

STRATEGIC ECONOMIC INVESTMENT AND COMMERCIALIZATION BOARD
April 7, 2010

ADOPTED MEETING MINUTES

A meeting of the Strategic Economic Investment and Commercialization Board (SEIC) Board was held on Wednesday, April 7, 2010 at the Michigan Economic Development Corporation (MEDC), 300 North Washington Square, Lansing, Michigan.

MEMBERS PRESENT: John Brown; Mary Campbell (via telephone); Susan Corbin (acting on behalf of Stanley “Skip” Pruss); John Dunn; Eric Gilbertson; Michael Jandernoa; Jerry “Jay” Noren (via videoconference); Robert Kleine; Kenneth Rogers; Lou Anna Simon; Dennis Wend (via videoconference); and George Vande Woude.

MEMBERS ABSENT: David Baumgarten; David Cole; Mary Sue Coleman; Keith Cooley; Glenn Mroz; and Lynnette Rhodes.

CALL TO ORDER: Mr. Jandernoa called the meeting to order at 9:59 a.m.

APPROVAL OF MINUTES: Mr. Jandernoa asked for a motion to approve the March 3, 2010 meeting minutes. **Dr. Gilbertson motioned approval of the minutes. Mr. Kleine seconded the motion.** The motion carried unanimously – 12 ayes; 0 nays; 0 recused; 6 absent

COMMUNICATION ITEM: Nathan Ohle, MEDC Board Relations Liaison, indicated that Mary Campbell had submitted a letter recusing herself from items on the agenda.

2010 COMPETITION UPDATE – ACCELERATOR FUND RFP:

Ned Staebler, MEDC VP of Capital Access and Business Acceleration, provided information for the action.

Mr. Staebler indicated that following the March 3, 2010 SEIC Board Meeting, the draft RFP was released to the public for comment. On March 22, 2010, a Public Hearing was held to take comments on the draft RFP. Mr. Staebler indicated that there was a good turnout for the Public Hearing, and that a majority of the comments centered around the lack of administrative funding for the program.

Recommendation: MEDC Staff recommends that the SEIC Board approve the final decision document which describes the basis for its decision approving the RFP.

Board Discussion: Mr. Jandernoa asked the Board if there were any additional questions. Being none, **Dr. Simon made a motion for approval of Resolution 2010-005. Mr. Brown seconded the motion.** The motion carried unanimously – 12 ayes; 0 nays; 0 recused; 6 absent

Mr. Staebler indicated that following the Public Hearing, the SEIC RFP subcommittee met to discuss potential changes to the RFP. The subcommittee recommended clarifying the language surrounding who the actual applicant would be as well as clarifying the talent component of the RFP. Mr. Staebler indicated that the MSF Board had approved the funding for the program at their March meeting, contingent upon approving the Peer Review agent for the program. Mr. Staebler also indicated that the MSF Board also recommended that a 1% general partner match be required for investments by the fund, to ensure that each fund has some “skin in the game”.

Mr. Rogers stated that on behalf of Automation Alley he would be voting no on this proposal. Mr. Rogers indicated that the RFP as drafted was restrictive for current accelerators in the State, especially noting that the \$1 million match was prohibitive for an organization such as Automation Alley. Mr. Rogers asked that in the future that the Board should consider what is currently in the State, and what is working in the State. Rather than creating new accelerators, the State should fund the current accelerators that

are working and creating jobs today. Mr. Rogers stated that accelerators such as Automation Alley are creating jobs and bringing investment into the State right now, and that creating a new program will delay new jobs coming into the State.

Mr. Staebler indicated that the RFP does a good job of capturing what the Board wanted to achieve with this program, while recognizing that the \$1 million match was prohibitive for accelerators like Automation Alley. Mr. Staebler indicated that the RFP does not preclude current accelerators from applying for this program, and that staff anticipated other accelerators to apply.

Mr. Rogers stated that the RFP does not preclude accelerators from applying, but that it was prohibitive for current accelerators, especially the \$1 million match, as that is not a requirement that those types of organizations have the capability to fulfill in today's market.

Ms. Campbell indicated that this program can do anything but not everything. Ms. Campbell indicated that it is vital to get more accelerator activity within the State, and that she does not disagree with Mr. Rogers' concerns. Ms. Campbell stated that many organizations would like to apply for this money, and that she empathizes with Mr. Rogers as she would like her own firm to be able to apply for this program. Ms. Campbell indicated that it was important to the subcommittee to not preclude anyone from applying, but that it was important to identify the areas where this RFP could make the largest difference, and that the subcommittee felt that the RFP did cover as much as possible while still being effective. Ms. Campbell stated that she hoped a program such as this would encourage sharing of funds and facilitate more organizations to work collaboratively with one another.

