



**MINUTES – REGULAR BOARD MEETING
July 19, 2007**

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, Tom Kinnear, Mickey Katz-Pek, Jonnie Bryant, Richard King, Rob Risser, Stephen Rapundalo-Ex-officio

Members Excused: John Gawlas, Cindy Douglas-Ex-officio, Tom Crawford-Ex-officio

Others Present: Mike Finney-SPARK, Skip Simms-SPARK, Scott Olson-SPARK, Sandi Bird-City of Ann Arbor, Finance, Roselyn Zator-MEDC, Kurt Riegger-SPARK

CALL TO ORDER:

Reid called the meeting to order at 8:09am. A quorum was present.

APPROVAL OF THE AGENDA:

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

MOTIONS & RESOLUTIONS:

1. Minutes of the June 12, 2007 Board Meeting:

Korybalski moved, seconded by King, to approve the Minutes of the June 12, 2007 board meeting in the form presented at this meeting. Motion approved unanimously.

2. LDFA Financial Report – 4th Quarter Ended June 30, 2007:

Risser moved, seconded by Katz-Pek, to approve the LDFA financial report for the fourth quarter ended June 30, 2007 in the form presented at this meeting and attached hereto and made a part hereof. Reid noted that the report is a draft/preliminary report to the final annual report, pending transactions related to the payment of administrative services and legal services. After discussion and consideration of the report, motion approved unanimously.

3. Election of Officers:

Chair:

Korybalski moved, seconded by King, to nominate Mickey Katz-Pek as Chair. Motion approved unanimously.

Katz-Pek noted she will not be available four months during the year and requested her absences be treated as excused absences.

Vice Chair:

Risser moved, seconded by Katz-Pek, to nominate Mike Korybalski as Vice Chair. Motion approved unanimously.

Korybalski also noted he will not be available four months during the year and requested his absences be treated as excused absences.

Treasurer:

Korybalski moved, seconded by King, to nominate Rob Risser as Treasurer. Motion approved unanimously.

Ex-officios and Recording Secretary

Reid noted no change from FY 2007 to FY 2008

Next Steps: The Board requested that the contact list of Board members, officer positions and terms be updated for FY 2008 and distributed accordingly.

4. Approval of the FY 2008 Board Meeting Schedule:

Korybalski moved, seconded by King, to approve the FY 2008 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.

5. Payment of FY 2007 Secretarial/Administrative Services \$4,000:

Reid noted an invoice of \$4,000 to the City of Ann Arbor for the secretarial/administrative services rendered in FY 2007 was approved for payment by the Treasurer.

REPORTS FROM SERVICE PROVIDERS:

A: Ann Arbor SPARK: Business Accelerator Status Report

Risser moved, seconded by Kinnear, to accept the SPARK Business Accelerator Report for the quarter ended June 30, 2007 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.

Rapundalo was excused at 9:05am.

REPORTS FROM COMMITTEES:

A: LDFA Contract Committee: Status Report

Reid reported that the Contract Committee is meeting with intentions to finalize, within three weeks, the proposed Agreement between the LDFA and Ann Arbor SPARK for FY 2008.

King moved, seconded by Katz-Pek, to authorize the Contract Committee to execute an Agreement with SPARK for all items on the budget, with the exception of the Business Incubator, and that the Agreement is to be drafted by Jerry Lax of Bodman LLP. Motion approved unanimously.

Next Steps:

- A) The Board shall meet over the next 30 days to discuss the Business Incubator plan.
- B) Mike Finney is to deliver the SPARK Business Accelerator Operating Plan to the Board. The Operating Plan shall be reviewed for 1) the definitions of the elements related to each of the Phases and 2) the parameters which transfer clients off of LDFA funding.

Kinnear and Korybalski were excused at 9:59am.

B: LDFA Nominating Committee: Status Report

Reid noted that the LDFA Nominating Committee does not formally nominate LDFA board candidates. The role of this committee is to research possible candidates for the respective member municipalities to consider for appointment.

Discussion ensued regarding status of possible candidates, with updating by King.

OTHER REPORTS:

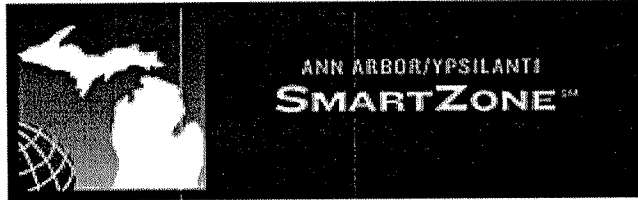
None

MOTION TO ADJOURN:

Katz-Pek moved, seconded by Risser, to adjourn the meeting at 10:02am. Motion approved unanimously.

Respectfully Submitted,

Sandi Bird, Recording Secretary for the Meeting



FINANCIAL SUMMARY

as of June 30, 2007 (Final)

Smart Zone LDFA
DELIVERABLES
as of June 30, 2007 (Final)

	ACTUAL				
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Full Year</u>
Phase I (Screenings)					
<u>Number of Clients</u>					
Actual/Forecast	22	52	96	40	210
Target Maximum	42	42	42	42	120
Actual Over/(Under) Target	(20)	10	54	(2)	90
<u>Hours per Client (Avg)</u>					
Actual/Forecast	0.6	1.0	1.1	1.0	0.9
Target Maximum	2.0	2.0	2.0	2.0	2.0
Actual Over/(Under) Target	(1.4)	(1.0)	(0.9)	(1.0)	(1.1)
Phase II (Due Diligence)					
<u>Number of Clients</u>					
Actual/Forecast	10	28	17	20	75
Target Maximum	17	17	17	17	50
Actual Over/(Under) Target	(7)	11	-	3	25
<u>Hours per Client (Avg)</u>					
Actual/Forecast	1.5	1.4	2.2	4.0	2.3
Target Maximum	5.0	5.0	5.0	5.0	5.0
Actual Over/(Under) Target	(3.5)	(3.6)	(2.9)	(1.0)	(2.7)
Phase III (Intensive Advising)					
<u>Number of New Clients</u>					
Actual/Forecast	2	29	50	25	106
Target Maximum	8	8	8	8	25
Actual Over/(Under) Target	(6)	21	42	17	81
<u>Billable Hours</u>					
Actual/Forecast	64.2	192.3	197.0	320.0	773.5
Target Maximum	320.0	320.0	320.0	320.0	1,000.0
Actual Over/(Under) Target	(255.8)	(127.7)	(123.0)	-	(226.5)
Sponsorships					
<u>Number of Events</u>					
Actual/Forecast	11	23	14.0	15	93
Target Maximum	15	15	15	15	40
Actual Over/(Under) Target	(4)	8	29	-	53

Smart Zone LDFA
FY 2007 FINANCIAL SUMMARY
as of June 30, 2007 (Final)

	ACTUALS					BUDGET		VARIANCE Explanation
	Q1	Q2	Q3	Q4	Full Year	Amount	Forecast Over/(Under) Budget	
INCOME STATEMENT								
Revenues:								
Tax Revenue	\$ 317,738	\$ 127,650	\$ 23,668	\$ 56,057	\$ 525,113	\$ 525,000	\$ 113	
Investment Income	1,862	5,647	5,198	5,055	17,762	-	17,762	
Total Revenues	\$ 319,600	\$ 133,297	\$ 28,866	\$ 61,112	\$ 542,875	\$ 525,000	\$ 17,875	
Expenditures:								
<u>Contracted Services</u>								
Contract Signing	\$ (22,350)	\$ -	\$ -	\$ -	\$ (22,350)	\$ (22,350)	\$ -	
Phase I (Screenings)	(1,674)	(6,737)	(13,871)	(10,119)	(32,401)	(32,400)	(1)	
Phase II (Due Diligence)	(1,964)	(5,387)	(10,665)	(15,734)	(33,750)	(33,750)	0	
Phase III (Intensive Advising)	(8,667)	(25,955)	(26,663)	(73,715)	(135,000)	(135,000)	0	
Boot Camp	-	(10,000)	(10,000)	-	(20,000)	(20,000)	-	
Tuition Matching	-	(9,950)	-	(10,000)	(19,950)	(20,000)	50	
Sponsorships	(5,500)	(7,500)	(7,000)	-	(20,000)	(20,000)	-	
Total Contracted Services	\$ (40,155)	\$ (65,528)	\$ (68,199)	\$ (109,568)	\$ (283,450)	\$ (283,500)	\$ 50	
<u>Other Projected Services</u>								
Entrepreneurial Education	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (90,000)	\$ 90,000	
Marketing	-	-	-	-	-	(52,000)	52,000	
Website Development	(12,000)	(17,500)	(12,000)	(12,000)	(53,500)	(35,000)	(18,500)	
Incubator Feasibility Study	-	-	-	(9,620)	(9,620)	(25,000)	15,380	
Legal & Admin. Support	(3,598)	(3,768)	-	(4,611)	(11,977)	(13,125)	1,148	
Audit Expense	-	-	-	-	-	(500)	500	
Other Contingency	-	-	-	-	-	(25,875)	25,875	
Total Other Projected Services	\$ (15,598)	\$ (21,268)	\$ (12,000)	\$ (26,231)	\$ (75,097)	\$ (241,500)	\$ 166,403	
Total Expenditures	\$ (55,753)	\$ (86,796)	\$ (80,199)	\$ (135,799)	\$ (358,547)	\$ (525,000)	\$ 166,453	
Net Increase/Decrease	\$ 263,846	\$ 46,501	\$ (51,333)	\$ (74,687)	\$ 184,328	\$ -	\$ 184,328	
Memo:								
Fund Balance (6/30/2006)	\$ 104,261							
Fund Balance (Qtr End)	\$ 368,107	\$ 414,608	\$ 363,276	\$ 288,589				

In Q4 hours were adjusted so totals did not exceed contracted amounts. Phase 1 hrs were over 36.5 hrs.; Phase 2 were under 16.5 hrs; and Phase 3 hrs were over 208 hrs.

Cannot bill Q4 since reached annual limit in first 3 quarters

Budget does not reflect amended contract for \$53,500+

Category	Detail	Fiscal Year		Billed Qtr	Unit Descrp.	Measureable	
		Incurred				Number	\$ Amount
		Month	Year				
Contract Signing	LDFA & SPARK	1	2006	1	Contract	1	\$ (22,350.00)
Legal & Admin. Support	Bodeman	1	2006	1	Hours	16.00	\$ (3,539.40)
Legal & Admin. Support	Katz-Pek	1	2006	2	Hours	0.19	\$ (58.76)
Legal & Admin. Support	Bodeman	2	2006	2	Hours	17.00	\$ (3,767.60)
Sponsorships	July-Sept. 06	1	2006	2	Events	11.00	\$ (5,500.00)
Boot Camp	Nov. 06	2	2006	2	Events	1.00	\$ (10,000.00)
Phase I (Screenings)	Jul 06	1	2006	2	Hours	1.00	\$ (135.00)
Phase II (Due Diligence)	Jul 06	1	2006	2	Hours	5.25	\$ (708.75)
Phase III (Intensive Advising)	Jul 06	1	2006	2	Hours	17.50	\$ (2,362.50)
Phase I (Screenings)	Aug. 06	1	2006	2	Hours	7.25	\$ (978.75)
Phase II (Due Diligence)	Aug. 06	1	2006	2	Hours	5.00	\$ (675.00)
Phase III (Intensive Advising)	Aug. 06	1	2006	2	Hours	20.25	\$ (2,733.75)
Phase I (Screenings)	Sept. 06	1	2006	2	Hours	4.15	\$ (560.25)
Phase II (Due Diligence)	Sept. 06	1	2006	2	Hours	4.30	\$ (580.50)
Phase III (Intensive Advising)	Sept. 06	1	2006	2	Hours	26.45	\$ (3,570.75)
Phase I (Screenings)	Oct. 06	2	2006	2	Hours	18.45	\$ (2,490.75)
Phase II (Due Diligence)	Oct. 06	2	2006	2	Hours	25.15	\$ (3,395.25)
Phase III (Intensive Advising)	Oct. 06	2	2006	2	Hours	43.00	\$ (5,805.00)
Phase I (Screenings)	Nov. 06	2	2006	3	Hours	16.45	\$ (2,220.75)
Phase II (Due Diligence)	Nov. 06	2	2006	3	Hours	9.00	\$ (1,215.00)
Phase III (Intensive Advising)	Nov. 06	2	2006	3	Hours	87.51	\$ (11,813.85)
Phase I (Screenings)	Dec. 06	2	2006	3	Hours	15.00	\$ (2,025.00)
Phase II (Due Diligence)	Dec. 06	2	2006	3	Hours	5.75	\$ (776.25)
Phase III (Intensive Advising)	Dec. 06	2	2006	3	Hours	61.75	\$ (8,336.25)
Tuition Matching	Nov. 06	2	2006	3	Companies	10.00	\$ (9,950.00)
Sponsorships	Dec. 06	2	2006	3	Events	15.00	\$ (7,500.00)
Website Development	Dec. 06	2	2006	3	Modules	1.00	\$ (13,000.00)
Website Development	Dec. 06	2	2006	3	Support	1.00	\$ (4,500.00)
Phase I (Screenings)	Jan. 07	3	2007	3	Hours	15.00	\$ (2,025.00)
Phase II (Due Diligence)	Jan. 07	3	2007	3	Hours	25.25	\$ (3,408.75)
Phase III (Intensive Advising)	Jan. 07	3	2007	3	Hours	54.25	\$ (7,323.75)
Website Development	Feb. 07	3	2007	3	Modules	1.00	\$ (12,000.00)
Phase I (Screenings)	Feb. 07	3	2007	3	Hours	54.00	\$ (7,290.00)
Phase II (Due Diligence)	Feb. 07	3	2007	3	Hours	23.25	\$ (3,138.75)
Phase III (Intensive Advising)	Feb. 07	3	2007	3	Hours	78.25	\$ (10,563.75)
Phase I (Screenings)	March 07	3	2007	3	Hours	33.75	\$ (4,556.25)
Phase II (Due Diligence)	March 07	3	2007	3	Hours	30.50	\$ (4,117.50)
Phase III (Intensive Advising)	March 07	3	2007	3	Hours	65.00	\$ (8,775.00)
Boot Camp	March 07	3	2007	4	Events	1.00	\$ (10,000.00)
Sponsorships	March 07	3	2007	3	Events	14.00	\$ (7,000.00)
Tuition Matching	April 07	4	2007	4	Companies	14.00	\$ (10,000.00)
Phase I (Screenings)	April 07	4	2007	4	Hours	27.25	\$ (3,678.75)
Phase II (Due Diligence)	April 07	4	2007	4	Hours	30.00	\$ (4,050.00)
Phase III (Intensive Advising)	April 07	4	2007	4	Hours	241.50	\$ (32,602.50)
Phase I (Screenings)	May 07	4	2007	4	Hours	30.25	\$ (4,083.75)
Phase II (Due Diligence)	May 07	4	2007	4	Hours	14.00	\$ (1,890.00)
Phase III (Intensive Advising)	May 07	4	2007	4	Hours	195.75	\$ (26,426.25)
Phase I (Screenings)	June 07	4	2007	4	Hours	53.75	\$ (7,256.25)
Phase II (Due Diligence)	June 07	4	2007	4	Hours	56.25	\$ (7,593.75)
Phase III (Intensive Advising)	June 07	4	2007	4	Hours	316.90	\$ (42,781.50)
Phase I (Screenings)	June 07	4	2007	4	Hours	(36.30)	\$ 4,900.00
Phase II (Due Diligence)	June 07	4	2007	4	Hours	16.30	\$ (2,200.15)
Phase III (Intensive Advising)	June 07	4	2007	4	Hours	(208.11)	\$ 28,095.00
Website Development	June 07	4	2007	4	Modules	1.00	\$ (12,000.00)
Incubator Feasibility Study	June 07	4	2007	4	Support	1.00	\$ (9,620.00)
Website Development	June 07	1	2007	4	Modules	1.00	\$ (12,000.00)

Category	Detail	Fiscal Year			Measureable		
		Incurred		Billed	Unit Descrip	Number	\$ Amount
		Month	Year	Qtr			
Legal & Admin. Support	June 07	4	2007	4	Admin	1.00	\$ (4,000.00)
Legal & Admin. Support	June 07	4	2007	4	Legal	1.00	\$ (552.40)
Legal & Admin. Support	June 07	4	2007	4	Legal	1.00	\$ (58.60)



LDFA QUARTERLY REPORT

April 1 - June 30, 2014

@annarborusa

Q 4 Progress Summary

<p>Outline Work Accomplished</p>	<p>190 Companies served Nearly 1,000 hours of support provided Finished 2 more units for Catalyst Wet Lab incubator open 10th Entrepreneurial Boot Camp – April 24-27, a Success Finish the 4th & 5th units for Catalyst</p>
<p>Work to be Accomplished</p>	
<p>Problem – Real or Anticipated</p>	<p>Exceeded contracted hours for Phase 2 in 3 engagements</p>
<p>Significant Deviation from Scope of Work</p>	<p>Major deviation in number of companies served and hours devoted to them in all 3 Phases of work</p>
<p>Relevant Aspects of Commercialization</p>	<p>All companies past and present in Phase 2 are growing 23 jobs added by Ann Arbor region companies</p>
<p>Financial Information in Connection with Scope of Work</p>	<p>Business Services for quarter \$99,500 Boot Camp on budget Incubator review completed under budget</p>

BOLD items are funded in total or partly by LDFA.

Business Accelerator Services

April 1 – June 30, 2007

Contract Metrics	Phase 1 : Screened Submissions or Referrals to SPARK	Phase 2: Due Diligence Review	Phase 3: Intensive Support
New Firms: Billable Hrs:	42 New Companies Max per Q 84 Total Hours Max per Q	17 New Companies Max per Q 85 Total Hours Max per Q	13 New Companies Max per Q 75 Total Hours Max per Q
New Client Firms in Phase	78 companies	43 companies	47 companies *Ten companies engaged with the Business Accelerator as Phase 3 clients this quarter and bypassed Phase 1 & 2.
Pre-Existing Client Firms in Phase	4 companies	15 companies	13 companies
Quarterly Program Results for Phase	(10) company advanced to Phase 2 and received Due Diligence Review this quarter.	(8) companies advanced to Phase 3 and received Intensive Support this quarter. Two of these companies were prior Boot Camp attendees.	(0) companies reached the cumulative maximum level of Phase 3 business accelerator services this quarter and graduated out of the program.
Total Companies	82 companies	58 companies	60 companies
Summary			
New Firms: Billable Hrs: Total Cost:	78 New Companies 112.75 Total Hours \$15,019	43 New Companies 98.5 Total Hours \$13,634	47 New Companies 755 Total Hours \$101,810

Entrepreneurs Boot Camp

April 26 & 27, 2007

- 15 Camper/Companies participating (Record)
 - 20 applicants (Record)
- Celebration May 10
 - OcuSciences won 'Best of Boot Camp'
 - Diagnostics for early Eye Disease
 - U of M technology
- Survey of Past Campers
 - Data collected
 - Report due in August

Business Network Events

15 Maximum per Quarter – 40 Maximum per Year (Reached last Quarter)

- 32 Programs/Events for Entrepreneurs at SPARK Central and other venues
 - 579 entrepreneurs – 60%
 - 965 total attendance
- Collaborators included
 - GLEQ
 - ITZone
 - Next Energy
 - Univ. of Michigan
 - NEF
 - Michigan Works
 - MichBio

Most Popular Events

- SPROUTS-Perspective on Medical Device Innovation
 - 30 Entrepreneurs
 - 37 Service Providers
- Google Analytics-Jeff Gillis
 - 33 Entrepreneurs
 - 32 Companies & Service Providers
- Mingle & Match-tech talent meet start-ups
 - 52 Entrepreneurs
 - 19 Service Providers
- SPARK/ITZone Merger program
 - 51 Entrepreneurs
 - 51 Service Providers

Online Entrepreneurial Education: Cantillon

Unit Development

'Marketing Strategy' and 'Entrepreneurial Finance' finished
'Management Team' taped and in production; scheduled for
release July 15

Usage

GLEQ paid for 100 entrepreneurs and mentors

GLEQ Mentor training to roll out state wide this summer.

UM Engineering and UM Ross School to use Fall 07

Survey Data from April 2007 Boot Camp

9 of 13 used

55% rated it Excellent - 88% 'Very Good' or 'Excellent'

7 of 9 felt it improved their summary

Legal

Agreements reviewed by Dykema. Minor changes suggested for
clarifications of 'pass-through' rights



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 2008 Meeting Schedule:

October 9, 2007	8:00am – 10:00am
January 15, 2008	8:00am – 10:00am
March 11, 2008	8:00am – 10:00am
April 15, 2008	8:00am – 10:00am
June 10, 2008	8:00am – 10:00am
July 15, 2008	8:00am – 10:00am

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.



**MINUTES – WORKING SESSION MEETING
July 24, 2007**

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, Mickey Katz-Pek, Richard King, Stephen Rapundalo-Ex-officio, Tom Crawford-Ex-officio

Members Excused: John Gawlas, Tom Kinnear, Jonnie Bryant, Rob Risser, Cindy Douglas-Ex-officio

Others Present: Mike Finney-SPARK, Scott Olson-SPARK, Sandi Bird-City of Ann Arbor, Finance, Roselyn Zator-MEDC, Kurt Riegger-SPARK

CALL TO ORDER:

Katz-Pek called the meeting to order at 8:35am.

WORKING SESSION DISCUSSION:

1. Liaison to the SPARK Board

Katz-Pek asked Korybalski, as the LDFA representative to SPARK's Board of Directors, if he would be willing to report information from the SPARK Board to the LDFA Board on a regular basis. Korybalski agreed.

2. Review of the TIF Plan (Handout)

Discussion ensued regarding an overview of the TIF Plan. The TIF District is the District Boundaries. Any proposed facilities should be within the TIF District to avoid amending the TIF Plan, which would also require approval from all of the TIF taxing entities (library, schools, etc.). Most other expenditures may be incurred within the City boundaries of the funding City.

LDFA may participate in the authorization, issuance, sale of notes or bonds, but would require an amendment to the TIF Plan. For the FYs 2009-2018, Crawford estimated total future revenue of \$16 mil. and a maximum bonding limit of \$12 mil.

3. LDFA Contract Committee: Status Report

Katz-Pek noted the FY 2008 Contract with SPARK will contain the same performance metrics with some modifications, but will consider moving towards using outcome measures in next

year's contract. Zator reported MEDC is currently working on the Michigan SmartZones outcomes expectations. Finney noted he would like to know the MEDC outcomes expectations considering the number of jobs generated with the resources available.

4. Incubator Support

All members were in favor of moving forward with the expending of the budgeted operating costs for the Business Incubator. However, prior to the FY 2008 Contract with SPARK, the Business Incubator Operating Plan should be completed. It was requested that SPARK provide a draft Operating Plan specifically addressing what portion of the renovation expenses could be moved to another facility if the existing lease is not extended past Sept. 2008. Finney noted there might be opportunities to negotiate a longer-term lease with some flexibility related to cancellation. Discussion ensued regarding any other funding sources available for capital/lease improvement assets (i.e. grants).

Korybalski was excused at 10:05am.

Next Steps:

- A) Finney (or Olson) is to deliver a draft Business Incubator Operating Plan to the Board.
- B) The Board is to meet within the next two weeks to review the Incubator Operating Plan and continue discussion on the Incubator capital cost support.

Meeting was adjourned at 10:20am.

Respectfully Submitted,

Tom Crawford, Recording Secretary



**MINUTES – SPECIAL BOARD MEETING
August 8, 2007**

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, Tom Kinnear, Mickey Katz-Pek, Richard King, Rob Risser

Members Excused: John Gawlas, Jonnie Bryant, Stephen Rapundalo-Ex-officio, Cindy Douglas-Ex-officio, Tom Crawford-Ex-officio

Others Present: Scott Olson-SPARK, Sandi Bird-City of Ann Arbor, Finance, Roselyn Zator-MEDC, Kurt Riegger-SPARK

CALL TO ORDER:

Katz-Pek called the meeting to order at 8:35am. A quorum was present.

MOTIONS & RESOLUTIONS:

1. Establishment of an Audit Committee:

Risser moved, seconded by Korybalski, to approve the establishment of an Audit Committee.

Katz-Pek recommended the following committee members for service in FY 2008:

Rob Risser – Committee Chair.	Risser accepted
Tom Kinnear – Committee Member.	Kinnear accepted.
Tom Crawford – Committee Member	

Motion approved unanimously.

2. Approval of Audit Report

Risser moved, seconded by Reid, to accept the report presented by the City of Ann Arbor to the Members of the SmartZone LDFA Board, dated July 16, 2007, for the review of the basic financial processes and reports and internal controls of the Business Accelerator Contractor, SPARK, in the form presented at this meeting, and attached hereto and made a part thereof.

Reid moved, seconded by Kinnear to amend the main motion striking recommendation #3 in the report that reads "The use of outcome based measures, rather than or in conjunction with, activity based measures for reimbursements is recommended for the future. However, this would only be feasible if the LDFA and SPARK are able to identify objectively measurable outcome-based metrics".

On a show of hands, the amendment was called for a vote.

Yes - (4): Reid, Risser, Kinnear, Korybalski

No - (2): Katz-Pek, King

Amendment approved.

The main motion as amended, was approved unanimously.

3. Business Incubator:

Olson presented a report (in draft form) - SPARK Incubator Network Guidebook to Operations.

Reid moved, seconded by Risser, for the LDFA to authorize expenditures up to \$165,580 for Business Incubator Services and to authorize the LDFA Contract Committee to execute an agreement with SPARK on behalf of the LDFA that specifies the terms and conditions of this expenditure. Consistent with certain elements contained in the adopted FY 2008 budget, this total expenditure shall include the following line items:

A. Lease Subsidy	\$76,800
B. Administration	\$41,400
C. Utilities	\$12,000
D. Maintenance	\$ 4,000
E. ISP	\$ 6,000
F. Advertising	\$ 9,000
G. Insurance	\$ 1,380
H. Shared Equipment Purchase	\$15,000

Motion approved unanimously.

MOTION TO ADJOURN:

Katz-Pek moved, seconded by Risser, to adjourn the meeting at 10:08am. Motion approved unanimously.

Respectfully Submitted,

Sandi Bird, Recording Secretary for the Meeting



Tom Crawford, Financial & Administrative Services Area
100 North Fifth Avenue, P.O. Box 8647, Ann Arbor, Michigan 48107

July 16, 2007

To the Members of the SmartZone LDFA Board
Ann Arbor, Michigan

On June 20, 2007, staff from the City of Ann Arbor reviewed the basic financial processes and reports and internal controls of the SmartZone LDFA Business Accelerator Contractor, SPARK, with assistance from the SPARK Staff, Skip Simms and Chris Westfall. In planning and performing our review, we considered SPARK's internal controls over financial reporting, a basic understanding of its cash flows, working capital, financial processes, financial software used for recording transactions, financial reporting capabilities and management oversight of the processes for expense allocations related to the invoices generated to the SmartZone LDFA.

We noted no significant/unusual transactions or processes, which would have a significant effect on the SmartZone LDFA Financial Statements; however, we have prepared some recommendations that are opportunities for SPARK to strengthen their internal control and operating efficiency.

SPARK Contract Compliance

Observations

The agreement between SPARK and the LDFA became effective July 1, 2006 and remains in effect for one year, plus an additional 60 days for provision of the required report. Attachment A of the agreement specifies the services (Business Accelerator, Entrepreneurs Boot Camp and Business Networking Events) for which the LDFA will reimburse SPARK, along with the rates and maximums reimbursements. SPARK appears to be in compliance with all provisions of its agreement with the LDFA.

Recommendations

1. The LDFA should establish an audit committee for the purpose of periodically reviewing the financial records and supporting documentation of SPARK.
2. The audit committee should continue to periodically review the agreement and billings for compliance.
3. ~~The use of outcome based measures, rather than or in conjunction with, activity based measures for reimbursements is recommended for the future. However, this would only be feasible if the LDFA and SPARK are able to identify objectively measurable outcome-based metrics.~~

SPARK Financial Structure

Observations

Revenues and expenditures are segregated and tracked separately by function. These functions serve as funds. These functions (funds) are SPARK Core (comprised of Business Accelerator and Business Development), Pre-seed Fund, and Wet Lab Incubator. LDFA monies are used exclusively in SPARK Core funding. The financial structure permits each fund to have their own reports and cash accounts.

