECAST</u> Q3	<u>FORECAST</u> Q4	<u>FORECAST</u> Full Year
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Phase II (Due Diligence)		\$100/hr			
<u>Number of Clients</u>					
Actual/Forecast	23	17	30	30	100
Budget/Proposed	11	11	11	11	44
Actual Over/(Under) Target	12	6	19	19	56
<u>Hours per Client (Avg)</u>					
Actual/Forecast	2.9	2.5	2.5	2.5	2.6
Budget/Proposed	10.0	10.0	10.0	10.0	10.0
Actual Over/(Under) Target	(7.1)	(7.5)	(7.5)	(7.5)	(7.4)
Memo: Total Phase II Hours	67	42	74	74	257

Phase III (Intensive Service)		\$100/hr			
<u>Number of New Clients</u>					
Actual/Forecast	13	13	22	23	71
Budget/Proposed	21	21	21	21	84
Actual Over/(Under) Target	(8)	(8)	1	2	(13)
<u>Hours per Client (Avg)</u>					
Actual/Forecast	30.2	47.6	47.6	47.6	43.2
Budget/Proposed	40.0	40.0	40.0	40.0	40.0
Actual Over/(Under) Target	(9.8)	7.6	7.6	7.6	3.2
Memo: Total Phase III Hours	392	618	1,046	1,094	3,151

SmartZone LDFA
FY 2008 FINANCIAL SUMMARY
as of December 31, 2008

VARIANCE
Explanation

	BUDGET				Forecast (Over)/Under Budget
	ACTUALS Q1	ACTUAL Q2	FORECAST Q3	FORECAST Q4	
INCOME STATEMENT					
Revenues:					
Tax Revenue	\$ 580,396	\$ 213,861	\$ 142,574	\$ 13,662	\$ 950,492
Miscellaneous	5,000	23,763	-	-	28,763
Investment Income	4,655	5,000	2,000	1,000	12,655
Total Revenues	\$ 590,051	\$ 242,623	\$ 144,574	\$ 14,662	\$ 950,492
					\$ 41,418
Expenditures:					
Contracted Services					
SPARK BA Direct Staffing	(39,252)	(39,252)	(39,244)	(39,244)	(157,000)
Phase II (Due Diligence)	(2,800)	(1,350)	(7,410)	(7,410)	(44,000)
Phase III (Intensive Service)	(39,040)	(61,825)	(104,627)	(109,383)	(334,000)
Bus. Network Events-Hosted	(2,312)	(3,679)	(4,800)	(4,800)	(19,200)
Bus. Network Events-Sponsorships	(831)	(1,250)	(10,000)	(6,000)	(24,000)
Entrepreneur Educ.-Bootcamp & Grants	(10,000)	-	(20,350)	(10,175)	(40,700)
Tuition Matching	-	(9,453)	(5,000)	(5,000)	(20,000)
Cantillon Web Based Education	(4,600)	(4,600)	(23,600)	(13,600)	(54,400)
Total Contracted Services	\$ (98,834)	\$ (121,409)	\$ (215,039)	\$ (195,612)	\$ (693,300)
					\$ 62,406
Other Projected Services					
Marketing - P/R, Print, Websites	(7,069)	(14,324)	(14,600)	(14,407)	(50,400)
Business Incubator	(26,487)	(43,443)	(35,000)	(35,000)	(120,420)
SPARK Accounting	(10,750)	(10,750)	(10,750)	(10,750)	(43,000)
Legal & Admin. Support	(17,293)	-	(4,000)	(6,208)	(27,500)
Other Contingency	-	-	-	-	-
Total Other Projected Services	\$ (61,599)	\$ (68,517)	\$ (64,350)	\$ (66,365)	\$ (241,320)
					\$ (19,510)
Total Expenditures	\$ (160,432)	\$ (189,926)	\$ (279,389)	\$ (261,976)	\$ (934,620)
					\$ 42,897
Net Increase/Decrease	\$ 429,619	\$ 52,697	\$ (134,815)	\$ (247,315)	\$ 15,872
					\$ 84,314
Memo:					
Fund Balance (6/30/2008)	\$ 176,240				
Fund Balance - Operations (Qtr End)	\$ 607,859	\$ 660,556	\$ 525,741	\$ 278,426	

