

November 29, 2023

Ann Arbor/Ypsilanti SmartZone
Local Development Finance Authority (LDFA)

To Whom It May Concern,

This is a request to the Ann Arbor/Ypsilanti Local Development Finance Authority, on behalf of Ann Arbor SPARK, to write off the remaining 4 microloans in the LDFA Microloan Program portfolio and officially close out the program. SPARK has managed the program since 2009 and made its last microloan in early 2017. Here's a brief summary of the program:

- Approximately \$750k invested into the program by the LDFA
- Approximately \$450k returned to date
- 48 loans totaling approximately \$1.5 million
- Companies still in existence employ nearly 400 people
- Companies receiving loans had total follow-on funding of about \$162 million, including successes like WorkIt Health, AdAdapted, Akervall, Plinquit, and Selio.

Here are the 4 remaining loans in the portfolio and their status:

- **Altality, LLC** – microloan issued on 9/26/16; balance of \$43,283 on original loan of \$25,000; \$500 returned to date. Summary: The company was formed in 2015 and has been unable to gain significant traction or demonstrate the ability to raise funding to grow. It made one payment of \$500 in 2018. The company did receive an NIH grant in 2021 that has allowed it to conduct R&D and stay in business. But it has never been able to generate enough cash flow to make payments and we believe the likelihood of paying on the microloan at this point is very low. The founder has been unresponsive to outreach. *Estimated probability of payback = 0%.*
- **ConnectSpace, Inc.** (formerly Message Blocks) – microloan issued on 4/21/2014; balance of \$54,745 on original loan of \$50,000; \$41,000 has been returned to date. Summary: The original loan was issued to Message Blocks which the founder subsequently closed down in 2017, but then formed a new entity, ConnectSpace, with the same technology. After negotiation, ConnectSpace agreed to assume the remaining Message Blocks debt of \$52,186 under a payment plan. The company made initial payments on the plan of \$5,000 but then stopped and was no longer responsive to outreach. *Estimated probability of payback = 0%.*
- **Digital Knowledge Corp.** – microloan issued on 6/17/2010; balance of \$72,626 on original loan of \$29,000; \$0 returned to date. Summary: The founder of the company passed away in 2016 and leadership of the company was assumed by an investor that initially planned to grow the company and pay on the microloan. That never happened and the new CEO became unresponsive. The company has not been active for many years to the best of our knowledge. *Estimated probability of payback = 0%.*
- **Evolved Audio LLC** – microloan issued on 12/9/2016; balance of \$43,183 on original loan of \$25,000; \$0 returned to date. Summary: After making the loan, the CEO never responded

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to numerous efforts to reach him and has never made a payment. The company is not operational to our knowledge. *Estimated probability of payback = 0%.*

We will be writing off these 4 remaining microloans internally at SPARK. There is a cash balance in the program of \$10,003.73, which SPARK would send back to the LDFA, should it agree to writing off these loans as well and closing out the program.

Please let us know if you have any questions about this request and thanks for your consideration.

Sincerely,



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