

**MICHIGAN STRATEGIC FUND BOARD  
FINAL MEETING AGENDA  
JANUARY 23, 2018  
10:00 am**

*Public comment – Please limit public comment to three (3) minutes*

**Communications**

Chief Compliance Officer Quarterly Report – *Information Only*

**A. Consent Agenda**

Proposed Meeting Minutes – December 19, 2017

Metro Community Development – Grant Request – Chris Cook

The Kroger Company – MBDP Amendment – Trevor Friedeberg

Williams International, City of Pontiac – MBDP Grant & Renaissance Zone Reauthorization – David Kurtycz

XALT Energy, LLC – Renaissance Zone Amendment, Standard MEGA Tax Credit Amendment & Cell Manufacturing Credit & Battery Pack Credit Termination – Christin Armstrong

NanoBio Corporation – Conversion Request – Dean Wade

Allocation of PMVDF/PMVMF Program Returns – Mark Morante

2015 Business Incubator – Gatekeeper Grant Amendment – Fred Molnar/Nadia Abunasser

2016 Business Incubator – Gatekeeper Grant Amendment – Fred Molnar/Nadia Abunasser

Lawrence Tech University Business Incubator – Gatekeeper Grant Amendment – Fred Molnar/Nadia Abunasser

2015 TechTown Detroit Business Incubator – DTX Amendment – Fred Molnar/Nadia Abunasser

2015 Automation Alley Business Incubator – Grant Amendment – Fred Molnar/Nataliya Stasiw

JNCC, LLC – Shamrock Village Development Project – MBT Brownfield Credit Amendment – Rob Garza

North Channel Investors, LLC and North Channel Brewing, LLC – MCRP Grant Amendment – Rob Garza

Grand Rapids Urban Market Holdings LLC – MCRP Amendment – Julius Edwards

**B. Business Investment**

**a. Entrepreneurship**

Translume, Inc. – Conversion Request – Margaret McCammon/Dean Wade

**C. Informational**

Quarterly Reports



STATE OF MICHIGAN  
OFFICE OF THE CHIEF COMPLIANCE OFFICER  
LANSING

RICK SNYDER  
GOVERNOR

KEVIN FRANCCART, ESQ.  
CHIEF COMPLIANCE OFFICER

MEMORANDUM

January 11, 2018

TO: Honorable Richard D. Snyder  
Governor and Chairperson of the State Administrative Board.

Jeff Mason  
Chairperson  
Michigan Strategic Fund Board

FROM: Kevin L. Francart  
Chief Compliance Officer

RE: FY2018 Q1 Report of the Chief Compliance Officer.

The Chief Compliance Officer is required to report quarterly to the State Administrative Board and the Michigan Strategic Fund Board regarding compliance with internal policies and procedures and with applicable laws related to 21st century jobs fund programs. I am pleased to report that all compliance matters addressed during the first quarter of the 2018 fiscal year were either successfully resolved, are being appropriately addressed, or are undergoing review and are currently being evaluated.

With respect to the Michigan Strategic Fund Board, the Michigan Strategic Fund Act requires the Chief Compliance Officer to review and evaluate compliance with internal policies and procedures along with applicable state and federal law. The Chief Compliance Officer assisted the MSF with conflict of interest questions; Board delegation; background check policy issues; and is continuing the review of the BDP decision making process. As reported previously, because of staffing changes the site visit guidelines were modified. Because of the staffing changes the site visit guidelines were changed by the MEDC compliance section to no longer require a minimum number of site visits. Site visits are being performed pursuant to the site visit guidelines. The Chief Compliance Officer provided informal advice regarding various issues arising this quarter concerning such topics as the breadth of delegated Board authority, authorized use of 21st century job fund funds, and compliance with established Board policy and limitations.

**MICHIGAN STRATEGIC FUND**

**RESOLUTION 2018-**

**APPROVAL OF JANUARY 2018 CONSENT AGENDA  
FOR THE MICHIGAN STRATEGIC FUND BOARD**

**WHEREAS**, the Michigan Strategic Fund (“MSF”), at its February 2014 board meeting, approved the use of consent agendas at future board meetings pursuant to defined guidelines.

**WHEREAS**, the MSF, at its February, 2014 board meeting, approved Guidelines for Preparation and Approval of Consent Agendas for the MSF (“Guidelines”).

**WHEREAS**, pursuant to the recommendation of MSF and MEDC staff, the MSF Board desires to approve the below Consent Agenda items;

**NOW, THEREFORE, BE IT RESOLVED**, the MSF approves the Consent Agenda items listed below and identified in the final Consent Agenda for this board meeting.