Category	Detail	Fiscal Year		Billed		Measureable		\$ Amount
		Incurred		Qtr		Unit Descrip.	Number	
		Qtr	Year	Qtr	Year			
Legal & Admin. Support	July 08	1	2009	1	2009	Audit	1.00	\$ (12,360.00)
SPARK BA Direct Staffing	July 08	1	2009	1	2009	Direct Staff	1.00	\$ (13,084.00)
Phase II (Due Diligence)	July 08	1	2009	1	2009	Hours	20.00	\$ (2,000.00)
Phase III (Intensive Service)	July 09	1	2009	1	2009	Hours	140.55	\$ (14,055.00)
Business Incubator	July 08	1	2009	1	2009	Facility Exp	1.00	\$ (8,679.52)
SPARK Accounting	July 08	1	2009	1	2009	Acctg Svc	1.00	\$ (3,583.33)
SPARK BA Direct Staffing	Aug. 08	1	2009	1	2009	Direct Staff	1.00	\$ (13,084.00)
Phase II (Due Diligence)	Aug. 08	1	2009	1	2009	Hours	4.00	\$ (400.00)
Phase III (Intensive Service)	Aug. 08	1	2009	1	2009	Hours	174.15	\$ (17,415.00)
Business Incubator	Aug. 08	1	2009	1	2009	Facility Exp	1.00	\$ (10,466.98)
SPARK Accounting	Aug. 08	1	2009	1	2009	Acctg Svc	1.00	\$ (3,583.33)
Bus. Network Events-Sponsor:	Aug. 08	1	2009	1	2009	Events	1.00	\$ (268.00)
Bus. Network Events-Hosted	Aug. 08	1	2009	1	2009	Events	1.00	\$ (1,009.77)
Cantillon Web Based Educatio	Aug. 08	4	2008	1	2008	Dev Unit 10	1.00	\$ (12,000.00)
Cantillon Web Based Educatio	Aug. 08	4	2008	1	2008	Accr. 6/08	1.00	\$ 12,000.00
Legal & Admin. Support	Sept. 08	1	2009	1	2009	Audit	1.00	\$ (4,932.50)
SPARK BA Direct Staffing	Sept. 08	1	2009	1	2009	Direct Staff	1.00	\$ (13,084.00)
Phase II (Due Diligence)	Sept. 08	1	2009	1	2009	Hours	4.00	\$ (400.00)
Phase III (Intensive Service)	Sept. 08	1	2009	1	2009	Hours	75.70	\$ (7,570.00)
Business Incubator	Sept. 08	1	2009	1	2009	Facility Exp	1.00	\$ (7,340.25)
SPARK Accounting	Sept. 08	1	2009	1	2009	Acctg Svc	1.00	\$ (3,583.33)
Bus. Network Events-Sponsor:	Sept. 08	1	2009	1	2009	Events	1.00	\$ (562.86)
Bus. Network Events-Hosted	Sept. 08	1	2009	1	2009	Events	1.00	\$ (1,301.81)
Marketing - P/R, Print, Website	Sept. 08	1	2009	1	2009	Marketing	1.00	\$ (7,068.76)
Cantillon Web Based Educatio	Sept. 08	1	2009	1	2009	Cantillon	1.00	\$ (4,600.00)
Entrepreneur Educ.-Bootcamp	Sept. 08	1	2009	1	2009	Bootcamp	1.00	\$ (10,000.00)
SPARK BA Direct Staffing	Oct. 08	2	2009	2	2009	Direct Staff	1.00	\$ (13,084.00)
Phase II (Due Diligence)	Oct. 08	2	2009	2	2009	Hours	2.00	\$ (200.00)
Phase III (Intensive Service)	Oct. 08	2	2009	2	2009	Hours	136.00	\$ (13,600.00)
Business Incubator	Oct. 08	2	2009	2	2009	Facility Exp	1.00	\$ (15,091.95)
SPARK Accounting	Oct. 08	2	2009	2	2009	Acctg Svc	1.00	\$ (3,583.33)
Bus. Network Events-Hosted	Oct. 08	2	2009	2	2009	Events	1.00	\$ (1,733.95)
Marketing - P/R, Print, Website	Oct. 08	2	2009	2	2009	Marketing	1.00	\$ (4,212.57)
Tuition Matching	Oct. 08	2	2009	2	2009	Bootcamp Match	1.00	\$ (9,452.50)
Cantillon Web Based Educatio	Oct. 08	4	2008,09	2	2009	Dev Unit 6	1.00	\$ (12,000.00)
Cantillon Web Based Educatio	Oct. 08	4	2008	2	2008	Accr. 6/08	1.00	\$ 4,800.00
Cantillon Web Based Educatio	Oct. 08	2	2009	2	2009	Mentor List & Train	1.00	\$ (1,200.00)
SPARK BA Direct Staffing	Nov. 08	2	2009	2	2009	Direct Staff	1.00	\$ (13,084.00)
Phase II (Due Diligence)	Nov. 08	2	2009	2	2009	Hours	11.50	\$ (1,150.00)
Phase III (Intensive Service)	Nov. 08	2	2009	2	2009	Hours	201.50	\$ (20,150.00)
Business Incubator	Nov. 08	2	2009	2	2009	Facility Exp	1.00	\$ (12,512.14)
SPARK Accounting	Nov. 08	2	2009,1	2	2009,1	Acctg Svc	1.00	\$ (3,583.33)