Financial records are kept utilizing Quickbooks. Financial and managerial monthly reports are Excel based, and populated primarily by an export of data from Quickbooks. Cash forecasts are updated manually based on employee input. The Excel reports include:

- dashboard – high level summary report of activity and financial information
- detail – detail level breakdown by function
- waterfall - summary level forecasting model showing actual-to-date and forecasted amounts
- cash flows - detail level of current and projected cash flows

The April 30, 2007 monthly management and financial report is attached (**Attachment A**) as a sample.

SPARK utilizes modified accrual accounting for year-end reporting purposes, which is appropriate for a non-profit. Financial records are kept on a cash basis, and are adjusted to modified accrual at the end of the year by the auditors. The cash basis of accounting recognizes transactions or events when cash amounts are received or disbursed. Under the modified accrual basis revenues are recorded when they are measurable and available, and expenditures are recorded when they are incurred.

A copy of SPARK's organization chart is attached (**Attachment B**). It is noted that Chris Westfall is not included on the SPARK organization chart. Chris is an IT Zone employee, but performs accounting services for SPARK. It is anticipated that Chris will become a SPARK employee when SPARK merges with the IT Zone as planned next month. Chris, Tim and Laura have access to the financial system. They are planning to remove Laura's access. Quickbooks is on a server that is automatically backed up regularly.

Recommendations

4. SPARK appears to have established a thorough and systematic methodology for tracking their revenues and expenditures by function. Monthly reporting also appears to be quite adequate. No further recommendations are necessary with regard to interim financial reporting.
5. As with other small organizations, SPARK does not have a lot of separation between financial duties. As the organization grows, separation of duties, as they relate to financial internal control procedures should be kept as a priority.

SPARK Cash Flows/Working Capital

Observations

The cash flow reports, kept in Excel, are at a detail level for revenue and expenditures, and provide a daily detail that rolls up to weekly and monthly totals. Cash flow forecasts are updated every two weeks by the managers. The current cash flow forecast shows a significant dip in September and October. October projected cash flow is just barely positive, with a \$5600 positive balance. SPARK does have a \$100,000 line of credit with their bank, to help them deal with any potential negative cash flow issues.

Recommendations

6. Management is doing an excellent job in forecasting and managing cash flows. No further recommendations are necessary with regards to cash flow management or reporting.

SPARK Payroll

Observations

Payroll was contracted to Miller and Associates, PC. Employees are salaried and submit no timesheet for payroll purposes. Deviations from straight time, such as use of vacation, are conveyed to Mike Finny, either verbally or by email. Back up for these uses of accrued leave time is not required, nor kept. Leave accrual balances are tracked individually. On July 1, 2007, SPARK switched to processing payroll internally on Quickbooks. It was noted that accrued leave time would be now be accounted for on Quickbooks; but this was not verified. No review of the new internal payroll processing was performed.

Recommendations

7. Payroll timesheets for employees should be submitted and retained for the purpose of tracking billable time, non-billable time and paid time off (use of vacation accruals, etc.)

SPARK Invoicing to the LDFA

Observations

Although timekeeping is not maintained for payroll, monthly time allocation reports are prepared and submitted by employees. Scott, Amy, Skip and Mike all submit billable time. Only time spent working on a client is submitted. Some consultant time is also included. Time allocation data is entered in the timesheet function of Quickbooks. The LDFA is considered a customer, and each client is considered a job. Time allocation reports are signed by the person submitting the time. No supervisor signs off on the report. Clients do not sign off on time records. SPARK utilizes sign-in sheets at their networking events. Copies of sign-in sheets are not included with invoices.

Subsequent to visiting SPARK, confirmations were sent to a list of ten clients. Contact information was obtained from SPARK for the clients. Of the ten, randomly selected clients, eight have Ann Arbor mailing addresses. The remaining two

clients had originally stated intentions of locating within Ann Arbor, but one has subsequently chosen to locate within Oakland County. To date, five of the ten clients have positively confirmed that they did receive the services invoiced to the LDFA.

Recommendations

8. Invoices from SPARK to the LDFA should include a listing of time spent with clients by SPARK personnel and consultants. SPARK started sending this information with the revised April invoice.
9. Time submitted by SPARK for reimbursement by the LDFA should be verified and signed (or initialed) by someone at the appropriate level of authority (Mike Finney or his designee). The purpose of this verification is to assure the correctness of time being invoiced.
10. The audit committee should consider sending confirmation statements to a sampling of clients. This could be performed on an annual basis. The purpose of the confirmations would be to assure the clients are receiving the services for which the LDFA is being billed and the clients are located within the City of Ann Arbor.
11. The audit committee should periodically review a sampling of event sign in sheets. The purpose of the review would be to ascertain the level of participation in events paid for by the LDFA.

SPARK Customer Database

Observations

SPARK utilizes "Salesforce.com" customer relationship management system (CRM). This is an on-line database for tracking all client information. The Salesforce application is free for SPARK to use as a non-profit organization, for up to ten licenses. Salesforec.com is also used by Automation Alley and other SmartZones. Scott or Skip update client records whenever they have activity. The system tracks the name of the last person to change the record. There are over 1,000 records with currently 70 start-up clients in the system that are actively supported by the Business Accelerator or other SPARK services. Reports from the CRM are up-loaded into Excel. The CRM is a hosted application, which eliminates the need for SPARK to back up data files.

Recommendations

12. The use of the "Salesforce.com" CRM is sufficient for managing client information. However, some data was not complete in client records. It was indicated SPARK is addressing this by having interns update missing or incomplete information, during the summer of 2007.
13. The CRM could potentially be utilized for tracking of efforts, such as hours of consultation services and outcomes with clients. Over time this additional information could aid SPARK in understanding its levels of efforts vs. outcomes as they relate to specific clients or types of clients. This information could also be utilized for generating billing metrics information to the LDFA.

SPARK Conflict of Interest Policy

Observations

All board members and employees have signed the conflict of interest policy. These were not examined.

Recommendations

14. All signed conflict of interest policy statements should continue to be retained. New employees or board members should also be required to read and sign the conflict of interest policy.

Sincerely,

Tom Crawford, CFO
City of Ann Arbor



**MINUTES – SPECIAL BOARD MEETING
September 6, 2007**

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 Reid, Tom Kinnear, Mickey Katz-Pek, Richard King, Jonnie Bryant

Members Excused: John Gawlas, Stephen Rapundalo-Ex-officio, Cindy Douglas-Ex-officio,
Tom Crawford-Ex-officio, Michael Korybalski, Rob Risser

Others Present: Ken Bogan-City of Ann Arbor, Finance

CALL TO ORDER:

Katz-Pek called the meeting to order at 9:59am. A quorum was present.

MOTIONS & RESOLUTIONS:

1. Approval of SPARK contract, with attachments

Reid moved, seconded by King, to approve the SPARK contract, with attachments, in the form presented at this meeting, and attached hereto and made a part thereof.

Motion approved unanimously.

2. Approval of SPARK loan agreement (promissory note)

King moved, seconded by Kinnear, to accept the SPARK loan agreement as written in the promissory note, in the form presented at this meeting, and attached hereto and made a part thereof, for the purpose of funding working capital to insure economic development activities continue.

Reid moved, seconded by Kinnear, that the resolution be amended to approve the main motion, subject to the pending review by counsel, Jerry Lax, as to the legality of the SPARK loan agreement.

Motion approved unanimously.

Amendment approved.

The main motion as amended, was approved unanimously.

MOTION TO ADJOURN:

Katz-Pek moved, seconded by Reid, to adjourn the meeting at 10:28am. Motion approved unanimously.

Respectfully Submitted,

Ken Bogan, Recording Secretary for the Meeting

AGREEMENT

This Agreement is effective as of the 1st day of July, 2007, between the Ann Arbor/Ypsilanti SmartZone Local Development Finance Authority (hereinafter referred to as the "LDFA"), whose address is Guy C. Larcom, Jr. Municipal Building 5th Floor, 100 N. Fifth Avenue, Ann Arbor, MI 48104, and the Ann Arbor SPARK (hereinafter referred to as the "Contractor"), whose address is 330 E. Liberty, Ann Arbor, MI 48104. As used herein, the LDFA and the Contractor are sometimes collectively referred to as the "Parties."

Article I - Purpose

1.1. The purpose of this Agreement is to engage the Contractor to perform work in support of the Ann Arbor/Ypsilanti SmartZone, as described in the Scope of Work attached hereto as Attachment A and incorporated herein by this reference, (hereinafter referred to as the "Scope of Work"). The Scope of Work may be amended and/or supplemented by mutual agreement of the Parties, with such amendments or supplements to be included as separate Attachments.

Article II - Term and Funding

2.1. This contract covers the period July 1, 2007 - June 30, 2008 (hereinafter referred to as the "Project Service Term") plus an additional 60 days for provision of the report required by Section 3.3 (collectively hereinafter referred to as the "Contract Term").



2.2. The fees to be paid Contractor and the terms of payment are detailed more specifically in Attachment A and subsequent Attachments if any. Payment of any amount scheduled to be made other than at the outset of a work assignment shall be conditioned upon Contractor's prior submission of any report, and successful performance by Contractor of any work, required to be completed prior to the time said payment is scheduled to be made.

2.3. The Contractor shall be responsible for any cost overruns. No funds will be payable by the LDFA in respect of any costs additional to the costs detailed in the Scope of Work, unless the written approval of the LDFA has been secured in advance in accordance with Section 4.3 of this Agreement.

2.4. This Agreement does not obligate or commit the LDFA to approve requests for additional funds during or beyond the term of this Agreement.

2.5. The Parties acknowledge that this Agreement is subject to applicable local, state and federal laws, rules, and policies.

Article III - Scope of Work and Compliance Activities

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LDFA Contractor

3.1. The Contractor shall complete its work in accordance with the Scope of Work.

3.2. The Contractor shall provide to the LDFA written quarterly summaries of progress which outline the work accomplished during the applicable quarterly reporting period; work to be accomplished during the subsequent quarterly reporting period, except when reporting on the last quarter of the Project Service Term; problems, real or anticipated, which should be brought to the attention of the LDFA, and notification of any significant deviation from the Scope of Work, as well as all relevant aspects of commercialization, business services, outreach, investments and other information that may be requested by the LDFA. These summaries shall contain financial information sufficient to assure that LDFA funds are used only in connection with the Scope of Work.


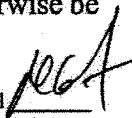
3.3. The Contractor shall provide a written Final Program Progress Report to the LDFA no later than thirty (30) days after the end of the Project Service Term, and shall provide an independent audit of its activities during the Project Service Term by the end of the Contract Term.

3.4. The LDFA may require the Contractor to produce receipts for cost(s) incurred and/or itemized accounts of expenditure. If the Contractor is required to produce receipts for cost(s) incurred, then this should take the form of receipted invoices. If the Contractor is required to produce an itemized account of expenditure, this should take the form of a printed list of each item of expenditure and the costs incurred, certified as an accurate record by a duly authorized representative of Contractor. The LDFA may, on a sample basis, seek further verification of individual transactions, in the form of a receipted invoice or equivalent evidence for that transaction.

3.5. Contractor shall maintain insurance adequate and reasonable to support its services under this Agreement, and as may otherwise be required by applicable federal, national, state and local laws and regulations, name LDFA as an additional insured on such policies and provide LDFA a certificate of insurance, evidencing the foregoing upon execution of this Agreement and from time to time as LDFA may request.

3.6.a. "New Inventions" means all ideas, inventions, discoveries and other intellectual property (including, but not limited to, those that are or may be patentable or subject to copyright, trademark or patent protection), and all improvements thereto and compilations and derivative works thereof, that Contractor makes, originates, conceives or reduces to practice (alone or with others) in connection with the Scope of Work or under the MEDC SmartZone Business Accelerator Grant #0264 (including, without limitation, website/web portal design, development and content), but does not include any rights in ideas, inventions, discoveries and improvements or other intellectual property licensed by Contractor from third parties.

3.6.b All New Inventions shall be the sole and exclusive property of the LDFA, and Contractor hereby assigns to the LDFA all rights therein, except as may otherwise be

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expressly agreed to by LDFA in writing. Contractor shall retain an irrevocable, perpetual, non-exclusive, royalty-free, worldwide, license to make, use, import, copy, distribute, modify, perform and display the New Inventions for purposes consistent with the Tax Increment Financing and Development Plan for the Ann Arbor/Ypsilanti SmartZone (the "TIF Plan").

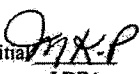

3.6.c. In order that the LDFA may protect its rights in the New Inventions, Contractor agrees to promptly disclose to the LDFA all New Inventions. Contractor will make adequate written records of all New Inventions, which records shall be LDFA's property; and, both during and after termination of Contractor's engagement with LDFA, Contractor will, without charge to LDFA but at LDFA's request and expense, sign all papers, including forms of assignment, and render any other proper assistance necessary or desirable to transfer or record the transfer to LDFA of Contractor's entire right, title and interest in and to the New Inventions, and for LDFA to obtain, maintain, defend and enforce patents, copyrights, trademarks, trade secrets and other protections thereon or with respect thereto (as the case may be) throughout the world.

3.6.d. Contractor grants LDFA an irrevocable, perpetual, non-exclusive, paid-up, royalty-free, worldwide, transferable license to make, use, sell, offer for sale, import, copy, distribute, modify, perform and display any ideas, inventions, discoveries or other intellectual property, and all improvements thereto and compilations and derivative works thereof, owned by Contractor to the extent required by the LDFA to exploit the deliverables or other work product provided as part of the Scope of Work or to fulfill the requirements of the Scope of Work or otherwise for purposes consistent with the TIF Plan.

3.6.e. Contractor hereby represents and warrants to LDFA that any employees performing services under the Scope of Work are obligated under the terms of their employment to transfer all right, title and interest in New Inventions to Contractor and that such employees will have no title, right or interest whether legal or beneficial in any New Inventions. Additionally, if Contractor hires subcontractors to provide services within the Scope of Work and such subcontractors receive a monetary fee for such services (other than non-material stipends), Contractor will ensure that under the terms of engagement of such subcontractors, all intellectual property rights in "Educational Materials" (as hereafter defined) arising out of or relating to the work done by such subcontractors will vest or will be caused to vest in the Contractor, and in turn in LDFA, as a New Invention, and that such subcontractors will have no right, title or interest, whether legal or beneficial, in any such intellectual property. "Educational Materials" means training, presentation, educational and/or informational materials, programs, methodologies, formulas, techniques, forms, templates and similar information developed or used for general or broad-based training, education or consulting under the Scope of Work.

Article IV – Investments

4.1 Neither Contractor nor its subcontractors shall invest LDFA funds,

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directly or indirectly, in client firms during the contract term, including but not limited to equity interest, options, warrants, or recourse or non-recourse debt.

4.2 Contractor may not condition the services it provides to clients under this Agreement on the opportunity for Contractor to make direct or indirect investments in said clients.

Article V - Administration

5.1 Notices. The Contractor shall communicate with all of the following designees at the address of record for the LDFA in connection with this Agreement:

Mickey Katz-Pek, Chairman

Robin Risser, Treasurer

Thomas Crawford, Secretary

The LDFA shall communicate with all of the following designees at the address of record for the Contractor in connection with this Agreement:

Michael A. Finney

Scott Olson

5.2. Amendment requests made by the Contractor must be submitted in writing to the LDFA by an authorized representative of the Contractor. Approval of amendment requests by the LDFA shall be in writing and signed by the LDFA.

Article VI - Breach and Termination

6.1. If the Contractor fails to comply with any provision of this Agreement, the LDFA shall have the option to suspend or restrict payments under this Agreement and shall notify Contractor of the same. Once notice has been sent to Contractor, Contractor agrees that it will not incur any further costs under the Scope of Work until notified in

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writing by the LDFA that the suspension or restriction has been terminated; provided however, that LDFA will allow funding under this Agreement for all necessary and proper Project costs which could not reasonably be avoided during the period of any suspension or restriction.

6.2. The LDFA may terminate this Agreement in whole or in part, at any time, if LDFA determines that Contractor has failed to comply with any provision of this Agreement or has engaged in fraudulent or reckless behavior, or willful misconduct. In such an event, the LDFA shall notify the Contractor of the termination. Should the LDFA terminate this Agreement because of the Contractor's fraud, recklessness, or willful misconduct, the Contractor shall return to the LDFA all funds received under this Agreement.

6.3. The LDFA and the Contractor may terminate this Agreement in whole or in part, by mutual agreement. In such event, the Parties shall agree upon the conditions of termination. In no event shall the Contractor incur further costs under the Scope of Work after the effective date of such agreement. The LDFA shall not be obligated to pay any further fees or costs under the Scope of Work for the terminated portion of this Agreement that are incurred by the Contractor after the effective date of such amendment. The Contractor shall use its best efforts to cancel as many outstanding obligations as possible in the event of termination.

6.4. LDFA may terminate this Agreement at any time effective upon 90 days prior written notice to Contractor.

Article VII – Effective Date and Miscellaneous Provisions



7.1. This Agreement shall be effective as of July 1, 2007.

7.2. Should any portion of this Agreement or the attached exhibits be declared void or unenforceable, the remaining portions shall remain in full force and effect.

7.3. The relationship between the LDFA and the Contractor is that of independent contractors. Neither of the Parties nor their respective agents or employees shall under any circumstances be deemed to be agents, representatives, or partners of the other party and neither of the Parties shall enter into any contract or commitment in the nature or on behalf of the other party.

7.4. This Agreement shall be governed and construed in accordance with the laws of the State of Michigan, and the Contractor consents to the exclusive jurisdiction of the state courts and federal courts located in Washtenaw County, Michigan for any controversy or cause arising out of or relating to this Agreement or the breach thereof, whether involving remedies at law or in equity.

7.5. The LDFA and the Contractor agree to perform any further acts to execute and deliver any further documents, which may be reasonably necessary to carry out the

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provisions of this Agreement.

7.6. The Contractor shall not assign, transfer, convey or otherwise dispose of any duties or rights under this Agreement without the prior specific written consent of the LDFA. Any future successors of the Contractor will be bound by the provisions of this Agreement unless the LDFA otherwise agrees in writing. The LDFA reserves the right to require the Contractor to replace subcontractors who are found to be unacceptable.

7.7. This Agreement, including its Attachments, sets forth the entire agreement between the Parties and supersedes any and all prior agreements or understandings between them in any way related to the subject matter hereof. It is further understood and agreed that the terms and conditions herein are contractual and are not a mere recital and that there are no other agreements, understandings, contracts, or representations between the Parties in any way related to the subject matter hereof, except as expressly stated herein.

7.8. The rights and remedies of the LDFA specified in this Agreement shall be in addition to all other rights and remedies available to the LDFA. Nothing contained in this Agreement shall be construed as a waiver of the LDFA's rights unless specifically and expressly agreed to in writing by the LDFA.

7.9. The Contractor shall maintain reasonable records in connection with the work performed pursuant to this Agreement, and shall allow access to those records by the LDFA or its authorized representatives.

7.10. This Agreement may be amended only upon written agreement by LDFA and Contractor.

7.11. This Agreement may be signed in counterpart. The counterparts taken together shall constitute a single agreement.

Signatures on the following page.

Each party hereto represents that it is duly authorized to enter into this Agreement and that its signatory below is duly authorized to sign this Agreement on its behalf.

CONTRACTOR ACCEPTANCE:

Ann Arbor SPARK

Dated: 9/4/07

By: Michael A. Finney
Michael A. Finney, President & CEO

LDFA ACCEPTANCE:

Ann Arbor/Ypsilanti SmartZone Local Development Finance Authority

Dated: Sept 4, 2007

By: Mickey Katz-Pek
Mickey Katz-Pek, Chairman
(Maulyn)
MKP

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LDFA Contractor

ATTACHMENT A

(As of July 1, 2007)

This ATTACHMENT A (the "Attachment") amends the Agreement dated 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 "Agreement") and supplements the Agreement to comprise additional Scope of Work. All capitalized terms not otherwise defined herein shall have the meanings set forth in the Agreement.

Contractor acknowledges the dual purpose and objective of the Business Accelerator and all related services, programs, and events is to promote local job creation among technology-based entrepreneurial and newly formed companies, and to expand the tax base within the geographic boundaries served by the Ann Arbor/Ypsilanti Local Development Finance Authority. The Service Area for the Ann Arbor/Ypsilanti Local Development Finance Authority is defined as the city limits of Ann Arbor, Michigan and Ypsilanti, Michigan, however direct expenditure of funds by the LDFA shall be limited to the geographic boundaries of the Ann Arbor portion of the LDFA. Client firms having their principal place of business outside the LDFA Service Area are not eligible recipients of LDFA funded services and activities. For very early stage companies where the principal place of business has not been established or is undeterminable, the requirement to locate the principal place of business within the LDFA Service Area can temporarily be satisfied by the client becoming a member of the Business Incubator.

For the period July 1, 2007 – June 30, 2008, Contractor shall provide the following services on the following terms:

1. Direct Services

1.1 Business Accelerator Services.

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 \$ 30,000.

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 \$ 90,000. 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;
- (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.

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 ~~X~~ client firm ^{EXAMPLES INCLUDE MIED} under either 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 \$165,000. Contractor and client for whom Phase III 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;
- (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.

1.1.4 Network Collaboration. An important activity associated with the creation of deal flow into the three Phases of the Business Accelerator program is the ongoing collaboration and networking between Contractor and partner entities that also engage with prospective client firms and serve as referral sources to the Business Accelerator. Contractor shall regularly meet with and attend the programs of these partner entities which may include: UM Tech Transfer and other universities, economic development organizations, MichBio, GLEQ, Michigan Small Tech Association, the New Enterprise Forum, NextEnergy, the Michigan Small Business and Technology Development Center, or other partner organizations the Contractor in its sole discretion deems appropriate to serve as referral sources for the Business Accelerator. The maximum fee shall be \$60,000.

1.2 Entrepreneurs Boot Camp

1.2.1 Contractor shall develop curriculum and organize a professional panel of qualified experts sufficient to conduct two intensive multi-day workshops for early stage entrepreneurs. Attendance at each of these workshops shall be limited to representatives of no more than

15 firms and no fewer than 8 firms. The maximum fee shall be \$40,000.

- (i) Contractor shall maintain, and provide to LDFA upon request, records identifying attendees, the location of their principal office, and the nature of their businesses.

1.3 Business Networking Events.

1.3.1 Contractor shall sponsor a series of educational and networking events for current and potential Business Accelerator clients along with vendors, service providers, consultants and advisors to be held within the geographic boundaries of the Ann Arbor/Ypsilanti SmartZone throughout the course of the contract period. The maximum fee shall be \$25,000.

- (i) On a "best efforts" basis, Contractor shall maintain records identifying attendees, the location of their principal office, the nature of their businesses, and classifying each as an entrepreneur or vendor.

1.4 Cantillon Entrepreneurial Education Series

1.4.1 Contractor shall develop, or cause to be developed, five (5) modules of a ten (10) or greater module web-based, interactive, high-tech entrepreneurship curriculum, currently referred to as 'Cantillon Entrepreneurial Education Series' ("Cantillon"). These modules 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 and testing its feasibility, incorporating microdeliverables for the entrepreneur to complete and have reviewed and critiqued by a mentor assigned by Contractor. The maximum fee shall be \$60,000.

1.4.2 Revenues, User Fees, License Fees and Royalty Payments. Contractor shall make every reasonable effort possible to promote, distribute, encourage the use of, and appropriately charge for the use of Cantillon Entrepreneurial Educational Series modules by third party consultants, and contractors within the SmartZone, Washtenaw County, and the State of Michigan. All gross revenues, user fees, license fees, and royalty payments whatsoever shall be promptly delivered to the LDFA for the express purpose of establishing a segregated reserve account to offset the costs of upgrades and maintenance to the Cantillon Entrepreneurial Educational Series in future periods.

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LDFA Contractor

1.4.3 Intellectual Property Rights. Notwithstanding anything to the contrary in Article III of the Agreement, and as to the work under this Attachment only, the Contractor shall retain rights or ownership to the entire right, title, and interest in any New Inventions developed or produced under or in connection with this Attachment to the Agreement, including, but not limited to, ideas, concepts, know-how, software, materials, methods, and devices ("Cantillon Inventions"), shall have the right to enter into license agreements covering Cantillon Inventions, and shall pass through to the LDFA all rights, titles and interests that are granted or provided to Contractor by licensors, suppliers, partners, co-developers, contractors and sub-contractors of Contractor. The Contractor grants to the LDFA a non-exclusive, paid-up, royalty-free, irrevocable, worldwide license to sublicense, make, use, sell, offer for sale, import, copy, distribute, modify, perform and display Cantillon Inventions for purposes consistent with the TIF Plan. The LDFA Board agrees to promptly notify the Contractor of any sublicenses to Cantillon Inventions. The rights and obligations in Section 3 of this Attachment and Article III of the Agreement shall survive cancellation or termination of the Agreement and/or this Attachment.

- (i) Contractor shall secure, maintain, defend and enforce reasonable trademark, and copyright protections for the Cantillon project in a manner consistent with and in compliance with Article III of the Agreement.
- (ii) Contractor shall make reasonable and good faith efforts to ensure that the Cantillon project can successfully be maintained and continued with the same or better quality, content and robustness in Contractor's absence or dissolution.
- (iii) These provisions shall not be construed as full or partial waiver of any rights or remedies available to the LDFA under the Agreement.

1.4.4 Contractor shall develop, train, coordinate, administer and maintain a list of qualified consultants and mentors that can be assigned to provide assistance to users of Cantillon. The maximum fee shall be \$5,000.

1.4.5 For companies with their principal place of business located in the geographical area serviced by the Ann Arbor/Ypsilanti SmartZone, Contractor may assign a qualified mentor or consultant to assist

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that company with the utilization of one or more Cantillon modules. The maximum fee shall be \$20,000.

1.5 Business Incubator

Qualifications for Business Incubator clients, including objective criteria for admission, the scope of services to be provided, and termination or exit criteria shall be established in a written plan of operations that has been formally adopted and approved by the Contractor's board or governing body prior to the start of Business Incubator operations or commencement of any payments by LDFA to Contractor for the Business Incubator. Contractor shall provide a copy of the approved operating plan (and any subsequent revisions) to the LDFA board at a regular or special board meeting of the LDFA.

- 1.5.1 Lease Subsidy. Contractor shall keep current with lease or sub-lease payments obligations on terms consistent with the original base lease agreement with First Martin Corp. for the purpose of providing a facility to house the Business Incubator at 330 East Liberty Street, Ann Arbor, MI 48104. Contractor shall be entitled to charge incubator clients reduced rents, access or membership privileges, on substantially identical terms for similar levels of service or membership. The maximum fee shall be \$76,800.
- 1.5.2 Administrative Support. Contractor shall provide or cause to be provided, administrative services that include management of all leases and sub-leases, membership or access privileges, accounts payable, accounts receivable, legal, building security,, negotiation of facility lease extensions (including leasehold improvements), and all business functions necessary to maintain day to day operations of the Business Incubator. Contractor may also provide or cause to be provided, scheduling of facility resources along with routine telephone answering and reception services for incubator clients, and to include these services as part of the standard agreement with Business Incubator clients without additional charge. The maximum fee shall be \$41,400.
- 1.5.3 Utilities and Taxes. Contractor shall provide or cause to be provided, electrical, water and sewer, and telephone utilities to the Business Incubator facility and its tenants. Contractor shall assume all liability for personal property taxes on equipment and leasehold improvements, special assessments, cause same to be paid to the appropriate taxing authorities on the date first due, and to include these services as part of the standard agreement with Business Incubator clients without additional charge. The maximum fee shall be \$12,000.

- 1.5.4 Maintenance. Contractor shall provide or cause to be provided, routine janitorial and maintenance of the facility comprising the Business Incubator and to include these services as part of the standard agreement with Business Incubator clients without additional charge. The maximum fee shall be \$4,000.
- 1.5.5 Internet Service Provider. Contractor shall provide or cause to be provided, high-speed internet connections and shared wireless internet access throughout the facility for all Business Incubator tenants and to include these services as part of the standard agreement with Business Incubator clients without additional charge. The maximum fee shall be \$6,000.
- 1.5.6 Advertising and Promotion. Contractor shall advertise and promote, at its sole discretion, through a variety of print, broadcast and electronic media, the availability of Business Incubator facilities along with a general description of the application process and admission criteria. The maximum fee shall be \$9,000.
- 1.5.7 Insurance. Contractor shall provide or cause to be provided, sufficient property, casualty, and liability insurance coverage necessary for operation of the Business Incubator and to include these coverages as part of the standard agreement with Business Incubator clients without additional charge. The maximum fee shall be \$1,380.
- 1.5.8 Shared Equipment Purchase. Contractor shall purchase or provide, the shared or non-shared standard business equipment needed to operate a Business Incubator including but not limited to telephone equipment and systems, scanners, fax machines, copiers, furniture and fixtures, cubicles, task and area lighting, teleconference equipment and to include exclusive and/or shared access to these resources as part of the standard agreement with Business Incubator clients without additional charge. The maximum fee shall be \$15,000.

