

LDFa Board Meeting
September 22, 2009
8:15 am to 10:15 am
SPARK Central Incubator
330 E. Liberty Street, Ann Arbor, MI 48104

Agenda

- I. Call to Order**
- II. Public Comment**
Public comment shall be allowed at all meetings. An individual may speak for up to three (3) minutes on any item listed on the Agenda. The Chair may extend an individual's speaking time in his/her discretion. Public comment on non-agenda items may be limited in the Chair's discretion.
- III. Approval of the Agenda**
- IV. Approval of the Minutes of the July 28, 2009 Regular Board Meeting**
- V. LDFa Chair's Report**
- VI. Reports from Service Providers**
- VII. Reports from Committees**
 - a. Ann Arbor Angels**
 - b. Cantillon**
 - 1. Committee Executive Summary and Recommendation**
 - 2. Budget Request**
 - c. Micro Loan Plan**
- VIII. Other Business**
 - a. FY 2009 LDFa Annual Report**
 - b. New Board Member recommendation to Ann Arbor and Ypsilanti City Councils**
 - c. Committee Appointments – Nominating Recommendation, Budget/Contract, Audit and By-laws**
- IX. Motion to Adjourn**



**MINUTES – REGULAR BOARD MEETING
July 28, 2009**

Ann Arbor-Ypsilanti Smart Zone Local Development Finance Authority

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

Members Present: Michael Korybalski, Stephen Rapundalo, Theresa Carroll, Mark Maynard, Darryl Daniels, Richard Beedon, Skip Simms-Accelerator Ex-officio, Tom Crawford-Ex-officio, Roselyn Zator-MEDC Ex-officio

Members Excused: Richard King, Rob Risser, Lisa Kurek

Others Present: Mike Finney-SPARK, Greg Fronizer-SPARK, Elizabeth Parkinson-SPARK, Kurt Riegger-SPARK, Ken Bogan-City of Ann Arbor-Finance

CALL TO ORDER:

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

APPROVAL OF THE AGENDA:

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

MOTIONS & RESOLUTIONS:

1. Minutes of the June 16, 2009, Regular Board Meeting:

Rapundalo moved, seconded by Daniels, to approve the Minutes of the June 16, 2009 regular board meeting in the form presented at this meeting. Motion approved unanimously.

LDFA CHAIR'S REPORT:

Korybalski recognized Rob Risser and Richard King for their years of service on the LDFA Board.

REPORTS FROM SERVICE PROVIDERS:

1. Ann Arbor SPARK Business Accelerator Status Report - 4th Quarter:

Risser moved, seconded by Maynard, to accept The Ann Arbor SPARK Business Accelerator Report for the FY 2009 4th quarter ended June 30, 2009, 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.

LDFA TREASURER'S REPORT:

1. LDFA Financial Report – FY 2009 4th Quarter Ended June 30, 2009:

Rapundalo moved, seconded by Beedon, to approve the LDFA financial report for the FY 2009 4th quarter ended June 30, 2009 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.

ELECTION OF OFFICERS:

Chair:

Korybalski moved, seconded by Beedon, to nominate Steven Rapundalo as Chair to serve a one year term. Motion approved unanimously.

Vice Chair:

Rapundalo moved, seconded by Daniels, to nominate Richard Beedon as Vice Chair to serve a one year term. Motion approved unanimously.

Treasurer:

Maynard moved, seconded by Beedon, to nominate Darryl Daniels as Treasurer to serve a one year term. Motion approved unanimously.

APPROVAL OF THE FY 2010 BOARD MEETING SCHEDULE:

Daniels moved, seconded by Maynard, to approve the FY 2010 Board meeting schedule in the form presented at this meeting, and attached hereto and made a part hereof. Motion approved unanimously.