Category	Detail	Fiscal Year		Billed		Measureable		\$ Amount
		Incurred		Qtr		Unit/Descrip.	Number	
		Qtr	Year	Qtr	Year			
Bus. Network Events-Hosted	Nov. 08	2	2009	2	2009	Events	1.00	\$ (845.75)
Marketing - P/R, Print, Website	Nov. 08	2	2009	2	2009	Marketing	1.00	\$ (6,002.81)
Cantillon Web Based Educatio	Nov. 08	2	2009	2	2009	Consult & Mentors	1.00	\$ (1,200.00)
SPARK BA Direct Staffing	Dec. 08	2	2009	2	2009	Direct Staff	1.00	\$ (13,084.00)
Phase III (Intensive Service)	Dec. 08	2	2009	2	2009	Hours	280.75	\$ (28,075.00)
Business Incubator	Dec. 08	2	2009	2	2009	Facility Exp	1.00	\$ (15,838.83)
SPARK Accounting	Dec. 08	2	2009	2	2009	Accting Svc	1.00	\$ (3,583.00)
Bus. Network Events-Sponsor	Dec. 08	2	2009	2	2009	Events	1.00	\$ (1,250.00)
Bus. Network Events-Hosted	Dec. 08	2	2009	2	2009	Events	1.00	\$ (1,099.55)
Marketing - P/R, Print, Website	Dec. 08	2	2009	2	2009	Marketing	1.00	\$ (4,109.00)
Cantillon Web Based Educatio	Dec. 08	2	2009	2	2009	Promo - Q Pymt	1.00	\$ (1,000.00)
Cantillon Web Based Educatio	Dec. 08	2	2009	2	2009	Consult & Mentors	1.00	\$ (1,200.00)



ANN ARBOR/YPSILANTI
SMARTZONE LDFA

2008 ANNUAL REPORT

For the period July 1, 2007 – June 30, 2008



2008 Board of Directors

(A) Mickey Katz-Pek, Chair	Term Expires: June 30, 2008
(A) Mike Korybalski, Vice Chair	Term Expires: June 30, 2011
(A) Robin Risser, Treasurer	Term Expires: June 30, 2009
(A) Michael Reid	Term Expires: June 30, 2009
(Y) Darryl Daniels	Term Expires: June 30, 2011
(A) Stephen Rapundalo	Term Expires: June 30, 2011
(Y) Richard King	Term Expires: June 30, 2009
(A) Tom Kinnear	Term Expires: June 30, 2008
(Y) Jonnie Bryant	Term Expires: June 30, 2008

Ex-Officio Board Members

Tom Crawford, Secretary
Roselyn Zator

Affiliation: City of Ann Arbor

Affiliation: MEDC

(A) Denotes City of Ann Arbor Appointee (Y) denotes City of Ypsilanti Appointee



Introduction

In 2001, the Michigan Economic Development Corporation (MEDC) created eleven separate SmartZones throughout the state, including Ann Arbor/Ypsilanti, for the purpose of highlighting Michigan's unique technology business opportunities and promoting job creation. The foundational documents for the Ann Arbor/Ypsilanti SmartZone included 1.) An initial SmartZone application to the MEDC, 2.) A Tax Increment Financing plan, and 3.) A Municipal Cooperation Agreement between the cities of Ann Arbor and Ypsilanti, and maintain a primary focus on developing and sustaining local "Business Accelerators" and "Business Incubators" as the vehicles through which services to emerging technology driven businesses are delivered.

The governing body, known as the Ann Arbor/Ypsilanti SmartZone Local Development Finance Authority (LDFA) consists of a nine-member board of directors of which six members are appointed by the Ann Arbor City Council and the Ypsilanti City Council appoints three members. The LDFA operates under a set of bylaws that were initially approved by the Ann Arbor and Ypsilanti City Councils. Proposed changes or amendments to the bylaws are adopted by the LDFA's Board of Directors and submitted to the Ann Arbor City and Ypsilanti City Councils for approval.

