



## MEMORANDUM

**TO:** Delegates of the Michigan Strategic Fund ("MSF") Board for the Michigan Business Development Program

**FROM:** Marcia Gebarowski, Development Finance Manager

**DATE:** November 19, 2012

**SUBJECT:** Approval of Michigan Business Development Request for \$300,000 Performance-based Grant to:

Cataphora, Inc. ("Applicant" or "Company")  
3425 Edison Way  
Menlo Park, California 94025  
www.cataphora.com

---

### MBDP PROGRAM AND ITS GUIDELINES

On December 21, 2011, the MSF Board approved the Michigan Business Development Program ("MBDP") and its guidelines. The primary intended objective of the MBDP is to provide incentives to businesses that create qualified jobs, make qualified investments, or a combination of both, in Michigan.

### SOURCE OF INFORMATION

It is the role of the Development Finance staff ("MEDC Staff") to review for eligibility, completeness, and adherence to MBDP guidelines, the information provided by the applicant and to manage the MSF's investment. Explanatory and background information is supplied in summary form to provide context for the request and is drawn exclusively from materials submitted by the applicant, and, as applicable, from other relevant third party sources utilized by MEDC staff.

### HISTORY OF THE APPLICANT

Cataphora is an employee-owned company headquartered in Menlo Park, CA. Since its inception in 2002, Cataphora has pioneered technology to understand "digital character." Originally used in investigation and litigation, Cataphora's technology is today used in a variety of corporate use cases ranging from insider threat detection to business process automation. In 2011, Cataphora sold its investigation and litigation support business to Ernst & Young. This has allowed Cataphora to pursue broader market opportunities selling its software to large corporations and government agencies, and to capitalize on the growing "Big Data" trend. Also in 2011, Cataphora set up an initial presence in Ann Arbor to house its Quality Assurance department.

The Applicant has not received any incentives from the MSF in the past.

Michigan Economic Development Corporation

300 North Washington Square | Lansing, MI 48913 | 888.522.0103 | MichiganAdvantage.org | michigan.org

## **PROJECT DESCRIPTION**

The Applicant plans to expand their quality assurance presence tied to new customer growth in the City of Ann Arbor, make investments and create jobs related to the computer related services industry.

- a) The Applicant is a “Qualified Business”, as defined in MCL 125.2088r(9)(b), that is located and operates in Michigan.
- b) The project will be located in the City of Ann Arbor. The City has offered a “staff, financial, or economic commitment to the project” in the form of a one-time grant of up to \$25,000 for accelerator assistance through the Ann Arbor Local Development Finance Authority.
- c) The Applicant has demonstrated a need for the funding. The Company has indicated there will be higher travel costs for employees located in Ann Arbor to meet with new and existing customers who are primarily located in Chicago and Washington D.C. as well as traveling to the Company’s headquarters in California. The Company’s customers have also indicated that new employees could be located onsite at the customer location and a satellite office for the Company may not be required.
- d) The Applicant plans to create 30 Qualified New Jobs above a statewide base employment level of 3.
- e) Pursuant to the program guidelines, the following was taken into consideration for the proposed project: The Company indicates that investment and job creation will begin in the winter of 2012, and the project results in a positive ROI for Michigan.

## **INCENTIVE OPPORTUNITY**

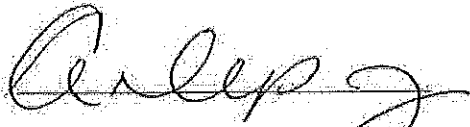
This project involves the creation of 30 Qualified New Jobs, and a capital investment of up to \$206,000 in the City of Ann Arbor. The requested incentive amount from the MSF is \$300,000 in the form of a performance-based grant. Please see below for more information on the recommended action.

## **RECOMMENDATIONS**

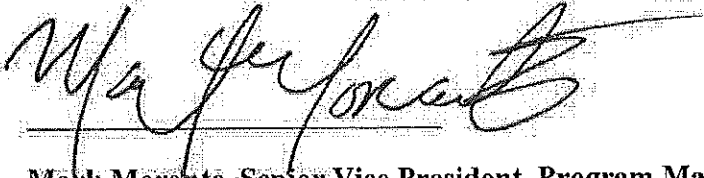
MEDC Staff recommends (the following, collectively, “Recommendation”):

- a) Approval of the MBDP Proposal as outlined in the attached term sheet (collectively, “MBDP Proposal”);
- b) Closing the MBDP Proposal, subject to available funding under the MBDP at the time of closing (“Available Funding”), satisfactory completion of due diligence, (collectively, “Due Diligence”), finalization of all MBDP transaction documents, and further subject to the following terms and conditions:
  - a. Commitment will remain valid for 90 days with approval for MSF Fund Manager to extend the commitment an additional 30 days.