OTHER BUSINESS:

1. Update of FY 2010 LDFA Contract Committee:

a. FY 2010 Agreement Between the LDFA and Ann Arbor SPARK:

Daniels recognized the Contract Committee members: Theresa Carroll, Rob Risser and Skip Simms for their efforts in completing the agreement. The agreement is attached hereto and made a part hereof.

b. Marketing Plan:

Carroll moved, seconded by Daniels, to approve the marketing plan in the form presented at this meeting, as amended per discussion, and attached hereto and made a part hereof. Motion approved unanimously.

c. Cantillon:

The Board unanimously agreed the Contract Committee should complete an executive summary and recommendation for the LDFA Board to consider at the next meeting.

d. Micro-loans:

The Contract Committee reported the plan had been reviewed and this would be sent out for the LDFA Board to consider at the next meeting. The Board unanimously agreed.

2. Committee Appointments:

The Board unanimously agreed to postpone until the next meeting.

DRAFT

MOTION TO ADJOURN:

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

Respectfully Submitted,

Ken Bogan, Recording Secretary for Tom Crawford

ANN ARBOR/YPSILANTI SMARTZONE
LDFA
ANGEL INVESTMENT GROUP SUPPORT
September 22, 2009

Attachment A of the LDFA/SPARK agreement section 1.3

Angel Investment Group Support - Contractor will continue work with an "angel" group to build a robust angel network of investors interested in Business Accelerator clients. Activities will be focused on screening of investment opportunities, early due diligence, facilitate connections between entrepreneurs and investors, organize meetings and build membership. No funds will be used for investment or in support of investor expenses. The total amount of reimbursement per year shall not exceed \$25,000, paid in equal quarterly payments of \$6,250.

Need

A. Companies supported by Ann Arbor Spark Phase III engagements and the LDFA micro-loan recipients are in need of next stage services to provide them with increased access to potential private equity investors. Additionally, other early stage high-growth companies in Ann Arbor need access to potential private equity investors.

B. Individuals which qualify as potential investors, as defined under Regulation D of the Securities Act of 1933, for Ann Arbor based early stage growth companies are not investing at a level which is consistent with Ann Arbor's position as a national leader in research dollar expenditures, located in the center of Michigan's venture capital community, or Michigan's top ten ranking in the number of resident millionaires. In order to support the growth of companies identified in (A) these 'angel' investors need to be identified, encouraged, educated and provided with an opportunity to more actively participate in this unique type of investment process.

Efforts are required to bridge the gap between early stage growth companies in Ann Arbor and "accredited investors" potentially interested in making private investments in these companies. The emergence of local angel groups has occurred over the past decade to address this need on a community by community basis across the country. The Ann Arbor Angels was founded in 2004 to address this need in Ann Arbor. Although considered to be the most successful angel group to date in Ann Arbor, the group has not achieved a self-sustaining operating model.

Work Plan

Ann Arbor SPARK will identify and contract with individuals with the appropriate background to perform the following duties under third party contracts:

- Review company applications submitted to the Ann Arbor Angels through the organization's online application process, including those submitted through Ann Arbor Spark.
- Pre-screen Ann Arbor company requests for funding from both Business Accelerator clients and other Ann Arbor companies.

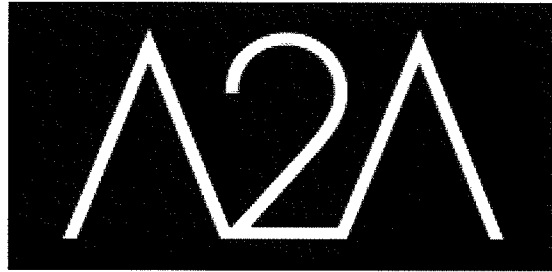
- Work with applicant companies to identify potential angel investors within the Ann Arbor Angels' network to champion the company's request for equity funding.
- Position the company through Ann Arbor Angel network introductions for due diligence discussions with potential angel investors.
- Liaise with the Ann Arbor Angels' Investor Presentation Committee to position the company for presentation at one of the organization's board room investor presentation meetings.
- Retain, recruit, educate and engage angel investors in order to support the activities of those individuals engaged in the above activities and to achieve the milestones below.