The LDFA provides local financing for the Ann Arbor/Ypsilanti SmartZone through a tax capture mechanism within a specific district. The geographic boundaries for the Ann Arbor/Ypsilanti SmartZone LDFA was defined as the combined DDAs of the two respective cities, and under the tax capture formula, tax levies eligible for capture include only those for which a prior claim had not been established by either DDA. The SmartZone captures up to one-half of the school operating and state education taxes within the Ann Arbor portion of the district, and is based on the increase in taxable value due to new development and appreciation above the base year of 2002. Presently, TIF revenue is generated only within the geographic boundaries of the Ann Arbor DDA.

Summary of Fiscal Year Operations

Through contracts with qualified service providers, the Ann Arbor/Ypsilanti SmartZone LDFA funded Business Accelerator activities to work with emerging technology based businesses, identifying those that have the greatest potential for commercialization, rapid growth, and ultimately the ability to promote job development within the SmartZone district. The Business Accelerator provides entrepreneurs and their emerging technology businesses with educational and networking services, assistance in market definition, business plan development, and exploring financing alternatives.

During the July 1, 2007 – June 30, 2008 period, the Ann Arbor/Ypsilanti SmartZone LDFA Board met twelve times. Among the issues deliberated by the Board of Directors were development of the annual budget, scope of work and performance metrics for contracted services, strategic and long range planning, and amendments to the LDFA By-laws.



The Ann Arbor/Ypsilanti SmartZone LDFA has no employees and conducted all operations through negotiated service contracts. To this end, The Ann Arbor/Ypsilanti SmartZone LDFA entered into Agreements with Ann Arbor SPARK for the July 1, 2007 – June 30, 2008 fiscal year with five measurable goals. Table 1 summarizes the actual results delivered versus the goals and objectives established in the scope of work:

Table 1

Service	Goals & Targets	FY 2008 Results
<p>Entrepreneurs Boot Camp</p> <p>Contracted with Ann Arbor SPARK to develop curriculum and organize a professional panel of qualified experts sufficient to conduct two intensive multi-day workshops for early stage entrepreneurs. LDFA to provide \$10,000 base support per session and up to \$10,000 per session to match participant tuition payments.</p>	<p>Conduct 2 Boot Camp sessions with minimum of 8 qualified companies per session.</p>	<p>November 1 & 2, 2007 15 companies participated</p> <p>April 24 & 25, 2008 15 companies participated</p> <p>Cost of Service provided: \$40,000</p>
<p>Cantillon Education Series</p> <p>Contracted with Ann Arbor SPARK to Develop three modules of a planned ten module web-based, interactive, high-tech entrepreneurship curriculum. Each module will integrate Michigan-specific training and case studies and utilize an open source model. The complete curriculum shall take an entrepreneur through critical elements of defining and refining his/her business vision, testing its feasibility, incorporating micro deliverables for the entrepreneur to complete, and be reviewed and critiqued by an assigned mentor.</p>	<p>Create 4 new modules:</p> <p>Unit 1: Technology Commercialization</p> <p>Unit 5: Management Team</p> <p>Unit 7: Growing Sales: Systematic Selling</p> <p>Unit 10: Entrepreneurial Firm Lifecycle</p>	<p>4 of 5 planned new modules were created and launched; one was delayed due to speaker scheduling and is currently 85% complete. Usage report on the first 2 modules:</p> <ul style="list-style-type: none"> • In total, there have been almost 1,000 registrations, with about one-third of those being completed. • 68 mentors have received training; 12 of those are fully trained in the use of the tool <p>Cost of Service provided: \$70,875</p>
<p>Business Networking Events</p> <p>Contracted with Ann Arbor SPARK to host or sponsor events for entrepreneurs to learn about building a technology business, recruiting and retaining people, raising capital, writing a business plan, protecting IP, and finding partners/customers.</p>	<p>50 events with majority of attendees defined as 'Entrepreneurs'</p>	<p>Sponsorship reimbursement for 50 events was provided. Many events were in held collaboration with partnering organizations like GLEQ, SBTDC and U of M.</p> <p>SPARK reports 2,675 people attended these events with 1,512 identifying themselves as 'entrepreneurs' (57%).</p> <p>Cost of Service provided: \$25,000</p>



