

## **MEMORANDUM OF UNDERSTANDING**

**THIS MEMORANDUM OF UNDERSTANDING** (the "Memorandum") is made as of April 1, 2016, by and between the **CITY OF GRAND RAPIDS SMARTZONE<sup>SM</sup> LOCAL DEVELOPMENT AUTHORITY** (the "Authority"), a Michigan statutory authority created by the City of Grand Rapids, Michigan, pursuant to Act 281 of the Public Acts of Michigan of 1986, as amended ("Act 281"), with its principal offices at 300 Monroe Avenue, N.W., Grand Rapids, Michigan 49503 and **SG ECOSYSTEM, INC.** ("SGEI"), a Michigan not-for-profit corporation, with its principal offices at 40 Pearl Street, N.W., Grand Rapids, Michigan 49503.

Pursuant to the provisions of Act 281 and its Development Plan and Tax Increment Financing Plan (the "Plans"), the Authority seeks (a) to promote, encourage, advance and cause high technology activity (as defined in Act 281) entrepreneurship throughout the Authority District (as identified in the Plans) within the Authority's Certified Technology Park (as identified in the Plans) and (b) encourage the coordination and collaboration of new entrepreneurship throughout the West Michigan region. SGEI and its related entity, Start Garden, has a significant background and experience in promoting, encouraging, advancing and causing new entrepreneurship and is willing to act as the collaborator of entrepreneurial services in the West Michigan region and especially to provide certain services to the Authority consistent with its Plans throughout the Authority District within the Authority's Certified Technology Park.

The Authority and SGEI hereby agree as follows:

**1. Term.** The term of this Memorandum shall be for one year commencing April 1, 2016, and ending March 31, 2017 (the "Term"). It is anticipated that the term may be extended

from time to time, which may be accomplished by an addendum to this Memorandum signed by both parties.

**2. Services.** SGEI agrees, in accordance with the Authority's Plans and the budget attached hereto as Attachment I (the "Budget") to provide, market, accelerate, incubate and provide concierge services related to high technology entrepreneurship throughout the Authority District within the Authority's Certified Technology Park (the "Services") during the Term.

**3. Measurement.** During the Term, SGEI shall perform the Services to meet the measurements (the "Measurements") described and attached hereto as Attachment II to this Memorandum. This includes continuation of the monthly reporting metrics throughout the Term required by the Michigan Economic Development Corporation (the "MEDC"), pursuant to the 2012 Business Accelerator Grant Agreement, dated September 26, 2012 between the Authority and the Michigan Strategic Fund.

**4. Budget.** The Budget for the Services for the Term of this Memorandum shall be \$725,000 as set forth in Attachment I (the "Budgeted Funds").

**5. Expenditures.** All expenditures incurred by SGEI to be paid for by the Budgeted Funds are subject to review by the Authority's Executive Director. Any contemplated items, services or subcontracts not authorized in Attachment I shall be brought to attention of the Authority's Executive Director prior to committing Budgeted Funds. No expenses for alcohol are eligible for expenditure. Questions regarding eligibility of expenditures under this Memorandum shall be brought to the attention of the Authority's Executive Director.

**6. Distribution of Budgeted Funds.** The Authority shall distribute the Budgeted Funds in the following amounts: \$362,500 on April 1, 2016, \$181,250 on October 1, 2016 and \$181,250 on January 1, 2017, provided the first installment shall not be made unless SGEI has

demonstrated, to the satisfaction of the Authority, that it has raised \$200,000 from other sources to provide entrepreneurial services similar to the Services throughout the West Michigan region beyond the Authority District. Additional quarterly distributions shall only be made if SGEI has achieved the Measurements to the satisfaction of the Authority, and further provided, that additional quarterly distributions shall not be made unless SGEI has demonstrated, to the satisfaction of the Authority, that it has raised \$165,000 from other sources by October 1, 2016 and \$165,000 from other sources by January 1, 2017. Prior to the end of the Term, SGEI shall provide a written report demonstrating is has met the Measurements during the Term.

**7. Reporting to Authority Board.** SGEI shall provide both a written and oral report in a format approved by the Authority's Executive Director regarding SGEI's activities related to performance of the Services pursuant to this Memorandum at each regular meeting of the Authority Board during the Term.

**8. Termination.** The Authority may terminate this Memorandum upon thirty (30) days written notice to SGEI, if SGEI does not meet the requirement(s) for a Budged Funds distribution pursuant to paragraph 5 hereof. If the Authority should terminate this Memorandum pursuant to this paragraph, SGEI shall be paid for its cost of performing the Services to the date of termination. SGEI may terminate this Memorandum upon fifteen (15) days written notice to the Authority, if the Authority does not make a distribution of Budgeted Funds to SGEI and SGEI shall be paid for its cost of performing the Services to the date of termination.

**9. Independent Contractor Relationship.** The relationship of the Authority and SGEI under this Memorandum is that of independent contractors. Neither the Authority or SGEI nor their respective officers, boardmembers, employees, agents or representatives shall be deemed to be officers, boardmembers, employees, agents or representative of the other.