2. Indirect Services

2.1 Marketing Services

- 2.1.1 Public Relations Plan. Contractor may submit for consideration to the LDFA, proposals for Public Relations initiatives that support, compliment or advance LDFA funded programs or objectives. Proposals submitted should include a project budget, description of project deliverables, and a description of the real or anticipated

benefit in association with specific LDFA activities and objectives. The maximum fee shall be \$30,000.

2.1.2 Collateral Materials Plan. Contractor may submit for consideration to the LDFA, proposals for Collateral Material initiatives that support, compliment or advance LDFA funded programs or objectives. Proposals submitted should include a project budget, description of project deliverables, and a description of the real or anticipated benefit in association with specific LDFA activities and objectives. The maximum fee shall be \$22,500.

2.1.3 Website Plan. Contractor may submit for consideration to the LDFA, proposals for Website improvements or initiatives that support, compliment or advance LDFA funded programs or objectives. Proposals submitted should include a project budget, description of project deliverables, and a description of the real or anticipated benefit in association with specific LDFA activities and objectives. The maximum fee shall be \$18,000.

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 each fiscal quarter that summarizes activities performed, the number of and types firms served, nature of services performed, amount of time expended, and a narrative that details how long range objectives of employment growth and expansion of the tax base are being served.

3.1 Business Accelerator Services. Contractor shall maintain accurate, complete, and contemporaneous records of services performed, identification of the service recipient or business purpose, location of the service recipient's principal place of business, date and duration of services, and the individual performing services on behalf of the Contractor. This detail need not be included on monthly invoices, provided each invoice bears a legend certifying the invoice conforms to the terms of the Agreement and all Attachments, is subject to audit and verification, and is signed and dated by one of the Contractor's authorized agents as listed in the Agreement. Invoices for work performed shall be submitted no more than 10 business days following the end of billing cycle as enumerated in Sections 3.1.1 through 3.1.4.

3.1.1 For Phase I services, Contractor shall be reimbursed on a monthly basis at the rate of \$125/hr for each client served.

3.1.2 For Phase II services, Contractor shall be reimbursed on a monthly basis at the rate of \$125/hr for each client served.

3.1.3 For Phase III services, Contractor shall be reimbursed on a monthly basis at the rate of \$125/hr for each client served.

3.1.4 For Network Collaboration services, a sum of \$60,000 shall be paid to Contractor in \$15,000 quarterly installments and in arrears to support these activities. To document the cause for this payment, Contractor shall submit a separate "Report on Network Collaboration" each quarter that provides a summary of the Network Collaboration activity that took place during the quarter including Contractor's staff members involved. Specific hourly time expenditures will not be required for this report.

The requirement to submit invoices within a 10-day period does not apply to the July 1-31, 2007 period and may be waived or modified in any subsequent period by the LDFA board for valid business reasons or extenuating circumstances.

3.2 Entrepreneurs Boot Camp

3.2.1 Contractor shall be reimbursed for up to two (2) Boot Camp sessions in the contract period, with \$10,000 to be paid 21 days prior to the date of the scheduled event.

3.2.2 LDFA shall provide to Contractor tuition match payments up to \$10,000 per session for qualified Boot Camp attendees having their principal place of business within the Ann Arbor/Ypsilanti SmartZone Service Area. Contractor shall maintain in its records copies of tuition checks evidencing eligibility for tuition match payments.

3.3 Networking Services.

3.3.1 Contractor will be reimbursed \$500 per networking event upon delivery by Contractor to LDFA of a certified invoice with supporting detail that provides the date and place of the event, the purpose of the event, and the approximate number of attendees. The number of reimbursable events per year shall not exceed 50 and the maximum per quarter shall not exceed 20.

3.4 Cantillon Entrepreneurial Education Series

3.4.1 Contractor shall be reimbursed \$12,000 upon completion of the module entitled "Technology Entrepreneurship" and delivery by Contractor to LDFA of an invoice with supporting detail.

- 3.4.2 Contractor shall be reimbursed \$12,000 upon completion of the module entitled "Business Model & Operating Metrics" and delivery by Contractor to LDFA of an invoice with supporting detail.
- 3.4.3 Contractor shall be reimbursed \$12,000 upon completion of the module entitled "Marketing and Sales" and delivery by Contractor to LDFA of an invoice with supporting detail.
- 3.4.4 Contractor shall be reimbursed \$12,000 upon completion of the module entitled "Leading the Entrepreneurial Venture to Success" and delivery by Contractor to LDFA of an invoice with supporting detail.
- 3.4.5 Contractor shall be reimbursed \$12,000 upon completion of the module entitled "Entrepreneurial Firm Lifecycle" and delivery by Contractor to LDFA of an invoice with supporting detail.
- 3.4.6 Contractor shall be paid \$1,250 at the end of each quarter to build, update, train and maintain a list of qualified consultants and mentors that can be assigned to assist and critique entrepreneurs completing individual modules of Cantillon. To document the cause for this payment, Contractor shall submit a quarterly report to the LDFA that summarizes the activity that took place during the quarter including Contractor's staff members involved, a list of consultants and mentors trained during the preceding period, and a current list of all consultants and mentors qualified to work with client firms. Specific hourly time expenditures will not be required for this report.
- 3.4.7 Contractor shall be reimbursed on a monthly basis for mentoring and consulting services provided to entrepreneurs in association with completion of individual modules of Cantillon at a rate of \$100/hr under the following conditions:
 - (i) Companies eligible for subsidized Cantillon mentoring must have their principal place of business within the Ann Arbor/Ypsilanti SmartZone geographic Service Area, and;
 - (ii) Reimbursed services may not duplicate, in whole or in part, Phase I, Phase II, or Phase III Business Accelerator services invoiced to the LDFA, and;
 - (iii) Utilization of one or more modules with assistance by a mentor assigned by Contractor shall not exceed \$1,000 per entrepreneurial entity.

3.5 Business Incubator. Subject to the submission of an approved operating plan as described in Section 1.5, beginning October 1, 2007 and monthly

Initial M.R.P. Initial [Signature]
LDFA Contractor

thereafter, contractor shall submit to the LDFA an invoice for the Business Incubator. The gross amount of this invoice shall not exceed \$18,397.77 per month and should include a line item accounting for each of the elements described in Sections 1.5.1 through 1.5.8. In no event shall the amount invoiced to the LDFA for any single line item exceed the amount actually expended. Contractor shall maintain copies of paid invoices and supporting documentation for all elements of the Business Incubator and agrees that these records are subject to independent audit and verification.

4. Payment of Fees for Indirect Services.

4.1 Marketing Services.

4.1.1 Public Relations Plan. Approval and acceptance of a Public Relations Plan as described in Section 2.1.1 shall be by resolution and require an affirmative vote by a majority of LDFA board members present at a regular or special meeting of the LDFA. Pursuant to the approved plan, Contractor shall submit invoices to the LDFA not to exceed a gross amount of \$30,000 for the July 1, 2007 – June 30, 2008 contract period. Contractor agrees to retain copies of all paid invoices and supporting documentation and further agrees these records are subject to independent audit and verification.

4.1.2 Collateral Materials Plan. Approval and acceptance of a Collateral Materials Plan as described in Section 2.1.2 shall be by resolution and require an affirmative vote by a majority of LDFA board members present at a regular or special meeting of the LDFA. Pursuant to the approved plan, Contractor shall submit invoices to the LDFA not to exceed a gross amount of \$22,500 for the July 1, 2007 – June 30, 2008 contract period. Contractor agrees to retain copies of all paid invoices and supporting documentation and further agrees these records are subject to independent audit and verification.

4.1.3 Website Plan. Approval and acceptance of a Website Plan as described in Section 2.1.3 shall be by resolution and require an affirmative vote by a majority of LDFA board members present at a regular or special meeting of the LDFA. Pursuant to the approved plan, Contractor shall submit invoices to the LDFA not to exceed a gross amount of \$18,000 for the July 1, 2007 – June 30, 2008 contract period. Contractor agrees to retain copies of all paid invoices and supporting documentation and further agrees these records are subject to independent audit and verification.

Signatures on the following page.

Initial OKP Initial RAF
LDFA Contractor

Agreed to and accepted this 4th day of September, 2007.

Authorized Agent for the LDFA:

By: Marilyn Katz-Pek
Marilyn Katz-Pek, LDFA Chair

Authorized Agent(s) for Contractor:

By: Michael A. Finney
Michael A. Finney

Promissory Installment Note

RECITATIONS:

Date: September 15, 2007

Borrower: Ann Arbor SPARK

Borrower's Address: 330 East Liberty Street
Ann Arbor, MI 48104

Lender: Ann Arbor / Ypsilanti Local Development Finance Authority
C/O Ann Arbor City Treasurer

Place for Payment: 150 N. Fifth Avenue
Ann Arbor, MI 48104

Principal Amount: Seventy Five Thousand Dollars (U.S. \$75,000)

Term: June 15, 2008

Monthly Payments: Ten Thousand Seven Hundred Fourteen Dollars and Twenty Nine Cents (U.S. \$10,714.29)

Interest Rate: Annual interest rate on matured, unpaid amounts shall be Zero Percent (0%).

For Value Received, Borrower promises to pay Lender under the following terms and conditions:

PAYMENT TERMS. This Note is due and payable as follows, to-wit: Seven (7) equal monthly payments of \$10,714.29 principal. The first such payment due and payable on the 15th day of December, 2007, and a like installment shall be due and payable on the same day of each succeeding month thereafter until the total principal of \$75,000 principal is paid in full. If each payment is not paid on time, the remaining balance will be subject to the maximum amount of interest permitted by the Laws of the State of Michigan.

BORROWER'S PRE-PAYMENT RIGHT. Borrower reserves the right to prepay this Note in whole or in part, prior to maturity, without penalty.

PLACE FOR PAYMENT. Borrower promises to pay to the order of Payee at the place for payment and according to the terms for payment the principal amount plus interest at the rates stated above. All unpaid amounts shall be due by the final scheduled payment date.


DEFAULT AND ACCELERATION CLAUSE. If Borrower defaults in the payment of this Note or in the performance of any obligation, and the default continues after Payee gives Borrower notice of the default and the time within which it must be cured, as may be required by law or written agreement, then Payee may declare the unpaid principal balance and earned interest on this Note immediately due. Borrower and each surety, endorser, and guarantor waive all demands for payment, presentation for payment, notices of intentions to accelerate maturity, notices of acceleration of maturity, protests, and notices of protest, to the extent permitted by law.

INTEREST ON PAST DUE INSTALLMENTS AND CHARGES. All past due installments of principal and/or interest and/or all other past-due incurred charges shall bear interest after maturity at the maximum amount of interest permitted by the Laws of the State of Michigan until paid. Failure by Borrower to remit any payment by the 1st business day following the date that such payment is due entitles the Payee hereof to declare the entire principal and accrued interest immediately due and payable. Payee's forbearance in enforcing a right or remedy as set forth herein shall not be deemed a waiver of said right or remedy for a subsequent cause, breach or default of the Borrower's obligations herein.

INTEREST. Interest on this debt evidenced by this Note shall not exceed the maximum amount of non-usurious interest that may be contracted for, taken, reserved, charged, or received under law; any interest in excess of the maximum shall be credited on the principal of the debt or, if that has been paid, refunded. On any acceleration or required or permitted prepayment, any such excess shall be canceled automatically as of the acceleration or prepayment or, if already paid, credited on the principal of the debt or, if the principal of the debt has been paid, refunded. This provision overrides other provisions in this instrument (and any other instruments) concerning this debt.

FORM OF PAYMENT. Any check, draft, Money Order, or other instrument given in payment of all or any portion hereof may be accepted by the holder and handled in collection in the customary manner, but the same shall not constitute payment hereunder or diminish any rights of the holder hereof except to the extent that actual cash proceeds of such instruments are unconditionally received by the payee and applied to this indebtedness in the manner elsewhere herein provided.

ATTORNEY'S FEES. If this Note is given to an attorney for collection or enforcement, or if suit is brought for collection or enforcement, or if it is collected or enforced through probate, bankruptcy, or other judicial proceeding, then Borrower shall pay Payee all costs of collection and enforcement, including reasonable attorney's fees and court costs in addition to other amounts due.

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Borrower

SEVERABILITY. If any provision of this Note or the application thereof shall, for any reason and to any extent, be invalid or unenforceable, neither the remainder of this Note nor the application of the provision to other persons, entities or circumstances shall be affected thereby, but instead shall be enforced to the maximum extent permitted by law.

BINDING EFFECT. The covenants, obligations and conditions herein contained shall be binding on and inure to the benefit of the heirs, legal representatives, and assigns of the parties hereto.

DESCRIPTIVE HEADINGS. The descriptive headings used herein are for convenience of reference only and they are not intended to have any effect whatsoever in determining the rights or obligations under this Note.

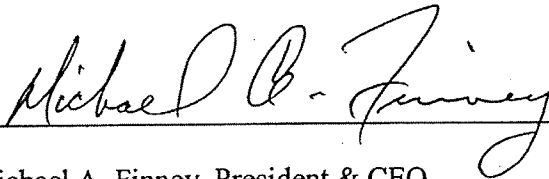
CONSTRUCTION. The pronouns used herein shall include, where appropriate, either gender or both, singular and plural.

GOVERNING LAW. This Note shall be governed, construed and interpreted by, through and under the Laws of the State of Michigan.

Borrower is responsible for all obligations represented by this Note. Signatory represents that he or she is duly authorized to enter into this agreement on behalf of Borrower and is duly authorized to sign this agreement on its behalf.

EXECUTED this ^{not} 10th day of September, 2007.

[Borrower's Signature:]



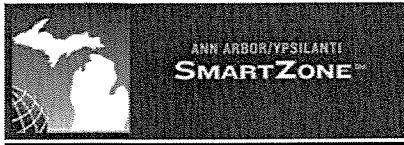
Michael A. Finney, President & CEO
Ann Arbor SPARK

[NOTARY]

On this ^{19th} day of September, 2007, before me Michael A. Finney, President and CEO of Ann Arbor SPARK, on behalf of Ann Arbor SPARK did execute this Promissory Note.



Mary Joan Fales, Notary Public
Monroe Co., Michigan
Acting in Washtenaw Co. Michigan
My Commission Expires October 7, 2008



**MINUTES – REGULAR BOARD MEETING
October 9, 2007**

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, Tom Kinnear, Richard King, Rob Risser, Darryl Daniels, Stephen Rapundalo-Ex-officio, Tom Crawford-Ex-officio

Members Excused: Mickey Katz-Pek, Jonnie Bryant, Cindy Douglas-Ex-officio

Others Present: Mike Finney-SPARK, Elizabeth Parkinson-SPARK, Scott Olson-SPARK, Sandi Bird-City of Ann Arbor, Finance, Roselyn Zator-MEDC, Kurt Riegger-SPARK

CALL TO ORDER:

Korybalski called the meeting to order at 8:04am. A quorum was present.

APPROVAL OF THE AGENDA:

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

MOTIONS & RESOLUTIONS:

1. Minutes of the July 19, 2007 Board Meeting:

King moved, seconded by Reid, to approve the Minutes of the July 19, 2007 board meeting in the form presented at this meeting. Motion approved unanimously.

2. Minutes of the July 24, 2007 Board Meeting:

Reid moved, seconded by Risser, to approve the Minutes of the July 24, 2007 board meeting in the form presented at this meeting. Motion approved unanimously.

3. Minutes of the August 8, 2007 Board Meeting:

Reid moved, seconded by Risser, to approve the Minutes of the August 8, 2007 board meeting in the form presented at this meeting. Motion approved unanimously.

4. Minutes of the September 6, 2007 Board Meeting:

Risser moved, seconded by Reid, to approve the Minutes of the September 6, 2007 board meeting in the form presented at this meeting. Motion approved unanimously.

5. LDFA Fiscal Year 2007 Annual Report:

Kinnear moved, seconded by Risser to accept the LDFA Fiscal Year 2007 Annual Report, in the form presented at this meeting, as amended per discussion, and attached hereto and made a part hereof, and to forward to the member municipalities. Motion approved unanimously.

6. LDFA Financial Report – 1st Quarter Ended September 30, 2007:

Reid moved, seconded by Risser, to table the LDFA financial report and the SPARK quarterly report for the 1st quarter ended September 30, 2007 to the next regular board meeting. Motion approved unanimously.

REPORTS FROM COMMITTEES:

B: LDFA Nominating Recommendation Committee: Status Report

The City of Ypsilanti LDFA board position is now filled. Rapundalo is assisting with the City of Ann Arbor LDFA board positions.

OTHER REPORTS:

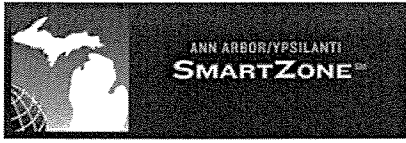
Mike Finney presented a DRAFT report on the SPARK Overview and 2008 Goals.

MOTION TO ADJOURN:

Reid moved, seconded by Risser, to adjourn the meeting at 10:02am. Motion approved unanimously.

Respectfully Submitted,

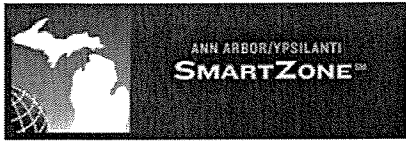
Tom Crawford, Recording Secretary



ANN ARBOR/YPSILANTI
SMARTZONE LDFA

2007 ANNUAL REPORT

For the period July 1, 2006 – June 30, 2007



2007 Board of Directors

(A) Mike Reid, Chair	Term Expires: June 30, 2007
(A) Mike Korybalski, Vice Chair	Term Expires: June 30, 2007
(A) Robin Risser, Treasurer	Term Expires: June 30, 2009
(A) Christine Ballman	Term Expires: June 30, 2009
(Y) John Gawlas	Term Expires: June 30, 2007
(A) Mickey Katz-Pek	Term Expires: June 30, 2008
(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

Stephen Rapundalo	Affiliation: City of Ann Arbor
Tom Crawford, Secretary	Affiliation: City of Ann Arbor
Jeff Mason	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, 2006 – June 30, 2007 period, the Ann Arbor/Ypsilanti SmartZone LDFA Board met eight 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, long range planning, amendments to the LDFA By-laws and an Incubator feasibility study.



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, 2006 – June 30, 2007 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 2007 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 2 & 3, 2006 10 companies participated</p> <p>April 26 & 27, 2007 15 companies participated and 20 companies applied(record numbers)</p> <p>Cost of Service provided: \$39,950</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 3 new modules:</p> <p><u>Module # 4: Market Segmentation</u></p> <p><u>Module # 6: Management Team</u></p> <p><u>Module # 8: Entrepreneurial Finance</u></p>	<p>3 new modules were created and launched on time & on budget: Usage report on the first 2 modules:</p> <p><u>Module #2The Executive Summary</u></p> <ul style="list-style-type: none"> • 136 entrepreneurs and 70 coaches/evaluators taken course <p><u>Module #3 Innovation-Managing Risk</u></p> <ul style="list-style-type: none"> • 62 entrepreneurs taken course <p>Cost of Service provided: \$53,500</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>40 events with majority of attendees defined as 'Entrepreneurs'</p>	<p>Sponsorship reimbursement for 40 of 110 total events was provided. Many events were in held collaboration with partnering organizations like GLEQ, SBTDC and U of M.</p> <p>SPARK reports 4,183 people attended these events with 2,476 identifying themselves as 'entrepreneurs' (59%).</p> <p>Cost of Service provided: \$20,000</p>
<p>Incubator Feasibility Study</p> <p>Contracted with Ann Arbor SPARK.</p>	<p>Conduct market analysis of demand, resources, best practices, and recommendations for feasibility of incubator within the LDFA boundaries.</p>	<p>Report completed and presented to LDFA Board of Directors.</p> <p>Cost of Service Provided: \$9,620</p>

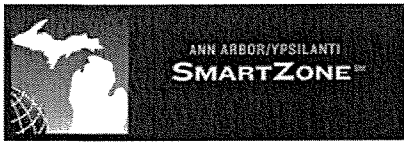


Business Accelerator Services		
Contracted with Ann Arbor SPARK		
<p>Phase I defined as: The initial contact and screening phase to understand and assess the business and technology proposition and determine if advancement to a Phase II engagement is warranted. This includes (a) review/screen for general 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	<p>248 companies/business ideas received Phase I services in the fiscal year.</p> <p>Cost of Service Provided: \$36,000</p>
<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>	50 new engagements in fiscal year	<p>98 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.</p> <p>Cost of Service Provided: \$37,500</p>
<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>	25 new engagements in fiscal year	<p>91 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.</p> <p>Cost of Service Provided: \$150,000</p>

Of the 86 Business Accelerator companies Ann Arbor SPARK identified as providing new opportunities for success this fiscal year, the following metrics are noteworthy[§].

- 253 Full Time Equivalent jobs exist today
- At least 23 new jobs were added this year
- \$6,268,562 of grants were awarded to 11 companies
- \$3,552,301 in private equity was raised by 3 companies
- University of Michigan technology is driving 7 companies
- 8 companies created from corporate technology

[§]Source: Ann Arbor SPARK



Statement of Operations

Smart Zone LDFA INCOME STATEMENT

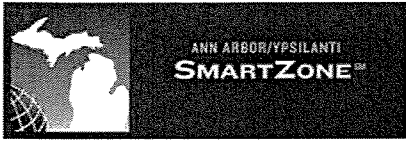
	<u>FY 2007</u>	<u>FY 2007</u>	<u>FY 2007</u>	<u>FY 2008</u>
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>Adopted</u>
	(\$)		(Over)/Under	Budget
				(\$)
Revenues:				
Tax Revenue	\$ 525,113	\$ 525,000	\$ 113	\$ 770,000
Use of Prior Year Fund Balance	-	-	-	297,000 **
Investment Income	17,762	-	17,762	-
Total Revenues	<u>\$ 542,875</u>	<u>\$ 525,000</u>	<u>\$ 17,875</u>	<u>\$ 1,067,000</u>
Expenditures:				
Contracted Services	\$ 283,450	\$ 283,500	\$ 50	\$ 826,080
Other Services	\$ 63,120	202,000	138,880 *	-
Undesignated Contingency	-	26,375	26,375	221,920 ***
Administrative Expense	11,977	13,125	1,148	19,000
Total Expenditures	<u>\$ 358,547</u>	<u>\$ 525,000</u>	<u>\$ 166,453</u>	<u>\$ 1,067,000</u>
Net Increase/(Decrease)	<u>\$ 184,328</u>	<u>\$ -</u>	<u>\$ 184,328</u>	<u>\$ -</u>

Memo:

° *The positive divergence in "Other Services" resulted from budgeted amounts of \$62,000 and \$25,000 (Marketing and Website Development respectively) for which no contract service proposals were received. The remaining balance resulted from actual expenditures being less than anticipated.

° **Actual Fund Balance at Fiscal Year End \$288,589.

° ***2008 Undesignated Contingency includes a \$75,000 unsecured zero interest loan made to Ann Arbor SPARK. The loan is scheduled to be repaid by June 30, 2008, but is otherwise unavailable for other purposes.



Statement of Operations (continued) Detail of Expenditures

	FY 2007	FY 2008
	Actual	Projected Expenditures
	(\$)	(\$)
Expenditures:		
Business Accelerator	223,500	345,000
Business Incubator	-	260,580
Boot Camp	39,950	40,000
Marketing	-	70,500
Networking Events	20,000	25,000
Web Site Development	53,500	85,000
Incubator Feasibility Study	9,620	-
Undesignated Contingency	-	221,920
Legal & Administrative Support	11,977	19,000
Total Expenditures	\$ 358,547	\$ 1,067,000

Memo:

2008 Undesignated Contingency includes a \$75,000 unsecured zero interest loan made to Ann Arbor SPARK. The loan is scheduled to be repaid by June 30, 2008, but is otherwise unavailable for other purposes.



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

Ann Arbor-Ypsilanti SmartZone Local Development Finance Authority

**Ann Arbor Downtown Development Authority, 150 S. Fifth Ave, Ann Arbor, MI 48104
Suite 301, DDA Conference Room**

Members Present: Mickey Katz-Pek, Michael Reid, Tom Kinnear, Richard King, Rob Risser, Jonnie Bryant, Stephen Rapundalo, Tom Crawford-Ex-officio, Roselyn Zator-Ex-officio

Members Present via Telephone Conference Call: Michael Korybalski

Members Excused: Darryl Daniels

Others Present: Mike Finney-SPARK, Elizabeth Parkinson-SPARK, Scott Olson-SPARK, Greg Fronizer-SPARK, Kurt Riegger-SPARK, Sandi Bird-City of Ann Arbor-Finance, W.A.P. John-208 Group, Wayne Say-208 Group

CALL TO ORDER:

Katz-Pek called the meeting to order at 8:08am. A quorum was present.

APPROVAL OF THE AGENDA:

Rapundalo 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 October 9, 2007 Board Meeting:

Reid moved, seconded by Bryant, to approve the Minutes of the October 9, 2007 board meeting in the form presented at this meeting. Motion approved unanimously.

REPORTS FROM SERVICE PROVIDERS:

1. Ann Arbor SPARK: Business Accelerator Status Report - 1st Quarter:

King moved, seconded by Rapundalo, to accept the SPARK Business Accelerator Report for the quarter ended September 30, 2007 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.

2. Ann Arbor SPARK: Business Accelerator Status Report - 2nd Quarter:

King moved, seconded by Bryant, to accept the SPARK Business Accelerator Report, with exception to page 3, titled "Business Accelerator Service" (to be re-submitted), for the quarter ended December 31, 2007 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.

3. Ann Arbor SPARK: Incubator Operating Plan:

Reid moved, seconded by Rapundalo, to accept the SPARK Incubator Operating Plan 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.

4. Ann Arbor SPARK: Marketing Plan:

Reid moved, seconded by Rapundalo, 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 \$70,500 for marketing expenditures. After discussion and consideration of the report, motion approved unanimously.

LDFA TREASURER'S REPORT:

1. SPARK Central - Incubator Buildout:

Katz-Pek noted the FY2008 budget previously authorized the funding of the Incubator buildout expenditures pending a specific plan.

Kinnear moved, seconded by Reid, for the LDFA to authorize up to \$85,000 for Business Incubator buildout expenditures. Motion approved unanimously.

Kinnear was excused at 10:00am.

2. LDFA Financial Reports – 1st Quarter Ended September 30, 2007 and 2nd Quarter Ended December 31, 2007:

Risser moved, seconded by Rapundalo, to approve the LDFA financial report for the first and second quarters ended September 30, 2007 and December 31, 2007, 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.

3. SPARK Business Accelerator Services:

Reid moved, seconded by Rapundalo, to provide additional funding of \$115,000 for Phase III Business Accelerator Services under the current in-force contract with Ann Arbor SPARK, to authorize the proportionate reallocation of unexpended Phase I and II contract amounts for Phase III services in a manner consistent with demand experienced in the current fiscal year, and to fund this additional expenditure by reducing the Other Contingency budget line item. After discussion of quarterly reporting elements where SPARK agreed to provide additional

Phase III disclosures regarding talent recruiting & placement activities, the motion approved unanimously.

4. LDFA Financial Projections (DRAFT): Presented by Crawford. Discussion ensued.

Bryant was excused at 10:27am.

REPORTS FROM COMMITTEES:

1. Establishment of FY 2009 Contract Committee. Postponed until next meeting.
2. Update of LDFA Nominating Recommendation Committee. Postponed until next meeting.
3. Establishment of LDFA Ad hoc Review Committees for Angel Network and Incubator. Postponed until next meeting.
4. Proposal for LDFA Strategic Planning Work Session. Katz-Pek requested to set-up a four-hour strategic planning work session in 2-3 weeks and an LDFA board meeting in 1 month.

