

**STRATEGIC ECONOMIC INVESTMENT AND COMMERCIALIZATION BOARD
DECEMBER 9, 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 December 9, 2008.

MEMBERS PRESENT: John Brown (via phone); Mary Campbell; David Cole; Susan Corbin (designee for Skip Pruss); Jim Croce (via phone); John Dunn; Michael Jandernoa; Robert Kleine; David Baker Lewis; (via phone) Jay Noren; Lynnette Rhodes; Ken Rogers (via phone); Glenn Mroz (via phone); Lou Anna Simon; Dennis Wend

MEMBERS ABSENT: Dave Baumgarten; Mary Sue Coleman; Michael Rao; George Vande Woude

CALL TO ORDER: The meeting was called to order at 2:08 p.m. by Chairman Michael Jandernoa.

APPROVAL OF MINUTES: Mr. Jandernoa asked if there were any questions or comments regarding the minutes from the November 23, 2008 meeting. Being none, **Dr. Simon motioned to approve the minutes as presented. Treasurer Kleine seconded the motion.** The motion was approved unanimously – 14 ayes; 0 nays; 0 recused; 5 absent

PUBLIC COMMENT: Mr. Jandernoa opened the floor for public comment. Mr. Jandernoa introduced the newest SEIC Board member, Dr. Jay Noren, President of Wayne State University. Dr. Noren thanked the Board for opportunity to serve, and spoke about his experiences and belief in the ability of the Midwest to succeed in today's tough economy. There was no other public comment.

COMMUNICATION: Nathan Ohle, MEDC Board Relations Liaison, advised the Board that letters had been received from Mary Campbell, Lou Anna Simon, Michael Jandernoa, and John Brown recusing themselves from items on the agenda.

AWARDEE UPDATE:

[Recused: Mary Campbell and Lou Anna Simon]

Resolution 2008-074: Michigan Venture Capital Association (MVCA) – Time Extension

Ned Staebler, MEDC Vice President of Program Administration, provided background information.

In 2006, the MVCA received a 21st Century Jobs Fund Award in the amount of \$2.1 million to hire an Executive Director (\$300,000) and to implement three core programs. These programs are the 1) Entrepreneur In Residence (EIR)/CEO Placement (\$1,000,000), 2) Fund Development (\$600,000), and 3) Research (\$200,000). The EIR/CEO program places an executive at a venture capital (VC) company who eventually finds a home at one of the VC portfolio companies or works with and assists in finding a CEO for a VC portfolio company. The Fund Development program provides support to Funds while in their Fund development and fund raising stage. The Research program provides support for the following reports: 1) annually data on Michigan venture capital companies and activities, 2) annually research on Limited Partner activity nationally, and 3) a survey of entrepreneurial venture-backed companies in the state of Michigan.

Due to the complexity of the new Research program initiative, the MVCA has run approximately three to six months behind schedule. The original research milestones were due by the end of 2008. They expect to complete this initiative no later than June 2009.

Recommendation: MEDC staff recommends that the Board approve the MVCA - Venture Upstart Grant term be extended through June 30, 2009.

Mr. Jandernoa asked if there were any questions from the Board. Being none, **Dr. Dunn motioned approval of Resolution 2008-074. Dr. Cole seconded the motion.** The motion was approved unanimously – 12 ayes; 0 nays; 2 recused; 5 absent

[Returned: Mary Campbell, Lou Anna Simon]

[Recused: Michael Jandernoa, John Brown]

[Robert Kleine assumed the role of Temporary Chairperson]

Resolution 2008-075: Southwest Michigan Innovation Center – Time Extension

Ned Staebler provided background information on this action.

The Southwest Michigan Innovation Center (“SMIC”) Wet Lab Reclamation Project is a part of a larger project that proposes to reclaim 4,000 square feet of laboratory space at SMIC. The project includes redeveloping (reclaiming) existing lab space that is being utilized as office space and the construction of a new loading dock and office space. The total construction budget originally proposed to be \$2,250,000, with the 21CJF part of the project being \$525,000 to be used specifically for the renovation of the 4,000 square feet of lab space and the upgrade of the air handling system to accommodate additional chemical fume hoods.

While the planning, design and engineering for the project were completed in 2007 (per grant milestone), the start of construction of this project was delayed until all financing for the project was firmly in place and the need for the additional space by prospective new client companies was assured. Funding for the office expansion was secured in early 2008, and in the past 12 months, the SMIC has added 4 new client Companies (which is their annual target), and has signed an anchor tenant to a longer-term lease.

Recommendation: MEDC staff recommends that the SEIC Board approve the Lab Reclamation Grant term be extended through June 30, 2009.

Treasurer Kleine asked if there were any questions from the Board. Being no more questions, **Dr. Simon motioned approval of Resolution 2008-075, Mr. Wend seconded the motion.** The motion was approved unanimously – 12 ayes; 0 nays; 2 recused; 5 absent

[Returned: Michael Jandernoa; John Brown]

[Michael Jandernoa reassumed the role of Chairperson]

[Glenn Mroz joins the meeting via phone]

21st CENTURY JOBS FUND COMPETITION:

Competition Update

Ned Staebler provided background information on the following information item.

