

STRATEGIC ECONOMIC INVESTMENT AND COMMERCIALIZATION BOARD
November 4, 2009

ADOPTED MEETING MINUTES

A meeting of the Strategic Economic Investment and Commercialization Board (SEIC) Board was held on Wednesday, November 4, 2009 at the Michigan Economic Development Corporation (MEDC), 300 North Washington Square, Lansing, Michigan.

MEMBERS PRESENT: David Baumgarten; Mary Campbell; David Cole (by telephone); Keith Cooley; Susan Corbin (acting on behalf of Stanley “Skip” Pruss, authorization attached); John Dunn (by telephone); Eric Gilbertson; Michael Jandernoa; Glenn Mroz (by telephone); Jerry “Jay” Noren (by telephone); Robert Kleine; Lynnette Rhodes; Kenneth Rogers; Lou Anna Simon; Dennis Wend

MEMBERS ABSENT: John Brown; Mary Sue Coleman; George Vande Woude

CALL TO ORDER: Mr. Jandernoa called the meeting to order at 10:05 a.m. Mr. Jandernoa spoke about his appreciation for people changing their schedules to make the meeting possible. Mr. Jandernoa said, “It is making a difference on jobs which is what we are about.” Mr. Jandernoa introduced Dr. Gilbertson, President, Saginaw Valley State University, as the newest member of the SEIC Board. Dr. Gilbertson thanked Mr. Jandernoa and the rest of the Board.

APPROVAL OF MINUTES: Mr. Jandernoa asked for a motion to approve the July 15, 2009 meeting minutes. **Keith Cooley motioned approval of the minutes. Ms. Corbin seconded the motion.** The motion carried unanimously – 14 ayes; 0 nays; 0 recused; 4 absent

COMMUNICATION ITEM: Nathan Ohle, MEDC Board Relations Liaison, recommended that agenda items be rearranged to make best use of Board member schedules and to ensure all conflicts of interest were addressed. Mr. Ohle indicated that he had received recusal letters from Mr. Cooley, President Dunn, President Gilbertson, Mr. Jandernoa, Treasurer Kleine, President Mroz, President Noren, Mr. Rogers, and President Simon for items on the agenda.

[RECUSED: Robert Kleine]

ADMINISTRATIVE:

Resolution 2009-033: Designation of Board Secretary

Nathan Ohle provided information on the action.

Mr. Ohle spoke about Dr. Michael Rao serving as the Secretary of the SEIC Board since March 2006 and his subsequent resignation from the Board and departure from the State. Mr. Ohle indicated that the Secretary to the Board fills the role of Chairperson when both the Chair and Vice-Chair cannot participate in a meeting or selected items on a meeting agenda.

Recommendation: MEDC Staff in consultation with the SEIC Board Chair recommends that Robert Kleine be named as Secretary of the Commercialization Board.

Ms. Campbell asked where Dr. Rao currently resides and what he is doing. Mr. Ohle answered that Dr. Rao had accepted the Presidency of Virginia Commonwealth University. Dr. Simon stated that Dr. Rao’s departure was a significant loss for the State of Michigan but a great opportunity for Dr. Rao.

Board Discussion: Mr. Jandernoa asked the Board if there were any questions. Being none, **Mr. Wend made a motion for approval of Resolution 2009-033. Ms. Campbell seconded the motion.** The motion carried unanimously – 13 ayes; 0 nays; 1 recused; 4 absent

[RETURNED: Robert Kleine]

[RECUSED: Eric Gilbertson; Lou Anna Simon]

Resolution 2009-034: MSU Push Pull Investment – Advanced Battery Concepts, LLC

Leslie Smith, MEDC 21st Century Jobs Competition Manager, provided information for the action.

