

**STRATEGIC ECONOMIC INVESTMENT AND COMMERCIALIZATION BOARD**  
**December 2, 2009**

**ADOPTED MEETING MINUTES**

A meeting of the Strategic Economic Investment and Commercialization Board (SEIC) Board was held on Wednesday, December 2, 2009 at the Michigan Economic Development Corporation (MEDC), 300 North Washington Square, Lansing, Michigan.

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

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

**CALL TO ORDER:** Mr. Jandernoa called the meeting to order at 10:21 a.m.

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

**COMMUNICATION ITEM:** Nathan Ohle, MEDC Board Relations Liaison, informed the Board that there were new materials for several of the items on the agenda.

**AWARDEE UPDATE:**

**Resolution 2009-043: University of Michigan Time Extension**

*Leslie Smith, MEDC Director of Business Acceleration provided information for the action.*

Ms. Smith indicated that on September 6, 2006 the SEIC Board granted \$895,000.00 to the University of Michigan (“U of M”). The main purpose of the Grant was to develop and demonstrate an S-P3 System prototype (Sensor-Based Prognostics and Predictive Process Control for Hot Deformation Processes), with the synergy of HotEye™ and other data analysis technological innovations. U of M has requested that the term of the Grant be extended an additional 8 months, until August 31, 2010.

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

**Board Discussion:** Mr. Jandernoa asked the Board if there were any questions. Being none, **Dr. Dunn made a motion for approval of Resolution 2009-043. Treasurer Kleine seconded the motion.** The motion carried unanimously – 14 ayes; 0 nays; 0 recused; 4 absent

**2010 COMPETITION UPDATE:**

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

Mr. Staebler gave a description of the current capital market in Michigan and the gaps that are occurring. Mr. Staebler indicated that an “Accelerator Fund” concept would help to address the issues of talent generation, funding of earlier stage companies and follow-on funding. Two accelerator funds of \$6 million each would help to address these core issues by partnering with existing venture funds and venture talent, collaborating with Universities, and working with young entrepreneurs to create new and vibrant companies in Michigan. Mr. Staebler clarified that the Accelerator Fund concept was similar to the Pre-Seed Fund competition that the SEIC Board ran last year, as opposed to the Commercialization competition in 2008. He continued by stating that the goals of this program would be to create 12-24 new companies, 7-10 new entrepreneurs or investors, produce positive returns for the fund and create two new venture funds in Michigan. Mr. Staebler clarified that a change had been made to the draft RFP to take

out the language regarding the Non-Profit status of companies applying for the award and replace it with organizations doing business in Michigan to ensure that anyone would be able to apply.

*Mr. Jandernoa asked if there was anything that staff learned from other programs similar to the Accelerator Fund concept. Mr. Staebler responded that in some instances accelerators have a tough time making the connection to venture funds for companies, and that this program would already have that relationship developed.*

*Dr. Cole asked if this program would be hindered by being Michigan centered. Mr. Staebler responded that there were several successful Michigan based venture funds and that they were very aware of the market in Michigan, and that it might take longer for a non-Michigan based firm to get acclimated to the market in Michigan.*

*Dr. Noren asked why the RFP required the venture fund to be headquarter in Michigan. Mr. Staebler stated that the fund would need to be headquartered in Michigan in enough time to properly serve as a mentor to the Accelerator Fund. Mr. Rogers asked why the Board would not simply fund the existing Accelerators in Michigan.*

*Mr. Rogers continued by stating that accelerators such as Automation Alley and Ann Arbor SPARK were already doing the work this proposal was trying to accomplish, and that there was no need to create a new program. Mr. Staebler mentioned that the existing accelerators were more than welcome to apply for this program, but that it was his assessment that this program would help to create a more lasting relationship with a venture fund than the current Accelerators have been able to. Mr. Rogers responded that Automation Alley was already bringing companies to venture funds, and that getting the introduction was not the issue, getting the venture funds to actually fund a company was the problem. Mr. Rogers indicated that the RFP as drafted would preclude Automation Alley and other accelerators from having an opportunity to win this competition because the RFP specifically focused on venture funds. Mr. Rogers concluded by stating that the failure rates of the current accelerators were lower than the venture funds in Michigan.*

*Mr. Jandernoa stated that the Board does not want to eliminate any potential applicants before the competition is even opened, and that the section referenced speaks to being “associated with a venture fund”, not that it had to be a venture fund. Mr. Rogers stated that he was concerned with venture funds being able to make final award decisions and taking that ability away from the Board. Mr. Staebler responded that those details were still being worked out. Mr. Rogers concluded by stating that he had to leave the call but that he would be voting “No” to the proposed RFP. Assistant Attorney General Sante Perrelli indicated that the Board is not approving the final RFP, but is allowing the draft RFP to go to a public hearing for comment. The final RFP would have to be approved following the public hearing and with any changes incorporated in that draft.*

