

Date: January 25, 2011

To: Terri Boese, Clerk-City of Ely

From: Nancy Larson

RE: Project Firefly Summary

As requested following is a brief summary of Project Firefly activity according to my understanding of the past two years serving as the contracted executive director of the Ely Area Development Association. I have been requested to provide a brief summary to clarify Project Firefly concerns.

To be clear, from my observations the concept of Project Firefly has been misunderstood. It is a capacity building initiative. Iron Range Resources and Blandin Foundation interest in funding Project Firefly was because it was a creative, new approach to encourage manufacturing. It was viewed as a potential means to enhance manufacturing capacity in the region.

To my knowledge, beginning in 2006 initial grant funds were used for on-going project work and training, lean product development and online marketing development training, and product development training. Funds were used to conduct a survey of local and area metal manufacturing capacity, to establish the Innovators Circle, develop legal documents, and to identify product ideas for enhancement by the members of the Innovator Circle. Innovator Circle meetings were held to move product ideas through design modifications prior to going to prototype and future product development phases. Funds were used for engineering and finite analysis. Funds were also used for patent attorney education and review of the product patentability potential.

The following items include my experiences and observations covering January 2009 through December 2010. EADA staff person Cindy Fenske can provide more in-depth historical data and information if more is desired.

Project Firefly Summary To the Best of My Knowledge Jan. 2009- Dec 2010:

- Project Firefly is a capacity building initiative funded through grants.
- EADA was the applicant for all grant funds.
- City of Ely funds through Joint Powers were never used for Project Firefly activities. EADA funds were never intended to be used for Project Firefly.
- In 2006, EADA executive director established Project Firefly as a separate initiative of EADA. As project coordinator she established the practice to conduct all hiring of contractors independent of EADA executive board.
- Project Firefly has a separate checking account from the EADA which ensured funds were not co-mingled. Assistant director staff was authorized as check signer. The EADA executive board did not oversee the Project Firefly account, conduct an audit or have a complete understanding of the Project Firefly operation.
- To my knowledge, the Project Firefly budget was not presented to the EADA executive board or its volunteer audit committee for review.
- As a contractor with EADA beginning in 2009, I was not authorized as a signer of any EADA or Project Firefly checking accounts and was not included in financial audits or personnel reviews.
- Project Firefly has its own separate budget from the EADA. The Project Firefly budget was not an item on EADA executive board meeting agendas. However, project activity updates were initially provided by the EADA executive director and later at the direction of the EADA co-chair who finalized executive board agendas.
- Project Firefly grant funds are used for general administration (supplies, operating materials, travel, meetings, printing, postage); and for professional services (consultants, legal, and prototype development). Payments made through Project Firefly had supporting documentation. Assistant director reviewed and explained the Project Firefly checking account for my understanding of historical operations.
- Consultants have included project coordinators, contracted project managers, contracted researcher, contracted engineers, and contracted patent attorneys.
- Project Firefly is not a separate legal entity.
- There was perception by some Innovators Circle members and staff that Project Firefly was its own entity. I explained at my first attended Project Firefly meeting in 2009 and in ensuing meetings that Project Firefly is a project under the EADA, not an entity.
- Confidentiality agreements are required of all Innovators or participants who participate in Project Firefly in any capacity to ensure that product ideas and developments are kept confidential.
- Much of the initial grant funding was used in establishing Project Firefly, identifying resources, identifying potential innovators, and other training and task focused activities. Most of the initial project coordinator's time was used to get the program started. Once the program began to move forward expenditures were put towards legal document development and engineering for prototype development.
- First project manager contract that I signed with Community Communications covered the May 2010-August 2010 timeframe. I had a discussion with project

manager regarding project manager's role and inappropriateness of giving direction to staff as a contractor.

- Second contract with Community Communications covered September 2010-December 2010 timeframe.
- First contract did not go through EADA executive board because of following suit with past practice of not being brought to the executive board. I required the second and any and all future Project Firefly contracts to go through the executive board because the EADA is the applicant/recipient of all grants. I suggested to co-chair that a Contract Committee be established to give prior review and discussion of proposed contracts or that contract review be conducted under the standing Budget Committee.
- The second contract with Community Communications was reviewed by me for content and scope of work prior to going before executive board. It is my understanding that the officers board reviewed and approved the second contract for presentation and recommendation to the executive board for approval. A copy of the contract was not provided to the executive board members at the time of approval.
- It was my observation at this time that the EADA executive board may not have been fully informed or knowledgeable of Project Firefly's operation and oversight.