Ms. Smith indicated that MSU received a grant of \$750,781 through the 21 CJF Program to work with Midland Tomorrow to promote technology transfer, technology mining, commercialization, and start-up development by using and coordinating the resources at MSU, in the Midland area, as well as across the State. Ms. Smith talked about MSU recommending a fifth loan in the amount of \$50,000 from the fund be made to Advanced Battery Concepts, LLC. Advanced Battery Concepts, LLC, located in Midland, Michigan, is an alternative energy company, develops battery electrode technology, branded GreenSeal™, which enables dramatic improvements in lead-acid battery performance while lowering costs. The \$50,000 loan will allow Advanced Battery Concepts, LLC to validate technical performance of Generation 2 Prototype GreenSeal™ Batteries, and to be ready for \$1.5MM for equity investments.

Recommendation: MEDC Staff recommends that the SEIC Board approve the loan to Advanced Battery Concepts, LLC under the terms as outlined above.

Board Discussion: Mr. Jandernoa asked the Board if there were any questions. Being none, **Ms. Campbell made a motion for approval of Resolution 2009-034. Ms. Corbin seconded the motion.** The motion carried unanimously – 12 ayes; 0 nays; 2 recused; 4 absent

[RETURNED: Eric Gilbertson]

[RECUSED: Lou Anna Simon]

Resolution 2009-035: Tellurex Final Disbursement

Leslie Smith provided information about the action.

Ms. Smith indicated that Tellurex Corporation (“Tellurex”) received a 2006 21st Century Jobs Fund award totaling \$1,263,950 for the expanded commercialization of a unique technology in thermoelectric modules with a promising automotive customer base due to a successful product launch. Tellurex has completed all milestones in compliance with the Loan Agreement, submitted a Final Report, and requested that the MEDC recommends its final disbursement request for \$20,000.

Recommendation: MEDC Staff recommends that the SEIC Board approve the final disbursement of \$20,000.

Mr. Jandernoa spoke about there being a number of Michigan companies beyond “Automotive” that are in other industries such as aeronautics, refrigeration, or batteries. Mr. Jandernoa asked if there was anything from this particular company that we could learn and pass on to other companies when applying for funds at the federal level. Ms. Smith reiterated the importance of sharing successes and failures within the State and stated that she would work on improving the interface between companies. Mr. Jandernoa stated that it is extremely important to leverage the lessons learned.

Board Discussion: Mr. Jandernoa asked the Board if there were any additional questions. Being none, **Treasurer Kleine made a motion for approval of Resolution 2009-035. Ms. Campbell seconded the motion.** The motion carried unanimously – 13 ayes; 0 nays; 1 recused; 4 absent

[RETURNED: Lou Anna Simon]

[RECUSED: John Dunn]

Resolution 2009-036: Battle Creek Unlimited Final Disbursement

Leslie Smith provided information for the action.

Ms. Smith indicated that the SEIC Board granted \$380,000 to Battle Creek Unlimited, Inc. (“BCU”) and how BCU utilized the \$380,000.00 State funds were granted to develop a technology business accelerator that identified promising start-up technology concepts through strategic outreach activities, and nurture the technologies and subsequent start-up companies. BCU provided business formation consulting assistance to start-ups to create and maintain strong momentum, develop a pool of entrepreneurial talent to play key leadership roles in the start-ups, and formulate a process to track the progress of these companies through all stages of their development. BCU has completed all milestones in compliance with the Grant Agreement, submitted a Final Report, and requested that the MEDC recommend final disbursement to BCU \$103,500.

Recommendation: MEDC Staff recommends that the SEIC Board approve the final disbursement of \$103,500 to BCU.

Board Discussion: Mr. Jandernoa asked the Board if there were any questions. Being none, **Treasurer Kleine made a motion for approval of Resolution 2009-036. Mr. Cooley seconded the motion.** The motion carried unanimously – 13 ayes; 0 nays; 1 recused; 4 absent

[RECUSED: John Dunn; Michael Jandernoa]

[Robert Kleine stepped in as Temporary Chair with Michael Jandernoa out of the room]

Resolution 2009-037: Southwest Michigan Innovation Center Final Disbursement

Leslie Smith provided information for the action.