Milestones

- Create a Membership Team of not less than two individuals to work on a contract basis to retain, identify, recruit and educate angel investors.
- Engagement of individuals to work directly with potential angel investors to educate and increase their participation in angel investing.
- Planning of at least four board room investor presentation meeting.
- Schedule at least two investor presentation meetings during the term of this contract.
- Active engagement of at least twenty angel investors in the Ann Arbor Angels group.

Uses of funds specifically excluded under this plan:

- Direct equity investments in any company.
- Cover individual angel investor expenses.
- Direct support of expenses of an angel network organization



ANN ARBOR ANGELS

FINAL REPORT
JUNE 2009

ANN ARBOR SPARK
PHASE I CONTRACT

START DATE: FEBRUARY 1, 2009
END DATE: JUNE 30, 2009

CONTRACT AMOUNT: \$12,500



The Ann Arbor Angels are pleased to provide this Final Report under the terms of our contract.

Summary

On January 27, 2009, the LDFA Board approved a \$12,500 five-month contract between the Ann Arbor Angels and Ann Arbor Spark to provide partial support for a part-time A2A Managing Director.

A contract was executed on February 9, 2009. The down-payment under the contract was received on March 3, 2009 at which time the contract was initiated.

Although the contract initiation date (March 3, 2009) was approximately one month beyond the proposed start date (February 1, 2009), A2A successfully achieved the contracted April and June 2009 Milestones.

Based upon successful completion of the June 2009 Milestones, attached please find an invoice for \$3,125 for the third and final payment due under the contract.

Contract Payment Schedule

The Phase I contract payment schedule includes a front-end payment and two milestone based payments as detailed below.

	<i>Feb 1, 2009</i>	<i>April 7, 2009</i>	<i>June 15, 2009</i>	<i>Total</i>
<i>LDFA Payments</i>	<i>\$ 6,250</i>	<i>\$3,125</i>	<i>\$3,125</i>	<i>\$12,500</i>

A2A will provide AA Spark with a Milestone Report and payment invoice in April and June 2009. The April and June contract payments will be due and payable upon receipt and subject only to successful execution of the following milestones.

April 2009 Milestones

1. Filing of Article of Incorporation - Completed

Articles of Incorporation have been filed with the State of Michigan, establishing A2A as a not-for-profit corporation. *The articles of incorporation identified three officer positions: President, Secretary, and Treasurer. At the time of filing, Michael Cole held all three positions. Based upon the Articles of Incorporation, the board of directors shall consist of at least three members. At the time of filing the board of directors included the following members: Michael Cole, Richard Eidswick, Thomas Kinnear, and Tim Marshall.*

2. Establishment of Commercial Operating Account – Completed



A non-profit corporation checking account has been established at Bank of Ann Arbor. *A Tax ID number has been received from the IRS.*

3. A2A Board Approval of Revised Plan - **Completed**

The A2A board of directors met on April 24, 2009. The three phase strategic plan presented to the LDFA board was approved. The board also approved the following officer nominations:

- o Dave Hartmann, Secretary (Founder and CEO, Arbor Blue)
- o Ann Black, Treasurer (Founder and CEO, Renaissance Financial Group). *Pursuant to Ms. Black's appointment as Treasurer she has become a co-signor on the A2A bank account.*

4. 100% Corporate Sponsor (\$12,500) Phase I funding match for Managing Director contract costs – **Completed**

Bank of Ann Arbor has committed to match the Phase I support for a part-time Managing Director. *Bank of Ann Arbor has also committed to support costs associated with office space and equipment, including board room availability.*

5. Additional 50% Corporate Sponsor (\$6,250) match support for other operational costs – **Completed**

Additional support in excess of a 50% match has been committed by Arbor Blue and Renaissance Financial Group.

