



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

**Ann Arbor-Ypsilanti SmartZone Local Development Finance Authority**

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

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

**Members Excused:** Rob Risser

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

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**CALL TO ORDER:**

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

**APPROVAL OF THE AGENDA:**

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

**MOTIONS & RESOLUTIONS:**

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

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

**REPORT FROM AUDIT COMMITTEE:**

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

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

## **2. Audit Committee Recommendations Report (Reid):**

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

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

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

#### **Item # 4:**

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

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

Motion approved unanimously.

#### **Item # 1:**

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

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

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

#### **Item # 3:**

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

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

Reid requested a roll call vote:

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

Motion carried 5-2.

Item # 2:

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

Motion approved unanimously.

Item # 5:

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

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

Motion approved unanimously.

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

Item # 1:

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

Motion approved unanimously.

Items # 2 and # 3:

No action taken with regard to these items.

**LDFA CHAIR'S REPORT:**

**1. Approval of the LDFA Financial Report – FY 2008 4<sup>th</sup> Quarter:**

Postponed until the next meeting.

## **REPORTS FROM SERVICE PROVIDERS:**

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

Postponed until the next meeting.

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

Postponed until the next meeting.

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

Postponed until the next meeting.

### **4. FY 2009 Ann Arbor SPARK Entrepreneurial Education Plan:**

Postponed until the next meeting.

### **5. FY 2008 LDFA Marketing Plan Results:**

Presented by Elizabeth Parkinson-Ann Arbor SPARK.

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

### **6. FY 2009 LDFA Marketing Plan:**

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

## **LDFA TREASURER'S REPORT:**

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

Postponed until the next meeting.

## **REPORTS FROM COMMITTEES:**

### **1. Report from Nominating Recommendation Committee:**

Postponed until the next meeting.

**REPORT FROM MEDC:**

Postponed until the next meeting.

**OTHER BUSINESS:**

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

Postponed until the next meeting.

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

Postponed until the next meeting.

**3. FY 2008 LDFA Annual Report:**

Postponed until the next meeting.

**4. LDFA Board Meeting Location:**

Postponed until the next meeting.

**MOTION TO ADJOURN:**

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

Respectfully Submitted,

Tom Crawford, Recording Secretary



# SPARK REQUESTS TO LDFA

LDFA Board Meeting  
September 23, 2008

Ann Arbor USA

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## SPARK Requests

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

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

@ann arbor usa

September 17, 2008

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

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

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

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

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

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



## **Communication Objective**

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

### *Key industries:*

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

### *Key Audiences:*

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

## **Communication Strategies**

The goals of the Marketing and Public Relations Programs:

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

**Communication Tactics**

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

### Anticipated Outcomes

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

### Budget

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

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

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## LDFA AUDIT COMMITTEE REPORT

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

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

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

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

1. SPARK shall immediately refrain from submitting invoices for payment that are non-compliant with terms of the in-force contract;
  
2. Pursuant to findings contained in the independent audit report, SPARK shall immediately refund all monies invoiced to the LDFA for which there are instances of overbilling, related parties used as consultants, geographic ineligibility, or insufficient supporting documentation. Adjustments for instances of underbilling shall not be permitted;
  
3. Within 45 days, SPARK shall conduct a forensic review of all invoices submitted for payment in the 2007-2008 and 2008-2009 contract years, and refund all monies invoiced to the LDFA for which there are instances of overbilling, related parties used as consultants, geographic ineligibility, or insufficient supporting documentation. Adjustments for instances of underbilling shall not be permitted;

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

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

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

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

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

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

Respectfully submitted by the LDFA Audit Committee

Mike Reid  
Stephen Rapundalo  
Tom Crawford  
Rob Risser

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