Ms. Smith indicated that the SEIC Board granted \$525,000 on October 16, 2006 to Southwest Michigan Innovation Center, Inc. (“SMIC”). Grant funds were used to reclaim laboratory space for office and meeting space, relocating existing but necessary office and meeting space from another location. SMIC has completed all milestones in compliance with the Grant Agreement, submitted a Final Report, and requested that the MEDC recommends its final disbursement request for \$75,000.

Recommendation: MEDC Staff recommends that the SEIC Board approve the final disbursement of \$75,000.

Board Discussion: Treasurer Kleine asked the Board if there were any questions. Being none, **Ms. Campbell made a motion for approval of Resolution 2009-037. President Simon seconded the motion.** The motion carried unanimously – 12 ayes; 0 nays; 2 recused; 4 absent

[RECUSED: John Dunn; Michael Jandernoa; Kenneth Rogers]

Resolution 2009-038: Great Lakes Entrepreneurial Quest Final Disbursement

Leslie Smith provided information for the action.

Ms. Smith indicated that on October 16, 2006 the SEIC granted \$600,000 to Great Lakes Entrepreneur’s Quest (“GLEQ”). GLEQ utilized the \$600,000 grant to run an annual business plan competition to provide a structure to assess business ideas and the start-up plans of technology companies. GLEQ has completed all milestones in compliance with the Grant Agreement, submitted a Final Report, and requested that the MEDC recommends final disbursement to GLEQ for \$60,000.

Recommendation: MEDC Staff recommends that the SEIC Board approve the final disbursement of \$60,000.

Board Discussion: Treasurer Kleine asked the Board if there were any questions. Being none, **Mr. Baumgarten made a motion for approval of Resolution 2009-038. Mr. Cooley seconded the motion.** The motion carried unanimously – 11 ayes; 0 nays; 3 recused; 4 absent

[RETURNED: Michael Jandernoa]

[RECUSED: John Dunn; Glenn Mroz; Kenneth Rogers; Lou Anna Simon]

[Michael Jandernoa returned to Chair the meeting]

Resolution 2009-039: Ann Arbor Spark Time Extension

Leslie Smith provided information for the action.

Ms. Smith indicated that on October 16, 2006 the SEIC granted \$8,000,000.00 to Ann Arbor SPARK (“SPARK”). The main purpose of the Grant was to meet the needs of a capital investment fund for companies that were caught between funding cycles of grants and private equity or bank financing. Currently, there remains \$77,000 in original Grant funds for disbursement. SPARK requests amending the Grant to incorporate the following: extend the term of the Grant until December 31, 2014, amend the milestones to reflect the annual report requirement as reflected in revised milestone attachments A and B, and amend Section 4 of the Grant which details the final payment to split the original final payment into three tranches as reflected in the payment schedule, attachment C.

Recommendation: MEDC Staff recommends approval of the above requested amendments to the Grant.

Board Discussion: Mr. Jandernoa asked the Board if there were any questions. Being none, **Mr. Cooley made a motion for approval of Resolution 2009-039. Mr. Baumgarten seconded the motion.** The motion carried unanimously – 10 ayes; 0 nays; 4 recused; 4 absent

[RETURNED: Kenneth Rogers]

[RECUSED: John Dunn; Glenn Mroz; Jerry “Jay” Noren; Lou Anna Simon]

Resolution 2009-040: Michigan Universities Commercialization Initiative (MUCI) Time Extension

Leslie Smith provided information for the action.

Ms. Smith indicated that MUCI began in 2001 as collaboration between Michigan State University, the University of Michigan, and Wayne State University, to enhance technology transfer activities by working closely with venture capital and industry representatives. The early focus of MUCI was Life Sciences, which has since been expanded to include advanced automotive and manufacturing, alternative energy and security. MUCI has already met all of its milestones in the Grant, except one—due to differences between the budget cycle and the funding cycle. All but the final payment of \$24,999 remains to be paid under the Grant. With the Board’s approval of a no-cost extension request, MUCI will be able to continue service provision under the Grant. MUCI requests amendments to the Grant as follows: extend the term of the Grant to December 31, 2009, expand the remaining milestone, and amend the budget.

Recommendation: MEDC Staff recommends approval of the above requested amendments to the Grant.