OTHER BUSINESS:

1. Supplemental funding request for \$5,000 to support Cantillon maintenance. Postponed until next meeting.
2. First Reading – Amendment #2 to the LDFA By-laws. Postponed until next meeting.
3. Reid moved, seconded by Risser to approve the BioArbor Funding Proposal submitted by MichBio and to fund this expenditure by reducing the Other Contingency budget line item in the amount of \$27,324. Rapundalo recused himself from the discussion and left the room. Katz-Pek offered an amendment, seconded by King, to postpone the item to the next board meeting. Motion approved unanimously. Rapundalo rejoined the meeting.
4. Submission of Group 208 funding proposal. Postponed until next meeting.

MOTION TO ADJOURN:

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

Respectfully Submitted,

Tom Crawford, Recording Secretary



LDFA QUARTERLY REPORT

First Quarter FY2008

July 1 - September 30, 2007

Presented at LDFA Board Mtg January 15, 2008

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Q1 Progress Summary

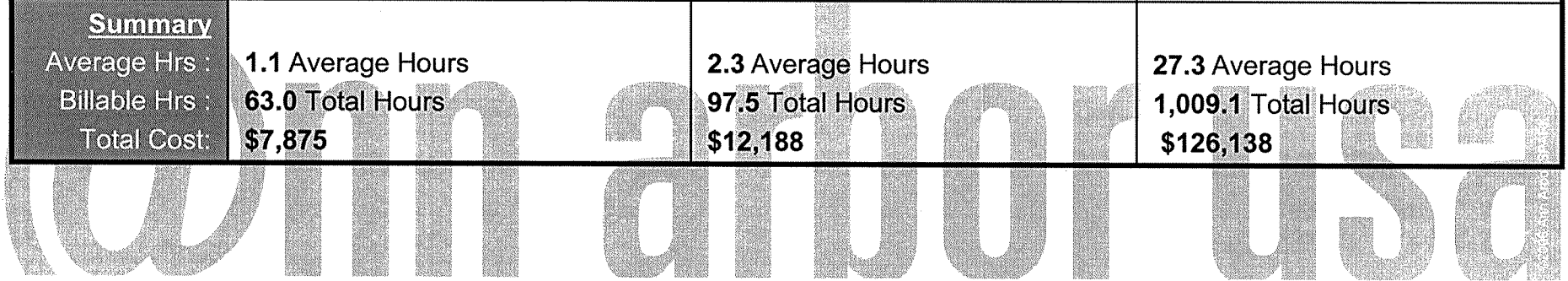
Outline Work Accomplished	113 Companies served Over 1,100 hours of support provided Finished 1 more units for Cantillon; expanded its use 11 th Entrepreneurial Boot Camp Scheduled Nov 1-2
Work to be Accomplished	Launch SPARK Central Incubator Develop and Present Marketing Plan Finish 1 unit of Cantillon
Problem – Real or Anticipated	Demand in community continues to outpace funding No buildout commitment for SPARK Central Incubator
Significant Deviation from Scope of Work	Major deviation in number of companies served (Phases I and III) and hours available (Phase III)
Relevant Aspects of Commercialization	All companies past and present in Phase III support are growing
Financial Information in connection with Scope of Work	Business Services for quarter \$146,201 Incubator Funding Begins October 1 Boot Camp on budget



Business Accelerator Services

July 1 – September 30, 2007

Contract Metrics	Phase 1 : Screened Submissions or Referrals to SPARK	Phase 2: Due Diligence Review	Phase 3: Intensive Support
New Firms : Billable Hrs :	30 New Companies Max per Q 2 Average Hours Max per Q	18 New Companies Max per Q 10 Average Hours Max per Q	8 New Companies Max per Q 40 Average Hours Max per Q
Client Firms in Phase	58 companies	43 companies	37 companies
Pre-Existing Client Firms in Phase	1 companies	5 companies	14 companies
Quarterly Program Results for Phase	(9) company advanced to Phase 2 and received Due Diligence Review this quarter.	(16) companies advanced to Phase 3 and received Intensive Support this quarter.	(0) companies reached the cumulative maximum level of Phase 3 business accelerator services this quarter and graduated out of the program.
Total Companies	58 companies	43 companies	37 companies
<u>Summary</u> Average Hrs : Billable Hrs : Total Cost :	1.1 Average Hours 63.0 Total Hours \$7,875	2.3 Average Hours 97.5 Total Hours \$12,188	27.3 Average Hours 1,009.1 Total Hours \$126,138



Entrepreneur Education

- Entrepreneur BootCamp
 - Scheduled November 1 & 2, 2007
 - MITC location
- Modifications made to November format
 - Clarified Drill Instructor role and expectations
 - Expanded pool of Mentors
 - Will continue efforts to stay on time
- FastTrac TechnoVenture
 - Co-Sponsored (with GLEQ)
 - Training as lead-up and sourcing pool for BootCamp
 - 14 companies enrolled in Fall session

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Entrepreneur Education: Cantillon Online

- Unit Development
 - Launched Management Team unit – July 15
 - Developed Leadership Unit plan
 - Recruited speaker
 - First studio date late September
 - On track for mid October conclusion
 - Project plan and timeline for additional units underway, with goal to complete three units by January 2008
- Usage
 - Approximately 20 active companies in the courses
 - Expanded use at U-M Ross and Engineering includes over 250 students and 19 commercialization projects of U-M technology
 - GLEQ launched statewide training on Cantillon at other SmartZones
 - MEEN assisting in outreach to community colleges and WIRED initiatives
 - Completed Cantillon Brochure
 - Feedback from Mentors and senior people in the community very positive

Business Network Events

12 Programs/Events for Entrepreneurs at SPARK Central and other venues

- 423 entrepreneurs – 52%
- 815 total attendance
- Collaborators included
 - GLEQ
 - ITZone
 - Univ. of Michigan
 - NEF
 - Michigan Works
 - MichBio
 - BioArbor

Most Popular Events

- Mingle & Match: tech talent meet start-ups
 - 120 attendees, 44% Entrepreneurs
- Annual Networking Event with Scott Wruble of Detroit Tigers
 - 116 attendees, 41% Entrepreneurs
- BioArbor: Life Science Venture Capital, with Chris Ehrlich of InterWest Partners
 - 110 attendees, 32% Entrepreneurs
- The Right Investor for Your Business: Oracle Capital and Guidepoint Systems, with Skip Simms of Pre Seed Fund
 - 84 attendees, 45% Entrepreneurs

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Business Incubator

- Operating Plan approved by SPARK Executive Committee
- Staff moved to SPARK headquarters October 5
 - Scott Olson remains
 - FT Incubator Coordinator ready to start
- Meeting to negotiate lease and buildout with First Martin to be scheduled
- Lease agreement under review by attorney
- Current Physical Tenants
 - MichBio, 4 cubes, one office plus storage closet
 - GLEQ, 2 cubes
 - Monarch Antenna, one cube
 - M-BOTS, one cube
 - GTI Risk Management, one cube
- Virtual Tenants
 - PlayData Systems
 - Touchstone Innovations*
 - Wick Systems*
 - AlphaCore Therapeutics*
 - P&H Therapeutics

* Likely to convert to cubicle



LDFA QUARTERLY REPORT

Second Quarter FY2008

October 1 - December 31, 2007

Presented at LDFA Board Mtg January 15, 2008

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Q2 Progress Summary

Outline Work Accomplished	83 companies served; 300 support hours provided Completed Cantillon Unit 9 Entrepreneurial Leadership 11 th Entrepreneurial Boot Camp, 15 companies Launched SPARK Central Incubator October 1
Work to be Accomplished	Implement Marketing Plan upon approval Implement SC Incubator facility improvements Finish 2 units of Cantillon
Problem – Real or Anticipated	Demand in community continues to outpace funding Delay in facility improvements for SPARK Central Incubator Delay in Cantillon presenter scheduling
Significant Deviation from Scope of Work	Major deviation in number of companies served (Phases I and III) and hours available (Phase III)
Relevant Aspects of Commercialization	Unitech Pharmaceuticals sold to out of state firm
Financial Information in connection with Scope of Work	Business Services for quarter \$37,459



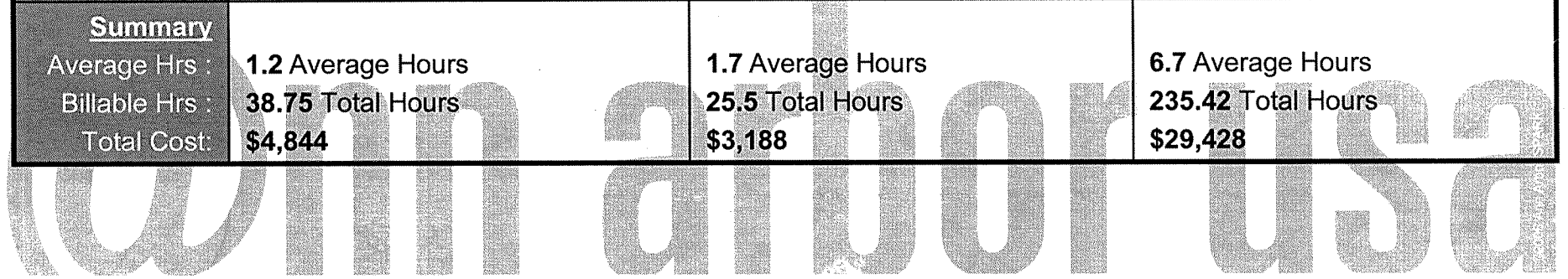
" EXCEPTION "

Business Accelerator Services

October 1 – December 31, 2007

"Needs to be resubmitted"

Contract Metrics	Phase 1 : Screened Submissions or Referrals to SPARK	Phase 2: Due Diligence Review	Phase 3: Intensive Support
New Firms : Billable Hrs :	30 New Companies Max per Q 2 Average Hours Max per Q	18 New Companies Max per Q 10 Average Hours Max per Q	8 New Companies Max per Q 40 Average Hours Max per Q
Client Firms in Phase	33 companies	15 companies	35 companies
Pre-Existing Client Firms in Phase	0 companies	1 companies	7 companies
Quarterly Program Results for Phase	(1) company advanced to Phase 2 and received Due Diligence Review this quarter.	(3) companies advanced to Phase 3 and received Intensive Support this quarter.	(0) companies reached the cumulative maximum level of Phase 3 business accelerator services this quarter and graduated out of the program.
Total Companies	32 companies	31 companies	19 companies
<u>Summary</u> Average Hrs : Billable Hrs : Total Cost:	1.2 Average Hours 38.75 Total Hours \$4,844	1.7 Average Hours 25.5 Total Hours \$3,188	6.7 Average Hours 235.42 Total Hours \$29,428



Entrepreneur Education

- Entrepreneur BootCamp
 - November 1 & 2, 2007
 - 15 Companies, 1 Auditor
 - April 24 & 25, 2008
- 200-Level Courses
 - Practical, specific targeted workshops
 - Sales planning and compensation
 - Choosing a key supplier
 - Deciding how to invest in IP
 - Entrepreneur focused (not service providers)
 - Coordinated with regional Entrepreneur Support Organizations
- FastTrac TechnoVenture
 - Co-Sponsored (with GLEQ, MI-SBTDC)
 - 14 companies enrolled in Fall session
 - Previous lead-up to BootCamp; now optional, stand alone

Entrepreneur Education: Cantillon Online

- Completed Unit 9, Entrepreneurial Leadership with Roger Newton
- Completed a 2 min marketing promo for Cantillon with Roger Newton
- Marketing Brochure completed; more than 100 copies distributed
- FastStart guide, Frequently Asked Questions, and How to use by SmartZones materials developed; need additional instructor's guide materials (may be developed in conjunction with GLEQ for coaches)
- Usage
 - SPARK
 - Mentors meeting and scheduling followup
 - Registered 15 mentors for the tool after Aug training; training scheduled for January
 - Registered Mentors for Commercialization Class
 - Use in Boot Camp for 15 companies
 - Washtenaw Community College – Cheryl Gracie/SEZ
 - EMU Entrepreneurship Center – S. Pradeep
 - UM –MPowered, Ross School, Engineering (Jahanian, Islam & Ludwig courses)
 - Outreach to CompanyCrafters, VC firms (RPM, PVP, Arboretum), ZLI, U-M Medical School Incubator and WCC Innovation course

Business Network Events

15 Programs/Events for Entrepreneurs at SPARK Central and other venues

- 378 entrepreneurs – 54%
- 697 total attendance
- Collaborators included
 - ETCS Michigan Works
 - GLEQ
 - Google
 - MI-SBTDC
 - MichBio/BioArbor

Most Popular Events

- BioArbor: Negotiating with Your Investors
 - 100 attendees, 66% Entrepreneurs
- Mingle & Match: Tech Talent Meet Start-ups
 - 82 attendees, 63% Entrepreneurs
- BioArbor: How I raised My First Million
 - 70 attendees, 63% Entrepreneurs
- Marketing Roundtable: Latest Trends in Internet Marketing
 - 70 attendees, 65% Entrepreneurs

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SPARK Central Business Incubator

- 18 workstations/cubicles available at present
- Anticipate receiving modular furniture from Pfizer
- Planned facility improvements
 - Switch event space and workstation locations
 - Change office into kitchen
 - Upgrade security
 - Install wall to segregate client area from event space
 - Upgrade bathrooms
 - Build new conference room
- Cost (actuals not to exceed)

– Buildout	70,500
– Phone/data cabling	5,500
– Furniture move	9,000
– TOTAL	85,000
- Timing 2-3 weeks permits; 30-60 days construction (est Mar 15)

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Regional Incubator Network

<p>Contract Under Review GLEQ (1) GTI Risk Management (1) MichBio (5) Monarch Antenna (1) Prospective Clients Alphacore Pharma OtoMedicine Vision Solutions International Play Data Systems, Inc. Touchstone Innovations Wick Systems</p>	<p>SPARK Central Clients Boomdash (2 cubicles) Northwestern Capital Partners (1) SummitTech Business Development (1) uRTurn (2) Vision Interface Technologies (1) SC Virtual Clients Agile BioVentures Michigan Life Science Network</p>
<p>Prospective Clients Phios Analytical (1,000 sf) Phrixus Pharmaceuticals (553 sf) Veleco (670 sf)</p>	<p>Traverwood Wetlab Clients Lycera (5,925 sf) OncImmune (608 sf) Ophthogenics (670 sf) Sensigen (2,549 sf)</p>

LFDA Board Meeting January 15, 2008

Specific Action Requests

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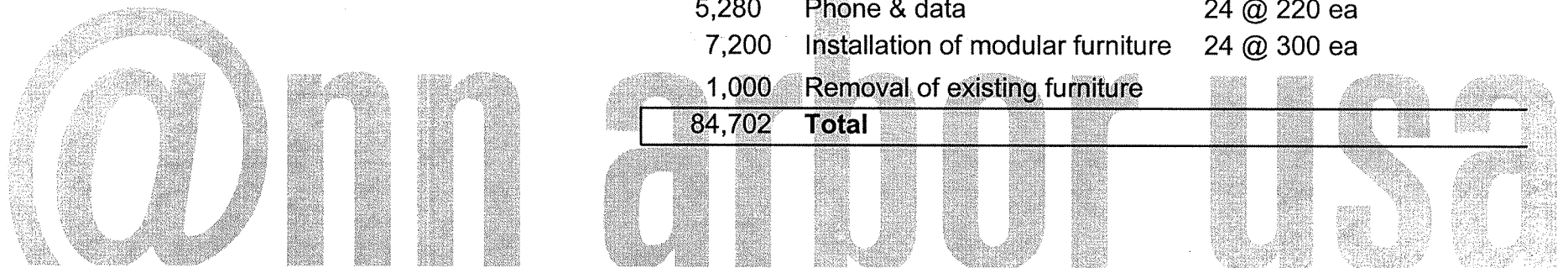
Business Acceleration Services

- Existing Budget Reallocation
 - Reallocate Phase funds for second half of budget year
 - Current available (all phases) = \$101,341
 - Match percentages from first half of year
- Provide Additional Funds
 - Provide additional funding of \$115,000 to meet forecast demand in Q3 and Q4
 - Resulting target allocation (total \$216,341)
 - Phase I 12,000 (96 hrs)
 - Phase II 30,000 (240 hrs)
 - Phase III 174,341 (1,400 hrs)

SPARK Central Buildout

- Budget previously authorized (pending specific plan)
 - Approve funding actual expenses not to exceed \$85,000

Buildout	First Martin Corporation	
5,000	Plans and permits	
10,000	Electrical	
9,179	HVAC (Robertson Morrison)	
11,144	Kitchen	
18,633	Ceilings, walls, doors	Convert to 2x2
11,500	Bathrooms	
65,456	Subtotal	
6,546	Contingency 10%	
6,120	FMC fee/overhead 8.5%	
	First Martin contribution	
(6,900)	60% of bathroom spiff	
	Keycard 2 exterior doors	Not shown in costs above
	Egress door hardware	Not shown in costs above
	Paint throughout	Not shown in costs above
	Other (Not FMC)	
5,280	Phone & data	24 @ 220 ea
7,200	Installation of modular furniture	24 @ 300 ea
1,000	Removal of existing furniture	
84,702	Total	



Marketing Plan

- Budget previously authorized (pending approval of plan)
- Marketing plan drafted for review by LDFA (separate document)
- Plan summary on next page
 - Approve funding actual expenses not to exceed \$70,500

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Marketing Campaign	Jul-Dec	Jan	Feb	Mar	Apr	May	Jun	Total	Budget	Under/Over
Public Relations								30,000	(\$30,000)	-
Monthly PR activities for BA and clients	15,000	2,500	2,500	2,500	2,500	2,500	2,500	30,000		
Collateral Printing								22,404	(\$22,500)	(96)
Cantillon marketing brochure	2,234							2,234		
Bootcamp marketing brochure	625		2,500					3,125		
Ann Arbor brochure (LDFA portion, 20%)	6,045							6,045		
200 Series course brochure				2,500				2,500		
Regional Incubator Network brochure					2,500			2,500		
Business Accelerator services brochure						3,000		3,000		
Entrepreneurial Education overview brochure							3,000	3,000		
Website Expenses								17,700	(\$18,000)	(300)
Ongoing content maintenance	1,500	250	250	250	250	250	250	3,000		
Develop content for incubators					500			500		
Update content/significant rewrite				2,000			2,000	4,000		
Hosting	1,200	200	200	200	200	200	200	2,400		
Online marketing communications	1,500	250	250	250	250	250	250	3,000		
AdWords campaign management	2,400	400	400	400	400	400	400	4,800		
Sub-Total	30,504	3,600	6,100	8,100	6,600	6,600	8,600	70,104	(\$70,500)	(396)

Cantillon

- User Fees
 - GLEQ paid \$5,000 to SPARK for use of Cantillon by its users
 - Other organizations may pay per member fees as well
- Ongoing support expenses currently not funded
 - Changes to modules
 - Customization and organization branding
 - Ongoing hosting support
- Approve use of fees to support other Cantillon-related expenses
 - Quarterly reporting of activity
 - Maximum balance of unused fees = \$10,000

Oct - Dec 2007		2007						2008						Total
New Engagements	New Qtr	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	
1 BoomDash	08Q2					4.00								4.00
2 Concept	08Q2						2.00							2.00
3 EcoPark	08Q2						2.00							2.00
4 Ensure Technologies	08Q2					40.00								40.00
5 Game Designer	08Q2						1.00							1.00
6 Gaming Startup	08Q2					3.00								3.00
7 Immunology Startup	08Q2					6.00	1.00							7.00
8 Life Science Startup	08Q2					1.00								1.00
9 Mapufacture	08Q2						2.00							2.00
10 Mayaterials	08Q2				10.75									10.75
11 Mobile Web Startup	08Q2						2.00							2.00
12 National Center for Wellness	08Q2						2.00							2.00
13 Secretory IgA	08Q2						29.00							29.00
14 Virtual Space Devices	08Q2				1.00	3.00								4.00
15 Vision Interface Systems	08Q2						2.00							2.00
16 White Pine Systems	08Q2						2.00							2.00
Sub-Total		-	-	-	11.75	57.00	45.00							113.75

Phase III Clients	New Qtr	Hrs	2007					2008						Total		
			Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May		Jun	
1 9th Exchange	07Q3	2.00			1.00											3.00
2 AA PharmaSyn	06Q4	65.50	1.00													66.50
3 Accuri	07Q2	0.50														0.50
4 AI Medical/Airway Innovations	06Q4	2.00			4.50											6.50
5 Alphacore Therapeutics	08Q1	-		0.50												0.50
6 Arbor Pre Clinical	07Q4	1.00					0.50	2.00								3.50
7 Arivium	07Q1	3.25														3.25
8 Auto Knowledge	07Q1	0.50														0.50
9 Avidimer	07Q3	2.00														2.00
10 Bio Lumix	07Q3	4.00								2.00						6.00
11 BioFlow	07Q2	16.00			2.50		1.00									19.50
12 Blaze Medical	07Q4	6.75														6.75
13 Blizzard Boost	08Q1	-	0.50		2.00											2.50
14 Blue Green Energy	07Q3	2.00														2.00
15 BoomDash	08Q2							4.00								4.00
16 Cerasys	07Q4	6.50														6.50
17 Chem E/IE	07Q3	1.00														1.00
18 Chi Metrics	06Q4	0.75														0.75
19 Cielo	07Q4	1.75														1.75
20 City Simulation	07Q3	2.00														2.00
21 Clavis Sinica	08Q1				6.00											6.00
22 CMR Solutions	07Q4	6.25			5.00					7.25						18.50
23 Compendia	06Q4	54.75			1.00											55.75
24 Comstar Mobile Solutions	07Q4	88.75														88.75
25 Concept	08Q2									2.00						2.00
26 CrimeCog	08Q1						1.00									1.00
27 Cybernet Medical	07Q3	16.00														16.00
28 Danotek	08Q1	-	1.00													1.00
29 Data Speaks	07Q3	2.00														2.00
30 Driveway Genies	07Q3	2.00														2.00
31 EcoPark	08Q2									2.00						2.00
32 EcoV	07Q2	1.00														1.00
33 Edge 3D Microscopes	06Q4	3.50														3.50
34 ElectroJet	06Q4	38.00														38.00
35 Elevate Learning	08Q1				1.00											1.00
36 Ensure Technologies	08Q2							40.00								40.00

Phase III Clients	New Qtr	Hrs	2007						2008						Total	
			Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun		
37 ERT Systems	06Q4	26.00														26.00
38 Evigia	07Q3	2.00														2.00
39 Game Designer	08Q2									1.00						1.00
40 Gaming Startup	08Q2							3.00								3.00
41 GeneVivo	08Q1	-	140.00			1.00				1.00						142.00
42 GreyCell	08Q1					1.00										1.00
43 GTI Risk Mgt	07Q2	5.00														5.00
44 Health Care Data Systems	07Q3	2.00														2.00
45 Hire Site	07Q2	1.00														1.00
46 Humax VRR	06Q4	2.50														2.50
47 Hybra Drive	06Q4	8.00														8.00
48 Immunology Startup	08Q2							6.00	1.00							7.00
49 Indian Medical Group	08Q1					1.00										1.00
50 Innova Therapeutics	08Q1					36.00										36.00
51 Innovational Therapeutics	07Q1	2.25														2.25
52 INNTX	06Q4	0.75														0.75
53 Insignion	07Q3	16.00														16.00
54 Invia 4DM Spec	06Q4	2.25														2.25
55 Israeli Newco	08Q1	-	2.00													2.00
56 Jiva Pharma/SSV Therapeutics	07Q4	70.25	0.50	30.00	2.50		2.00									105.25
57 Knowledge Watch	07Q1	0.50														0.50
58 LaSalle Bank client	07Q3	0.50														0.50
59 Learning Bridge/Kantalk	07Q4	3.00				96.00				1.50						100.50
60 Life Science Startup	08Q2							1.00								1.00
61 Locomatix	08Q1					1.25				2.00						3.25
62 Lycera	07Q2	37.50	1.00													38.50
63 Mandi & Pandi	07Q2	6.50														6.50
64 Mapufacture	08Q2									2.00						2.00
65 Mayaterials	08Q2						10.75									10.75
66 M-Bots	07Q1	239.50														239.50
67 McClinchy Histology Laboratories	07Q3	4.00														4.00
68 Med Array	06Q4	4.50														4.50
69 Meditrina	07Q2	15.00														15.00
70 Menawat	07Q2	1.75														1.75
71 Menlo Innovations	06Q4	0.25					1.00									1.25
72 Metabolic Disease Startup	07Q4	9.00														9.00

Phase III Clients	New Qtr	Hrs	2007				2008						Total			
			Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr		May	Jun	
73 MetaGlass	07Q2	1.50														1.50
74 MIAP	07Q4	5.00														5.00
75 Mindworks	06Q4	28.00														28.00
76 Mobile Web Startup	08Q2									2.00						2.00
77 Molecular Innovations	07Q3	4.00														4.00
78 MTRI	08Q1				1.00											1.00
79 MyoDiagnostics-Neurogenics	07Q1	30.50														30.50
80 MYST Technology	06Q4	1.00														1.00
81 Names4Life	08Q1	-	0.50	37.75	129.60											167.85
82 National Center for Wellness	08Q2									2.00						2.00
83 Neupharma	08Q1				1.00											1.00
84 NextServices	08Q1				1.00											1.00
85 OcuSciences	07Q4	6.25		0.50	26.00					3.75						36.50
86 Omni Science	07Q3	4.00														4.00
87 Oncoimmune	07Q4	2.00														2.00
88 OnSite ERT	06Q4									40.00						40.00
89 Optimetricx	07Q3	1.00														1.00
90 OTOMedicine	07Q2	22.80			52.00											74.80
91 OTT start-ups	07Q4	5.00						5.00	8.00							18.00
92 P&H Therapeutics	08Q1	-	73.00	38.50												111.50
93 Parking Carma	07Q3	9.50														9.50
94 Pfizer start-ups	07Q4	34.00														34.00
95 Pharm Sci	07Q3	71.00														71.00
96 Phios Analytical	08Q1	-		51.00	120.00					1.50						172.50
97 Phrixus	07Q1	9.00														9.00
98 Pixel Velocity	07Q3	9.00														9.00
99 PlayData	07Q4	2.00														2.00
100 Procuit	07Q4	1.00	1.50	60.00												62.50
101 Razor Threat	07Q2	6.75														6.75
102 RealKidz	07Q4	45.00														45.00
103 Red Cedar	07Q1	0.50														0.50
104 Scientific Ed Non-Profit	08Q1	-		7.00												7.00
105 Secretary IgA	08Q2									29.00						29.00
106 SensiGen	07Q3	21.75														21.75
107 Solubility Design	07Q3	6.00														6.00
108 Space Form	07Q3	6.00														6.00
109 Space Weather	07Q2	3.00														3.00

Primo

Phase III Clients	New Qtr	Hrs	2007						2008						Total	
			Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun		
110 TECAT Engineering	07Q3	4.00														4.00
111 Tech Transfer client	07Q3	4.00														4.00
112 Tissue Regeneration	07Q1	2.50						4.00	1.00							7.50
113 Torrey Path/Metamatics	08Q1	-	14.00	9.50	5.75	0.50	0.50									30.25
114 Unitech Pharmaceutical	07Q2	15.50														15.50
115 Up Technologies	07Q4	5.00														5.00
116 Urban Market Media	07Q3	6.00			1.00											7.00
117 uRTurn	08Q1				1.00											1.00
118 Velcura	07Q2	0.50														0.50
119 Velesco Pharma	08Q1	-		0.50				0.50								1.00
120 Verta Base Pro	07Q2	4.50														4.50
121 Vibe Tech	07Q4	2.00		2.00												4.00
122 VIDX	06Q4	1.75														1.75
123 Virtual Space Devices	08Q2						1.00	3.00								4.00
124 Vision Interface Systems	08Q2								2.00							2.00
125 White Pine Systems	08Q2								2.00							2.00
126 Young Fitness	07Q4	35.50	13.50	22.00				22.00	15.67							108.67
		1,206.55	248.50	259.25	500.10		17.75	91.00	128.67	-	-	-	-	-	-	2,451.82

Bird, Sandra E

To: SmartZone LDFA - Board Members

Cc: SmartZone LDFA - Other

Subject: FW: Operating Plan for Incubator

NOTE: In the July, 2007 contract between LDFA and SPARK , a "written plan of operations that has been formally adopted and approved by the Contractor's board or governing body prior to the start of Business Incubator operations or commencement of any payments by LDFA to Contractor for the Business Incubator" was required. This Plan was approved by SPARK'S Executive Committee on 9/17/07 and submitted as part of the SPARK report at the October meeting, but was not officially 'received' in our minutes.