Mr. Kleine asked if \$1 million match was too high. Mr. Wend asked how one could identify what number is too high in this market, and that the \$1 million match seemed fair. Mr. Staebler indicated that the \$1 million match would give a 6/1 ratio of matching funds, which was consistent with market conditions.

Dr. Simon indicated that funding had declined over the past few years for many good activities in the State, and that everyone is focused on what money is available. Dr. Simon indicated that it is hard to identify what area is the most important when funding is so low, but that the RFP tried to address an area that the Board had identified as a gap in the capital continuum, and that it appeared to accomplish the goals that the Board identified at the beginning of the process.

Mr. Jandernoa indicated that identifying other gaps will be important as the Board moves forward next year, to have a full conversation about where funding gaps are occurring in the State, and to spend more time figuring out how to address those gaps. Mr. Jandernoa asked staff to keep in mind a focus on trends where the State is headed in the future year so that the Board can try to identify all areas of concern and identify ways to address other areas that this program may not be able to address.

Recommendation: MEDC Staff recommends that the SEIC Board approve the final draft, and issuance of the Accelerator Fund RFP.

Board Discussion: Mr. Jandernoa asked the Board if there were any additional questions. Being none, **Dr. Vande Woude made a motion for approval of Resolution 2010-006. Mr. Kleine seconded the motion.** The motion carried – 11 ayes; 1 nays; 0 recused; 6 absent

[RECUSED: Mary Campbell]

2010 Competition Update – Peer Review Update [Action Item]

Ned Staebler provided information for this item.

Mr. Staebler indicated that staff had talked with numerous potential peer review agents for the Accelerator Fund program. Mr. Staebler indicated that finding a peer reviewer who was not conflicted was very difficult because those people in Michigan that have enough expertise to really vet potential

applicants often were those that were actually involved in the industry and might potentially apply themselves. Mr. Staebler indicated that staff had identified Trillium Ventures as the best candidate. Mr. Staebler indicated that Trillium Ventures, led by Tom Porter, would select a group of qualified individuals to sit on a review panel, and will create policies and procedures which will outline how to conduct the review process. Mr. Staebler stated that staff had included CVs and resumes from potential reviewers so that the Board could see what level of expertise Trillium Ventures would be looking for in the review panels. Mr. Staebler indicated that the Michigan Department of Technology, Management and Budget had delegated the contract issuance authority for a contract less than \$25,000 for this program, and that staff would like to award the contract to Trillium Ventures.

Dr. Dunn asked for clarification on the conflict of interest portion of the process, especially in relation to the CVs and resumes provided to the Board. Mr. Jandernoa asked the Attorney General's Office for its view on the matter. Sante Perrelli, Assistant Attorney General, indicated that the Board would be voting only on Trillium Ventures, not the other potential reviewers, and that as conflicts came up within the reviewers, those questions would be directed to the Chief Compliance Officer to review any potential conflicts of interest.

Mr. Rogers indicated that he would be voting no on this item as it was connected to the RFP and he wanted to stay consistent with his votes.

Recommendation: MEDC Staff recommends that the SEIC Board select Trillium Ventures, LLC to be the peer reviewer for the review of proposals submitted in response to the RFP for the Accelerator Fund and subsequently recommend the selection to the MSF Board to enter into a contract with Trillium Ventures, LLC in an amount less than \$25,000.

Board Discussion: Mr. Jandernoa asked the Board if there were any additional questions. Being none, **Mr. Kleine made a motion for approval of Resolution 2010-007. Dr. Dunn seconded the motion.** The motion carried – 10 ayes; 1 nays; 1 recused; 6 absent

[RETURNED: Mary Campbell]

2010 Competition Update – Review Scoring Criteria [Information Item]

Ned Staebler provided information for this item.

Mr. Staebler indicated that following the meeting, the RFP and Review Scoring Criteria would be posted on the MEDC's website for potential applicants to review.

Mr. Jandernoa asked if it would be possible to put draft on the review scoring criteria, as he felt as if the SEIC Board may have more feedback to give, with potential changes still to be made.

Ms. Campbell indicated that she was not comfortable posting the review criteria on the website if there were changes still to be made, as it would cause confusion for applicants. Ms. Campbell indicated that she would like the SEIC RFP subcommittee to continue to work on the review criteria and come back to the Board with recommendations in May.

Mr. Jandernoa indicated that it would be in the Board's best interest to not post the review criteria, but to have the subcommittee look at it more and come back with recommendations at the next month's meeting, where there could be a more in-depth conversation on what should be included.

PUBLIC COMMENT: Mr. Jandernoa asked if there were any additional discussion items. There was none.

ADJOURNED: Being no further discussion, Mr. Jandernoa adjourned the meeting at 10:45 a.m.