Board Discussion: Mr. Jandernoa asked the Board if there were any questions. Being none, **Ms. Campbell made a motion for approval of Resolution 2009-040. Mr. Baumgarten seconded the motion.** The motion carried unanimously – 10 ayes; 0 nays; 4 recused; 4 absent

[RETURNED: John Dunn; Glenn Mroz; Jerry “Jay” Noren; Lou Anna Simon]

2010 COMPETITION DISCUSSION:

Ned Staebler, MEDC VP of Capital Access and Business Acceleration provided information for this agenda item.

Mr. Jandernoa spoke about better utilizing a federal stimulus package funds if one happened in the future, and his desire to pass more information on to the federal level from what SEIC Board experiences. Mr. Staebler responded to Mr. Jandernoa’s remarks by talking about President Obama’s awareness of some Michigan programs including the 21st Century Jobs Fund. Ms. Campbell spoke about how jobs are counted on these projects and whether or not they are direct or indirect jobs. President Simon talked about there being inconsistency between jobs being created and unemployment statistics.

Mr. Jandernoa asked about battery companies and if they provided any feedback about our programs and if they appreciated them. Mr. Staebler remarked that there have been more powerful credits and incentives available outside of the SEIC Board programs through other initiatives overseen by the

MEDC, and how much of a difference those programs are making to incent battery companies to locate in Michigan. Ms. Campbell talked about leveraging Michigan's attractive workforce to continue to build on the momentum that the battery companies have started.

Mr. Staebler spoke about companies actively looking to Michigan for talent as unemployment numbers continue to rise.

Mr. Staebler then focused his remarks on the SEIC Board and his hopes for 2010. Mr. Staebler indicated that new quarterly updates will be provided to the Board showing the number of jobs and dollars per job. Mr. Staebler talked about the measurement complications that his staff has faced with jobs vs. spin off jobs. Mr. Staebler provided a recent success story as he talked about HandyLab, Inc., their acquisition by another firm, the MEDC's return on investment from this success, and the likelihood that HandyLab, Inc. will stay in Michigan. Mr. Jandernoa talked about a colleague and friend of his who was surprised by the level of technology investment Michigan has. Ms. Campbell spoke about the talent gap and possibly focusing on \$10-20 million start ups and not just \$100 million dollar companies. Ms. Campbell continued by stating that the Board needs to get comfortable with looking at the portfolio as a private sector portfolio, that most times you are lucky to have a couple of companies succeed, and that failures happen to many great companies. Ms. Campbell spoke about the impossibility of "having all winners" and how the Board needs to look at the overall success of the portfolio. Mr. Staebler segued into marketing the State of Michigan and how the SEIC Board's portfolio of companies is contributing to those efforts. Mr. Staebler indicated that the MEDC had recently been awarded for their marketing campaign including its use of Twitter, Facebook, YouTube, etc. Ms. Smith talked about MEDC teams needing to send information with a louder signal to the federal level. Mr. Staebler continued his presentation talking about the status of funds available for use in 2010.

[Dr. Cole joined the meeting by phone. Nathan Ohle advised the Board that they could now take action on Agenda Items 4 and 5.]

[RECUSED: Keith Cooley; John Dunn; Jerry "Jay" Noren; Kenneth Rogers; Lou Anna Simon]

Resolution 2009-041: NextEnergy Final Disbursement

Leslie Smith provided information for the action.

Ms. Smith indicated that on October 16, 2006 the SEIC granted \$2,923,165 to NextEnergy Center ("NextEnergy"). The main purpose of the Grant is to enable the commercialization of energy technologies that positively contribute to economic competitiveness, energy security and the environment. NextEnergy has completed all milestones in compliance with the Grant Agreement, submitted a Final Report, and requested that the MEDC recommends its final disbursement request for \$33,475.

Recommendation: MEDC Staff recommends that the SEIC Board approve the final disbursement of \$33,475.