OFFICE SPACE LICENSE AGREEMENT

This Office Space License Agreement ("Agreement") is dated _____, 2007 and is entered into in Ann Arbor, Michigan by and between ANN ARBOR SPARK (hereinafter "SPARK") and _____ (hereinafter "Client").

1. OFFICE SPACE CUBICLE. Client shall as part of the Services be granted a license to use the following:

- _____ One or more Designated Office Space Cubicles, along with access to the common conference room space, when available, on a month-to-month basis beginning _____, 2007 at the rate of \$395 per cubicle per month, payable in advance on the 25th of each month for the following month.
- _____ One or more Drop-In Shared Cubicles, along with access to the common conference room space, when available, on a month-to-month basis beginning _____, 2007 at the rate of \$95 per cubicle per month, payable in advance on the 25th of each month for the following month.

SPARK agrees to provide electric heating and air conditioning to the Space for normal office use. In addition, Client will have reasonable use of SPARK common area facilities. Client shall use the Cubicles and common areas of the IT SPARK solely for meetings, conferences, group discussions, and office activities.

SPARK will have the right to relocate Client to another Office Space Cubicle in SPARK Central, and to substitute such other Office Space Cubicle for the Office Space licensed hereby, provided such other Office Space is substantially similar in area and configuration to Client's contracted Office Space Cubicle. SPARK will under no obligation to provide additional space other than the existing Drop-In Shared Cubicles for use of Clients that license such shared spaces.

2. SERVICES. SPARK agrees, upon request by Client, to provide desk and chairs for use by Client (the "services"). No other services will be provided to Client, unless otherwise mutually agreed to by the parties, except, use of standard kitchen facilities and janitorial services.

SPARK is not responsible for failure to carry out the Services due to inclement weather, power failure or conditions beyond SPARK's control.

WITH THE SOLE EXCEPTION OF THE REMEDY SET FORTH IN THIS PARAGRAPH, CLIENT EXPRESSLY AND SPECIFICALLY AGREES TO WAIVE, AND AGREES NOT TO MAKE ANY CLAIM FOR DAMAGES, DIRECT OR CONSEQUENTIAL, INCLUDING WITH RESPECT TO LOST BUSINESS OR PROFITS, ARISING OUT OF ANY FAILURE TO FURNISH ANY SERVICE, ANY ERROR OR OMISSION WITH RESPECT THERETO OR ANY DELAY OR INTERRUPTION OF THE SAME.

3. TERMINATION. SPARK may terminate this Agreement due to circumstances beyond its control at any time. Either party may terminate this Agreement at any time with 30 days notice.

4. SPACE RESERVATION FEE. Upon execution of this Agreement, Client shall pay to SPARK a Space Reservation Fee of two hundred fifty dollars (\$200) (the "Space Fee") to reserve the Office Space. The Space Fee will be recognized as a supporter contribution for the Client and is not refundable. This fee is waived if Client is already a SPARK Supporter in excess of the Space Reservation Fee.

Client agrees to pay SPARK such fees as may be in effect for use of additional space or equipment.

5. DAMAGES AND INSURANCE. Client will not damage or deface the furnishings, walls, floors or ceilings, nor make holes for the hanging of pictures or make or suffer to be made any waste, obstruction or unlawful, improper or offensive use of the Office Space or the common area facilities. Client will not cause damage to any part of the Building or the property of SPARK or disturb the quiet enjoyment of any other licensee or occupant of the Building. At the termination of Client's use, the Office Space shall be in as good a condition as when Client commenced the use thereof. Client is responsible for costs of repairing any damage to Office Space or furniture and to return the Space to SPARK in good condition. SPARK or Client and their respective directors, licensors, officers, agents, servants and employees shall not, to the extent permitted by law, except up on the affirmative showing of SPARK's or Client's gross negligence or willful misconduct, be liable for, and Client and SPARK waive all right of recovery against, such entities and individuals for any damage or claim with respect to any injury to person or damage to, or loss or destruction of any property of Client or SPARK, its employees, authorized persons and invitees due to any act, omission or occurrence in or about the SPARK Central or the Building.

Without limitation of any other provision hereof, each party hereto hereby agrees to indemnify, defend and hold harmless the other party hereto, and such other party's Officers, directors, employees, shareholders, partners, agents and representatives from and against any liability to third parties arising out of, in the case of Client as an indemnifying party, Client's use and occupancy of the Space or any act or omission constituting gross negligence or willful misconduct of client or Client's Officers, directors, employees, shareholders, partners, agents, representatives, contractors, customers, or invitees and, in the case of SPARK as an indemnifying party, any act or omission constituting gross negligence or willful misconduct of SPARK or SPARK's Officers, directors, employees, shareholders, partners, agents or representatives. Subject to the foregoing, Client assumes all risk of loss with respect to all personal property of Client, its agents, employees, contractor, and invitees, within or about the SPARK Central or the Building. Client acknowledges that it is the Client's responsibility to maintain insurance to cover the risks set forth in this paragraph. SPARK and, Client each hereby waive any and all rights of recovery against the other, or against the directors, licensors, officers, agents, servants and employees of the other, for loss of or damage to its property or the property of others under its control, to the extent such loss or damage is covered by any insurance policy.

If the SPARK Central is made unusable, in whole or in part, by fire or other casualty not due to negligence of Client, SPARK may, at its option, terminate the Office Space Agreement upon notice to Client.

6. MISCELLANEOUS.

A. All amendments to this Agreement shall be in writing and signed by all parties. Any other attempted amendment shall be void. The invalidity or unenforceability of any provision hereof shall not affect the remainder hereof.

B. All waivers must be in writing and signed by the waiving party. SPARK's failure to enforce any provision of this Agreement or its acceptance of fees shall not be a waiver and shall not prevent SPARK from enforcing any provision of this Agreement in the future. No receipt of money by SPARK shall be deemed to waive any default of Client or to extend, reinstate or continue the term hereof.

C. All Schedules and Addenda attached hereto are hereby incorporated herein by this reference. The laws of the State of Michigan shall govern this Agreement.

D. All parties signing this Agreement as a partnership or consigning individuals shall be jointly and severally liable for all obligations of Client.

E. Neither Client nor anyone claiming by, through or under client shall assign this Office Space Agreement or permit the use of any portion of the SPARK Central by any person other than Client; provided, however, Client may assign this Office Space Agreement to an affiliated corporation of Client. In the event of any such permitted assignment, Client shall not thereby be relieved of any of its obligations under this Office Space Agreement.

F. All notices hereunder shall be in writing. Notices to Client shall be deemed to be duly given if mailed by registered or certified mail, postage prepaid, overnight mail service or hand delivered with proof of delivery addressed to Client at:

Contact:
Client Name:
Client Address:
Client City/State/Zip:
Phone #:

Notice to SPARK shall be deemed to be duly given if mailed by registered or certified mail, postage prepaid, overnight mail service or hand delivered with proof of delivery addressed to SPARK at the Building and as follows:

Ann Arbor SPARK
330 E. Liberty, Lower Level
Ann Arbor, Michigan 48104

Attn: Executive Director

G. THIS OFFICE SPACE AGREEMENT IS NOT INTENDED TO CREATE A LEASE OR ANY OTHER INTEREST IN REAL PROPERTY IN FAVOR OF THE CLIENT, BUT MERELY CREATES A REVOCABLE LICENSE IN ACCORDANCE WITH THE TERMS HEREOF. This Office Space Agreement grants Client the license to use the SPARK Central space and the Conference Space for the specific purposes herein set forth without diminution of the legal possession or control thereof by SPARK and shall be revocable at the option of SPARK upon the destruction of SPARK Central or the breach by Client of any term or condition herein set forth. This Office Space Agreement is subject and subordinate to any underlying lease or contract of the Building or of the premises comprising the Office Space or SPARK Central as such lease or contract may be amended from time to time, (such underlying lease or contract together with any amendments, is hereinafter referred to as the "Master Lease"). Client is not a party to nor shall Client have any rights under the Master Lease.

I. SPARK may assign this Agreement and/or any fees hereunder and Client agrees to any such assignee.

J. In the event any dispute arises between SPARK and Client concerning this Office Space Agreement and the rights and obligations hereunder SPARK shall have the option, but not the obligation, of submitting the matter to arbitration on an expedited basis, pursuant to the procedure established by the American Arbitration Association in Ann Arbor, Michigan. The decision of the arbitrator shall be binding on the parties and may be enforced by any circuit court having jurisdiction thereover. The non-prevailing party as determined by the arbitrator shall pay the prevailing parties' attorney's fees and costs of the arbitration. Furthermore, if a court decision prevents or SPARK elects not to submit this matter to an arbitration, then the non-prevailing party as determined by the court shall pay the prevailing parties reasonable attorney's fees and costs.

K. This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument.

ANN ARBOR SPARK

By:
Its:

Date

CLIENT

By: Print name
Its:

Date

**ANN ARBOR SPARK
CONFLICT OF INTEREST POLICY**

ANNUAL STATEMENT

As a member of the Board of Directors of Ann Arbor Spark (the "**Corporation**"), a Corporation officer, employee, or a member of a committee with powers delegated by such Board, in each case in the capacity indicated below, I do hereby affirm as of the date set forth below that:

1. I am affiliated with the Corporation in the following described way(s) (check and complete all that are applicable):
 - Member of the Corporation's Board of Directors
 - Officer of the Corporation: (complete with office) _____
 - Member of the following committee (s): _____
 - I have received a copy of the Conflict of Interest Policy of the Corporation (the "**Policy**");
2. I have read and I understand the Policy;
3. I agree to comply with the Policy; and
4. Except as indicated as follows, I have no real or potential conflict of interest with the Corporation, determined as provided in the Policy:

Describe any perceived real or potential conflict of interest (use and attached additional sheets, if necessary):

Signature: _____

Print Name: _____

Date: _____

SPARK Conflict of Interest Policy

Article I Purpose

The duty of loyalty owed by members of the Board of Directors of Ann Arbor Spark, a Michigan nonprofit corporation (the "*Corporation*") requires that Directors exercise their power in the interest of the Corporation. As a tax exempt organization the Corporation also is obligated to promote publicly supported organizations that it benefits, rather than private interests.

It is the policy of the Corporation that all Directors and Officers shall scrupulously avoid any conflict, or the appearance of any conflict, between their own interests and the interests of the Corporation. The purpose of this Conflict of Interest Policy is to protect the Corporation's interest when contemplating a transaction or arrangement that might benefit the private interest of an Officer or Director of the Corporation.

This policy is intended to supplement but not replace the Bylaws of the Corporation. If any conflict exists between this Policy and the Bylaws of the Corporation, the Bylaws shall control.

This Policy is further intended to supplement and not replace (a) any applicable state law governing conflicts of interest concerning nonprofit corporations, and (b) any conflicts of interest policy that governs the conduct of any member of the Corporation. In the event of any conflict between this Policy and either of the foregoing, the foregoing shall control.

Article II Definitions

1. Interested Person

A director, principal officer, or member of a committee with board delegated powers who has a direct or indirect Financial Interest, as defined below, is an Interested Person.

2. Financial Interest

A person has a Financial Interest if the person has, directly or indirectly, through business, investment or family, 1 or more of the following:

a. An ownership or investment interest in any entity with which the Corporation has a transaction or arrangement;

b. A compensation arrangement with the Corporation or with any entity or individual with which the Corporation has a transaction or arrangement, or

c. A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Corporation is negotiating a transaction or arrangement.

Compensation includes direct and indirect remuneration as well as gifts or favors that are substantial in nature.

A Financial Interest is not necessarily a conflict of interest. Under Article III, Section 2, a person who has a Financial Interest may have a conflict of interest only if a determination is made that a conflict of interest exists.

Article III Procedures

1. Duty to Disclose

In connection with any actual or possible conflicts of interest, an Interested Person shall disclose the existence and nature of his or her Financial Interest and must be given the opportunity to disclose all material facts to the directors and members of committees with board delegated powers considering the proposed transaction or arrangement.

2. Determining Whether a Conflict of Interest Exists

After disclosure of the Financial Interest and all material facts, and after any discussion with the Interested Person, the Interested Person shall leave the board or committee meeting while the determination of a conflict of interest is discussed and voted upon. The remaining board or committee members shall decide if a conflict of interest exists.

3. Procedures for Addressing the Conflict of Interest

a. An Interested Person may make a presentation at the board or committee meeting, but after such presentation, he/she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement that results in the conflict of interest.

b. The chairperson of the board or committee shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.

c. After exercising due diligence, the board or committee shall determine whether the Corporation can obtain a more advantageous transaction or arrangement with reasonable efforts from a person or entity that would not give rise to a conflict of interest.

d. If a more advantageous transaction or arrangement is not reasonably attainable under circumstances that would not give rise to a conflict of interest, the board or committee shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in the Corporation's best interest and for its own benefit and whether the transaction is fair and reasonable to the Corporation and shall make its decision as to whether to enter into the transaction or arrangement in conformity with such determination.

4. Violations of the Conflicts of Interest Policy

a. If the board or committee has reasonable cause to believe that a member has failed to disclose actual or possible conflicts of interest, it shall inform the member of the basis for such belief and afford the member an opportunity to explain the alleged failure to disclose.

b. If, after hearing the response of the member and making such further investigation as may be warranted in the circumstances, the board or committee determines that the member has in fact failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

Article IV
Records of Proceedings

The minutes of the board and all committees with board-delegated powers shall contain:

a. The names of the persons who disclosed or otherwise were found to have a Financial Interest in connection with an actual or possible conflict of interest, the nature of the Financial Interest, any action taken to determine whether a conflict of interest was present, and the board's or committee's decision as to whether a conflict of interest in fact existed.

b. The names of the persons who were present for discussions and votes relating to the transaction or arrangement, the content of the discussion, including any alternatives to the proposed transaction or arrangement, and a record of any votes taken in connection therewith.

Article V
Annual Statements

Each director, principal officer and member of a committee with board delegated powers shall annually sign a statement which affirms that such person in the form attached hereto as Exhibit A:

- a. has received a copy of the conflict of interest policy;
- b. has read and understands the policy;
- c. has agreed to comply with the policy; and
- d. understands that the Corporation is an organization exempt from taxation and that in order to maintain its federal tax exemption it must engage primarily in activities which accomplish one or more of its tax-exempt purposes.

Article VI
Periodic Reviews

To ensure that the Corporation operates in a manner consistent with its exempt purposes and that it does not engage in activities that could jeopardize its status as an organization exempt from federal income tax, periodic reviews shall be conducted. The periodic reviews shall, at a minimum, include the following subjects:

- a. Whether compensation arrangements and benefits are reasonable and are the result of arm's-length bargaining.
- b. Whether any of its activities result in inurement or impermissible private benefit.
- c. Whether partnership and joint venture arrangements and arrangements with publicly supported and private organizations conform to written policies, are properly recorded, reflect reasonable payments for goods and services, further the Corporation's exempt purposes and do not result in inurement or impermissible private benefit.

Article VII
Use of Outside Experts

In conducting the periodic reviews provided for in Article VI, the Corporation may, but need not, use outside advisors. If outside experts are used their use shall not relieve the board of its responsibility for ensuring that periodic reviews are conducted.

SPARK Incubator Network

Handbook

SPARK Contact Information

Tim Robinson, Executive Director, SPARK Incubator Network

Office: (734) 821-0071

Cell: (734) 476-3389

Email: Tim@annarborusa.org

TBD, Incubator Coordinator, SPARK Incubator Network

Office:

Cell:

Email:

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INTRODUCTION

Welcome! This Guidebook to Operations explains SPARK's approach to the incubator facilities and sets forth certain important guidelines for participation. Companies that are accepted into the Incubator Network as tenants of one of the three facilities will be required to sign either a lease agreement (SPARK Wetlab) or license agreement (Business Incubators at SPARK Central and SPARK East).

The SPARK Incubator Network, comprising the SPARK Wetlab Incubator at Traverwood, the SPARK Central Business Incubator in downtown Ann Arbor, and the planned SPARK East Business Incubator in downtown Ypsilanti, are operated by Ann Arbor SPARK, a not-for-profit public-private partnership. SPARK is supported by grants and contributions from local governments, universities and private and public companies and organizations. As such, SPARK has a public obligation to assist early-stage companies who seek to grow and establish businesses which will contribute to economic development in Washtenaw County and the State of Michigan.

Client Companies

The Incubator Network has been established to serve the needs of innovation based companies in the early product- and customer-development stages, which may require physical facilities and general business services, including:

- wet-lab capability
- access to providers of specialized services and equipment
- meeting and conference room facilities
- business development services

To meet the varying needs of its target clients, SPARK offers both physical space and a range of business services. Clients may choose to become tenants within one of the SPARK Incubators, or to use one of the business incubators as a "virtual tenant" on an as-needed basis.

Clients are accepted into an incubator with the expectation that they will utilize SPARK resources and services to grow their businesses and graduate from the incubator in 2 to 3 years.

Facility Specifications

	Wetlab Incubator at Traverwood	Business Incubator at SPARK Central (Ann Arbor)	Business Incubator at SPARK East (Ypsilanti)
Facility Size (sf)	12,000	5,600	5,000 (anticipated)
Tenant Space (sf)	10,000	2,900	
Common Area (sf)	2,000	2,700	
Max per Tenant (sf)	2,000 + common	4 cube cluster	4 cube cluster
Rates	\$25 psf inclusive, ann \$1 psf annual increase	\$395 per cube, monthly \$95 access only, monthly	\$395 per cube, monthly \$95 access only, monthly
Shared Equipment	NMR* Mass Spec, small mol* Autoclave Ice maker Copier	Copier Fax capability Wireless internet VOIP service with handset	Copier Fax capability Wireless internet VOIP service with handset
Amenities	24 hour secure access Individual mailboxes Business consulting drop-in hours (TBD) Conference rooms Cafeteria Kitchen	8:30 am to 5:00 pm staffing 24 hour secure access Conference rooms Informal meeting space Mail drop service Lending library Kitchen* Biz consulting drop-in hours	8:30 am to 5:00 pm staffing 24 hour secure access Conference rooms Informal meeting space Mail drop service Lending library Biz consulting drop-in hours
Available Services (fees may apply)	Digital projector On-site lab supplies*	After-hour event staffing Digital projector	After-hour event staffing Digital projector

* planned

GUIDELINES FOR ADMISSION AND GRADUATION

It is the primary mission of the Incubators to support company growth that enables client companies to graduate within two to three years. To that end, the standard lease or license is for a one-year term, renewable for up to two additional one-year terms if milestones are met. SPARK will require Incubator client companies to set milestones, and SPARK staff will review progress towards those milestones with Incubator tenants at intervals of no less than three months, including 60 days prior to lease renewal.

SPARK has established an incubator admission process based on certain criteria; each application will be considered by the SPARK management on a case-by-case basis. Every effort will be given to provide advice and assistance with the below items during the application process.

Admission Criteria

	Business Incubators at SPARK Central and SPARK East	Wet Lab Incubator at Traverwood
Commercialization Timing	Within 1-2 years of sustainable commercial revenues OR significant investment.	Within 1-2 years of sustainable commercial revenues OR significant investment.
Technology	Innovation startup companies, with a technology strategy that creates defensible value (such as through patents, trade secrets, copyrights, know-how) and is focused on commercial application.	Technology applicable to the areas of health care, life sciences, biotechnology or a related field. The technology should be well-protected (e.g., patents, trade secrets, copyrights, licenses) and focused on commercial application.
Capital	Adequate capitalization to provide for three (3) months of viable operation (to be outlined in a business plan).	Adequate capitalization to provide for six (6) months of viable operation (to be outlined in a business plan).
Plan	Business plan which addresses potential markets and size of market, growth potential, financial proformas, personnel growth and acquisition, and exit strategies.	Business plan which addresses potential markets and size of market, growth potential, financial proformas, personnel growth and acquisition, and exit strategies.
Management	Technical expertise in the field, with a plan to acquire qualified resources in employee, market, and financial management.	In addition to technical expertise in the field, a company must demonstrate the appropriate mix of qualified personnel in employee, market, and financial management.
Operations	The candidate company must fit within the operational model of the specific facility (space requirements, license fees, equipment/facility requirements, etc.).	The candidate company must fit within the operational model of the specific facility (space requirements, lease fees, equipment/facility requirements, etc.).

Retention in the Incubator

It is the primary mission of the Incubator to support company growth, so its client companies can graduate within two to three years. To that end, the standard lease / license is for a one-year term, renewable for up to two additional one-year terms if milestones are met. SPARK will require Incubator client companies to set milestones, and SPARK staff will review progress towards those milestones with Incubator tenants at intervals of no less than three months, including 60 days prior to lease renewal.

Graduation Criteria

Over the course of the first year of occupancy, SPARK staff and each Incubator company will develop a set of graduation criteria related to the company's business plan, growth projections, and milestones. SPARK staff and company will review these criteria semi-annually, and SPARK staff will assist the company in locating appropriate graduation space, either within the SPARK incubator network or another site as appropriate.

Graduation criteria may include:

- Need for expansion beyond 2,000 square feet
- Formation of a balanced and experienced management team
- Funding to carry the company for at least 12 months that supports increased development, operating, and lease expenses
- Product revenue and profitability
- Failure to achieve business growth milestones
- No continuing need for Incubator services

A tenant that achieves graduation criteria prior to the end of a lease or license ending date may be allowed to terminate early and without penalty at the discretion of SPARK management.

FACILITIES & SERVICES

Business Hours

Normal business hours are from 8:30 AM until 5:00 PM, Monday through Friday, except for national holidays. Incubator clients are permitted to use their facilities on a 24/7 basis. Electricity, heating and air conditioning will be provided for comfortable and suitable occupancy of the premises under normal business operations, 24 hours a day, and seven days a week.

Security & Building Access

Security is everyone's responsibility. Clients will receive keys to the Incubator and to their own offices and labs. Keys are not to be duplicated or lent to anyone. This compromises the level of building security we seek to maintain. Clients will be responsible for meeting and escorting guests to and from their offices.

Conference Rooms

Conference rooms are available for all Incubator Clients on a first come first serve basis with the fees (if any) being dependent on your client level.

Hazardous Materials

Use and disposal of hazardous materials are the responsibility of the client and must be handled in accordance with all applicable local, state and federal regulations. Hazardous materials shall be disposed of only by a licensed and insured hazardous waste hauler. SPARK staff shall be notified of the type of hazardous waste and the timing of its removal 72-hours prior to its removal. SPARK staff will assist the client in making arrangements with a certified hazardous waste hauler.

Information Technology Services

Telephone and internet services will be provided to clients by qualified vendors chosen by SPARK. Clients may be asked to complete an IT questionnaire to identify IT services and/or to meet with the SPARK Incubator Coordinator prior to move-in to determine their communication needs.

Mail Room & Copier Services

Mail, fax, and copy services will be provided to clients by qualified vendors chosen by SPARK. A mail/copy area is available for Incubator clients in each facility. In the Business Incubators, mail will be delivered to clients' mail slots and picked up for mailing daily. Clients will receive a code number for copy and fax services and will be billed monthly for usage. Mail, fax, and copy services will be coordinated by the Incubator Coordinator.

Shipping & Receiving

Clients may use Shipping & Receiving services during normal business hours as designated at each facility.

Signage & Logos

SPARK clients will be able to have company names and logos displayed outside their offices / cubes. Logos will be created at the client's expense and mounted on the walls by SPARK facilities staff. No external signage will be permitted. If SPARK clients wish to use the SPARK logo in their advertising and promotional efforts, they should make a written request to SPARK.

Parking

Parking for SPARK clients in the Wetlab Incubator is available on a first come, first served basis in identified parking spots. SPARK clients in the SPARK Central and East Incubators are responsible for acquiring their own parking accommodations.

Trash & Housekeeping

Trash containers will be provided and housekeeping will clean and remove trash daily - Monday through Friday (excluding national holidays). Trash that cannot fit into waste containers should be clearly marked "Trash: please remove" and placed in the hallway after each business day. (Note: If general cleaning or trash removal interferes with equipment or research activities, alternative housekeeping can be accommodated.)

POLICIES & RULES

The following rules will apply to all leases and licenses, provided that on a case by case basis SPARK may agree to rules other than set forth in this Guidebook. In such cases, or if there is a conflict between provisions within this Handbook and an Incubator tenant's Lease or License Agreement, the terms of the Lease or License Agreement will apply.

1. Client shall not make any room-to-room canvas to solicit business from other clients in the Building and shall not exhibit, sell or offer to sell, use, rent or exchange any item or services in or from the Premises unless ordinarily included within Client's use of the Premises as specified in the Lease.
2. Client shall not make any use of the Premises which may be dangerous to person or property or which shall increase the cost of insurance or require additional insurance coverage.
3. Client shall not paint, display, inscribe or affix any sign, picture, advertisement, notice, lettering or direction or install any lights on any part of the outside or inside of the Building, and then not on any part of the inside of the Premises which can be seen from outside the Premises, except as approved by SPARK in writing.
4. Client shall not use the name, logo, trademark or pictures of the Building in advertising or other publicity, without SPARK's prior approval.
5. Client shall not obstruct or place objects on or in sidewalks, entrances, passages, courts, corridors, vestibules, halls, elevators and stairways in and about the Building. Client shall not place objects against glass partitions or doors or windows or adjacent to any open common space which would be unsightly from the Building corridors or from the exterior of the Building.
6. Bicycles shall not be permitted in the Building other than in locations designated by SPARK.
7. Other than service animals, Client shall not allow any animals in the Premises or the Building.
8. Client shall not disturb other clients or make excessive noises, cause disturbances, create excessive vibrations, odors or noxious fumes or use or operate any electrical or electronic devices or other devices that emit excessive sound waves or are dangerous to other clients of the Building or that would interfere with the operation of any device or equipment or radio or television broadcasting or reception from or within the Building or elsewhere, and shall not place or install any projections, antennae, aerials or similar devices outside of the Building or the Premises.
9. Client shall not waste electricity or water and shall cooperate fully with SPARK to assure the most effective operation of the Building's heating and air conditioning and shall refrain from attempting to adjust any controls except for the thermostats within the Premises. Client shall keep all doors to the Premises closed.

10. SPARK shall furnish two sets of keys for all doors to the Premises at the commencement of the Term. When the Lease is terminated, Client shall return all keys to SPARK and will provide to SPARK the means of opening any safes, cabinets or vaults left in the Premises.
11. Except as otherwise provided in the Lease, Client shall not install any signal, communication, alarm or other utility or service system or equipment without the prior written consent of SPARK.
12. Client shall not use any draperies or other window coverings instead of or in addition to the Building standard window coverings designated and approved by SPARK for exclusive use throughout the Building.
13. SPARK may require that all persons who enter or leave the Building identify themselves to security personnel, by registration or otherwise. SPARK, however, shall have no responsibility or liability for any theft, robbery or other crime in the Building. Client shall assume full responsibility for protecting the Premises, including keeping all doors to the Premises locked after the close of business.
14. Client shall not overload floors; and Client shall obtain SPARK's prior written approval as to size, maximum weight, routing and location of business machines, safes, and heavy objects. Client shall not install or operate machinery or any mechanical devices of a nature not directly related to Client's ordinary use of the Premises.
15. In no event shall Client bring into the Building flammables such as gasoline, kerosene, naphtha and benzene, or explosives or firearms or any other articles of an intrinsically dangerous nature.
16. Furniture, equipment and other large articles may be brought into the Building only at the time and in the manner designated by SPARK. Client shall furnish SPARK with a list of furniture, equipment and other large articles which are to be removed from the Building, and SPARK may require permits before allowing anything to be moved in or out of the Building. Movements of Client's property into or out of the Building and within the Building are entirely at the risk and responsibility of Client.
17. No person or contractor, unless approved in advance by SPARK, shall be employed to do janitorial work, interior window washing, cleaning, decorating or similar services in the Premises.
18. Client shall not use the Premises for lodging, cooking (except for microwave reheating and coffee makers) or manufacturing, or selling any alcoholic beverages or for any illegal purposes.
19. Client shall comply with all safety, fire protection and evacuation procedures and regulations established by SPARK or any governmental agency.
20. Client shall cooperate and participate in all reasonable security programs affecting the Building.
21. Client shall not loiter, eat, drink, sit or lie in the lobby or other public areas in the Building. Client shall not go onto the roof of the Building or any other non-public areas of the

Building (except the Premises), and SPARK reserves all rights to control the public and non-public areas of the Building. In no event shall Client have access to any electrical, telephone, plumbing or other mechanical closets without SPARK's prior written consent.

