



**MINUTES – REGULAR BOARD MEETING
March 13, 2012**

Ann Arbor-Ypsilanti Smart Zone Local Development Finance Authority

**Ann Arbor City Hall Council Chambers
301 E. Huron Street, Ann Arbor, MI 48104**

Members Present: Richard Beedon, Theresa Carroll, Eric Jacobson, Stephen Rapundalo, Christopher Taylor, Phil Tepley, Tom Crawford – Ex-officio, Paula Sorrell-MEDC Ex-officio

Members Excused: Vince Chmielewski, Mark Maynard, Ned Staebler, Skip Simms-Accelerator Ex-officio

Others Present: Ken Bogan-City of Ann Arbor-Finance, Maricat Eggenberger-SPARK, Lori Emerson-SPARK, Greg Fronizer-SPARK, Bill Mayer-SPARK, Kurt Riegger

CALL TO ORDER:

Beedon called the meeting to order at 8:21 am. A quorum was present.

PUBLIC COMMENT:

There was no public comment.

APPROVAL OF THE AGENDA:

Carroll moved, seconded by Taylor, to approve the agenda for this meeting in the form presented at this meeting. Motion approved unanimously.

MOTIONS & RESOLUTIONS:

Minutes of the January 24, 2012 Regular Board Meeting:

Rapundalo moved, seconded by Taylor, to approve the minutes of the January 24, 2012 regular board meeting in the form presented at this meeting. Motion approved unanimously.

LDFA CHAIR’S REPORT:

There was no chair report.

LDFA TREASURER’S REPORT:

Jacobson presented the Budget Committee’s recommended FY 2013 budget. The following items were highlighted in the presentation:

- Angel Investment Group Support was removed.
- The committee recommends utilizing a portion of the Legal and Administrative Support budget for a benchmarking study.
- (NEW) Internship Program – To partially underwrite the cost of training and employing interns with local technology start-up companies within the LDFA.

- (NEW) Business Software for SPARK Clients – Board member Tepley requested that reporting metrics for this item be established. It was also noted that the founder of InfoReady (SaaS), the provider of the accounting software, is on the executive board of Ann Arbor SPARK.

Rapundalo moved, seconded by Taylor, to approve the FY 2013 budget in the form presented at this meeting. Motion approved unanimously.

REPORTS FROM SERVICE PROVIDERS:

None.

OTHER BUSINESS:

- a. Cantillon – A resolution to authorize the sale or license of Cantillon was presented.
 - Beedon moved, seconded by Taylor, to amend the resolution to strike from item 3 in the first resolved clause the statement “For the Period,” motion approved unanimously.
 - Rapundalo presented an amendment to the resolution directing the Cantillon committee to re-issue the RFP, seconded by Taylor. Motion approved by a vote of 4 in favor (Rapundalo, Taylor, Beedon, and Carroll), 2 opposed (Jacobson and Tepley).
 - Board member Tepley asked to have the following objections noted to the amendment: 1. the Board has already been through this process; and 2. there is already a proposal that has been made, and the expectation is the same proposal will be received again.
 - Board member Jacobson asked to have the following objection noted to the amendment: software has a finite life-span and the Board risks reducing or eliminating the value of Cantillon the longer it delays in accepting a proposal.
 - Taylor moved, seconded by Carroll, to amend the resolution to keep items 1 and 3 (as already amended), to strike items 2 and 5, and to amend item 4 to read: “Party will pay to the LDFA fair market value of not less than a reasonable royalty or lump sum payment of not less than \$25,000.” Motion approved by a vote of 5 in favor (Taylor, Carroll, Beedon, Jacobson, and Rapundalo), 1 abstained (Tepley).
 - Rapundalo moved, seconded by Taylor, to approve the resolution, as amended and attached herewith. Motion approved by a vote of 5 in favor (Rapundalo, Taylor, Beedon, Carroll, and Jacobson), 1 opposed (Tepley).
- b. Status of Audit – Greg Fronizer-SPARK reported to the Board that the field work had been completed, everything went well, and a draft report would be coming soon.

MOTION TO ADJOURN:

Rapundalo moved, seconded by Carroll, to adjourn the meeting at 9:24 am. Motion approved unanimously.