*Dr. Simon indicated that much of the confusion is on the way the memo is written compared with the RFP itself, that there is confusion on whether this was similar to the Commercialization competition or the Pre-Seed Fund competition and how that relates to the Board’s fiduciary responsibility as outlined by the legislation. Paul Brown, MEDC Capital Markets Manager indicated that this proposal is very similar to the Pre-Seed Fund competition, and that the RFP was based from that RFP. Dr. Simon asked how this competition addresses the issue of focusing on the four specific areas included in the legislation, and that there are many areas of the RFP that will need to be clarified in order to limit confusion by applicants.*

*Ms. Campbell indicated that the model proposed in the draft RFP can be successful, as her company was originally founded through such a competition. Ms. Campbell continued by stating that several goals should be identified for this year’s competition and communicated effectively, regardless of the form it takes. Dr. Cole emphasized that the Board should identify what they have to do, what they are doing, and*

*what are they not doing, and identify a concise statement to lead off the RFP. Dr. Simon stated that the Board needs to understand that the program as currently written would not create jobs immediately, that it would be jobs created in the future, and expressed her concern that it has been billed along the same lines as the Commercialization competition that was designed to create short term job growth.*

*Mr. Staebler went back over the capital continuum and where this current competition would fall within that timeline. He continued by stating that this program is focusing on the venture capital area hoping to create more jobs along that area of the spectrum. Mr. Staebler also stated that this program would create more jobs than the current accelerators. Mr. Jandernoa indicated that a clear and concise executive summary would need to be developed to describe the intent of the RFP. He continued by stating that it needs to be clear who is eligible to apply, that the RFP should allow as many people as possible to apply.*

*Mr. Wend emphasized looking at the four sectors available to invest in, looking at the history of programs that have funded life science research and development to give a historical perspective on the fact that there are more life science companies ready to be invested in than any other sector, and that there may not be as many companies in homeland security, alternative energy or even advanced manufacturing to invest in. Mr. Wend stated that the Accelerator model currently in the State can help with companies in the advanced automotive or even alternative energy and homeland security industries, but the Accelerator Fund concept being discussed would be more effective for life science companies that are more advanced, mainly due to the fact that there are many more venture funds that focus on life science as opposed to homeland security or alternative energy currently in the State.*

*Dr. Cole stated that it is important to make sure that the RFP is not exclusionary, and that it is as inclusive as possible. Mr. Brown interjected that the focus of this RFP was to get money to companies as fast as possible while still being fiscally responsible, while allowing follow-on funding and talent development, and that the model as constructed should accomplish those goals.*

*Mr. Jandernoa asked if the legislation mandated that money be spent on all four sectors, or if the Board had the authority to allocate money to one or all four sectors. Mr. Perrelli indicated that the legislation does not preclude the Board from investing in only one area. Mr. Perrelli emphasized that the Board was only acting to move the RFP to public hearing, and not approving a final version of the RFP at this time. Mr. Jandernoa asked if the Board could put together the goals for the program and from there put together an executive summary to start the RFP. Dr. Cole emphasized that the goals should be as broad as possible. Dr. Dunn stated that the Board may be getting too far into details of the proposal, and needs to stay at a higher level to determine what the larger goals of the program are. Dr. Simon indicated that the problem is that both the goals of the program and the details in the RFP are confusing, and it is obvious that most of the Board is not clear on what the goals of the program are.*

Discussion ensued to create the following four goals for the program: (1) Investments in successful Michigan Pre-Seed and Seed companies representing at least one of four sectors; (2) Create successful venture capital funds and venture capital talent/professionals; (3) Provide value-added assistance to companies; and (4) Follow-on funding. **Mr. Wend made a motion to approve the goals to add to an executive summary of the RFP.** Dr. Dunn indicated that the RFP should go back to the subcommittee for review before going to public hearing. Mr. Cooley asked if it was possible to pass the RFP into public hearing and still allow the subcommittee to make changes. Mr. Perrelli indicated that it was not possible to pass a RFP and have the subcommittee propose changes and issue for public comment; the Board would either need to send it back to the subcommittee or pass the RFP for public comment. **Mr. Wend withdrew his motion.** Mr. Jandernoa indicated that the RFP would need to be sent back to the subcommittee for changes before going to public hearing.

**ADJOURNED:** Being no further discussion, Mr. Jandernoa adjourned the meeting at 11:57 a.m.