**APPROVAL AUTHORITY – MBDP SUPPORT MEMO**  
**Michigan Economic Development Corporation**



**Amy Deprez, Director, Development Finance**

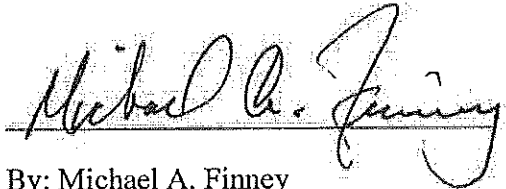


**Mark Morante, Senior Vice President, Program Management**

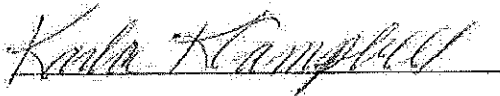
The Recommendation is approved subject to Available Funding and Completion of Due Diligence, and execution of all MBDP transaction documents, all in accordance with the MBDP and its guidelines:

Note: To utilize the delegation authority granted by the MSF Board, the approval of the Chairperson, and either the MSF Fund Manager of the MSF State Treasurer Director, are required for this commitment under the MBDP:

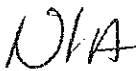
**Michigan Strategic Fund**



By: Michael A. Finney  
Its: Chairman



By: Karla Campbell  
Its: Fund Manager



By: Andy Dillon, State Treasurer  
Its: Director

Cataphora, Inc.



**MICHIGAN BUSINESS DEVELOPMENT PROGRAM  
Performance Based Grant - Term Sheet**

The following is a summary of the highlights of the project and basic terms for which the Company desires grant support from the Michigan Strategic Fund ("MSF") under the Michigan Business Development Program ("MBDP"). While the MBDP is operated and funded through the MSF, recommendation for approval of a MBDP Incentive award is presented by the Michigan Economic Development Corporation ("MEDC") to the MSF.

Date: 11/9/2012

1. **Company Name:** Cataphora, Incorporated ("Company" or "Applicant")
2. **Company Address:** 3425 Edison Way  
Menlo Park, CA 94025
3. **Project Address ("Project"):** 500 E. Washington Street  
*if different than above* Ann Arbor, Michigan 48104
4. **MBDP Incentive Type:** Performance Based Grant
5. **Maximum Amount of MBDP Incentive:** Up to \$300,000 ("MBDP Incentive Award")
6. **Base Employment Level** 3 The number of jobs currently maintained in Michigan by the Company based on data submitted by the Company to the MEDC reflecting the Company's statewide employment level in Michigan prior to the proposed project. The Base Employment Level, including identification of the Company data used to establish this level, shall be included in the final MBDP Incentive Award agreement ("Agreement") between the MSF and the Company.
7. **Total Qualified New Job Creation:** 30 The minimum number of total Qualified New  
*(above Base Employment Level)* Jobs the Company shall be required to create in Michigan (above the Base Employment Level), in addition to satisfying other milestones if applicable, to be minimally eligible to receive the full amount of the MBDP Incentive Award. Each Qualified New Job must be performed for consideration by a Michigan resident (whose Michigan income taxes are withheld as required),

and each Qualified New Job must be in excess of the Base Employment Level. The final terms and conditions of the requirements for the minimum number of Qualified New Jobs that must be created, including provisions addressing disbursements of portions of the MBDP Incentive Award, shall be included in the final Agreement.

a. **Start Date for Measurement of Creation of Qualified New Jobs:** Date of Approval of MSF Award

8. **Company Investment:** \$206,200 in lease costs, furniture, fixtures, equipment, machinery, computers, or any combination thereof, for the Project.

9. **Municipality supporting the Project:** City of Ann Arbor

a. **Municipality Support.** One of the conditions of execution of the final Agreement is the requirement that the municipality shall have committed to provide: City of Ann Arbor Local Development Finance Authority "Phase Four Program" Incentive. The final terms and conditions demonstrating this support shall be included in the final Agreement.

10. **Disbursement Milestones:** The final terms and conditions of each of the disbursements of any portion of the MBDP Incentive Award shall be included in the final Agreement, including that before any disbursement is made to the Company, the Company must have maintained: (i) the Base Employment Level (exclusive of the number of Qualified New Jobs then created) and (ii) any Qualified New Jobs created for which disbursements by the MSF have been made, and must otherwise be in compliance with all terms and conditions of the final Agreement, and further shall include:

a. **Disbursement Milestone 1:** Up to \$150,000 Upon demonstrated creation of 1 Qualified New Job above the Base Employment and verification of final approval of municipality support by no later than December 31, 2012.

b. **Disbursement Milestone 2:** Up to \$75,000 Upon completion of Disbursement Milestone 1, demonstrated creation of 5 Qualified New Jobs above the Base Employment Level, and demonstration that the Company has secured a minimum of \$5 million in new contracts from any source, cash infusion, or any combination thereof, and demonstration of an executed lease for office space in the City of Ann Arbor for a minimum of 60 months by no later than December 31, 2013.

c. Disbursement Milestone 3: Up to \$75,000 Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, and upon demonstrated creation of 24 additional Qualified New Jobs above the Base Employment Level, by no later than December 31, 2015.

**11. Term of Agreement:** Execution of Agreement to December 31, 2017

**12. Repayment Provisions:**

Repayment provisions are required by law. The Repayment terms and conditions will be effective through the Term of the Agreement and shall be defined in the final Agreement. The final repayment provisions may require repayment of some or all of the disbursements made by the MSF, including if the Company moves 25% or more of their employees out of Michigan, if the Company fails to maintain the Base Employment Level in Michigan, if the Company fails to maintain the Qualified New Jobs Incented by this Award.