Mr. Staebler explained to the Board that of the 16 remaining awardees are undergoing the required final due diligence and are also in the process of choosing which loan template they would like for their award. He indicated a possibility of two awardees having difficulty securing their matching funds.

Mr. Staebler also reported that the guidance given to MEDC by the Due Diligence subcommittee was that awardees with unconfirmed financial matches or who have not closed on the loan agreement by January 8, 2009 could be subject to rescission by the Board. *Discussion ensued and it was determined that awards not closed by January 8, 2009 would be brought before the Due Diligence subcommittee, and subsequently the full Board for rescission consideration.*

Mr. Jandernoa asked if there were any questions from the Board. *Ms. Campbell asked other than the two companies that are moving slowly, are the other awardees in discussion with the MEDC. Ned Staebler responded that all awardees are currently setting milestones and moving along in the process. Discussion ensued on whether MEDC staff and the Board would have the opportunity to look back at the structure of the competition. Mr. Jandernoa stressed that the Board would need to learn from this past competition and evaluate the process and the investment structures. Mr. Staebler responded that he had a presentation that he would be giving following this discussion, and that it might answer some of the Boards' question.*

2009 Competition Discussion

Ned Staebler provided background information on the following information item.

Mr. Staebler provided a presentation that detailed the history of the programs that the SEIC Board has dealt with since 1998. The presentation detailed the different types of programs and the results that the MEDC has compiled from each of those programs, giving information on both the sectors that have received awards through the programs as well as the different types of successes that can be found within sectors and programs.

Discussion ensued regarding leveraging awards and what industries might be able to leverage funds the most effectively. The question of what is considered leverage and how that is analyzed was also discussed. Specifically on whether leverage should be venture funding, federal grants, or more traditional leverage from financial sources such as banks, and how each sector might be able to use those sources differently.

Lou Anna Simon commented on the intent of past programs investing in infrastructure projects to build the life science sector. Mary Campbell asked if the MEDC was still tracking the award recipients from previous programs. Ned Staebler answered that in the original award documents, awardees were only required to report out their results while they were still receiving disbursements, and thus many were no longer reporting any information. Ned mentioned that they still continue to send surveys out to previous awardees to gather information, and that staff is putting together a more comprehensive report of all of the past awardees. Discussion ensued regarding the reporting requirements for future awards, and how the program has evolved. Dave Cole addressed a perceived problem that the 21CJB programs were not flexible enough, however pointed out the incorrectness of that perception and added that the SEIC board has maintained an absolute focus on flexibility based on the economic needs at the time each competition was designed.

John Brown asked about the big successes of the program, and how those successes could be communicated more effectively. He recommended that the MEDC pick the five best awardees from each program, and use them to show how effective each program had been. Dennis Wend commented on how a real story can have a much larger effect than numbers, and that when talking about the program it should be more about the personal stories than the numbers. Ned Staebler agreed with this assessment and mentioned that often when talking to the legislature on these programs, they bring companies along to tell their stories.

Discussion ensued regarding the type of funding and that additional funding structures, such as grants, could be addressed legislatively.

Lou Anna Simon commented on the importance of communicating success stories to the general public. Dave Cole talked about the importance of focusing on the most impactful areas of research. He also suggested using a multiplier to understand how a technology based company creating jobs impacts overall job growth within the community, and how this might be used to communicate success stories to the public.

The Board thanked MEDC staff for the presentation, and asked for more information in the future. Ken Rogers asked if the Board could receive these reports more regularly. Ned Staebler replied that staff would continue to compile results and the Board agreed that it would be good to receive this information semi-annually going forward.

Board Member Recognition:

Resolutions 2008-076, 077, 078, 079, and 080: Board Member Recognition

Mr. Jandernoa recognized five Board members whose SEIC Board terms expire on December 31, 2008: Mary Campbell, Dave Cole, Jim Croce, Lynnette Rhodes, and Dennis Wend. He presented a resolution for each of the Board members thanking them for their service to the State and to the Board. **Dr. Simon motioned approval of Resolutions 2008-076, 077, 078, 079 and 080 Treasurer Kleine seconded the motion.** The motion was approved unanimously – 15 ayes; 0 nays; 0 recused; 4 absent

OTHER BUSINESS: Mr. Jandernoa opened the floor for any additional business to be addressed. Dennis Wend asked that the Board thank Dr. Cole for his service to the State and to the automotive community during the tough times in Washington DC in regards to the Big 3 automakers.

ADJOURNMENT: Being no more discussion, the meeting was adjourned at 3:47 p.m.

I certify that these minutes reflect the actions taken by the Strategic Economic Investment and Commercialization Board at the November 13, 2008 meeting.

Dr. Michael Rao
SEIC Board Secretary