June 2009 Milestones

1. 20 registered Angel Investor Members – **Completed**

- o A2A currently has 43 registered Angelsoft members, including 27 investors, 4 staff, 9 corporate sponsors and 3 others.
- o The statistics from our June 26, 2009 meeting included: 12 investor attendees, 4 presenter team attendees, 4 staff attendees, 17 investors which responded to the online invitation but were unable to attend due to scheduling conflicts, 6 investors which viewed the online invitation but did not respond, and 23 investors that did not register a click-through review of the online invitation and did not respond.

2. Development of Angel, Corporate and Venture Capital Membership Agreements, (in draft form) incorporating annual membership fee schedules – **Completed**



Initial drafts of membership agreements incorporating potential annual fees schedules ranging from \$1,500 - \$2,500 were completed and reviewed. *A draft version of a VC Affiliate Membership Form is attached.*

3. Investor Presentation Meeting – Completed

An investor presentation meeting was held on June 26, 2009. Three companies presented to the group for funding. There were 20 total attendees as detailed above. The feedback from the attendees was positive.

4. Verbal commitment for 100% match funding for a potential Phase II AA Spark contract totaling \$30,000 to support Managing Director contract costs for the twelve month period July 1, 2009 – June 30, 2010. *Note: the Phase II AA Spark contract currently under review is for a reduced amount of \$25,000.* – Completed

Bank of Ann Arbor has committed to match the Phase II support for a part-time Managing Director.

5. Additional 50% Corporate Sponsor verbal commitment match to support other operating costs. – Completed

Additional support in excess of a 50% match has been committed by Arbor Blue, Renaissance Financial Group, University of Michigan Office of Technology Transfer, and the Michigan Venture Capital Association.

Conclusion

A2A has successfully fulfilled its Phase I contract and is well positioned to execute its Phase II plan, pending final execution of a mutually agreeable AA Spark contract.

Our partnership with Ann Arbor Spark to assist in the initial stages of company application screening is achieving its desired goals. Second stage company application screening is being lead by Dave Hartmann. A2A continues to receive new company application requests on at least a weekly basis.

Companies applying for funding are being charged a \$250 application fee. Application fees are collected online through AngelSoft and forwarded periodically to the Ann Arbor Angels. To date, in excess of \$2000 in company application fees have been received.

Our membership recruitment will continue to include the development of a member Advisory Board. We are very pleased to advise that Rick Snyder, Co-Founder and CEO, Ardesta LLC and David Sarns, Partner, 360 Advisors are currently members of the A2A Advisory Board.



PHASE I CONTRACT – FINAL REPORT

June 2009

The support of our contract and partnership with Ann Arbor Spark has enabled the reigniting of A2A over the past four months. The pending 12-month Phase II contract would provide the supplemental resources needed to rebuild the foundational elements of the organization. This foundation would position A2A to execute its Phase III plan which would be the establishment of either (i) a nationally recognized angel network or (ii) a regionally recognized angel group.

Thank you very much for your support to reignite the Ann Arbor Angels.

A handwritten signature in cursive script that reads "Michael A. Cole".

Michael Cole, President
Ann Arbor Angels

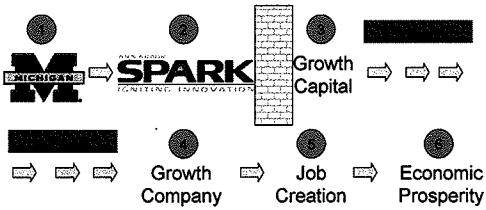
June 29, 2009



January 27, 2009
LDFA Proposal

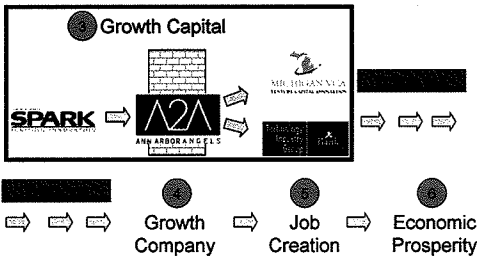
Angel investing is the oldest, largest, and most often used source of outside funds for entrepreneurial firms

Ann Arbor's Central Role in Michigan's 21st Century Economy Roadmap



75% of new job creation is attributed to the nation's fastest growing businesses, not Fortune 500 companies

Ann Arbor's Central Role in the Growth Capital Component of Michigan's 21st Century Economy Roadmap



Angels fund thirty to forty times as many entrepreneurial firms as the formal venture industry, investing three to five times more money.