**13. Reporting Requirements:**

Periodic reporting will be required with this program. The detailed information needed from the Company will be Included in the final Agreement, but will include Project reporting for such things as: amount of proposed incentive, amount of actual incentive received by Company; amount of proposed and actual investment made by Company for Project; the committed number of new jobs and the actual number of new jobs created as a result of the Project; the educational attainment of the employees hired; the number of new patents, copyrights, or trademarks applied for and issued to the Company; the number of licensing agreements by the Company and the number of such licensing agreements entered into by the Company with Michigan based firms; and any products commercialized by the Company.

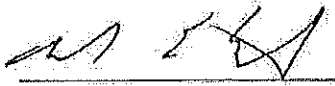
**14. Public Announcements:**

The Company shall not make, or cause, any announcement of the proposed MBDP Incentive Award parameters outlined in this letter before the date of approval by the MSF of the MBDP Incentive Award, unless prior authorized and coordinated with the MEDC.

Any final MBDP Incentive Award is contingent upon several factors, including: (i) submission by the Company of a completed application and all other documentation required under the MBDP (ii) satisfactory municipality support (iii) available MSF funding (iv) completion of financial review, business integrity review, required background checks, and other business and legal review and due diligence as required, and the results of which must be satisfactory the MEDC, the MSF, and as applicable, the Chief Compliance Officer, (v) approval of an award by the MSF, and (vi) execution of a final Agreement containing the established milestones, repayment terms, reporting requirements, and all other detailed terms and conditions, required by the MSF.

If the Company is interested in the MEDC pursuing a recommendation to the MSF for a possible MBDP Incentive Award for the Company along the above parameters, please sign and date this Term Sheet. If the MEDC does not receive the signed Term Sheet from the Company by November 12, 2012, the MEDC may not be able to proceed with any recommendation to the MSF.

Cataphora, Incorporated

By:   
Its: Mark E Epstein, CIO  
Dated: 2012-11-09

Acknowledged as received by:

Michigan Economic Development Corporation

By: Marcia Gobarowski  
Its: Dev't Finance Manager  
Dated: November 12, 2012

Amendment One  
to the  
Michigan Strategic Fund  
Michigan Business Development Program  
Grant Agreement  
with  
Cataphora, Inc.

This Amendment One (the "Amendment"), dated January 17, 2013, is to the Michigan Strategic Fund (the "MSF") Michigan Business Development Program Grant Agreement with Cataphora, Inc. (the "Company"), CASE-23769 (the "Agreement").

Pursuant to Section 8.11 of the Agreement, the Parties agree to amend the Agreement as follows:

1. Amend the second sentence of Key Milestone Number One of Exhibit B of the Agreement to replace "December 31, 2012" with "March 31, 2013".

Except as specifically provided above, the Parties agree that all terms and conditions of the Agreement shall remain unchanged and in effect.

The signatories below warrant that they are empowered to enter into this Amendment.

**COMPANY ACCEPTANCE:**

Cataphora, Inc.

Dated: 2013-01-17

  
Mark Epstein  
Chief Information Officer

**MSF ACCEPTANCE:**

Michigan Strategic Fund

Dated: 1/18/13

  
Karla K. Campbell  
Fund Manager



Amendment Two  
to the  
Michigan Strategic Fund  
Michigan Business Development Program  
Grant Agreement  
with  
Cataphora, Inc.

This Amendment Two (the "Amendment"), dated April 4, 2013, is to the Michigan Strategic Fund (the "MSF") Michigan Business Development Program Grant Agreement with Cataphora, Inc. (the "Company"), CASE-23769 (the "Agreement").

Pursuant to Section 8.11 of the Agreement, the Parties agree to amend the Agreement as follows:

1. Delete the second milestone of Key Milestone Number One of Exhibit B of the Agreement in its entirety and replace with the following:  
  
"2. The Company shall provide all documentation to the satisfaction of Grant Manager that the Ann Arbor-Ypsilanti SmartZone Local Development Finance Authority has approved a Local Development Finance Authority "Phase Four Program" Incentive for the Project on terms and conditions acceptable to the Grant Manager;"


Except as specifically provided above, the Parties agree that all terms and conditions of the Agreement shall remain unchanged and in effect.

The signatories below warrant that they are empowered to enter into this Amendment.

**COMPANY ACCEPTANCE:**

Cataphora, Inc.

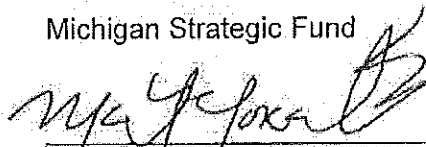
Dated: 2013-04-04

  
\_\_\_\_\_  
Mark Epstein  
Chief Information Officer

**MSF ACCEPTANCE:**

Michigan Strategic Fund

Dated: 4/5/13

  
\_\_\_\_\_  
Karla K. Campbell, ~~MARK MORRANT~~  
Fund Manager, ~~ALTERNATE~~