Business Accelerator Services		
Contracted with Ann Arbor SPARK		
<p>Phase I defined as: The initial contact and screening phase to understand and assess the business and technology proposition and determine if advancement to a Phase II engagement is warranted. This includes (a) review/screen for general programmatic fit, (b) solicit reviews from advisors/consultants for high level reaction, (c) referral to Phase II or other programs or outside resources. Phase I normally averages two hours per company.</p>	120 new engagements in fiscal year	164 companies/business ideas received Phase I services in the fiscal year. Cost of Service Provided: \$30,188
<p>Phase II defined as: Due diligence evaluation of prospective client firms to determine if the business is capable and/or ready for substantial investment for business plan and consulting assistance in Phase III. This includes (a) review for qualification of opportunity attractiveness, (b) opportunity and issue assessment, (c) scope of engagement for Phase III, (d) feedback to client from assessment, and (e) identification of criteria required for reconsideration. Phase II normally averages 10 hours per company.</p>	72 new engagements in fiscal year	95 companies received Phase II services in the fiscal year. Some of the companies served were existing BA clients from prior years or were referred from Phase I engagements. Cost of Service Provided: \$37,994
<p>Phase III defined as: Substantial investment for business development to advance client firms beyond the startup phase to the seed stage. This includes but is not limited to: (a) development or refinement of a plan, schedule, and budget for achievement of high value milestone(s), (b) addressing a strategic issue, (c) implementation of a milestone plan, (d) advancing the client on 1-3 strategic fronts, and (e) development of an extended plan at the end of the engagement. Phase III normally averages 40 hours per company.</p>	33 new engagements in fiscal year	97 companies received Phase III services in the fiscal year. Some of the companies served were existing BA clients from prior years or were referred from Phase II engagements. Cost of Service Provided: \$342,498

Of the 79 Business Accelerator companies Ann Arbor SPARK identified as providing new opportunities for success this fiscal year, the following metrics are noteworthy[§].

- 266 Full Time Equivalent jobs exist today
- At least 35 new jobs were added this year
- \$4,991,500 of grants were awarded to 9 companies
- \$28,906,500 in private equity was raised by 14 companies (the largest recipient accounted for \$18 million of this amount)
- University of Michigan technology is driving 6 companies

[§]Source: Ann Arbor SPARK



Statement of Operations

INCOME STATEMENT

	<u>FY 2008</u>	<u>FY 2008</u>	<u>FY 2008</u>	<u>FY 2009</u>
	<u>Actual</u>	<u>Adopted</u>	<u>Variance</u>	<u>Adopted</u>
	(\$)	Budget	(Over)/Under	Budget
				(\$)
Revenues:				
Tax Revenue	\$ 728,730	\$ 770,000	\$ (41,270)	\$ 950,492
Use of Prior Year Fund Balance	121,231	297,000	\$ (175,769)	- **
Investment Income	22,875	-	22,875	-
Total Revenues	<u>\$ 872,836</u>	<u>\$ 1,067,000</u>	<u>\$ (194,164)</u>	<u>\$ 950,492</u>
Expenditures:				
Contracted Services	\$ 535,679	\$ 410,000	\$ (125,679)	\$ 681,900
Other Services	\$ 331,352	416,080	84,728 *	225,220
Undesignated Contingency	-	221,920	221,920	-
Administrative Expense	5,805	19,000	13,195	27,500
Total Expenditures	<u>\$ 872,836</u>	<u>\$ 1,067,000</u>	<u>\$ 194,164</u>	<u>\$ 934,620</u>
Net Increase/(Decrease)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,872</u>

Memo:

° *The positive divergence in "Other Services" resulted from the Business Incubator budgeted amount of \$250,580 and actual expenditure of \$190,373 due to the delayed opening and lower than projected expense.

° **Actual Fund Balance at Fiscal Year End **\$178,240**.



Statement of Operations (continued) Detail of Expenditures

Smart Zone LDFA INCOME STATEMENT AND STATEMENT OF CHANGES IN FUND BALANCE

	FY 2008	FY 2009
	Actual	Projected Expenditures
	(\$)	(\$)
Expenditures:		
Business Accelerator	410,680	578,000
Business Incubator	190,373	120,420
Boot Camp	40,000	60,700
Marketing	70,104	50,400
Collaboration Networking	60,000	-
Networking Events	25,000	43,200
Cantillon Web Site Development	70,875	54,400
Legal & Administrative Support	5,804	27,500
Total Expenditures	\$ 872,836	\$ 934,620



**MINUTES – REGULAR BOARD MEETING
March 17, 2009**

Ann Arbor-Ypsilanti SmartZone Local Development Finance Authority

**SPARK Central Incubator
330 E. Liberty Street, Ann Arbor, MI 48104**

Members Present: Richard King, Rob Risser, Stephen Rapundalo, Theresa Carroll, Mark Maynard, Darryl Daniels, Richard Beedon (by telephone), Tom Crawford-Ex-officio, Roselyn Zator-Ex-officio

Members Excused: Lisa Kurek, Michael Korybalski

Others Present: Greg Fronizer-SPARK, Elizabeth Parkinson-SPARK, Skip Simms-SPARK, Kurt Riegger-SPARK, Sandi Bird-City of Ann Arbor-Finance

CALL TO ORDER:

King called the meeting to order at 8:17am. A quorum was present.

