

**STRATEGIC ECONOMIC INVESTMENT AND COMMERCIALIZATION BOARD
JULY 22, 2008 MEETING**

ADOPTED MEETING MINUTES

A meeting of the Strategic Economic Investment and Commercialization (SEIC) Board was held at the Michigan Economic Development Corporation (MEDC), 300 N. Washington Square, Lansing, Michigan, on July 22, 2008.

MEMBERS PRESENT: David Baumgarten; David Cole; Mary Sue Coleman; Keith Cooley; John Dunn; Michael Jandernoa; Mark Haas (designee for Robert Kleine); Lynnette Rhodes; Kenneth Rogers; Lou Anna Simon; George Vande Woude; Dennis Wend; David Baker Lewis (via telephone)

MEMBERS ABSENT: John Brown; Mary Campbell; Jim Croce; Glenn Mroz; Michael Rao; Irvin Reid

CALL TO ORDER: The meeting was called to order at 2:38 p.m. by Chairman Michael Jandernoa.

APPROVAL OF MINUTES: Mr. Jandernoa asked if there were any questions or comments regarding the minutes from the June meeting. Being none, **Director Cooley motioned to approve the minutes as presented. Mr. Rogers seconded the motion.** The motion was approved unanimously – 12 ayes; 0 nays; 0 recused.

PUBLIC COMMENT: Mr. Jandernoa opened the floor for public comment. There was no public comment. Mr. Jandernoa continued by noting to the board that he would be skipping around the agenda in order to ensure that Dr. Simon was able to participate in the discussion and vote on items under Agenda Item D – 21st Century Jobs Fund Competition.

21ST CENTURY JOBS FUND COMPETITION:

Competition Update: Cindy Douglas, MEDC Director of Program Administration, addressed the board and provided an update on the competition. She highlighted a few different problems applicants had with final submission of their proposals and how the problems were resolved. There were no questions or discussion from the board.

[Mary Sue Coleman joins the meeting in person.]

Resolution 2008-012: Alternate Peer Review Agency

Kapila Vigas, MEDC Manager of Program Administration, provided information.

Ms. Vigas explained to the board that after an initial review of the final list of submitted proposals for the 2008 Business Plan Competition, NCMS has determined that they have conflicts with six of the submitting companies and thus, will not be able to review those proposals. This requires contracting with an alternate peer review agency to review these six proposals. A recommendation is being brought before the board for approval of Business Engines as the selected alternate peer reviewer. *This project is further described in Resolution 2008-012.*

Mr. Jandernoa asked if there were any questions from the board. *Discussion ensued regarding the process the alternate peer reviewer would use for selecting reviewers and also whether the recommended agency had looked at the list to assure that there were no conflicts for them. Ms. Vigas informed the board that Business Engines would use a scoring system and review process identical to NCMS. Additionally, they have reviewed the list and no conflicts exist.* Being no more discussion, **Mr. Haas**

motioned approval of Resolution 2008-012. Dr. Coleman seconded the motion. The motion was approved unanimously – 13 ayes; 0 nays; 0 recused.

Resolution 2008-013: Non-Compliant Proposals for Competitive Edge Technology Loans

Kapila Vigas introduced the guest presenter, Manish Mehta of NCMS, who provided information on this action.

Mr. Mehta presented NCMS's findings with a recommendation to be considered for action by the board. Of the 111 proposals initially screened by NCMS for the 2008 Business Plan Competition, there were a number of proposals that were deemed non-compliant for various reasons. Non-compliance was found based on one or more of the following: exceeded 25 page limit; font size smaller than 10pt; no letter of third party match included with proposal; did not fall within one of the four technology sectors; no financial historical information; no biography of key personnel; did not check the box confirming that they had read the RFP instructions; business plan file could not be opened; or no budget justification provided. NCMS's recommendation to the board was to accept all of the non-compliant proposals, except for the two that did not fall into one of the technology sectors, and allow their reviewers to make the determination. *This project is further described in Resolution 2008-013.*