Background

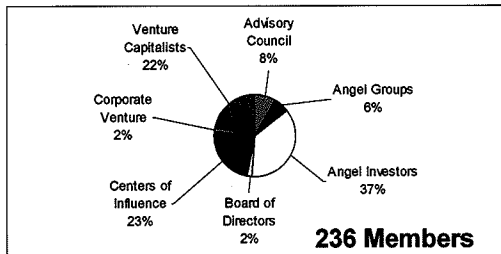
2002/03 – Concept Development
 2004/05 – Beta Stage
 2006/08 – Transition Stage

- Bridge Angel Funding Gap
- Leverage Unique Resources
- Collaborate with Major Players
- Not-For-Profit
- Build Nationally Recognized Angel Community

Founding Organizations



Midwest's Premier Angel Investment Network



2005 Annual Report

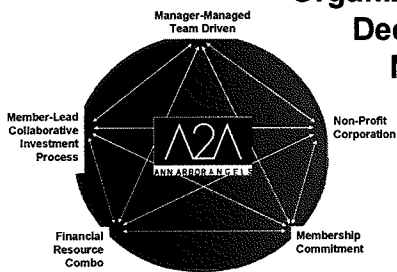


ANN ARBOR ANGELS LEAD \$82M IN NEW INVESTMENTS

- ❖ 26 Transactions
- ❖ Largest \$32MM
- ❖ Smallest \$115K
- ❖ IT Sector \$46.2MM
- ❖ Life Science Sector \$7.5MM
- ❖ Advanced automotive, consumer products, finance, homeland security/defense, advanced manufacturing and nanotechnology.



Angel Organization Decision Matrix



Ann Arbor Angels Development Roadmap

Phase I → Phase II → Network
 Restart Rebuild Foundation Group

Time: 5 Months
 LDFA Funding Proposal
 FY'08/09

Time: 12 Months
 LDFA Funding Proposal
 FY'09/10

A2A
ANN ARBOR ANGELS

Phase I - Restart

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

April Milestones

1. Filing of Article of Incorporation
2. Commercial Operating Account
3. Board Approval of Revised Plan
4. 100% LDFA Corporate Match
5. Additional 50% Corporate Sponsorship

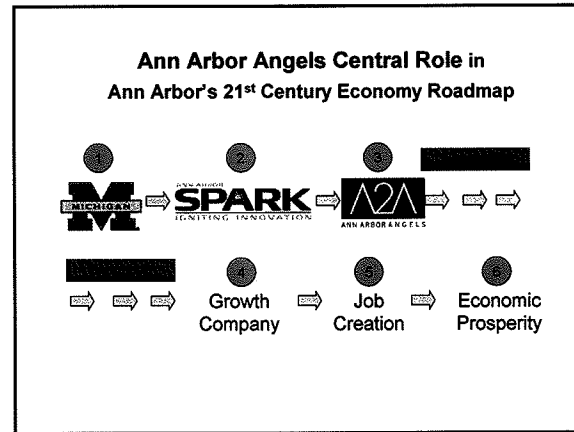
June Milestones

1. 20 Registered Members
2. Development of Angel, Corp. and VC Member Agreements
3. Investor Presentation Meeting
4. Commitment for Phase II 100% LDFA Corp. Match
5. Commitment for additional 50% Phase II Corp.Match.

