



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

Ann Arbor-Ypsilanti SmartZone Local Development Finance Authority

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

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

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

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

CALL TO ORDER:

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

APPROVAL OF THE AGENDA:

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

MOTIONS & RESOLUTIONS:

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

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

REPORT FROM SERVICE PROVIDERS:

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

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

2. Ann Arbor SPARK FY 2009 Entrepreneurial Plan:

Postponed until the next meeting.

3. Ann Arbor SPARK FY 2009 Cantillon Maintenance Plan:

Postponed until the next meeting.

LDFA TREASURER'S REPORT:

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

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

REPORT FROM COMMITTEES:

1. Audit Committee:

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

Postponed until the next meeting.

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

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

2. Budget/Contract Committee:

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

REPORT FROM THE MEDC:

Postponed until the next meeting.

OTHER BUSINESS:

1. Ann Arbor Angels Proposal

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

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

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

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

2. Committee Appointments – Nominating Recommendation:

Postponed until the next meeting.

3. FY 2008 LDFA Annual Report

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

4. Next Meeting Location:

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

MOTION TO ADJOURN:

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

Respectfully Submitted,

Tom Crawford, Recording Secretary

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

October 1, 2008 through December 31, 2008

Work Accomplished

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

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

The following companies only received Phase I reviews

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

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

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

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

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

The following companies received Phase III level support

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

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

Number and identity of companies that completed phase III engagements

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

Founding location, current location

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

Work to be Accomplished:

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

Next Boot Camp will be held in April.

Problems

SPARK would like clarity on:

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

Significant Deviation from Scope of Work

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

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

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

Business Services

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

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

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

Hosted Events

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

Sponsorships/Partnered Events

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

See invoice for details of each event.

SPARK Central Incubator

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

Openworld Institute - Entrepreneur looking for opportunities - December, 2008

Vision Interface Technologies - Non-contact spatial input/pointing system - December, 2007

Ruby Skills - Computer code around Ruby technology - August

Hygieia - Glucose monitor that recommends dosage adjustments for improved glycemic control - September

Outreach

Cantillon Entrepreneurial Education

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

Alice Brown - In Groove

Last Login: October 21, 2008, 2:06 AM

Total Login Time: 5 hours, 36 minutes

Good activity - 1 Plan review taken

Mark Birac - GIDEON

Last Login: December 22, 2007, 2:32 PM

Total Login Time: 14 hours, 0 minutes

Excellent activity – 24 plan reviews taken

Scott Hanson

Last Login: October 14, 2008, 9:44 PM

Total Login Time: 6 hours, 6 minutes

Excellent activity – 17 plans downloaded and 3 reviews taken

Greg Hulbert – MKP

Last Login: October 24, 2008, 3:25 PM

Total Login Time: 2 hours, 1 minutes

Very good activity

Zd Ma – MKP

Last Login: October 16, 2008, 2:25 PM

Total Login Time: 2 hours, 59 minutes

Ravi Birla – Not camper this cycle

Last Login: October 6, 2008, 11:07 PM

Total Login Time: 5 hours, 8 minutes

Vladimir Marakov – auditor this cycle

Last Login: July 28, 2008, 5:27 PM

Total Login Time: 16 hours, 5 minutes

Exceptional activity- 21 visits to the course over the period of 2 months; 17 plans downloaded

Stephen Colson - Switchback

Last Login: October 21, 2008, 12:31 PM

Total Login Time: 1 hours, 0 minutes

Limited activity

Cliff Williams –MI Areo

Last Login: October 15, 2008, 2:27 PM

Total Login Time: 19 minutes

Limited activity

Katie Miller –i2 Imagination

Last Login: October 18, 2008, 12:29 PM

Total Login Time: 29 minutes

Esmonde Whites

Last Login: October 14, 2008, 9:00 PM

Total Login Time: 4 minutes

Limited activity – downloads

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

Other

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

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

Ann Arbor-Ypsilanti SmartZone
Local Development Finance Authority

Ann Arbor SPARK

Quarterly Report

October 1, 2008 through December 31, 2008

Addendum

SPARK Central Incubator

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

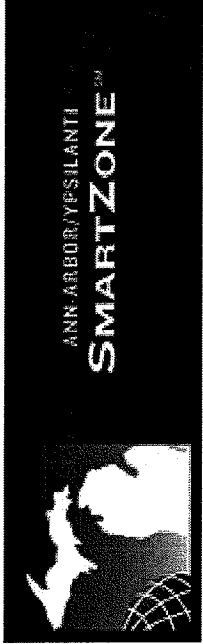
Full Tenants 7/1/08	# of Seats	Full Tenants 10/1/08	# of Seats	Full Tenants 12/31/08	# of Seats
Boomdash	3	Boomdash	3	Hygieia	1
UrTurn	1	Hygieia	1	Openworld	1
Vision Interface Solutions	1	Ruby Skills	1	Ruby Skills	1
		UrTurn	1	UrTurn	1
		Vision Interface Solutions	1	Vision Interface Solutions	1
TOTAL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

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

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

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

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



FINANCIAL SUMMARY

as of December 31, 2008

Smart Zone LDFA
DELIVERABLES
as of December 31, 2008

	<u>ACTUAL</u> Q1	<u>ACTUAL</u> Q2	<u>FORECAST</u> Q3	<u>FORECAST</u> Q4	<u>FORECAST</u> Full Year
--	---------------------	---------------------	-----------------------	-----------------------	------------------------------

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

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

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

VARIANCE
Explanation

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

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

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



ANN ARBOR/YPSILANTI
SMARTZONE LDFA

2008 ANNUAL REPORT

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



2008 Board of Directors

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

Ex-Officio Board Members

Tom Crawford, Secretary
Roselyn Zator

Affiliation: City of Ann Arbor

Affiliation: MEDC

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



Introduction

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

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

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

Summary of Fiscal Year Operations

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

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



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

Table 1

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



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

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

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

[§]Source: Ann Arbor SPARK



Statement of Operations

INCOME STATEMENT

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

Memo:

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

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



Statement of Operations (continued) Detail of Expenditures

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

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