Consent Agenda Items:

Proposed Meeting Minutes – December 19, 2017  
Metro Community Development – Grant Request  
The Kroger Company – MBDP Amendment  
Williams International, City of Pontiac – MBDP Grant & Renaissance Zone Reauthorization  
XALT Energy, LLC – Renaissance Zone Amendment, Standard MEGA Tax Credit Amendment &  
Cell Manufacturing Credit & Battery Pack Credit Termination  
NanoBio Corporation – Conversion Request  
Allocation of PMVDF/PMVMF Program Returns  
2015 Business Incubator – Gatekeeper Grant Amendment  
2016 Business Incubator – Gatekeeper Grant Amendment  
Lawrence Tech University Business Incubator – Gatekeeper Grant Amendment  
2015 TechTown Detroit Business Incubator – DTX Amendment  
2015 Automation Alley Business Incubator – Grant Amendment  
JNCC, LLC – Shamrock Village Development Project – MBT Brownfield Credit Amendment  
North Channel Investors, LLC and North Channel Brewing, LLC – MCRP Grant Amendment  
Grand Rapids Urban Market Holdings LLC – MCRP Amendment

Ayes:

Nays:

Recused:

Lansing, Michigan  
January 23, 2018

**MICHIGAN STRATEGIC FUND  
PROPOSED MEETING MINUTES  
December 19, 2017**

**Members Present**

Paul Anderson  
Larry Koops  
Andrew Lockwood (on behalf of Treasurer Khouri)  
Jeff Mason  
Wayne Wood

**Members joined by phone**

Roger Curtis (joined meeting in person at 10:20 am)  
Stephen Hicks  
Terri Jo Umlor  
Shaun Wilson

**Member Absent**

Paul Gentilozzi

Mr. Mason called the meeting to order at 10:01 am.

Mr. Mason recognized the following legislators in attendance: Representative Dave Pagel speaking in support of the Indeck Niles Energy Center project in Niles and Representative Ronnie Peterson speaking in support of The Original & Only Thompson Block, LLC and the Washtenaw PACE, Inc. DBA Huron Valley PACE projects in Ypsilanti. Representative Peterson also submitted letters of support for these projects; the letters are attached to the minutes.

Mr. Mason noted that a letter also was received from Representative Christine Greig in support of the American HAVAL Motor Technology, LLC project in Farmington Hills; the letter is attached to the minutes.

**Public Comment:** Mr. Mason asked that any attendees wishing to address the Board come forward at this time. No public comment.

**Communications:** Jennifer Tebedo, MSF Administrator, informed the Board that the Background Review Policy item under Administrative was pulled from the Agenda and will be considered at the January meeting. A revised Agenda was provided to the Board at the table.

**A. CONSENT AGENDA**

**Resolution 2017-201 Approval of Consent Agenda Items**

Mr. Mason asked if there were any questions from the Board regarding the items under the Consent Agenda. There being none, Larry Koops motioned for the approval of the following:

Proposed Meeting Minutes – November 28, 2017

SBDC Business Acceleration, Emerging Technology & Core Funds – Master Grant Amendments – **2017-202**

Detroit Tigers Partnership – Contract Extension/Partnership Allocation – **2017-203**

QDC Manufacturing DBA Wedge-Mill Tool, Inc. – T&D Recovery Renaissance Zone Transfer – **2017-204**

Rivian Automotive, Inc. – MBDP Grant Amendment – **2017-205**

Niowave Inc. – MBDP Grant Amendment – **2017-206**

Grow Michigan – Amendment to Operating Agreement – **2017-207**

Michigan Strategic Fund Compiled Resolutions – Revisions – **2017-208**

Paul Anderson seconded the motion. **The motion carried: 9 ayes; 0 nays; 0 recused.**

## **B. ADMINISTRATIVE**

### **Resolution 2017-209 MSF Consent Agenda Guidelines – Revisions**

*Mark Morante, MSF Fund Manager, provided the Board with information regarding this action item.* Following brief discussion, Wayne Wood motioned for the approval of Resolution 2017-209. Larry Koops seconded the motion. **The motion carried: 9 ayes; 0 nays; 0 recused.**

### **Resolution 2017-210 Michigan Business Tax Credit – Amendment Policy**

*Lori Mullins, Manager Brownfield/MCRP, and Rob Garza, Senior Program Specialist, provided the Board with information regarding this action item.* Following brief discussion, Larry Koops motioned for the approval of Resolution 2017-210. Wayne Wood seconded the motion. **The motion carried: 9 ayes; 0 nays; 0 recused.**

## **C. BUSINESS INVESTMENT**

### **C1. Business Growth**

#### **Resolution 2017-211 Indeck Niles Energy Center / City of Niles Brownfield Redevelopment Authority – Act 381 Work Plan**

*Jeremy Webb, Senior Business Development Project Manager, provided the Board with information regarding this action item.* Following brief discussion, Larry Koops motioned for the approval of Resolution 2017-211. Paul Anderson seconded the motion. **The motion carried: 9 ayes; 0 nays; 0 recused.**

Roger Curtis joined the meeting in person at 10:20 am.