Mr. Jandernoa asked if there were any questions from the board. *Discussion ensued regarding the seriousness of the various non-compliance issues and whether they should all be accepted for review as NCMS recommended or be filtered through based on instructions in the RFP document. Dr. Simon noted that the RFP sub-committee spent significant time on the construction of the RFP and members felt strongly about the language cautioning applicants that failure to comply with page limits and financial match requirements were cause for disqualification. After thorough discussion it was decided that only the following non-compliant proposals will be rejected: (1) those that exceed the 25 page limit, excluding cover page and other documents previously identified in the RFP for exclusion from the page limit, (2) those that did not have a letter confirming a third party match, and (3) those that were not in one of the four technology sectors. The total of the non-compliant proposals that will be rejected is no more than 26 proposals.*

Being no further discussion, **Dr. Coleman motioned approval of Resolution 2008-013. Dr. Vande Woude seconded the motion.** The motion was approved unanimously – 13 ayes; 0 nays; 0 recused.

COMMUNICATION: Nathan Ohle noted that replacement/updated agenda materials had been distributed to board members prior to the meeting. He also outlined the recusals for each agenda item.

[Lou Anna Simon leaves for the remainder of the meeting]

AWARDEE UPDATE:

Resolution 2008-014: MSU Push Pull Investment - SenX

Kapila Vigas provided information on this action.

MSU is recommending SenX Technology, LLC (SenX) for \$50,000 loan. SenX, located in Midland, is a research and development firm that has developed and owns a suite of patented sensor technology. Two products have already been commercialized and are being sold globally.

This request is to venture into a new application for their sensor technology, specifically into the non-invasive diagnostic use by cardio-vascular medical personnel. SenX in collaboration with MSU proposes to create a new sensor at SenX for testing and evaluating in MSU's engineering and human health testing labs. The \$50,000 loan will be used to build a sensor prototype with MSU providing in-kind support. *This project is further described in Resolution 2008-014.* Mr. Jandernoa asked if there were any questions from the board. Being none, **Dr. Coleman motioned approval of Resolution 2008-014. Dr. Dunn seconded the motion.** The motion was approved unanimously – 12 ayes; 0 nays; 0 recused.

[Michael Jandernoa recused]

[Mary Sue Coleman assumes role of Temporary Chairperson]

Resolution 2008-015: Accuri Final Disbursement

Kapila Viges provided information on this action.

Accuri Cytometers, Inc. was founded in Michigan in 2004 in Ann Arbor. Accuri received most of its early funding from Michigan-based investors, and has hired most of its employees either from Michigan or recruited them to Michigan from out-of-state. Inspired by technology originally developed for the auto industry at the University of Michigan, Accuri has developed an innovative life science research tool known as a flow cytometer. With the 21st Century Jobs Fund award, Accuri has made significant progress in developing its product towards clinical applications. Accuri requests that the SEIC board approve the final disbursement of the 21st Century Jobs Fund award at this time to support further development and growth of the company.

Based on the information provided, MEDC staff recommends that the SEIC board approve the final disbursement to Accuri Cytometers, Inc. in the amount of \$160,000. *This project is further described in Resolution 2008-015.* Dr. Coleman asked if there were any questions from the board. Being none, **Director Cooley motioned approval of Resolution 2008-015. Dr. Dunn seconded the motion.** The motion was approved unanimously – 11 ayes; 0 nays; 1 recused.

[Michael Jandernoa returns and reassumes role of Chairperson]

[Mary Sue Coleman recused]

Resolution 2008-016: Avidimer Final Disbursement

Kapila Viges provided information on this action.