APPROVAL OF THE AGENDA:

Risser moved, seconded by Daniels, to approve the Agenda for this meeting in the form presented at this meeting, as amended per discussion. Motion approved unanimously.

MOTIONS & RESOLUTIONS:

1. Minutes of the January 27, 1009 Board Meeting:

Risser moved, seconded by Daniels, to approve the Minutes of the January 27, 2009 board meeting in the form presented at this meeting, as amended per discussion. Motion approved unanimously.

CHAIR'S REPORT:

Risser moved, seconded by Carroll to change the April 28, 2009 regular board meeting time to 7:30am – 12:00pm, location: SPARK Central Incubator. Motion approved unanimously.

PUBLIC COMMENT:

None.

REPORT FROM SERVICE PROVIDERS:

1. Contract/Budget Committee:

Sponsorships:

The committee approved the sponsorship for Growth Capital Symposium and did not approve the sponsorship for the Bio conference in Atlanta.

Phase III Intensive Services:

Daniels moved, seconded by Maynard to accept SPARK's recommendation to amend the Agreement between the LDFA and Ann Arbor SPARK, dated June 30, 2008 and effective as of July 1, 2008, Attachment A, Section 3.1.2 and approval subject to the confirmation the language is within the boundaries of the LDFA Agreements. The SPARK recommendation is as follows:

"For Phase II and III services, Contractor shall be reimbursed on a monthly basis at the rate of \$100/hour for each client served by a subcontractor. Add "Contractor shall be reimbursed also for the other company needs per the intent of Section 1.1.4 at reasonable levels. Additional milestone based on expenditures may include:

- Legal assistance for IP protection work to \$250/hour
- Fixed price services for studies and reports to 90% of actual cost
- Marketing efforts including travel related costs and materials to 75% of cost
- Costs of other reasonable milestone based needs 50% of actual costs

Contractor shall have an Advisory Board it will consult for services and engagements that exceed \$10,000."

Yes: Daniels, Maynard, Beedon, King, Carroll

No: Risser, Rapundalo

Motion carried.

REPORT FROM SERVICE PROVIDERS:

1. Ann Arbor SPARK FY 2009 Entrepreneurial Plan:

Postponed until the next meeting.

2. Ann Arbor SPARK FY 2009 Cantillon Maintenance Plan:

Risser moved, seconded by Daniels to form a committee to examine Cantillon with the following members:

Kurek
Maynard
Beedon
Crawford

Motion approved unanimously.

3. Microphones Acquisition:

Risser moved, seconded by Rapundalo to approve the Tel Systems bid for purchase of microphones, not to exceed \$10,768 and expend from the Business Incubator-Shared Equipment budget line item. Motion approved unanimously.

4. Proposed FY 2010 Budget:

Discussion ensued regarding Contractor portion of LDFA budget. The Contract/Budget Committee will meet within two weeks to finalize LDFA budget.

OTHER BUSINESS:

King recommended to hold a special board meeting to finalize the recommended budget on April 2, 2009, 8:00am – 9:00am, location: SPARK Central Incubator

MOTION TO ADJOURN:

Risser moved, seconded by Daniels, to adjourn the meeting at 10:30am. Motion approved unanimously.

Respectfully Submitted,

Tom Crawford, Recording Secretary



**MINUTES – SPECIAL BOARD MEETING
April 2, 2009**

Ann Arbor-Ypsilanti SmartZone Local Development Finance Authority

**SPARK Central Incubator
330 E. Liberty Street, Ann Arbor, MI 48104**

Members Present: Richard King, Lisa Kurek, Stephen Rapundalo, Theresa Carroll, Mark Maynard, Tom Crawford-Ex-officio, Roselyn Zator-Ex-officio

Members Excused: Rob Risser, Michael Korybalski, Darryl Daniels, Richard Beedon

Others Present: Greg Fronizer-SPARK, Skip Simms-SPARK, Kurt Riegger-SPARK, Sandi Bird-City of Ann Arbor-Finance, Jerry Lax-Bodman LLP

CALL TO ORDER:

King called the meeting to order at 8:08am. A quorum was present.

APPROVAL OF THE AGENDA:

Carroll moved, seconded by Maynard, to add the following to the Agenda for this meeting:

- Attorney review of the March 17, 2009 board resolution to amend the Agreement between the LDFA and Ann Arbor SPARK.
- Cantillon sub-committee report.