22. Client shall not use the freight or passenger elevators, loading docks or receiving areas of the Building except in accordance with regulations for their use established by SPARK.
23. Client shall not dispose of any foreign substances in the toilets, urinals, sinks or other washroom facilities, nor shall Client permit such items to be used other than for their intended purposes, and Client shall be liable for all damages as a result of a violation of this rule.
24. Client shall not smoke nor permit its employees, guests, invitees or others to smoke in non-smoking areas of the Building.
25. SPARK reserves the right to periodically modify these policies, rules, handbook terms and schedules or alter them on a case-by-case basis through discussions with client companies.



**Minutes
Executive Committee Meeting
September 17, 2007**

The meeting of the Executive Committee of Ann Arbor SPARK (the "Committee") was held on September 17, 2007 at MITC Conference Center, Ann Arbor, MI.

Committee members present were Mr. Rick Snyder, Ms. Laurel Champion, Ms. Gretchen Driskell, Mr. Ken Fischer, Dr. Ed Pagani, Mr. Ken Nisbet, Dr. David Mielke, Mr. Bill Milliken, Mr. David Parsigian, Mr. Bob Guenzel, Mr. Mike Korybalski and Mr. Michael Finney. Ann Arbor SPARK staff members present were Mr. Scott Olson, Ms. Diane Durance, Mr. Tim Robinson, Mr. Jim Gartin, Ms. Elizabeth Parkinson, Ms. Amy Cell, Mr. Chris Westfall, and Ms. Bette Brusseau.

Absent: Mr. Grady Burnett, Mr. Paul Dimond, Mr. Stephen Forrest, Mr. Roger Fraser, Mr. Bhushan Kulkarni

The meeting was called to order at 8:05AM by Chairman Rick Snyder.

The **Minutes** of the **August 21, 2007** Executive Committee meeting were read. **Motion to approve by Mr. Bill Milliken, seconded by Ms. Laurel Champion. Approved unanimously.**

Financials – Mr. Michael Finney

- August YTD financials were reviewed

Motion by Mr. Ken Nisbet to approve financials; seconded by Dr. David Mielke. Approved unanimously.

CEO Update

[REDACTED]

- Office Move
 - Will be in new offices October 1, 2007
- LDFA/budget/contract
 - Budget is completed
 - \$75K loan to SPARK by LDFA as alternative to advance against contract

Motion by Mr. Bill Milliken to approve \$75,000 Note Payable; seconded by Dr. Ed Pagani. Approved unanimously.

- Business Unit Updates

[REDACTED]

- SPARK Central Incubator operating plan presented for review and approval


Motion by Mr. David Parsigian to approve Spark Central operating plan; seconded by Mr. Bill Milliken. Approved unanimously.

- Business Retention/Attraction Pipeline – Jim Gartin
 - [REDACTED] deals finalized through August
 - [REDACTED] deals in pipeline
- Talent – Amy Cell
 - Searches for [REDACTED]; a [REDACTED] software company
 - [REDACTED] searches on website
- Marketing – Elizabeth Parkinson
 - Regional brochure nearing completion
 - Adwords campaign launched with in-kind support from Google

Chairman Update – Mr. Rick Snyder

- Fundraising

[REDACTED]

- External Relations
- 

Adjournment

Mr. Ken Nisbet moved to adjourn, seconded by Mr. Bill Milliken. Motion carried unanimously.

The meeting adjourned at 9:35am.

Respectfully submitted,
On behalf of Dr. Ed Pagani

Introduction:

Ann Arbor SPARK (SPARK) is currently engaged in a variety of marketing and public relations efforts in support of our SPARK Business Accelerator (BA). These activities promote the creation and growth of technology based companies within the Ann Arbor/Ypsilanti SmartZone. To fully leverage our marketing and P.R. efforts, SPARK has teamed up with local, regional and state-level partners to maximize our resources. Our marketing programs support:

- SPARK Business Accelerator Services:
 - Bi-annual SPARK entrepreneur Boot Camp Programs
 - Business formation training
 - Educational and networking events
 - Start-up business resources; including consulting, wet-lab and business incubator(s), Michigan Innovation Equipment Depot, funding guidance and support.
- Attracting and retaining innovation-based business and talent to the Ann Arbor region

Marketing and Public Relations Activities:

Under the direction of the SPARK CEO, BA Director and leveraging relationships with local partners, SPARK Marketing and Communications is proposing a comprehensive program to garner positive media stories and awareness for the business resources available to entrepreneurs and start-up businesses in the Ann Arbor/Ypsilanti area. Tactics include press release creation and distribution via personal lists and PR newswire (when appropriate), active “pitching” to select media, media alerts for events, posting to the SPARK website and partner sites, blogging and social media outreach and print material creation and printing.

Public relations and marketing activities will include:

- Local, regional and national media outreach publicizing the business resources available to innovation-based start-ups in the region and the success stories of companies that have received support. Recent examples include:
 - Oncoimmune, Parking Carma, urTurn, SensiGen, Pixel Velocity, NextPhase
- Editorial content creation and placement
- Business Accelerator collateral materials

- Event management and support
 - Educational and Networking events
- Issues Media Ann Arbor site
- Ongoing content creation and placement on SPARK website
- Ongoing Ad Words campaign
- Business Accelerator feature in the bi-monthly SPARK e-newsletter
- Business Accelerator events and programs included in weekly SPARK event e-Update.

Project Goals

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.
- Provide enhanced education and training to entrepreneurs.
- Promote the business incubator space and clients.

PR and Marketing anticipated outcomes:

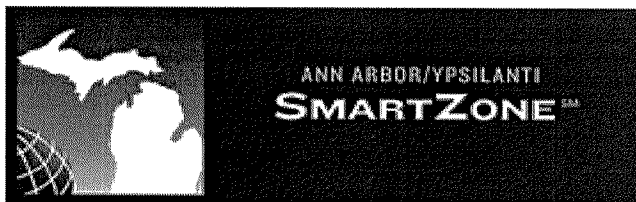
- Garner 25-35 media placements with an ad equivalency value of 5x the LDFA investment (\$150,000).
- Increase the number of BA clients by 40% with engagements growing from 106 to 142 for 2007-2008.
- Increase the “pipeline” of Boot Camp participants from 20 to 25.
- Update and distribute the Boot Camp marketing brochure to promote the spring session.
- Develop business incubator marketing materials.
- Update and distribute the Cantillon brochure.
- The Ad Words campaign will generate on average 6 new business idea submissions monthly.
-

Conclusion

This overview provides the support for funding the SPARK Business Accelerator marketing and public relations programs related to developing a strong entrepreneurial community within the Ann Arbor/Ypsilanti region and in within the framework of the stated goals of the Ann Arbor/Ypsilanti Smart Zone LDFA.

Activities to date:

- Monthly public relations outreach on behalf of the SPARK BA and clients (\$2,500/month)	July-Dec.	\$15,000
- Cantillon marketing brochure		\$2,234
- Bootcamp marketing brochure		\$625
- Ann Arbor brochure (LDFA portion – 20%)		\$6,045
- Ad Words campaign (Sept-Dec, \$600/month)		\$2,400
Total expenses through 12/31/07:		\$26,304
LDFA Marketing and PR Budget 7/07-12/07:		\$35,250
Budget Underage (\$8,946)		



FINANCIAL SUMMARY

as of September 30, 2007

Smart Zone LDFA
DELIVERABLES
as of September 30, 2007

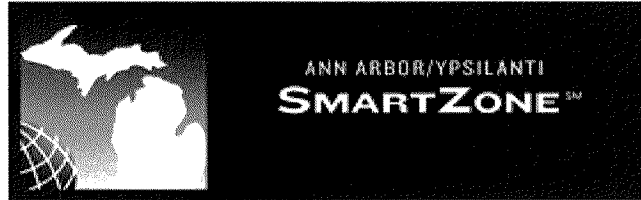
	<u>ACTUAL</u>	<u>FORECAST</u>			
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Full Year</u>
Phase I (Screenings)					
					\$125/hr
<u>Number of Clients</u>					
Actual/Forecast	29	30	30	31	120
Budget/Proposed	30	30	30	30	120
Actual Over/(Under) Target	<u>(1)</u>	-	-	1	-
<u>Hours per Client (Avg)</u>					
Actual/Forecast		2.0	2.0	2.0	2.0
Budget/Proposed	2.0	2.0	2.0	2.0	2.0
Actual Over/(Under) Target	<u>(2.0)</u>	-	-	-	-
Phase II (Due Diligence)					
					\$125/hr
<u>Number of Clients</u>					
Actual/Forecast	12	20	20	20	72
Budget/Proposed	18	18	18	18	72
Actual Over/(Under) Target	<u>(6)</u>	2	2	2	-
<u>Hours per Client (Avg)</u>					
Actual/Forecast		10.0	10.0	10.0	10.0
Budget/Proposed	10.0	10.0	10.0	10.0	10.0
Actual Over/(Under) Target	<u>(10.0)</u>	-	-	-	-
Phase III (Intensive Advisin					
					\$125/hr
<u>Number of New Clients</u>					
Actual/Forecast	9	8	-	-	17
Budget/Proposed	8	8	8	8	33
Actual Over/(Under) Target	<u>1</u>	(0)	(8)	(8)	(16)
<u>Hours per Client (Avg)</u>					
Actual/Forecast		-	39.0	38.0	39.0
Budget/Proposed	40.0	40.0	40.0	40.0	40.0
Actual Over/(Under) Target	<u>(40.0)</u>	-	(1.0)	(2.0)	(1.0)
Bus. Network Events-Sponsorships					
<u>Number of Events</u>					\$500/event
Actual/Forecast	-	20	20	10	50
Target Maximum	20	20	20	20	50
Actual Over/(Under) Target	<u>(20)</u>	-	-	(10)	-

Category	Detail	Incurred		Billed	Measureable		\$ Amount
		Qtr	Year		Qtr	Unit Descrip.	
		al Year					
Legal & Admin. Support	July 07	1	2008	1	Legal	1.00	\$ (171.20)
Phase I (Screenings)	July 07	1	2008	1	Hours	15.75	\$ (1,968.75)
Phase II (Due Diligence)	July 07	1	2008	1	Hours	6.25	\$ (781.25)
Phase III (Intensive Advising)	July 07	1	2008	1	Hours	250.25	\$ (31,281.25)
Phase I (Screenings)	Aug. 07	1	2008	1	Hours	16.25	\$ (2,031.25)
Phase II (Due Diligence)	Aug. 07	1	2008	1	Hours	54.00	\$ (6,750.00)
Phase III (Intensive Advising)	Aug. 07	1	2008	1	Hours	258.75	\$ (32,343.75)
Legal & Admin. Support	Sept 07	1	2008	1	Legal	1.00	\$ (406.80)
Phase I (Screenings)	Sept 07	1	2008	2	Hours	31.00	\$ (3,875.00)
Phase II (Due Diligence)	Sept 07	1	2008	2	Hours	37.25	\$ (4,656.25)
Phase III (Intensive Advising)	Sept 07	1	2008	2	Hours	500.10	\$ (62,512.50)
Boot Camp	Sept 07	1	2008	2	Sessions	1.00	\$ (10,000.00)
Tuition Matching	Sept 07	1	2008	2	Sessions	1.00	\$ (10,000.00)
Collaboration Networking	Sept 07	1	2008	2	Ptr Referrals	1.00	\$ (15,000.00)
Cantillon Entrepreneurial Educ	Sept 07	1	2008	2	Consult	1.00	\$ (1,250.00)

Category	Detail	Incurred		Billed	Measureable		\$ Amount
		Qtr	Year	Qtr	Unit Descrip.	Number	
		al Year					

Smart Zone LDFA
FY 2007 FINANCIAL SUMMARY
as of September 30, 2007

	ACTUALS					BUDGET		VARIANCE Explanation
	Q1	Q2	Q3	Q4	Full Year	Amount	Forecast Over/(Under) Budget	
INCOME STATEMENT								
Revenues:								
Tax Revenue	\$ 431,534	\$ 183,238	\$ 109,943	\$ 8,237	\$ 732,951	\$ 770,000	\$ (37,049)	
Investment Income	4,376	3,000	2,000	1,000	10,376	-	10,376	
Total Revenues	\$ 435,909	\$ 186,238	\$ 111,943	\$ 9,237	\$ 743,327	\$ 770,000	\$ (26,673)	
Expenditures:								
<u>Contracted Services</u>								
Phase I (Screenings)	(7,875)	(7,500)	(7,500)	(7,750)	(30,625)	(30,000)	(625)	
Phase II (Due Diligence)	(12,188)	(25,000)	(25,000)	(25,000)	(87,188)	(90,000)	2,813	
Phase III (Intensive Advising)	(126,138)	(40,000)	-	-	(166,138)	(165,000)	(1,138)	
Collaboration Networking	(15,000)	(15,000)	(15,000)	(15,000)	(60,000)	(60,000)	-	
Boot Camp	(10,000)	-	-	(10,000)	(20,000)	(20,000)	-	
Tuition Matching	(10,000)	-	-	(10,000)	(20,000)	(20,000)	-	
Bus. Network Events-Sponsorships	-	(10,000)	(10,000)	(5,000)	(25,000)	(25,000)	-	
Total Contracted Services	\$ (181,200)	\$ (97,500)	\$ (57,500)	\$ (72,750)	\$ (408,950)	\$ (410,000)	\$ 1,050	
<u>Other Projected Services</u>								
Cantillon Entrepreneurial Education	\$ (1,250)	\$ (21,250)	\$ (31,250)	\$ (31,250)	(85,000)	\$ (85,000)	\$ -	
Marketing - PR, Print, Websites	-	(25,000)	(25,000)	(20,500)	(70,500)	(70,500)	-	
Business Incubator	-	(55,193)	(55,193)	(55,193)	(165,580)	(165,580)	-	
Legal & Admin. Support	(578)	-	-	(5,100)	(5,678)	(10,000)	4,322	
Best Practice Consulting	-	-	(9,000)	-	(9,000)	(9,000)	-	
Other Contingency	-	-	-	-	-	(316,920)	316,920	
Total Other Projected Services	\$ (1,828)	\$ (101,443)	\$ (120,443)	\$ (112,043)	\$ (335,758)	\$ (657,000)	\$ 321,242	
Total Expenditures	\$ (183,028)	\$ (198,943)	\$ (177,943)	\$ (184,793)	\$ (744,708)	\$ (1,067,000)	\$ 322,292	
Net Increase/Decrease	\$ 252,881	\$ (12,706)	\$ (66,001)	\$ (175,557)	\$ (1,381)	\$ (297,000)	\$ 295,619	
						Use of Fund Balance		
Memo:								
Fund Balance (6/30/2007)	\$ 288,589							
Fund Balance (Qtr End)	\$ 541,470	\$ 528,765	\$ 462,764	\$ 287,207				



FINANCIAL SUMMARY

as of December 31, 2007

(Note: Not reviewed by Treasurer as of 1-10-08)

Smart Zone LDFA
DELIVERABLES
as of December 31, 2007

	<u>ACTUAL</u>	<u>ACTUAL</u>	<u>FORECAST</u>		<u>Full Year</u>
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	
Phase I (Screenings) \$125/hr					
<u>Number of Clients</u>					
Actual/Forecast	58	33	40	40	171
Budget/Proposed	30	30	30	30	120
Actual Over/(Under) Target	28	3	10	10	51
<u>Hours per Client (Avg)</u>					
Actual/Forecast	1.1	1.2	1.2	1.2	1.2
Budget/Proposed	2.0	2.0	2.0	2.0	2.0
Actual Over/(Under) Target	(0.9)	(0.8)	(0.8)	(0.8)	(0.8)
Phase II (Due Diligence) \$125/hr					
<u>Number of Clients</u>					
Actual/Forecast	43	15	30	30	118
Budget/Proposed	18	18	18	18	72
Actual Over/(Under) Target	25	(3)	12	12	46
<u>Hours per Client (Avg)</u>					
Actual/Forecast	2.3	1.6	4.0	4.0	3.0
Budget/Proposed	10.0	10.0	10.0	10.0	10.0
Actual Over/(Under) Target	(7.7)	(8.4)	(6.0)	(6.0)	(7.0)
Phase III (Intensive Advising) \$125/hr					
<u>Number of New Clients</u>					
Actual/Forecast	37	35	35	35	142
Budget/Proposed	8	8	8	8	33
Actual Over/(Under) Target	29	27	27	27	109
<u>Hours per Client (Avg)</u>					
Actual/Forecast	27.3	6.8	20.0	20.0	18.5
Budget/Proposed	40.0	40.0	40.0	40.0	40.0
Actual Over/(Under) Target	(12.7)	(33.2)	(20.0)	(20.0)	(21.5)
Memo: Total Hours	1,010	235	700	700	2,646
Bus. Network Events-Sponsorships					
<u>Number of Events</u> \$500/event					
Actual/Forecast	13	16	15	6	50
Target Maximum	20	20	20	20	50
Actual Over/(Under) Target	(7)	(4)	(5)	(14)	-

Smart Zone LDFA
FY 2007 FINANCIAL SUMMARY
as of December 31, 2007

	ACTUALS		FORECAST		Full Year	BUDGET		VARIANCE Explanation
	Q1	Q2	Q3	Q4		Amount	Forecast Over/(Under) Budget	
INCOME STATEMENT								
Revenues:								
Tax Revenue	\$ 431,534	\$ 183,238	\$ 109,943	\$ 8,237	\$ 732,951	\$ 770,000	\$ (37,049)	
Investment Income	4,376	3,000	2,000	1,000	10,376	-	10,376	
Total Revenues	\$ 435,909	\$ 186,238	\$ 111,943	\$ 9,237	\$ 743,327	\$ 770,000	\$ (26,673)	
Expenditures:								
Contracted Services								
Phase I (Screenings)	(7,875)	(4,844)	(6,000)	(6,000)	(24,719)	(30,000)	5,281	Phase I hours lower than projected. Requesting reallocation to Phase III Phase II hours lower than projected. Requesting reallocation to Phase III Projecting modest reduction in number of clients.
Phase II (Due Diligence)	(12,188)	(3,188)	(15,000)	(15,000)	(45,375)	(90,000)	44,625	
Phase III (Intensive Advising)	(126,138)	(29,428)	(87,500)	(87,500)	(330,565)	(165,000)	(165,565)	
Collaboration Networking	(15,000)	(15,000)	(15,000)	(15,000)	(60,000)	(60,000)	-	
Boot Camp	(10,000)	-	-	(10,000)	(20,000)	(20,000)	-	
Tuition Matching	(10,000)	-	-	(10,000)	(20,000)	(20,000)	-	
Bus. Network Events-Sponsorships	(6,500)	(7,500)	(10,000)	(1,000)	(25,000)	(25,000)	-	
Total Contracted Services	\$ (187,700)	\$ (59,959)	\$ (133,500)	\$ (144,500)	\$ (525,659)	\$ (410,000)	\$ (115,659)	
Other Projected Services								
Cantillon Entrepreneurial Education	(1,250)	-	\$ (41,875)	\$ (41,875)	(85,000)	\$ (85,000)	\$ -	Delayed opening and lower than projected expense.
Marketing - PR, Print, Websites	-	-	(50,000)	(20,500)	(70,500)	(70,500)	-	
Business Incubator	-	(35,298)	(55,193)	(55,193)	(145,685)	(165,580)	19,895	
Legal & Admin. Support	(578)	(111)	-	(5,100)	(5,678)	(10,000)	4,322	
Best Practice Consulting	-	-	(9,000)	-	(9,000)	(9,000)	-	
Other Contingency	-	-	(94,920)	-	(94,920)	(316,920)	222,000	\$94,920 Incubator facility improvements projected.
Total Other Projected Services	\$ (1,828)	\$ (35,409)	\$ (250,988)	\$ (122,668)	\$ (410,783)	\$ (657,000)	\$ 246,217	
Total Expenditures	\$ (189,528)	\$ (95,368)	\$ (384,488)	\$ (267,168)	\$ (936,442)	\$ (1,067,000)	\$ 130,558	
Net Increase/Decrease	\$ 246,381	\$ 90,870	\$ (272,546)	\$ (257,932)	\$ (193,115)	\$ (297,000)	\$ 103,885	
						Use of Fund Balance		
Memo:								
Fund Balance (6/30/2007)	\$ 288,589							
Fund Balance (Qtr End)	\$ 534,970	\$ 625,841	\$ 353,295	\$ 95,363				

Phase I hours lower than projected. Requesting reallocation to Phase III
Phase II hours lower than projected. Requesting reallocation to Phase III
Projecting modest reduction in number of clients.

Delayed opening and lower than projected expense.

\$94,920 Incubator facility improvements projected.

Category	Detail	Fiscal Year		Billed Qtr	Measureable Unit Descrip.	Number	\$ Amount
		Incurred					
		Qtr	Year				
Legal & Admin. Support	July 07	1	2008	1	Legal	1.00	\$ (171.20)
Phase I (Screenings)	July 07	1	2008	1	Hours	15.75	\$ (1,968.75)
Phase II (Due Diligence)	July 07	1	2008	1	Hours	6.25	\$ (781.25)
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Phase I (Screenings)	Aug. 07	1	2008	1	Hours	16.25	\$ (2,031.25)
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Phase III (Intensive Advising)	Aug. 07	1	2008	1	Hours	258.75	\$ (32,343.75)
Legal & Admin. Support	Sept 07	1	2008	1	Legal	1.00	\$ (406.80)
Phase I (Screenings)	Sept 07	1	2008	2	Hours	31.00	\$ (3,875.00)
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Phase III (Intensive Advising)	Sept 07	1	2008	2	Hours	500.10	\$ (62,512.50)
Boot Camp	Sept 07	1	2008	2	Sessions	1.00	\$ (10,000.00)
Tuition Matching	Sept 07	1	2008	2	Sessions	1.00	\$ (10,000.00)
Collaboration Networking	Sept 07	1	2008	2	Ptr Referrals	1.00	\$ (15,000.00)
Cantillon Entrepreneurial Educ	Sept 07	1	2008	2	Consult	1.00	\$ (1,250.00)
Phase I (Screenings)	Oct. 07	2	2008	2	Hours	19.00	\$ (2,375.00)
Phase II (Due Diligence)	Oct. 07	2	2008	2	Hours	10.75	\$ (1,343.75)
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Phase II (Due Diligence)	Nov. 07	2	2008	2	Hours	3.00	\$ (375.00)
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Bus. Network Events-Sponsor:	Sept 07	1	2008	2	Events	13.00	\$ (6,500.00)
Business Incubator	Oct. 07	2	2008	2	Facility Exp	1.00	\$ (11,889.02)
Business Incubator	Nov. 07	2	2008	2	Facility Exp	1.00	\$ (11,275.45)
Legal & Admin. Support	Oct. 07	2	2008	2	Legal	1.00	\$ (110.60)
Phase I (Screenings)	Dec. 07	2	2008	2	Hours	17.50	\$ (2,187.50)
Phase II (Due Diligence)	Dec. 07	2	2008	2	Hours	11.75	\$ (1,468.75)
Phase III (Intensive Advising)	Dec. 07	2	2008	2	Hours	71.00	\$ (8,875.00)
Business Incubator	Dec. 07	2	2008	2	Facility Exp	1.00	\$ (12,133.78)
Bus. Network Events-Sponsor:	Dec. 07	2	2008	2	Events	15.00	\$ (7,500.00)
Collaboration Networking	Dec. 07	2	2008	2	Ptr Referrals	1.00	\$ (15,000.00)

Smart Zone LDFA
Loan Payment
as of December 31, 2007

Principal: \$75,000.00

<u>Date</u>	<u>Received</u>
12/14/2007	\$ 10,714.29



**MINUTES – SPECIAL BOARD MEETING
February 7, 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: Mickey Katz-Pek, Michael Reid, Stephen Rapundalo, Darryl Daniels, Roselyn Zator-Ex-officio

Members Excused: Tom Kinnear, Richard King, Rob Risser, Jonnie Bryant, Mike Korybalski, Tom Crawford Ex-officio

Others Present: Mike Finney-SPARK, Skip Simms-SPARK, Scott Olson-SPARK, Greg Fronizer-SPARK, Kurt Riegger-SPARK, Sandi Bird-City of Ann Arbor-Finance

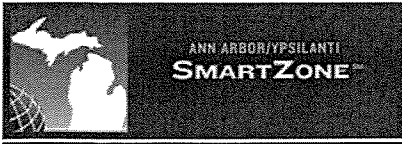
CALL TO ORDER:

A quorum was not present.

At 8:25am, Katz-Pek asked to reschedule the meeting to next week.

Respectfully Submitted,

Sandi Bird, Recording Secretary for Tom Crawford



**MINUTES – SPECIAL BOARD MEETING
February 12, 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: Mickey Katz-Pek, Michael Reid, Tom Kinnear, Richard King, Rob Risser, Darryl Daniels, Stephen Rapundalo, Tom Crawford-Ex-officio

Members Excused: Jonnie Bryant, Michael Korybalski, Roselyn Zator-Ex-officio

Others Present: Mike Finney-SPARK, Scott Olson-SPARK, Greg Fronizer-SPARK, Kurt Riegger-SPARK, Sandi Bird-City of Ann Arbor-Finance

CALL TO ORDER:

Katz-Pek called the meeting to order at 8:03am. A quorum was present.

APPROVAL OF THE AGENDA:

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

MOTIONS & RESOLUTIONS:

1. Minutes of the January 15, 2008 and February 7, 2008 Board Meetings:

Kinnear moved, seconded by Rapundalo, to approve the Minutes of the January 15, 2008 regular board meeting and the Minutes of the February 7, 2008 special board meeting in the form presented at this meeting. Motion approved unanimously.

REPORTS FROM SERVICE PROVIDERS:

1. Ann Arbor SPARK: Business Accelerator Status Report, Page 3, "Business Accelerator Service" - 2nd Quarter:

Risser moved, seconded by Rapundalo, to accept the SPARK Business Accelerator Report, Page 3, titled "Business Accelerator Service", for the quarter ended December 31, 2007 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.

2. Memo of Understanding from Jackson Enterprise Group, Jackson, Michigan:

Tabled until next meeting.

3. Ann Arbor SPARK: Budget Presentation:

Discussion ensued regarding the Ann Arbor SPARK budget, presented by Michael Finney.

REPORTS FROM COMMITTEES:

1. Establishment of FY 2009 LDFA Contract Committee and LDFA Budget Committee:

Contract Committee Chair: Tom Kinnear
Committee Member: Richard King
Committee Member: Michael Reid

Budget Committee Chair: Rob Risser
Committee Member: Mike Reid
Committee Member: Tom Kinnear

Katz-Pek recommended FY 2009 LDFA Budget to be presented at the April, 2008 board meeting and the FY 2009 Contract with Ann Arbor SPARK negotiated by June 30, 2008.

2. Update of LDFA Nominating Recommendation Committee:

Nominating Recommendation Chair: Richard King
Committee Member: Stephen Rapundalo

Discussion ensued regarding status of board member terms and seeking nominee recommendations. Katz-Pek recommended an update by the Committee of possible nominations at the March, 2008 board meeting.

3. Establishment of LDFA Ad hoc Review Committees for Angel Network and Incubator (Physical Facility):

Ad hoc Review Committee for Angel Network: Korybalski & SPARK member
Ad hoc Review Committee for Incubator: Risser, Reid, Crawford & SPARK member

4. Update from LDFA Strategic Planning Work Session:

Discussion ensued regarding the Strategic Planning Work Session, January 24, 2008. It was recommended the Contract Committee examine the process for funding external proposals from not-for-profit organizations.

Rapundalo excused at 9:10am

OTHER BUSINESS:

1. Supplemental funding request for \$5,000 to support Cantillon maintenance.

Discussion ensued regarding the \$5,000 payment to SPARK from GLEQ for Cantillon. It was requested \$5,000 be paid back to the LDFA from SPARK.