Avidimer Therapeutics, Inc. was founded in Ann Arbor as a spin-out from the University of Michigan Nanotechnology Institute for Medicine and Biological Sciences. Avidimer uses the UM spin-out “Dendrimer” technology to develop and commercialize targeted therapeutics for cancer and Rheumatoid Arthritis. Currently, Avidimer is bringing Dendrimer-reformulated drugs to clinical studies for improved safety and efficacy over currently available products.

With the 21st Century Jobs Fund award, Avidimer has made significant progress in developing its product towards clinical applications. Based on the information provided, MEDC staff recommends that the SEIC board approve the final disbursement to Avidimer Therapeutics, Inc. in the amount of \$180,000. *This project is further described in Resolution 2008-016.* Mr. Jandernoa asked if there were any questions from the board. Being none, **Mr. Haas motioned approval of Resolution 2008-016. Director Cooley seconded the motion.** The motion was approved unanimously – 11 ayes; 0 nays; 1 recused.

Resolution 2008-017: Compendia Bioscience Final Disbursement

Kapila Viges provided information on this action.

Compendia Bioscience was founded by Arul Chinnaiyan and Dan Rhodes in February 2006 in Ann Arbor. Compendia licensed Oncomine™ and related technologies from the University of Michigan in February of 2006, and signed contracts with its first customers in March of 2006. The company is dedicated to gathering the world’s high-throughput biology data, making that data interpretable and applicable in target identification/validation, drug development, and clinical research to ultimately improve the lives of patients.

Today, having generated gross revenues in excess of \$3 million, with cash in the bank, the outlook and options for Compendia are drastically improved. Compendia requests that the SEIC board approve the final disbursement of the 21st Century Jobs Fund award at this time to support the continued development and growth of the company.

Based on the information provided, MEDC staff recommends that the SEIC board approve the final disbursement to Compendia Bioscience, Inc., in the amount of \$100,000. *This project is further described in Resolution 2008-017.* Mr. Jandernoa asked if there were any questions from the board. Being none, **Dr. Vande Woude motioned approval of Resolution 2008-017. Mr. Haas seconded the motion.** The motion was approved unanimously – 11 ayes; 0 nays; 1 recused.

[Mary Sue Coleman returns]

Mr. Jandernoa noted that due to lack of quorum, the board would not be taking action on agenda items D.5 – Meditrina Final Disbursement and D.6 – ProNai Final Disbursement.

CAPITAL LIFE CYCLE:

Resolution 2008-018: Loan Structure for 2008 Business Plan Competition Awardees

Ned Staebler, MEDC Capital Markets Development Manager, provided information on this action.

At the SEIC board meeting of June 18, 2008, MEDC brought for the board's information a sample term sheet outlining the structure of awards to be made to for profit companies via the 2008 21st Century Commercialization Competition. Subsequent to the June 18 meeting, MEDC received informal feedback from some companies that have entered the competition. This feedback demonstrated a need for an investment structure other than the one described on June 18.

As a result of this discussion, the sub-committee recommends allowing companies to choose from two different structures: (1) a straight loan with a small amount of warrants, as outlined to the SEIC on June 18, 2008; and (2) a convertible note similar to the structure used in 2006, using a loan agreement that is streamlined while still meeting legal and compliance thresholds. *This project is further described in Resolution 2008-018.*

Mr. Jandernoa asked if there were any questions from the board. *Discussion ensued regarding the various aspects of having two structures versus one and the benefits of both.* Being no further discussion, **Dr. Coleman motioned approval of Resolution 2008-018. Mr. Rogers seconded the motion.** The motion was approved unanimously – 12 ayes; 0 nays; 0 recused.

OTHER BUSINESS: Mr. Jandernoa opened the floor for any additional business to be addressed. No additional business was introduced for discussion.

ADJOURNMENT: The meeting was adjourned at 4:08 p.m.

I certify that these minutes reflect the actions taken by the Strategic Economic Investment and Commercialization Board at the July 22, 2008 meeting.

Dr. Michael Rao
SEIC Board Secretary