Motion approved unanimously.

OTHER BUSINESS:

- 1. Attorney review of the March 17, 2009 board resolution to amend the Agreement between the LDFA and Ann Arbor SPARK.**

LDFA Attorney, Jerry Lax, reviewed the following March 17, 2009 board resolution and provided the opinion it is not in violation of the LDFA Agreement with MEDC; therefore, allowing the LDFA to move forward with proposed amendment:

Daniels moved, seconded by Maynard to accept SPARK's recommendation to amend the Agreement between the LDFA and Ann Arbor SPARK, dated June 30, 2008 and effective as of July 1, 2008, Attachment A, Section 3.1.2 and approval subject to the confirmation the language is within the boundaries of the LDFA Agreements. The SPARK recommendation is as follows:

"For Phase II and III services, Contractor shall be reimbursed on a monthly basis at the rate of \$100/hour for each client served by a subcontractor. Add "Contractor shall be reimbursed also for the other company needs per the intent of Section 1.1.4 at reasonable levels. Additional milestone based on expenditures may include:

- *Legal assistance for IP protection work to \$250/hour*
- *Fixed price services for studies and reports to 90% of actual cost*
- *Marketing efforts including travel related costs and materials to 75% of cost*
- *Costs of other reasonable milestone based needs 50% of actual costs*

Contractor shall have an Advisory Board it will consult for services and engagements that exceed \$10,000.”

Yes: Daniels, Maynard, Beedon, King, Carroll

No: Risser, Rapundalo

Motion carried.

2. Approval of the FY 2009 LDFA Budget:

Carroll moved, seconded by Kurek to amend the following proposed budget items:

- a) Move \$15,000 from Micro Loan Program for Entrepreneurs to SPARK Central Incubator Operating Expenditure, and
- b) Rename Developmental Projects to LDFA Staff

and to approve the budget committee recommendation of the FY 2010 LDFA Budget in the form presented at this meeting with the amended changes as discussed and attached hereto and made a part thereof, and forward to the respective municipalities for their approval. Motion approved unanimously.

3. Ann Arbor SPARK FY 2009 Cantillon Maintenance Plan:

Maynard moved, seconded by Kurek to authorize for expenditure \$10,000 from Cantillon Web Based Education-Maintenance budget. Motion approved unanimously.

Note for the following resolution: A conflict of interest issue was raised, the matter was discussed and the Board determined there was no conflict of interest and decided to move forward.

Maynard moved, seconded by Kurek to authorize expenditure up to \$6,500 from the Cantillon Web Based Education – Development budget to obtain the usage data needed to evaluate Cantillon usage to date. Motion approved unanimously.

MOTION TO ADJOURN:

Maynard moved, seconded by Rapundalo, to adjourn the meeting at 9:41am. Motion approved unanimously.

Respectfully Submitted,

Tom Crawford, Recording Secretary

Ann Arbor/Ypsilanti SmartZone LDFA Recommended FY 2010 Budget

	Recommended FY 2010
REVENUES	
Tax Revenue	\$ 1,330,000
Miscellaneous Revenue	\$ -
Investment Income	\$ -
Total Revenue	\$ 1,330,000
 EXPENDITURES	
<u>Business Accelerator Support Services</u>	
Business Accelerator Support	\$ (200,000)
Phase II - Due Diligence	\$ (25,000)
Phase III - Intensive Service	\$ (275,000)
Sub-Total	\$ (500,000)
Micro Loan Program for Entrepreneurs	\$ (275,000)
Angel Investment Group Support	\$ (25,000)
<u>Business Networking</u>	
Hosted Events	\$ (20,000)
Sponsorships/Partnered Events/Trade Shows	\$ (20,000)
Sub-Total	\$ (40,000)
<u>Entrepreneur Education</u>	
Education Classes	\$ (25,000)
BC Unrestricted Operating Grants	\$ (20,000)
BCTuition Funding Match	\$ (20,000)
Sub-Total	\$ (65,000)
Cantillon Web Based Education	\$ (60,000)
SPARK Central Incubator Operating Exp	\$ (140,000)
Marketing	\$ (65,000)
Indirect Services	
SPARK Accounting	\$ (45,000)
Legal & Admin Support	\$ (65,000)
LDFA Staff	\$ (50,000)
Sub-Total	\$ (160,000)
Total Operating Expenditures	\$ (1,330,000)
 Net Increase/(Decrease)	\$ -
 RESERVES	
June 2008 Fund Balance	\$ 178,240
FY 2009 Projected Surplus	\$ 290,000
FYE 2009 Projected Fund Balance	\$ 468,240
FY 2020 Projected Surplus	\$ -
FYE 2010 Projected Fund Balance	\$ 468,240