2. First Reading – Amendment No. 2 to the LDFA By-laws:

Reid moved, seconded by Rapundalo to introduce a change in the LDFA By-laws and to approve for distribution to the respective municipalities. Proposed change as follows:

In Section 3 of Article IV – Members and Terms, delete the clause “except that no member may serve more than 90 days past the expiration of his or her term”.

Motion approved unanimously.

3. Submission of Funding Proposals:

- A) MichBio – Recommended to work with SPARK
- B) 208 Group – Proposal verbally withdrawn

4. Other:

Recommendation made for the LDFA to have a Conflict of Interest policy. Members to forward sample policies for review.

MOTION TO ADJOURN:

Daniels moved, seconded by Risser, to adjourn the meeting at 9:55am. Motion approved unanimously.

Respectfully Submitted,

Tom Crawford, Recording Secretary

Business Accelerator Services

October 1 – December 31, 2007

Contract Metrics	Phase 1 : Screened Submissions or Referrals to SPARK	Phase 2: Due Diligence Review	Phase 3: Intensive Support
New Firms : Billable Hrs :	30 New Companies Max per Q 2 Average Hours Max per Q	18 New Companies Max per Q 10 Average Hours Max per Q	8 New Companies Max per Q 40 Average Hours Max per Q
New Client Firms in Phase	30 companies	12 companies	16 companies
Pre-Existing Client Firms in Phase	1 companies	3 companies	21 companies
Quarterly Program Results for Phase	(4) company advanced to Phase 2 and received Due Diligence Review this quarter.	(2) companies advanced to Phase 3 and received Intensive Support this quarter.	(0) companies reached the cumulative maximum level of Phase 3 business accelerator services this quarter and graduated out of the program.
Total Companies	31 companies	15 companies	37 companies
Summary Average Hrs : Billable Hrs : Total Cost:	1.25 Average Hours 38.75 Total Hours \$4,844	1.70 Average Hours 25.5 Total Hours \$3,188	6.36 Average Hours 235.42 Total Hours \$29,428

AMENDMENT NO. 2
TO
BY-LAWS OF ANN ARBOR-YPSILANTI SMART ZONE LOCAL DEVELOPMENT
FINANCE AUTHORITY

The By-Laws of the Ann Arbor-Ypsilanti Smart Zone Local Development Finance Authority effective January 21, 2003 (the "By-Laws") are hereby amended as follows:

1. Section 3 of Article IV – Members and Terms is amended to read as follows:

Section 3. Reappointment of Members: Except for initial appointments to the Board, no member shall serve more than one complete (4 year) term. Members shall serve until the appointment of their successor. The Board shall notify the appropriate unit of government at least 60 days prior to the expiration of the member's term.

Deleted: , except that no member may serve more than 90 days past the expiration of his or her term

Except as amended hereby, the By-Laws remain in full force and effect.

Approved LDFA Board: _____
Date

Filed with City of Ann Arbor: _____
Date

Filed with City of Ypsilanti: _____
Date



**MINUTES – SPECIAL BOARD MEETING
March 11, 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: Mickey Katz-Pek, Michael Reid, Tom Kinnear, Richard King, Darryl Daniels, Roselyn Zator-Ex-officio

Members Present via Telephone Conference Call: Stephen Rapundalo

Members Excused: Rob Risser, Jonnie Bryant, Michael Korybalski, Tom Crawford-Ex-officio

Others Present: Mike Finney-SPARK, Scott Olson-SPARK, Greg Fronizer-SPARK, Elizabeth Parkinson-SPARK, Skip Simms-SPARK, Kurt Riegger-SPARK, Sandi Bird-City of Ann Arbor-Finance, Michael Cole-Bank of Ann Arbor, Mark Holtz-Bank of Ann Arbor

CALL TO ORDER:

Katz-Pek called the meeting to order at 8:05am. A quorum was present.

APPROVAL OF THE AGENDA:

Kinnear 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 February 12, 2008 Board Meeting:

Reid moved, seconded by Daniels, to approve the Minutes of the February 12, 2008 board meeting in the form presented at this meeting. Motion approved unanimously.

REPORTS FROM SERVICE PROVIDERS:

1. Ann Arbor SPARK: Business Accelerator Interim Update Report – 3rd Quarter:

Daniels moved, seconded by Reid, to provide additional funding of \$6,265 for Cantillon marketing expenditures projected to exceed the budget under the current in-force contract with Ann Arbor SPARK, to authorize the reallocation of \$29,913 unexpended Business Incubator lease subsidy contract amounts for \$12,000 Business Incubator furniture and sound control and \$17,913 Business Incubator shared equipment, and to fund the \$6,265 additional expenditure

by reducing the Other Contingency budget line item. After discussion and consideration, motion carried 4-1, Reid voting no.

2. Memo of Understanding from Jackson Enterprise Group, Jackson, Michigan:

Chair recommended to meet with the Jackson Enterprise Group and to engage the LDFA attorney to work with the member municipalities' attorneys on the agreement.

REPORTS FROM COMMITTEES:

1. Updates of FY 2009 LDFA Contract Committee, Budget Committee, Nominating Recommendation Committee and Ad hoc Review Committees for Angel Network and Incubator Physical Facility:

Discussion ensued regarding the updates from each committee.

Daniels excused at 9:12am

OTHER BUSINESS:

1. Conflict of Interest Policy:

Chair recommended forwarding sample policy to LDFA attorney for review.

King moved, seconded Kinnear to authorize the Chair to expend monies from the FY 2008 Legal Services budget for professional services rendered in conjunction with the Conflict of Interest Policy review. Motion approved unanimously.

2. LDFA Tax Revenue Projection FY 2009 (DRAFT):

Discussion ensued regarding the LDFA tax revenue projection for the FY 2009 budget preparation.

3. Discussion: Submission of MichBio Funding Proposal:

Proposal removed from the table per Scott Olson and Stephen Rapundalo

MOTION TO ADJOURN:

King moved, seconded by Reid, to adjourn the meeting at 9:27am. Motion approved unanimously.

Respectfully Submitted,

Sandi Bird, Recording Secretary for Tom Crawford



**MINUTES – REGULAR BOARD MEETING
April 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: Mickey Katz-Pek (8:18am), Michael Reid, Rob Risser, Richard King, Darryl Daniels, Jonnie Bryant, Stephen Rapundalo, Roselyn Zator-Ex-officio

Members Excused: Tom Kinnear, Michael Korybalski, Tom Crawford-Ex-officio

Others Present: Mike Finney-SPARK, Scott Olson-SPARK, Greg Fronizer-SPARK, Kurt Riegger-SPARK, Sandi Bird-City of Ann Arbor-Finance, Tina Reed-Ann Arbor News

CALL TO ORDER:

Risser called the meeting to order at 8:00am. A quorum was present.

APPROVAL OF THE AGENDA:

Reid moved, seconded by King, to approve the Agenda for this meeting with amendments in the form presented and attached hereto and made a part hereof. Motion approved unanimously.

MOTIONS & RESOLUTIONS:

1. Minutes of the March 11, 2008 Board Meeting:

Reid moved, seconded by Bryant, to approve the Minutes of the March 11, 2008 board meeting in the form presented at this meeting. Risser abstained due to absence at last meeting. Motion approved unanimously.

LDFA TREASURER'S REPORT:

1. LDFA Financial Report – 3rd Quarter Ended March 31, 2008:

Reid moved, seconded by King, to approve the LDFA financial report for the third quarter ended March 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.

Risser requested a report on the history of LDFA cash balances and interest earned/charged for the next meeting. Rapundalo requested clarification on the LDFA's ability to ever borrow from

the City's pooled cash fund in the absence of both a specific resolution from the LDFA Board and specific authorization from the Ann Arbor City Council.

Reid recommended that a brief addendum to Attachment A of the Agreement between the LDFA and Ann Arbor SPARK dated September 4, 2007 be executed by both parties to reflect the modifications to Sections 1.1.1, 1.1.2, and 1.1.3 that were approved at the January 15, 2008 LDFA Board meeting.

Reid noted that the March 31, 2008 financial statements did not clearly reflect the balance owed to the LDFA by SPARK or any installments paid throughout the quarter in association with the \$75,000 loan to SPARK. It was requested that future LDFA financial reports disclose the sources and uses of cash to help clarify periodic changes to accounts payable or receivable.

REPORTS FROM SERVICE PROVIDERS:

1. Ann Arbor SPARK: Business Accelerator Status Report – 3rd Quarter:

Scott Olson of SPARK gave a verbal presentation highlighting 3rd Quarter contract performance. On a voice vote, formal action to accept SPARK's 3rd Quarter report was postponed to the next meeting to allow for completion of all required elements of the quarterly report..

2. Monitoring and Tracking of Business Accelerator Clients:

Katz-Pek requested an update from SPARK on progress made toward implementing the Salesforce.com software as it relates to monitoring and tracking Business Accelerator clients, documenting eligibility to receive services, and how these internal control systems tie back to contract performance metrics and invoices submitted to the LDFA.

Scott Olson gave an overview of the processes, procedures and applications used by SPARK to track Business Accelerator clients. He disclosed that the internal control system used to document contract compliance relies upon multiple legacy applications in addition to Salesforce.com. Because these applications frequently resist sharing helpful data, there have been occasions where the ability to monitor and comply with all elements of the contract has been sub-optimal. SPARK CFO Greg Fronizer assured the LDFA that SPARK is aware of these deficiencies and is committed to detecting and correcting data gaps prior to the end of the current contract year.

Katz-Pek recommended SPARK provide the LDFA board with an update on progress and modifications to these systems in each of the remaining meetings this year.

REPORTS FROM COMMITTEES:

1. Update of FY 2009 LDFA Budget Committee:

Postponed to next meeting - Special Meeting April 29, 2008, public notice to be provided.

2. Update of FY 2009 LDFA Contract Committee:

Next Contract Committee meeting scheduled for April 19, 2008.

1. Update of FY 2009 LDFA Nominating Recommendation Committee:

Reid moved, seconded by Bryant, to forward two applications presented by King to the City of Ann Arbor Council. Motion approved unanimously.

Rapundalo requested to also forward a notice of FY 2009 LDFA Board vacancies to the City of Ann Arbor Council.

Daniels excused at 9:42am

OTHER BUSINESS:

1. Conflict of Interest Policy:

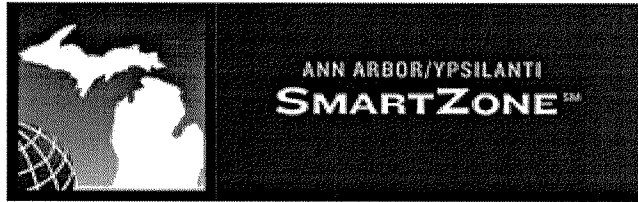
Postponed to next meeting.

MOTION TO ADJOURN:

King moved, seconded by Reid, to adjourn the meeting at 10:12am. Motion approved unanimously.

Respectfully Submitted,

Sandi Bird, Recording Secretary for Tom Crawford



FINANCIAL SUMMARY

as of March 31, 2008

Smart Zone LDFA
DELIVERABLES
as of March 31, 2008

	<u>ACTUAL</u> <u>Q1</u>	<u>ACTUAL</u> <u>Q2</u>	<u>ACTUAL</u> <u>Q3</u>	<u>FORECAST</u> <u>Q4</u>	<u>Full Year</u>
Phase I (Screenings) \$125/hr					
<u>Number of Clients</u>					
Actual/Forecast	58	33	30	40	161
Budget/Proposed	30	30	30	30	120
Actual Over/(Under) Target	28	3	-	10	41
<u>Hours per Client (Avg)</u>					
Actual/Forecast	1.1	1.2	1.3	1.2	1.2
Budget/Proposed	2.0	2.0	2.0	2.0	2.0
Actual Over/(Under) Target	(0.9)	(0.8)	(0.7)	(0.8)	(0.8)
Phase II (Due Diligence) \$125/hr					
<u>Number of Clients</u>					
Actual/Forecast	43	15	26	30	114
Budget/Proposed	18	18	18	18	72
Actual Over/(Under) Target	25	(3)	8	12	42
<u>Hours per Client (Avg)</u>					
Actual/Forecast	2.3	1.6	2.0	4.0	2.5
Budget/Proposed	10.0	10.0	10.0	10.0	10.0
Actual Over/(Under) Target	(7.7)	(8.4)	(8.0)	(6.0)	(7.5)
Phase III (Intensive Advising) \$125/hr					
<u>Number of New Clients</u>					
Actual/Forecast	37	35	40	35	147
Budget/Proposed	8	8	8	8	33
Actual Over/(Under) Target	29	27	32	27	114
<u>Hours per Client (Avg)</u>					
Actual/Forecast	27.3	6.8	8.8	20.0	15.7
Budget/Proposed	40.0	40.0	40.0	40.0	40.0
Actual Over/(Under) Target	(12.7)	(33.2)	(31.2)	(20.0)	(24.3)
Memo: Total Hours	1,010	235	352	700	2,298
Bus. Network Events-Sponsorships					
<u>Number of Events</u> \$500/event					
Actual/Forecast	13	16	14	7	50
Target Maximum	20	20	20	20	50
Actual Over/(Under) Target	(7)	(4)	(6)	(13)	-

Category	Detail	Fiscal Year		Billed Qtr	Measureable		
		Incurred			Unit Descrip.	Number	\$ Amount
		Qtr	Year				
Legal & Admin. Support	July 07	1	2008	1	Legal	1.00	\$ (171.20)
Phase I (Screenings)	July 07	1	2008	1	Hours	15.75	\$ (1,968.75)
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Phase III (Intensive Advising)	Sept 07	1	2008	2	Hours	500.10	\$ (62,512.50)
Boot Camp	Sept 07	1	2008	2	Sessions	1.00	\$ (10,000.00)
Tuition Matching	Sept 07	1	2008	2	Sessions	1.00	\$ (10,000.00)
Collaboration Networking	Sept 07	1	2008	2	Ptr Referrals	1.00	\$ (15,000.00)
Cantillon Entrepreneurial Educ	Sept 07	1	2008	2	Consult	1.00	\$ (1,250.00)
Phase I (Screenings)	Oct. 07	2	2008	2	Hours	19.00	\$ (2,375.00)
Phase II (Due Diligence)	Oct. 07	2	2008	2	Hours	10.75	\$ (1,343.75)
Phase III (Intensive Advising)	Oct. 07	2	2008	2	Hours	39.75	\$ (4,968.75)
Phase I (Screenings)	Nov. 07	2	2008	2	Hours	2.25	\$ (281.25)
Phase II (Due Diligence)	Nov. 07	2	2008	2	Hours	3.00	\$ (375.00)
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Business Incubator	Nov. 07	2	2008	2	Facility Exp	1.00	\$ (11,275.45)
Legal & Admin. Support	Oct. 07	2	2008	2	Legal	1.00	\$ (110.60)
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Phase III (Intensive Advising)	Dec. 07	2	2008	2	Hours	71.00	\$ (8,875.00)
Business Incubator	Dec. 07	2	2008	2	Facility Exp	1.00	\$ (12,133.78)
Bus. Network Events-Sponsors	Dec. 07	2	2008	2	Events	15.00	\$ (7,500.00)
Collaboration Networking	Dec. 07	2	2008	2	Ptr Referrals	1.00	\$ (15,000.00)
Phase I (Screenings)	Jan 08	3	2008	3	Hours	7.75	\$ (968.75)
Phase II (Due Diligence)	Jan 08	3	2008	3	Hours	13.00	\$ (1,625.00)
Phase III (Intensive Advising)	Jan 08	3	2008	3	Hours	63.25	\$ (7,906.25)
Business Incubator	Jan 08	3	2008	3	Facility Exp	1.00	\$ (26,649.23)
Marketing - P/R, Print, Website	Jan 08	3	2008	3	PR Svcs	1.00	\$ (34,104.00)
Cantillon Entrepreneurial Educ	Jan 08	3	2008	3	Modules	1.00	\$ (12,000.00)
Phase I (Screenings)	Feb 08	3	2008	3	Hours	17.75	\$ (2,218.75)
Phase II (Due Diligence)	Feb 08	3	2008	3	Hours	4.00	\$ (500.00)
Phase III (Intensive Advising)	Feb 08	3	2008	3	Hours	217.50	\$ (27,187.50)
Business Incubator	Feb 08	3	2008	3	Facility Exp	1.00	\$ (21,457.34)
Marketing - P/R, Print, Website	Feb 08	3	2008	3	PR Svcs	1.00	\$ (6,100.00)

Category	Detail	Fiscal Year			Measureable		\$ Amount
		Incurred		Billed	Unit Descrip.	Number	
		Qtr	Year	Qtr			
Phase I (Screenings)	March 08	3	2008	4	Hours	14.25	\$ (1,781.25)
Phase II (Due Diligence)	March 08	3	2008	4	Hours	34.00	\$ (4,250.00)

Smart Zone LDFA
FY 2008 FINANCIAL SUMMARY
as of March 31, 2008

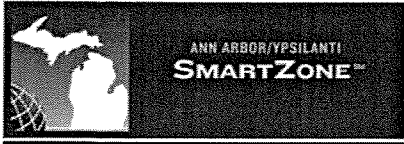
						BUDGET		VARIANCE Explanation
	ACTUALS Q1	ACTUALS Q2	ACTUALS Q3	FORECAST Q4	Full Year	Amount	Forecast (Over)/Under Budget	
INCOME STATEMENT								
Revenues:								
Tax Revenue	\$ 431,534	\$ 182,365	\$ 113,961	\$ 1,601	\$ 729,461	\$ 770,000	\$ (40,539)	
Investment Income	4,376	3,000	2,000	1,000	10,376	-	10,376	
Total Revenues	\$ 435,909	\$ 185,365	\$ 115,961	\$ 2,601	\$ 739,837	\$ 770,000	\$ (30,163)	
Expenditures:								
Contracted Services								
Phase I (Screenings)	(7,875)	(4,844)	(4,969)	(6,000)	(23,688)	(24,719)	1,032	
Phase II (Due Diligence)	(12,188)	(3,188)	(6,375)	(15,000)	(36,750)	(45,375)	8,625	
Phase III (Intensive Advising)	(126,138)	(29,428)	(44,031)	(87,500)	(287,096)	(329,906)	42,810	
Collaboration Networking	(15,000)	(15,000)	(15,000)	(15,000)	(60,000)	(60,000)	-	
Boot Camp	(10,000)	-	(10,000)	-	(20,000)	(20,000)	-	
Tuition Matching	(10,000)	-	-	(10,000)	(20,000)	(20,000)	-	
Bus. Network Events-Sponsorships	(6,500)	(7,500)	(7,000)	(4,000)	(25,000)	(25,000)	-	
Total Contracted Services	\$ (187,700)	\$ (59,959)	\$ (87,375)	\$ (137,500)	\$ (472,534)	\$ (525,000)	\$ 52,466	
Other Projected Services								
Cantillon Entrepreneurial Education	(1,250)	-	(12,000)	\$ (41,875)	(55,125)	\$ (85,000)	\$ 29,875	
Marketing - P/R, Print, Websites	-	-	(48,304)	(20,500)	(68,804)	(70,500)	1,696	
Business Incubator	-	(35,298)	(100,149)	(85,193)	(220,640)	(250,580)	29,940	
Legal & Admin. Support	(578)	(111)	-	(5,100)	(5,678)	(10,000)	4,322	
Best Practice Consulting	-	-	-	-	-	(9,000)	9,000	
Other Contingency	-	-	-	-	-	(116,920)	116,920	
Total Other Projected Services	\$ (1,828)	\$ (35,409)	\$ (160,453)	\$ (152,668)	\$ (350,247)	\$ (542,000)	\$ 191,753	
Total Expenditures	\$ (189,528)	\$ (95,368)	\$ (247,828)	\$ (290,168)	\$ (822,781)	\$ (1,067,000)	\$ 244,219	
Net Increase/Decrease	\$ 246,381	\$ 89,998	\$ (131,867)	\$ (287,567)	\$ (82,944)	\$ (297,000)	\$ 214,056	
						Use of Fund Balance		
Memo:								
Fund Balance (6/30/2007)	\$ 288,589							
Fund Balance (Qtr End)	\$ 534,970	\$ 624,968	\$ 493,101	\$ 205,534				

Delayed opening and lower than projected expense.

Smart Zone LDFA
Loan Payment
as of March 31, 2008

Principal:	\$75,000.00
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<u>Date</u>	<u>Received</u>
12/14/2007	\$ 10,714.29
1/15/2008	\$ 10,714.29
2/15/2008	\$ 10,714.29
3/4/2008	\$ 10,714.29



**MINUTES – SPECIAL BOARD MEETING
May 1, 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: Mickey Katz-Pek, Michael Reid, Rob Risser, Richard King, Darryl Daniels, Jonnie Bryant, Stephen Rapundalo, Tom Kinnear, Michael Korybalski, Roselyn Zator-Ex-officio, Tom Crawford-Ex-officio

Members Excused: None

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

CALL TO ORDER:

Katz-Pek called the meeting to order at 8:00am. A quorum was present.

APPROVAL OF THE AGENDA:

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

REPORTS FROM SERVICE PROVIDERS:

1. Ann Arbor SPARK: Business Accelerator Status Report – 3rd Quarter:

Kinnear moved, seconded by King, to accept the SPARK Business Accelerator Report for the quarter ended March 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.

REPORTS FROM COMMITTEES:

1. Approval of the FY 2009 LDFA Budget (Risser):

Reid moved, seconded by Daniels to amend the following proposed budget items:

- a) Move \$15,872 projected surplus to Unallocated Operating Reserve,
- b) Move \$168,316 projected reserves to Unallocated Prior Year Fund Balance, and

- c) Move \$20,000 Entrepreneurs Boot Camp-Unrestricted Operating Grants expenditure to Entrepreneurs Boot Camp-Tuition Funding Match expenditure line item.

Motion approved unanimously.

Risser moved, seconded by Reid to approve the budget committee recommendation of the FY 2009 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.

2. Update of FY 2009 LDFA Contract Committee (Kinnear):

Korybalski moved, seconded by Reid to authorize the Contract Committee to negotiate contract with SPARK and bring draft contract to the June 10, 2008 board meeting in the form reviewed by the LDFA attorney. A special board meeting may be called prior to June 10 for update/discussion on contract progress. Motion approved unanimously.

Reid moved, seconded by Risser to add Michael Korybalski to the Contract Committee. Korybalski abstained from voting. Motion approved unanimously.

1. Update of LDFA Ad hoc Review Committee for Angel Network (Korybalski):

Korybalski presented current status and will update at June 10, 2008 board meeting.

OTHER BUSINESS:

1. Conflict of Interest Policy:

Risser moved, seconded by Korybalski to accept the policy, as amended to exclude the language in Article III, Section 2, "while the determination of a conflict of interest is discussed and voted upon. The remaining board or committee members shall decide if a conflict of interest exists." in the form presented at this meeting with the format changes as discussed and attached hereto and made a part thereof. Motion approved unanimously.

Chair requested board members to return the completed form to Sandi Bird.

2. Establishment of FY LDFA Audit Committee:

Tabled to June 10, 2008 board meeting.

MOTION TO ADJOURN:

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

Respectfully Submitted,

Tom Crawford, Recording Secretary



LDFA QUARTERLY REPORT

January 1 to March 31, 2008

@nn arbor usa

Q3 Progress Summary

Outline Work Accomplished	88 companies served 443 hours of support provided
Work to be Accomplished	Negotiate 2008-09 budget and contract Finish 4 units of Cantillon
Problem – Real or Anticipated	Activity ramping up from January funds allocation Delay in Cantillon presenter scheduling
Significant Deviation from Scope of Work	None anticipated
Relevant Aspects of Commercialization	
Financial Information in connection with Scope of Work	



Business Accelerator Services

January 1 – March 31, 2008

Contract Metrics	Phase 1 : Screened Submissions or Referrals to SPARK	Phase 2: Due Diligence Review	Phase 3: Intensive Support
New Firms : Billable Hrs :	30 New Companies Max per Q 2 Average Hours Max per Q	18 New Companies Max per Q 10 Average Hours Max per Q	8 New Companies Max per Q 40 Average Hours Max per Q
Client Firms in Phase	30 companies	26 companies	40 companies
Pre-Existing Client Firms in Phase	2 companies	11 companies	16 companies
Quarterly Program Results for Phase	3 companies advanced to Phase 2 and received Due Diligence Review this quarter.	3 companies advanced to Phase 3 and received Intensive Support this quarter.	0 companies reached the cumulative maximum level of Phase 3 business accelerator services this quarter and graduated out of the program.
Summary			
Average Hrs : Billable Hrs : Total Cost:	1.3 Average Hours 39.75 Total Hours \$4,969	2.0 Average Hours 51 Total Hours \$6,375	8.8 Average Hours 352.25 Total Hours \$44,031

Entrepreneur Education

- “Spring Training” for Start-Ups (200-Level Courses)
 - Four-Part Series
 - Corporate Structure & Legal Issues – Feb 19
 - Business Planning – March 5
 - Culture & Values – March 18
 - Elevator Pitch – April 9
 - Entrepreneur focused (not service providers)
- BootCamp April 24-25
 - 15 companies accepted
- Cantillon
 - On track for June 30 completion of remaining units
 - *Growing Sales* unit complete in April
 - *Entrepreneur* unit being recorded
 - *Business Model* unit in development
 - Boot Campers enrolled as part of their acceptance

SPARK Central

Business Incubator

- Construction Progress
 - Budget on track
 - Kitchen complete
 - Restrooms update underway
 - Ceiling completed
 - Light fixtures upgraded
 - Wall under construction
 - Timing
 - April 25 completion
 - **Open House April 29, 4-7 pm**
- Pfizer donations
 - 12 workstations/ cubicles
 - Tables, chairs, flex workspaces

Business Networking

- 14 Programs/Events for Entrepreneurs
 - 420 entrepreneurs – 61%
 - 692 total attendance

Progress in Implementing Salesforce

- **Monitoring and tracking business accelerator clients**
 - CRM process within software for tracking
 - Lead – Prospect – Client
 - Use Contract Date in SF for Phase 3 engagements
- **How it ties to contract matrices**

(As discussed in meeting of Jan. 23 with M. Reid, R. Risser, M. Katz-Pek)

 - Use SF to control start of contract
 - Client set-up required for “Account” and subsequent “Opportunity”
 - Engagement manager to control scope, deliverables
 - Client signoff for acceptance of deliverables
 - Payment system, control w/in QuickBooks software

SPARK Processes

- **Documentation of eligibility for services**
 - Primary reliance on client representations
 - “Client’s principal place of business is located in the City of Ann Arbor, or Client agrees to join the SPARK Business Incubator until Client determines where its principal place of business is to be established”
- **How the system ties to invoices**
 - Date of contract for Phase 3 work
 - See *SPARK Client Engagement Procedure 02-18-08*

SPARK Report on Network Collaboration

24-Apr-08

#	Staff	Name	Activity
1	MF	AAA Community Foundation	AAA Community Foundation, Cheryl Elliott, Bill Kinley
2	MF	AAACVB	AAACVB Breakfast meeting
3	SO, SS, MF	ACE	Annual celebration of support service orgs and the start-up companies they assisted the previous year
4	SO	Ann Arbor Chamber	Mtw J Bernstein, staff re collaboration
5	SO	Annie Wolock	Mtw Toastmaster re new club serving entrepreneurs
6	SO	Ari-El	Mtw Ari and Scott re early stage business program
7	SO	Bank of Ann Arbor	Mtw M Cole and new venture lending colleague; discuss angel networking
8	SO	BIO National Convention planning	Mtw life science companies re representation at BIO
9	SO	BioArbor	Steering group and finance subcommittee meeting
10	SO	Biotechnology Business Consultants	Mtw M & L Kurek re funding needs, timing, support to entreps
11	SO	Butzel	Mtw M Huget, D Kurlandsky re newco legal needs
12	MF	Community Fdn of SE MI	Community Foundation of SE Michigan, Mariam Noland
13	MF	Community Success	Community Success Meeting, Tony Vanderworp, Trena Rusher
14	SS	Compendia	Celebration to recognize the many organizations that provided help and support for the company
15	SO	CRO Group	Planning luncheon to organize first meeting
16	MF	Cultural Ambassadors	Cultural Ambassadors Meeting
17	SO	D Bloom	Tcw D Bloom re support for tech user groups
18	MF	DDA	Mayor Hieftje, DDA, to identify broad business interest/aversion to recycling and other "green" practices
19	MF	DOE	Gerry Maeder – DOE opportunities
20	SO	Dykema	Mtw T Carroll re company activity, referrals, network
21	MF	EDSCEM	Mtw in Lansing w legislators; Congressional delegation in Washington DC
22	MF, AC	Etcs	Etcs Board Meeting
23	SO	Financial Executives Breakfast	Monthly networking event
24	SO	Highland Jebco	Mtw founders of automotive consultancy
25	SO	Hobbs & Black	Mtw M McFarland, other to discuss potential support for SPARK
26	SO	Huntington Bank	Mtw C Barrett re early stage banking
27	SS	Investor Group	Mtg to discuss investment opportunities and interest
28	SO	Janeeva	Tcw S Culver, R Rajen re Flex user group
29	SO, SS	Jeff Banker	Mtw re deal activity; consulting prospects (w SS)
30	SO	Larry Kerber	Mtw prospective consultant/mentor re background
31	SO, DB, AC	Marketing Roundtable	Monthly networking and content (w Dbloom)
32	SO	Maurer	Mtw owners, tour facilities
33	SO, MF	McKinsey	Mtw D Braga re SPARK suport
34	MF	MEDC	CCF sub Committee; Econ Dev Practitioners Council; SEIC Board mtg Michael Psarouthakis
35	MF, AC	MEGA-P	MEGA-P Meeting, WCC
36	SO	MI Life Sci Network	Mtw M Debiak re representation of LS companies at BIO
37	SO	MIED	Warehouse and Consumables Day - networking with participants
38	AC, SO, DB	Mingle & Match	Networking meetings between entrepreneurial talent, experts and startups
39	MF, SS, SO	MVCA	MVCA Board meeting, Roundtable, Legislative Reception, LS Symposium
40	SS, DB	NEF	Mtw N Regan re October presentation