Respectfully Submitted,

Ken Bogan, for Recording Secretary Tom Crawford

RESOLUTION TO AUTHORIZE THE SALE OR LICENSE OF CANTILLON

Whereas, the Smartzone LDFA (LDFA) engaged a subcontractor to develop an online educational tool (Cantillon) for entrepreneurs to accelerate their growth in various key operational areas when starting a company;

Whereas, the LDFA's investment in Cantillon was approximately \$170,000 over 5 years;

Whereas, the LDFA board established a subcommittee to evaluate future investment in Cantillon;

Whereas, while over 500 entrepreneurs, including 250-300 boot camp attendees, have registered to use Cantillon, activity reports provided to the Cantillon Committee by the provider did not show evidence that more than a small percentage made substantive use of it;

Whereas, it was apparent that the subset of users that received the most value were University of Michigan students who used Cantillon as part of a business and finance class and through a venture capital club;

Whereas, while these University of Michigan students technically fall within the TIF district and are therefore eligible users, it is the opinion of the Cantillon Committee that it is not the intention of the LDFA to fund programs utilized primarily by university students;

Whereas, Ann Arbor SPARK Business Accelerator staff indicated that it was difficult to convince the primary target companies of the Business Accelerator to use Cantillon, and the Business Accelerator Director indicated that losing access to Cantillon would not negatively impact the Business Accelerator's ability to serve entrepreneurs;

Whereas, the depreciation period on a software/digital asset is typically less than 5 years and the LDFA has received benefit from its use;

Whereas, the subcommittee determined that it would be in the best interest of the LDFA to license and/or sell the Cantillon intellectual property to other entities to maximize the use of the product;

Whereas, the subcommittee oversaw the issuance of an RFP for the sale / license of the product;

Whereas, there were no responders to the RFP;

Whereas, a third party, the contractor hired by the LDFA to help develop the existing product, believes there may be a market for the product if additional investment is put into it and it is marketed outside the LDFA;

Whereas, the LDFA subcommittee already determined it is not in the best interest of the LDFA to further invest in this product and there were no responders to the RFP to purchase or license it;

Whereas, the LDFA is now left with two options: a) to shut it down with no future revenues, expenses or potential benefits to local entrepreneurs; or b) re-issue the RFP and negotiate an agreement with the awarded Party that could provide future revenue to the LDFA at no additional cost, while also providing potential benefits to the local entrepreneurs;

RESOLVED, That the Board authorizes and directs the Cantillon subcommittee to re-issue the RFP and negotiate the license and/or sale of Cantillon to the awarded third party (Party) on such terms and conditions as the Cantillon subcommittee deems reasonable and in the best interest of the LDFA, which terms and conditions shall include the following terms and conditions which the LDFA board has determined provide LDFA the ability to leverage the investment made to date while retaining appropriate rights that benefit current and future entrepreneurs in the LDFA region:

1. Party will bear all responsibility and costs for content maintenance and end-user support.
2. LDFA will retain the right to market and provide Cantillon to entrepreneurs in the LDFA region at no cost to LDFA.
3. Party will pay to the LDFA fair market value of not less than a reasonable royalty or lump sum payment of not less than \$25,000.
4. ↓

RESOLVED, That the Board authorizes and directs the subcommittee to take such actions necessary to complete the license and/or sale of Cantillon, including but not limited to, the execution and delivery by the Chair of the subcommittee of all instruments and documents which are necessary or appropriate in connection with the license and/or sale.

Comment [kjb1]: Amendment #2 as proposed by Rapundalo

Deleted: ¶
For such period as the subcommittee determines to be reasonable (the Period), Party will have the right to market Cantillon outside of the LDFA region and will retain all course fees and service revenue generated from users outside of the LDFA region.

Comment [kjb2]: Amended #1 as proposed by Beedon

Deleted: For the Period,

Deleted: On or before expiration of the Period, upon payment of a lump sum of not less than \$25,000 by Party to LDFA, LDFA will transfer its ownership interest in Cantillon to Party.

Comment [kjb3]: Amendment #3 as proposed by Taylor, includes striking item 2 and 4 and rewording of item 4.

Deleted: If upon expiration the Period, Party has not made the lump sum payment to LDFA, all Party's rights in Cantillon shall terminate.