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ANN ARBOR ANGELS

	Phase I FY08/09 5 months	Phase II FY09/10 12 months	Phase III FY10/11 12 months
Minimum Operating Budget			
Managing Director - LDFA	\$ 12,500	\$ 30,000	TBD
Managing Director - Corporate Sponsor(s)	\$ 12,500	\$ 30,000	TBD
Other Operating - Corporate Sponsor(s)	\$ 6,250	\$ 15,000	TBD
Total Minimum Operating Budget	\$ 31,250	\$ 75,000	TBD

Many of this country's most influential companies, such as Ford Motor Company, Apple Computer, Hewlett Packard, Amazon.com, and Google were initially angel-funded



A2A
ANN ARBOR ANGELS

January 27, 2009

LDFA Proposal

A.C.A.
ANGEL CAPITAL ASSOCIATION
OF THE MICHIGAN CAPITAL ASSOCIATION

Budget Guidelines

	Low End	High End	Average
Angel Group	\$175,250	\$621,350	\$398,300



Phase III

Network

- Nationally Recognized Angel Network
- Funding Growth Companies
- Growing Angel Community
- Targeted Marketing of AA Region
 - Talent Attraction
 - Capital Attraction
- Recognized Center of Technology Business

Group

- Traditional Angel Group
- Funding Growth Companies

Ann Arbor/Ypsilanti SmartZone

L DFA Final Program Progress Report

Contract period July 1, 2008 through June 30, 2009

August 28, 2009

3.3 The Contractor shall provide a written Final Program Progress Report to the L DFA no later than sixty (60) days after the end of the Project Service Term. In addition to the required quarterly reporting elements, the Final Program Progress Report shall disclose: 1) a census of the annual and cumulative number of jobs created within the L DFA Service Area as of June 30, 2009 (with jobs defined as the incremental increase in the number of FTEs beginning with the date a Business Accelerator engagement letter, or when a SPARK Central Incubator agreement is first executed, or when participation in Bootcamp occurs); 2) a census of the annual and cumulative number of jobs related to Business Accelerator, SPARK Central Incubator, and Bootcamp clients that have left the L DFA Service Area because of relocation, merger, acquisition, or business failure as of June 30, 2009; 3) a census of the number and identity of current and past clients the Contractor deems no longer eligible for L DFA funded services as of June 30, 2009; and 4) a census of the number and identity of clients for which information regarding jobs creation is no longer being collected as of June 30, 2009. The Contractor shall report to the L DFA regarding the methodology utilized in the census.

Annual and cumulative jobs created

The following table lists all companies that received Business Accelerator services. Retained jobs are those which the company reported at the time of the initial engagement of services. The current jobs are those jobs updated through recent contact with the company. New jobs is the difference.

Uniq ID	Account Name	Account Description	Current FTE Jobs	Retained FTE Jobs	New FTE Jobs
1851	Accio Energy, Inc.	Alternative energy wind generation for small applications	3	3	0
2181	Adaptive Campus, LLC	Web-based marketing services for education organizations and related non-profit and government entities	2	2	0
1885	Akervall Technologies	Commercializing dental appliance - mouthguard	1	1	0

1487	AlphaCore Pharma, LLC	Drug development of cardiovascular therapy, with compound to be licensed from NIH	3	1	2
2002	Ariscore	Recharging system for electric vehicle	1	1	0
2319	Audiallo	New hearing aid technology	2	2	0
1646	AviCenna Medical Systems, Inc.	Healthcare IT, to integrate patient data for billing and quality management	1	1	0
2130	Better Rehab, LLC	Web based information source for people needing information about hip replacement therapy	2	2	0
1282	Blaze Medical Devices	Spectral analysis for red blood cells	2	2	0
2610	BuycentivesTM	Online management system for automotive incentives	1	1	0
2915	Chem Commerce	Marketing and brokering company for pharmaceutical intermediate chemicals	1	1	0
2851	Current Motor Company	Electric scooter	2	2	0
2880	Dibble Group Inc.	TherapyCharts serves independent therapists with a SaaS platform to manage patient information.	1	1	0
2804	Dralla Development International, LLC	Assessment tool for determining a corporation's capability to be successful in strategic partnering	1	1	0
2634	eChamberConnect, LLC.	Web based applications for Chambers of Commerce	3	3	0
1896	EiPon Learning, LLC	SaaS company using proprietary digital recording technology to aid in language learning	1	1	0
1987	Embedded Advantage	Embedded controls for electric motors	1	1	0
1988	Energy Technology Concepts	Technology and consulting for alternative energy in transportation	1	1	0
0680	Ensure Technologies Inc.	Data and network security devices	25	25	0