SPARK Report on Network Collaboration

24-Apr-08

#	Staff	Name	Activity
41	MF	New Economy Initiative	NEI Meetings
42	SS, SO	NextEnergy	AET symposium re incentives and methods for raising capital; netwkg w consultants, angels, entrepreneurs
43	SO	Northern Alliance	Tcw Lori Meeder re incubator and BA lessons
44	SO, DB	Open Coffee Club	Monthly entrepreneurial meeting
45	SO	Optical Society of America	Annual meeting, SPARK presentation and exhibit
46	SO	Paul Dimond	Mtg to discuss local and state activities
47	SO	Paul Kaplan	Angel meeting re early stage investment opptys
48	SO	Pharmacision	Mtw T Marten re pharma resources, projects
49	SO	Rader Fishman	Mtw Charlie Bieneman, J Kamp re startup services
50	SO	Railli Kerppolla	Mtw R Kerppolla re new initiatives
51	SO	Redding	Mtw D Redding re entrep education approaches, contacts, targets
52	SO	Reginald Beasley	Mtw EMU student on entrepreneurial experiences
53	SO	RPM Ventures	Mtw T Grover re RPM 10 initiative
54	SS	SBTDC-ETF	Meeting w/MEDC, BBC, SBAM and SPARK re criteria for new matching fund for SBIR grant recipients
55	SO	SmartZones	Mtw B Mayer, Kettering incubator officials re entrep educ; share best practices
56	SO, AC, DB	SPARK Consultants	Monthly entrepreneurial meeting
57	MF	SPARK East	SPARK East meetings
58	SO, SS	SPARK Mentors	Lunch mtw mentors for referral to startups
59	SO	Spring Training	Entrepreneurial Education course
60	SO	SRT Solutions	Mtw founders re tech community user groups
61	SO	Tec-Ed	Mtw Barbra Wells re company support
62	SS, EP	TechTown	Mtw G Azrak re collaborative deal evaluation opportunities
63	SS	Trends in M&A	Presentation event for updates on exit market and strategies for early stage companies
64	MF	U-M	U-M Development Community Industry Strategy Grp Mtg; U-M Distinguished Innovator Series
65	SO	U-M Prof Jackson	Mtw Jackson, M Parnes, student re longitudinal study of entrep
66	SO	U-M Tech Transfer	Project pipeline review w A McColm
67	MF	URC	University Research Corridor meeting
68	SO, MF	US Commerce Department	Mtw Sec Baruah re incubator network
69	MF, AC, SS, SO	Washtenaw Co	Eastern Leaders Group; municipal leaders meeting
70	MF	Wolverine Caucus	Wolverine Caucus Forum, Lansing
71	SO	WorkNet Systems	Mtw D Jeffery re services to entrepreneurs
72	SO, SS, AC	Zell-Lurie	Business plan competitions; MI Entrep Challenge Judging

AC Amy Cell
 DB David Bloom
 MF Mike Finney
 SO Scott Olson
 SS Skip Simms

LDFA Budget Finance Committee

		2008 - 2009 Recommended Budget
<u>Revenue</u>		
	Tax Revenue	\$ 950,492
	Cantillon Revenue	\$ -
	Investment Income	\$ -
	Total Revenue	\$ 950,492
<u>Expenditures</u>		
Business Accelerator Consulting (1)		
	Collaboration Networking	\$ -
	SPARK Business Accelerator Staffing	\$ 157,000
	SPARK Accounting	\$ 43,000
	Phase I - Screening	\$ -
	Phase II - Due Diligence	\$ 44,000
	Phase III - Intensive Service	\$ 334,000
	Sub-Total	\$ 578,000
Business Networking		
	Hosted Events	\$ 19,200
	Sponsorships/Partnered Events	\$ 24,000
	Sub-Total	\$ 43,200
Entrepreneur Education		
Entrepreneurs Boot Camp (2)		
	Monthly Classes	\$ 20,700
	Unrestricted Operating Grants	\$ 20,000
	Tuition Funding Match	\$ 20,000
	Sub-Total	\$ 60,700
Cantillon Web Based Education (4)		
	Maintenance	\$ -
	Admin & Training	\$ 14,400
	Support & Marketing	\$ 4,000
	Development	\$ 36,000
	Sub-Total	\$ 54,400
SPARK Central Incubator Operating Exp(3)		
	Rent revenues	\$ (47,400)
	Lease Subsidy	\$ 79,332
	Administrative Support	\$ 52,920
	Utilities	\$ 12,800
	Maintenance	\$ 8,000
	ISP	\$ 12,768
	Advertising & Promotion	\$ -
	Insurance	\$ 2,000
	Sub-Total	\$ 120,420
Marketing Campaign (5)		
	Public Relations	\$ 30,000
	Collateral Printing	\$ 6,000
	Website Expenses	\$ 14,400
	Sub-Total	\$ 50,400
LDFA Administrative		
	LDFA Legal Services	\$ 10,000
	LDFA Audit & Accounting	\$ 10,000
	LDFA Administrative	\$ 7,500
	Sub-Total	\$ 27,500
	Total Operating Expenditures	\$ 934,620
Capital Expenditures		
	SARK Central Incubator Renovations	\$ -
	SARK Central Incubator Shared Equipment	\$ -
	Sub-Total	\$ -
Reserves		
	Unallocated Operating Reserve	\$ 15,872
	Unallocated Prior Year Fund Balance	\$ 168,316
	Sub-Total	\$ 184,188
	Total Expenditures	\$ 1,118,808

**LDFA Budget Committee
Budget Detail Analysis**

**LDFA
Budget Analysis
From 7-1-08 through 6-30-09**

<u>Revenue</u>	<u>FY 2008 Actual/ Fcst *</u>	<u>FY09 Budget</u>	<u>% Increase/ -decrease</u>	<u>COMMENTS</u>																								
Tax Revenue	\$ 728,730	\$ 950,492																										
Cantillon Revenue	\$ 5,000	\$ -																										
Investment Income	\$ 18,412	\$ -																										
Total Revenue	\$ 752,142	\$ 950,492	26%																									
<u>Expenditures</u>																												
Business Accelerator Consulting (1)																												
Collaboration Networking	\$ 60,000	\$ -																										
SPARK Business Accelerator Staffing		\$ 157,000		Represents 4 Staff (2 BA staff at 40% of the time & 2 Marketing at 33%) Avg annual salary/ staff of \$ 85,394																								
SPARK Accounting		\$ 43,000		Represents 2 Accounting Staff (at 25%) Avg annual salary/ staff of 68,800.00																								
Phase I - Screening	\$ 23,688	\$ -																										
Phase II - Due Diligence	\$ 36,750	\$ 44,000																										
Phase III - Intensive Service	\$ 287,096	\$ 334,000																										
Sub-Total	\$ 407,534	\$ 578,000	42%	<table border="0"> <tr> <td colspan="2">FY08, Talent included in Phase III</td> <td></td> <td></td> </tr> <tr> <td>Hours of acceleration consulting for FY</td> <td>FY08</td> <td>2,780 hrs</td> <td>at \$125 per hr.</td> </tr> <tr> <td>Hours of acceleration consulting for FY</td> <td>FY09</td> <td></td> <td></td> </tr> <tr> <td>Consultants</td> <td></td> <td>3,760</td> <td></td> </tr> <tr> <td>Staff (per Scott and Greg)</td> <td></td> <td>1,240</td> <td>600 phase I and 440 phase II and 200 talent hrs</td> </tr> <tr> <td>Total</td> <td></td> <td><u>5,020</u></td> <td>81% increase in consulting hours</td> </tr> </table>	FY08, Talent included in Phase III				Hours of acceleration consulting for FY	FY08	2,780 hrs	at \$125 per hr.	Hours of acceleration consulting for FY	FY09			Consultants		3,760		Staff (per Scott and Greg)		1,240	600 phase I and 440 phase II and 200 talent hrs	Total		<u>5,020</u>	81% increase in consulting hours
FY08, Talent included in Phase III																												
Hours of acceleration consulting for FY	FY08	2,780 hrs	at \$125 per hr.																									
Hours of acceleration consulting for FY	FY09																											
Consultants		3,760																										
Staff (per Scott and Greg)		1,240	600 phase I and 440 phase II and 200 talent hrs																									
Total		<u>5,020</u>	81% increase in consulting hours																									
Business Networking																												
Hosted Events		\$ 19,200																										
Sponsorships/Partnered Events	\$ 25,000	\$ 24,000																										
Sub-Total	\$ 25,000	\$ 43,200	73%																									
Entrepreneur Education																												
Entrepreneurs Boot Camp (2)																												
Monthly Classes		\$ 20,700																										
Unrestricted Operating Grants	\$ 20,000	\$ 20,000																										
Tuition Funding Match	\$ 20,000	\$ 20,000																										
Sub-Total	\$ 40,000	\$ 60,700	52%																									
Cantillon Web Based Education (4)																												
Maintenance	\$ 6,265	\$ -																										
Admin & Training		\$ 14,400																										
Support & Marketing	\$ 5,000	\$ 4,000																										
Development	\$ 60,000	\$ 36,000																										
Sub-Total	\$ 71,265	\$ 54,400	-24%																									
SPARK Central Incubator Operating Exp(3)																												
Rent revenues		\$ (47,400)																										
Lease Subsidy	\$ 59,150	\$ 79,332																										
Administrative Support	\$ 31,599	\$ 52,920																										
Utilities	\$ 11,014	\$ 12,800																										
Maintenance	\$ 4,526	\$ 8,000																										
ISP	\$ 2,412	\$ 12,768																										
Advertising & Promotion	\$ 9,000	\$ -																										
Insurance	\$ 1,160	\$ 2,000																										
Sub-Total	\$ 118,861	\$ 120,420	1%																									

**LDFA Budget Committee
Budget Detail Analysis**

Marketing Campaign (5)

Public Relations	\$ -	\$ 30,000	
Collateral Printing	\$ -	\$ 6,000	
Website Expenses	\$ -	\$ 14,400	
Sub-Total	\$ 70,500	\$ 50,400	-29%

LDFA Administrative

LDFA Legal Services	\$ 9,244	\$ 10,000	
LDFA Audit & Accounting		\$ 10,000	
LDFA Administrative	\$ -	\$ 7,500	
Sub-Total	\$ 9,244	\$ 27,500	197%

Total Operating Expenditures	\$ 742,404	\$ 934,620	26%
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Capital Expenditures

SARK Central Incubator Renovations	\$ 85,098	\$ -	
SARK Central Incubator Shared Equipment	\$ 44,913	\$ -	
Sub-Total	\$ 130,011	\$ -	

Total Expenditures	\$ 872,415	\$ 934,620	
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FY Surplus/(Deficit)	<u>\$ (120,273)</u>	<u>\$ 15,872</u>	
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Reserves for Contingency

Beginning of Year	\$ 288,589	\$ 168,316	
Loan to SPARK (interest free)	\$ -	\$ -	
FY Surplus/(Deficit)	<u>\$ (120,273)</u>	<u>\$ 15,872</u>	
End of Year	<u>\$ 168,316</u>	<u>\$ 184,188</u>	

2008 Amended Budget

	Contract Ref	ACTUALS	ACTUALS	ACTUALS	FORECAST	Full Year	Forecast (Over)/Under	
		Q1	Q2	Q3	Q4		Amount	Budget
Revenues								
		\$ 431,533	\$ 182,183	\$ 113,961	\$ 1,053	\$ 728,730	\$ 770,000	\$ (41,270)
		\$ 288,589	\$ -	\$ -	\$ -	\$ 288,589	\$ 297,000	\$ (8,411)
		\$ -	\$ -	\$ 5,000	\$ -	\$ 5,000	\$ -	\$ 5,000
		\$ 4,376	\$ 3,000	\$ 2,000	\$ 9,036	\$ 18,412	\$ -	\$ 18,412
		\$ 724,498	\$ 185,183	\$ 120,961	\$ 10,089	\$ 1,040,731	\$ 1,067,000	\$ (26,269)
Expenditures								
	1.1.4	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 60,000	\$ 60,000	\$ -
	1.1.1	\$ 7,875	\$ 4,844	\$ 4,969	\$ 6,000	\$ 23,688	\$ 24,719	\$ 1,032
	1.1.2	\$ 12,188	\$ 3,188	\$ 6,375	\$ 15,000	\$ 36,750	\$ 45,375	\$ 8,625
	1.1.3	\$ 126,138	\$ 29,428	\$ 44,031	\$ 87,500	\$ 287,096	\$ 329,906	\$ 42,810
	3.2.1	\$ 10,000	\$ -	\$ 10,000	\$ -	\$ 20,000	\$ 20,000	\$ -
	3.2.2	\$ 10,000	\$ -	\$ -	\$ 10,000	\$ 20,000	\$ 20,000	\$ -
	1.5.1	\$ -	\$ 19,467	\$ 19,833	\$ 19,850	\$ 59,150	\$ 59,150	\$ -
	1.5.2	\$ -	\$ 9,151	\$ 11,098	\$ 11,350	\$ 31,599	\$ 31,828	\$ 229
	1.5.3	\$ -	\$ 2,349	\$ 3,256	\$ 5,409	\$ 11,013	\$ 12,000	\$ 987
	1.5.4	\$ -	\$ 2,311	\$ 1,730	\$ 485	\$ 4,526	\$ 4,000	\$ (526)
	1.5.5	\$ -	\$ 860	\$ 602	\$ 950	\$ 2,412	\$ 3,309	\$ 897
	1.5.6	\$ -	\$ -	\$ -	\$ 9,000	\$ 9,000	\$ 9,000	\$ -
	1.5.7	\$ -	\$ 1,160	\$ -	\$ -	\$ 1,160	\$ 1,380	\$ 220
		\$ -	\$ -	\$ 48,631	\$ 36,468	\$ 85,098	\$ 85,000	\$ (98)
	1.5.8	\$ -	\$ -	\$ 15,000	\$ 29,913	\$ 44,913	\$ 44,913	\$ -
	1.4.5	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,000	\$ 20,000
	1.4.4	\$ 1,250	\$ -	\$ -	\$ 3,750	\$ 5,000	\$ 5,000	\$ -
	1.4.1	\$ -	\$ -	\$ 12,000	\$ 48,000	\$ 60,000	\$ 60,000	\$ -
		\$ -	\$ -	\$ -	\$ 6,265	\$ 6,265	\$ 6,265	\$ -
	2.1.1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,000	\$ 30,000
	2.1.2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,500	\$ 22,500
	2.1.3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,000	\$ 18,000
		\$ -	\$ -	\$ 48,304	\$ 22,196	\$ 70,500	\$ -	\$ (70,500)
	3.3.1	\$ -	\$ 14,000	\$ 7,000	\$ 4,000	\$ 25,000	\$ 25,000	\$ -
		\$ 578	\$ 111	\$ 1,055	\$ 7,500	\$ 9,244	\$ 10,000	\$ 756
		\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,000	\$ 9,000
		\$ 183,028	\$ 101,868	\$ 248,883	\$ 338,636	\$ 872,415	\$ 956,345	\$ 83,931
		\$ -	\$ -	\$ -			\$ (20,080)	
		\$ -	\$ -	\$ -			\$ 130,735	
							\$ 110,655	\$ 57,661
							\$ 1,067,000	
TOTAL EXPENDITURES								
PROJECTED FUND BALANCE CARRY-FORWARD								\$ 168,316

* BLUE - Denotes Capital Expenditure Item
 Budget reduced \$115,000 @ 1/15 Board Meeting.
 Budget increased \$10K @ 1/15 Board Meeting & reduced
 \$6,265 @ 3/11 Board Meeting

L DFA Budget Committee
Year over Year Budget Analysis

Time Based Analysis									
Phase I - Screening (hours)		Phase II - Dilligence (Hours)		Talent Assistance (hours)		Phase III - Consulting (hours)		Total Time	
Fixed #	Variable	Fixed #	Variable	Fixed #	Variable	Fixed #	Variable		
0	189.5	0	294	0	0	0	2296.77	2780.27	
600	0	440	440	200	0	0	3340	5020	
217%		199%		NA		45%		81%	

2007-2008 Fiscal Year (Projected thru 6/30/08)
2008-2009 Fiscal Year (Budgeted Amounts)
% Change from Prior Year

If the number of
Total BA Service Hours
fails to keep pace
with the number of
service hours planned
for in the 2008-09 budget...

Scenario A
Demand @ 95% of Budget
% Change from Prior Year

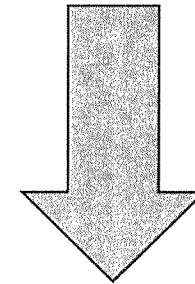
Fixed #	Variable	Fixed #	Variable	Fixed #	Variable	Fixed #	Variable		
600	0	440	418	200	0	0	3173	4831	
217%		192%		NA		38%		74%	

Scenario B
Demand @ 85% of Budget Projections
% Change from Prior Year

Fixed #	Variable	Fixed #	Variable	Fixed #	Variable	Fixed #	Variable		
600	0	440	374	200	0	0	2839	4453	
217%		177%		NA		24%		60%	

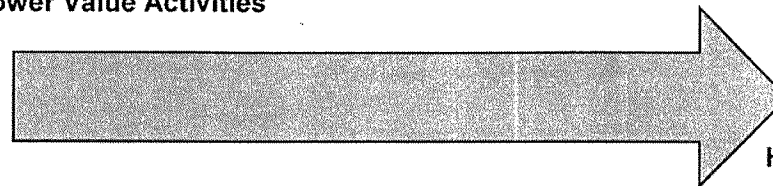
Scenario C
Demand @ 75% of Budget Projections
% Change from Prior Year

Fixed #	Variable	Fixed #	Variable	Fixed #	Variable	Fixed #	Variable		
600	0	440	330	200	0	0	2505	4075	
217%		162%		NA		9%		47%	



...there is a
disproprtionate decline
in the number of high
value services being
delivered to the LDFA
in a contract regime that
includes a high allocation
towards fixed costs.

Lower Value Activities



Higher Value Activities

LDFA Budget Committee Year over Year Budget Analysis

	Cost Analysis				
	Pro-Rata Accounting	Other Fixed BA Costs	Total BA Costs	Base Hourly Charge	Fully Loaded Hourly Charge
2007-2008 Fiscal Year (Projected thru 6/30/08)	\$ -	\$ 60,000	\$ 407,534	\$ 125.00	\$ 146.58
2008-2009 Fiscal Year (Budgeted Amounts)	\$ 22,986	\$ 53,000	\$ 577,986	\$ 100.00	\$ 115.14
% Change from Prior Year			41.83%		-21.45%

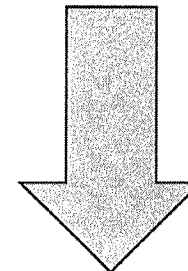
Scenario A					
Demand @ 95% of Budget	\$ 22,986	\$ 53,000	\$ 559,086	\$ 100.00	\$ 115.73
% Change from Prior Year			37.19%		-21.05%

Scenario B					
Demand @ 85% of Budget Projections	\$ 22,986	\$ 53,000	\$ 521,286	\$ 100.00	\$ 117.06
% Change from Prior Year			27.91%		-20.14%

Scenario C					
Demand @ 75% of Budget Projections	\$ 22,986	\$ 53,000	\$ 483,486	\$ 100.00	\$ 118.65
% Change from Prior Year			18.64%		-19.06%

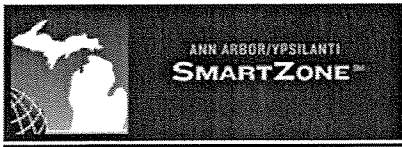
In a contract regime skewed towards a heavy fixed cost allocation, a fully

loaded hourly charge of \$115.14 represents the BEST CASE Scenario



This occurs because fixed costs must be distributed over a small number of billable hours, thus driving the unit costs higher in the event an 81% increase in the projected number of service hours proves overly optimistic.

Note: This analysis assumes the \$43,000 in accounting charges, as listed in the recommended budget are allocated across LDFA funded activities in proportion to their contribution to the budget as a whole. Internal LDFA costs are excluded from this accounting charge. The result is to reduce the accounting burden to the Business Accelerator by \$20,014 to \$22,986.



**MINUTES – REGULAR BOARD MEETING
June 10, 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, Tom Kinnear, Michael Reid, Rob Risser, Richard King, Jonnie Bryant, Stephen Rapundalo, Roselyn Zator-Ex-officio

Members Excused: Mickey Katz-Pek, Darryl Daniels, Tom Crawford-Ex-officio

Others Present: Scott Olson-SPARK, Kurt Riegger-SPARK, Sandi Bird-City of Ann Arbor-Finance, Tina Reed-Ann Arbor News

CALL TO ORDER:

Korybalski called the meeting to order at 8:04am. A quorum was present.

APPROVAL OF THE AGENDA:

Rapundalo moved, seconded by Kinnear, to approve the Agenda for this meeting with amendments in the form presented and attached hereto and made a part hereof. Motion approved unanimously.

MOTIONS & RESOLUTIONS:

1. Minutes of the April 15, 2008 Regular Board Meeting:

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

2. Minutes of the May 1, 2008 Special Board Meeting:

Risser moved, seconded by King, to approve the Minutes of the May 1, 2008 board meeting in the form presented at this meeting. Motion approved unanimously.

REPORTS FROM COMMITTEES:

1. Approval of the FY 2009 LDFA Budget:

King moved, seconded by Kinnear to approve the FY 2009 LDFA Budget in the form presented at this meeting and attached hereto and made a part thereof. Motion approved unanimously.

2. Update of FY 2009 LDFA Contract Committee:

Rapundalo moved, seconded by Risser for the LDFA Board to authorize the Contract Committee to negotiate and execute a FY 2009 Agreement between the LDFA and Ann Arbor SPARK on behalf of the board, and for the Contract Committee to circulate a redline copy of the proposed agreement to the board, indicating the changes made from the FY 2008 Agreement to the FY 2009 Agreement. Motion approved unanimously.

3. Update of FY 2009 LDFA Nominating Recommendation Committee:

King noted the board member applications for Theresa Carroll and Lisa Kurek were approved by the City of Ann Arbor Council. Katz-Pek and King are arranging an orientation meeting with the new members prior to the July meeting.

4. Update of LDFA Ad hoc Review Committee for Angel Network:

Discussion ensued regarding the update from the committee members.

OTHER BUSINESS:

1. Establishment of Audit Committee:

Reid moved, seconded by Rapundalo to expend an amount not to exceed \$20,000 for the purpose of conducting an outside audit of Ann Arbor SPARK FY 2008 Business Accelerator Services. Motion approved unanimously.

Reid moved, seconded by Kinnear to establish an Audit Committee charged with the responsibilities of the audit scope and deliverables and to recommend to the board the external firm to engage. Motion approved unanimously.

Korybalski appointed the following Audit Committee members:

- Reid - Chair
- Rapundalo
- Risser
- Bryant
- Crawford – Ex-officio

2. Second Reading – Amendment No. 2 to the LDFA By-laws:

Kinnear moved, seconded by Reid to approve Amendment No. 2 to the LDFA By-laws. Motion approved unanimously.

MOTION TO ADJOURN:

Kinnear moved, seconded by Reid, to adjourn the meeting at 9:34am. Motion approved unanimously.

Respectfully Submitted,

Sandi Bird, Recording Secretary for Tom Crawford

L DFA Budget Finance Committee

	2008 - 2009 Recommended Budget
Revenue	
Tax Revenue	\$ 950,492
Cantillon Revenue	\$ -
Investment Income	\$ -
Total Revenue	\$ 950,492
Expenditures	
Business Accelerator Consulting (1)	
Collaboration Networking	\$ -
SPARK Business Accelerator Staffing	\$ 157,000
SPARK Accounting	\$ 43,000
Phase I - Screening	\$ -
Phase II - Due Diligence	\$ 44,000
Phase III - Intensive Service	\$ 334,000
Sub-Total	\$ 578,000
Business Networking	
Hosted Events	\$ 19,200
Sponsorships/Partnered Events	\$ 24,000
Sub-Total	\$ 43,200
Entrepreneur Education	
Entrepreneurs Boot Camp (2)	
Monthly Classes	\$ 20,700
Unrestricted Operating Grants	\$ 20,000
Tuition Funding Match	\$ 20,000
Sub-Total	\$ 60,700
Cantillon Web Based Education (4)	
Maintenance	\$ -
Admin & Training	\$ 14,400
Support & Marketing	\$ 4,000
Development	\$ 36,000
Sub-Total	\$ 54,400
SPARK Central Incubator Operating Exp(3)	
Rent revenues	\$ (47,400)
Lease Subsidy	\$ 79,332
Administrative Support	\$ 52,920
Utilities	\$ 12,800
Maintenance	\$ 8,000
ISP	\$ 12,768
Advertising & Promotion	\$ -
Insurance	\$ 2,000
Sub-Total	\$ 120,420
Marketing Campaign (5)	
Public Relations	\$ 30,000
Collateral Printing	\$ 6,000
Website Expenses	\$ 14,400
Sub-Total	\$ 50,400
L DFA Administrative	
L DFA Legal Services	\$ 10,000
L DFA Audit & Accounting	\$ 10,000
L DFA Administrative	\$ 7,500
Sub-Total	\$ 27,500
Total Operating Expenditures	\$ 934,620
Capital Expenditures	
SARK Central Incubator Renovations	\$ -
SARK Central Incubator Shared Equipment	\$ -
Sub-Total	\$ -
Reserves	
Unallocated Operating Reserve	\$ 15,872
Unallocated Prior Year Fund Balance	\$ 168,316
Sub-Total	\$ 184,188
Total Expenditures	\$ 1,118,808

AMENDMENT NO. 2
TO
BY-LAWS OF ANN ARBOR-YPSILANTI SMART ZONE LOCAL DEVELOPMENT
FINANCE AUTHORITY

The By-Laws of the Ann Arbor-Ypsilanti Smart Zone Local Development Finance Authority effective January 21, 2003 (the "By-Laws") are hereby amended as follows:

1. Section 3 of Article IV – Members and Terms is amended to read as follows:

Section 3. Reappointment of Members: Except for initial appointments to the Board, no member shall serve more than one complete (4 year) term. Members shall serve until the appointment of their successor. The Board shall notify the appropriate unit of government at least 60 days prior to the expiration of the member's term.

Except as amended hereby, the By-Laws remain in full force and effect.

Approved LDFA Board: _____
Date

Filed with City of Ann Arbor: _____
Date

Filed with City of Ypsilanti: _____
Date

AMENDMENT NO. 2
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Deleted: , except that no member may serve more than 90 days past the expiration of his or her term

Except as amended hereby, the By-Laws remain in full force and effect.

Approved LDFA Board: _____
Date

Filed with City of Ann Arbor: _____
Date

Filed with City of Ypsilanti: _____
Date