**MINUTES – REGULAR BOARD MEETING
June 16, 2009**

Ann Arbor-Ypsilanti SmartZone Local Development Finance Authority

**Ann Arbor SPARK
201 S. Division Street, Suite 430, Ann Arbor, MI 48104**

Members Present: Richard King, Michael Korybalski, Stephen Rapundalo, Theresa Carroll, Mark Maynard, Darryl Daniels, Richard Beedon, Lisa Kurek, Skip Simms-Accelerator Ex-officio

Members Excused: Rob Risser, Tom Crawford-Ex-officio, Roselyn Zator-MEDC Ex-officio

Others Present: Mike Finney-SPARK, Greg Fronizer-SPARK, Elizabeth Parkinson-SPARK, Kurt Riegger-SPARK, Amy Cell-SPARK, Sandi Bird-City of Ann Arbor-Finance

CALL TO ORDER:

King called the meeting to order at 8:15am. A quorum was present.

APPROVAL OF THE AGENDA:

Maynard moved, seconded by Kurek, to approve the Agenda for this meeting in the form presented at this meeting, as amended per discussion. Motion approved unanimously.

MOTIONS & RESOLUTIONS:

1. Minutes of the April 28, 2009, Regular Board Meeting:

Korybalski moved, seconded by Beedon, to approve the Minutes of the April 28, 2009 regular board meeting in the form presented at this meeting. Motion approved unanimously.

OTHER BUSINESS:

1. Approval of the FY 2010 Final LDFA Budget

Daniels moved, seconded by Korybalski to approve the FY 2010 LDFA Budget in the form presented at this meeting, as amended on May 18, 2009 and June 15, 2009 by the City of Ann Arbor Council and attached hereto and made a part thereof. After discussion and consideration of the report, motion approved unanimously.

Next steps:

- a) Rapundalo to have the City of Ann Arbor – City Attorney's office provide the LDFA Board with written clarification of the specific questions and intent related to the marketing expenditure budget dollars and sponsorships set forth at the May 18, 2009 City of Ann Arbor Council meeting.

- b) Skip Simms to provide the LDFA board with a proposal from Ann Arbor SPARK outlining the planned use of funds for the FY 2010 marketing expenditure budget.

2. Update of FY 2009 LDFA Contract Committee:

Beedon moved, seconded by Maynard for the LDFA Board to authorize the Contract Committee to negotiate and execute a FY 2010 Agreement between the LDFA and Ann Arbor SPARK on behalf of the board, following the review by the LDFA attorney and a copy of the proposed agreement circulated to the board. Motion approved unanimously.

3. Committee Appointments – Nominating Recommendation:

Korybalski moved, seconded by Maynard to recommend Phil Tepley for the Ypsilanti representative to the LDFA board member appointment. Motion approved unanimously.

Kurek moved, seconded by Beedon to recommend Tim Petersen and/or Jan Garfinkle for the Ann Arbor representative to the LDFA board member appointment. Motion approved unanimously.

Beedon excused at 9:15 am

4. FY 2010 Administrative Agreement Between the LDFA and the City of Ann Arbor:

Daniels moved, seconded by Kurek for the LDFA Board to authorize the Contract Committee to negotiate and execute a FY 2010 Agreement between the LDFA and the City of Ann Arbor on behalf of the board, following the review by the LDFA attorney and a copy of the proposed agreement circulated to the board. Motion approved unanimously.

5. Report from Audit Committee – FY 2009 Interim Audit of Ann Arbor SPARK:

Daniels moved, seconded by Kurek to accept the draft report of the FY 2009 Interim Audit of Ann Arbor SPARK in the form presented at this meeting and attached hereto and made a part thereof. After discussion and consideration of the report, motion approved unanimously.

6. Report from Cantillon Committee:

Postponed until the next meeting.

7. Other:

The board recognized Richard King for his years of service on the LDFA Board and thanked him for his commitment/efforts, particularly in the past year, as the LDFA Board Chair.

The board recognized Rob Risser for his years of service on the LDFA Board and thanked him for his commitment/efforts as former Chair, Treasurer and Audit Committee member.

MOTION TO ADJOURN:

Daniels moved, seconded by Korybalski, to adjourn the meeting at 9:38 am. Motion approved unanimously.

Respectfully Submitted,

Sandi Bird, Recording Secretary for Tom Crawford