Board Discussion: Mr. Jandernoa asked the Board if there were any questions. Being none, **Ms. Campbell made a motion for approval of Resolution 2009-041. Treasurer Kleine seconded the motion.** The motion carried unanimously – 10 ayes; 0 nays; 5 recused; 3 absent

[RETURNED: Keith Cooley]

[RECUSED: John Dunn; Glenn Mroz; Jerry "Jay" Noren; Kenneth Rogers; Lou Anna Simon]

Resolution 2009-042: Biotechnology Business Consultants, LLC Final Disbursement

Leslie Smith provided information for the action.

Ms. Smith indicated that on September 16, 2006 the SEIC granted \$426,804.00 to Biotechnology Business Consultants, L.L.C. ("BBC"). The main purpose of the Grant is to support SBIR/STTR training, proposal preparation and review and post award assistance to early stage technology companies. BBC

has completed all milestones in compliance with the Grant Agreement, submitted a Final Report, and requested that the MEDC recommends its final disbursement request for \$21,339.

Recommendation: MEDC Staff recommends that the SEIC Board approve the final disbursement of \$21,339.

Board Discussion: Mr. Jandernoa asked the Board if there were any questions. Being none, **Mr. Baumgarten made a motion for approval of Resolution 2009-042. Ms. Campbell seconded the motion.** The motion carried unanimously – 10 ayes; 0 nays; 5 recused; 3 absent

[RETURNED: John Dunn; Glenn Mroz; Jerry “Jay” Noren; Kenneth Rogers; Lou Anna Simon]

Mr. Jandernoa thanked Dr. Cole for calling in momentarily to pass Agenda Items 4 and 5.

[Dr. Cole dropped off the phone]

Mr. Jandernoa then asked Mr. Staebler to resume his 2010 21st Century presentation and asked if other funds are available if the SEIC Board is not allocated 2010 funds,. Mr. Staebler indicated that the budget process was just being finalized, and that it was yet to be seen how much money the SEIC Board might be allocated. He continued by stating that the 21st Century Jobs Fund had been allocated \$28.5 million for 2010, but that legislation eliminating the requirement for the \$25 million competition had not yet been taken up. Mr. Staebler indicated that staff was looking into creative ways to ensure that the SEIC Board had funds to use in 2010, but that at this point nothing had been finalized. Mr. Staebler continued by talking through his next slide, which demonstrated capital life cycle stages. Mr. Staebler spoke about identifying the gaps and needs between stages and addressing those gaps through different programs. Mr. Staebler talked about focusing on the short term needs of job creation over the past couple of years. Mr. Staebler continued to talk about a new program that is being recommended, pending receipt of allocated funds for 2010. He continued by stating that this new program was similar to what Illinois had done by appropriately using private capital and public dollars. Mr. Staebler talked about the additional staff needed to assist companies that could not afford mentors through the start up process. Mr. Staebler walked the Board through the process of identifying private investors that could potentially run a fund to help companies in need while addressing the critical role of developing investing talent in the State.

Mr. Baumgarten talked about the model making a lot of sense and raised a question about methods for measuring and keeping continuity. President Dunn spoke about utilizing review processes that consider the infrastructure already in place. Mr. Staebler talked about not having enough aid available to award follow-on funds to companies as they progress through the capital life cycle stages. Mr. Rogers indicated that it was tough to do what a private venture capital firm is able to do, and that there just simply is not enough time or resources to make a program like that work without partnering with the private sector. Mr. Wend suggested following where federal money goes for many of these companies. Mr. Jandernoa mentioned finding a way to partner with the University Research Corridor to help identify the target sectors. President Simon spoke about needing good stories with faces rather than just big stories with big awards. President Simon emphasized getting those stories out to the public. Mr. Jandernoa asked for a history of the last ten years with data to see where the successes and failures arose Mr. Staebler replied that MEDC staff would take all of the Boards comments and recommendations and attempt to come back in December with a draft RFP for the 2010 competition.

PUBLIC COMMENT: Mr. Jandernoa asked if there was any public comment. There was none.

ADJOURNED: Being no further discussion, Mr. Jandernoa adjourned the meeting at 11:26 a.m.