**10. Insurance.** During the Term of this Memorandum, SGEI agrees to obtain and keep in effect a general liability insurance policy insuring against injury to persons and damage to property caused by employees, agents or representatives of SGEI in the performance of the Services in the amount of \$1,000,000 per occurrence and \$3,000,000 in the annual aggregate. Such policy shall be obtained from an insurer licensed to do business in the State of Michigan, shall name the Authority as an addition or co-insured, and shall provide that the policy may not be terminated or cancelled without thirty (30) days prior written notice to the Authority. Upon request, SGEI shall provide the Authority a copy of the insurance policy or certificate of insurance evidencing coverage.

**11. Dispute Resolution.** Before the Authority or SGEI may undertake any legal or equitable action pursuant to or to enforce any provision of this Memorandum, that party shall first notify in writing the other party of the basis for the claim and the parties shall meet within fifteen (15) days of such notification to discuss and seek to resolve the dispute.

**12. Notice.** Any notice or communication required, permitted or desired to be given under this Memorandum shall be deemed effectively given when presumably delivered or mailed by first-class mail addressed to those addresses first provided above to the attention of the Executive Director in the case of the Authority and to the attention of the Chief Executive Officer in the case of SGEI. The parties may, by written notice, designate any future or different address to which subsequent notices or communications may be given.

**13. Governing Law.** This Memorandum shall be construed in all respects in accordance with the laws of the State of Michigan.

**14. Binding Effect.** The covenants and agreements herein shall bind, and the benefits and advantages shall inure to, the respective successors and assigns of the parties hereto.

**15. Entire Agreement.** This Memorandum constitutes the entire agreement between the parties hereto with respect to the subject matter and there are no other representations, promises or agreements, oral or written, expressed or implied, between the parties hereto with respect to this Memorandum.

**16. Amendments.** This Memorandum may not be amended, changed, modified or altered without written approval or consent of the parties hereto.

**17. Attachments.** Any attachments attached hereto are incorporated herein as though fully stated herein.

**18. Assignment.** This Memorandum and the rights and obligations hereunder shall not be assignable unless both parties hereto agree, in writing to such assignment.

**19. Waiver.** The waiver of either party hereto of a breach or violation of any provision of this Memorandum shall not be a waiver of any subsequent breach of the same or any other provision of this Memorandum.


**20. Parties.** This Memorandum shall be enforceable only by the parties hereto and their successors in interest by virtue of an assignment which is not prohibited under the terms of this Memorandum and no other person shall have the right to enforce any provision contained herein.

**21. Effective Date.** This Memorandum shall be effective as of the date set forth in the first paragraph hereof.

IN WITNESS WHEREOF, the Authority and SGEI have caused these presents to be signed by their respective duly authorized representatives as of the day and year first written above.

**CITY OF GRAND RAPIDS SMARTZONE<sup>SM</sup>  
LOCAL DEVELOPMENT AUTHORITY**

By: \_\_\_\_\_

  
Jerry Kooiman, Chairperson

**SG ECOSYSTEM, INC.**

By: \_\_\_\_\_

  
Its: CEO

## Ecosystem Condiçge

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## Attachment II

### Measurements\*

COMMUNICATION	Q1 & Q2	Q3	Q4
	Finalization of Communications and Marketing Plan		
Hosting	6 Outside Venture Capital visits	3 Outside Venture Capital visits	3 Outside Venture Capital visits
Roadshow		4 startups to new Venture Capital	Activation at SXSW
Events	6 "Community Conversations" on entrepreneurship	3 "Community Conversations" on entrepreneurship	3 "Community Conversations" on entrepreneurship
Events	4 Educational institution engagements	2 Educational institution engagements	2 Educational institution engagements
Social Media	5% Audience increase month over month	5% Audience increase month over month	5% Audience increase month over month
PR	6 media mentions	3 media mentions	3 media mentions
<b>ECOSYSTEM CONCIERGE</b>	Assign concierge to each Entrepreneur Support Organization (ESO)	Discover needs & barriers	Set goals against needs & barriers
	Onboard all ESO's	Onboard new ESO's	Onboard new ESO's
	Build a concierge team, assign one to each startup	Build a concierge team, assign one to each startup	
	Quantify potential education populations & connect		
<b>ECOSYSTEM MEASURE</b>	Build database of all entrepreneurs & investors	Build database of all entrepreneurs & investors	Set goals against baseline
	Quantify students in entrepreneurship education pipeline	Beta test reporting portal	Beta test reporting portal
	Quantify entire startup inventory		
	Launch reporting portal for ESO community	Maintain reporting portal for ESO community	Maintain reporting portal for ESO community
		Database of all investors and capital formed	Database of all investors and capital formed
<b>INCUBATOR</b>	Continuation of monthly MEDC reporting	Continuation of monthly MEDC reporting	Continuation of monthly MEDC reporting
	Assign numeric goals to three key MEDC indicators by Oct 1, 2016: 1) new companies formed, 2) capital raised, 3) jobs created	Report on progress towards goals of three key indicators	Report on progress towards goals of three key indicators
<b>OTHER</b>	Increase private sector funding to \$1,000,000 (to provide services throughout West Michigan)		
	Participate in the infrastructure plan for SmartZone		

\*Unless otherwise noted, the measurements listed above shall be limited to Services, as defined in this Memorandum, provided in the Grand Rapids SmartZone<sup>sm</sup> Authority District for the benefit of eligible property in the Grand Rapids SmartZone<sup>sm</sup> Certified Technology Park.