2316	ePack, Inc.	Vacuum and hermetic packaging of MEMS using solder.	1	1	0
1989	ExpressByte	Online shopping service to consumers by partnering with neighborhood stores.	1	1	0
1954	Fitness Motivation Online	Online personal support network for exercise programs	1	1	0
2228	Fontis Biotechnologies	Drug discovery	1	1	0
2679	FreeStride Therapeutics Inc.	Development of therapies for treatment of bone-related conditions	1	1	0
1277	GeneVivo, LLC	Create high-value transgenic or genetically modified animal models	2	1	1
1848	Hygieia, Inc.	Glucose monitor that recommends dosage adjustments for improved glycemic control	1	1	0
2818	Interlab, Inc.	End to end video streaming to media and businesses	3	3	0
1697	Jiva Pharmaceuticals	Develop and clinically validate promising small molecule therapies	1	1	0
2141	Kiyo Networks	Network management company providing turnkey wireless data and DSL services	1	1	0
2565	Magical Pork	Website that coordinates travel planning for groups	1	1	0
2144	MarketMonitor HQ	Tool for automating SEO monitoring activities	2	1	1
0268	MedArray, Inc.	Silicone hollow fiber membrane to enable highly efficient blood oxygenators	5	2	3
2036	M-Light	Photonics cluster	1	1	0
1902	Mobatech, Inc.	Mobile Phone Software	1	1	0
2159	MySano, Inc.	Online healthcare portal for consumers	2	2	0
2868	Mystock Enterprises LLC	Online community that sells access to musicians in the form of virtual shares	3	3	0
2134	Nudge Them Inc.	Retail software	1	1	0

2592	Nymirum	Drug discovery platform that reveals the structure of RNA and identifies small molecules that bind to these structures.	1	1	0
1286	OcuSciences, Inc	Ophthalmic device	3	2	1
2652	PM Engineering, LLC	Novel diesel engine system to reduce emissions and improve efficiency	1	1	0
2712	Popa Enterprises, Inc.	Card system for coupons and receipts	1	1	0
2666	POWERleap LLC	Pressure sensitive surface that generates power	2	2	0
1585	ProcuIt Inc.	Educational software engines	4	1	3
2014	Project Freestyle	Web 2.0 community for soccer players	3	1	2
2738	Ray.Taylor and Associates	Advisory services and technical consulting to public school	5	5	0
2153	RiserCam, LLC	Design and production of a camera for mounting on a bow & arrow	2	1	1
2700	Saagara	Business and technology planning	2	2	0
2076	SeFaire Partners	Provides online training of medical professionals in clinical settings	1	1	0
2015	Sentry Medical Technologies	Medical technologies to address undesired behaviors	1	1	0
2838	Shepherd Intelligent Systems	Software for tracking vehicles using mobile phone GIS	3	3	0
2351	Speedraft	Online CAD system for matching tool makers with clients, SaaS model	7	5	2
2082	Switchback LLC	Website development using open source content management systems	8	2	6
2702	Tangent Medical Technologies, LLC	New catheter &/or catheter securement device (CSD)	4	5	-1
1982	The Whole Brain Group, LLC	Subscription based product that provides accreditation services to life science research institutions.	4	5	-1
2630	TMJ Pain Solutions	An oral device for treating craniofacial pain	2	2	0