#### **Resolution 2017-212 American HAVAL Motor Technology, LLC - MBDP Grant**

*Mike Gietzen, Senior Business Development Project Manager, provided the Board with information regarding this action item.* Following brief discussion, Larry Koops motioned for the approval of Resolution 2017-212. Wayne Wood seconded the motion. **The motion carried: 9 ayes; 0 nays; 0 recused.**

### **C2. Access to Capital**

#### **Resolution 2017-213 Washtenaw PACE Inc. DBA Huron Valley PACE – Bond Authorization**

*Chris Cook, Director Capital Access, provided the Board with information regarding this action item.* Following brief discussion, Wayne Wood motioned for the approval of Resolution 2017-213. Larry Koops seconded the motion. **The motion carried: 9 ayes; 0 nays; 0 recused.**

**ROLL CALL VOTE:** Ayes: Paul Anderson, Roger Curtis, Stephen Hicks, Larry Koops, Andrew Lockwood (on behalf of Treasurer Khouri), Jeff Mason, Terri Jo Umlor, Shaun Wilson, Wayne Wood; Nays: None; Recused: None

#### **Resolution 2017-214 Hope Network – Bond Authorization**

*Chris Cook, Director Capital Access, provided the Board with information regarding this action item.* Following brief discussion, Larry Koops motioned for the approval of Resolution 2017-214. Paul Anderson seconded the motion. **The motion carried: 9 ayes; 0 nays; 0 recused.**

**ROLL CALL VOTE:** Ayes: Paul Anderson, Roger Curtis, Stephen Hicks, Larry Koops, Andrew Lockwood (on behalf of Treasurer Khouri), Jeff Mason, Terri Jo Umlor, Shaun Wilson, Wayne Wood; Nays: None; Recused: None

## **D. COMMUNITY VITALITY**

### **Resolution 2017-215 Diamond Place LLC – MCRP Loan Participation Amendment-Grant Addition**

*Ryan Kilpatrick, Senior Community Assistance Team Specialist, provided the Board with information regarding this action item.* Background concerning the test boring location plan prepared by Soil & Structures, Inc. of Muskegon was provided to the Board at the table; the plan is attached to the minutes. Following extensive discussion, Larry Koops motioned for the approval of Resolution 2017-215. Andrew Lockwood seconded the motion. **The motion carried: 6 ayes; 3 nays; 0 recused.**

**Resolutions 2017-216 & 2017-217 The Original and Only Thompson Block, LLC / County of Washtenaw Brownfield Redevelopment Authority - MCRP Loan Participation & Act 381 Work Plan**

*Dominic Romano, Community Assistance Team Specialist, provided the Board with information regarding these action items.* Following brief discussion, Wayne Wood motioned for the approval of Resolutions 2017-216 & 2017-217. Roger Curtis seconded the motion. **The motion carried: 9 ayes; 0 nays; 0 recused.**

**Resolution 2017-218 Michigan Community Capital – 21<sup>st</sup> CJF Loan Amendment**

*Julius Edwards, Manager Underwriting & Incentive Structuring, provided the Board with information regarding this action item.* Following brief discussion, Larry Koops motioned for the approval of Resolution 2017-218. Paul Anderson seconded the motion. **The motion carried: 9 ayes; 0 nays; 0 recused.**

Roger Curtis left the meeting at 11:27 am.

**Resolution 2017-219 Michigan Community Capital – 21<sup>st</sup> CJF Loan**

*Julius Edwards, Manager Underwriting & Incentive Structuring, and Katharine Czarnecki, Senior Vice President Community Development, provided the Board with information regarding this action item.* Following brief discussion, Larry Koops motioned for the approval of Resolution 2017-219. Wayne Wood seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

Mr. Mason adjourned the meeting at 11:30 am.



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

RICK SNYDER  
GOVERNOR

NICK A. KHOURI  
STATE TREASURER

January 12, 2017

Ms. Andrea Robach  
Board Relations Liaison  
Michigan Strategic Fund Office  
300 N. Washington Square  
Lansing, MI 48913

Dear Ms. Robach,

I hereby designate Andrew Lockwood to represent me at Michigan Strategic Fund Meeting I am unable to attend.

Sincerely,

A handwritten signature in black ink, appearing to be "N.A. Khouri", with a long horizontal stroke extending to the right.

N.A. Khouri  
State Treasurer

Cc: Andrew Lockwood



54TH DISTRICT  
STATE CAPITOL  
P.O. BOX 30014  
LANSING, MI 48909-7514  
PHONE: (517) 373-1771  
FAX: (517) 373-5797  
E-MAIL: ronniepeterson@house.mi.gov

MICHIGAN HOUSE OF REPRESENTATIVES

**RONNIE D. PETERSON**

STATE REPRESENTATIVE

December 19, 2017

Michigan Strategic Fund  
Michigan Economic Development Corporation  
300 N. Washington Square  
Lansing, MI 48913

RE: Thompson Block Redevelopment Project

Distinguished Board Members:

I write to encourage you to adopt two resolutions related to the Thompson Block redevelopment project. At today's board meeting you are to consider a request from The Original & Only Thompson Block, LLC and 3mission Redevelopment Corporation for up to a \$3.175 million Michigan Community Revitalization Program performance-based loan to support the Thompson Block Redevelopment project in the city of Ypsilanti. Also before you today is a request from the County of Washtenaw Brownfield Redevelopment Authority for \$1,265,799 in school and local tax capture to help offset significant costs related to brownfield conditions at the Thompson Block site. Combined, this more than \$4.4 million will account for over one third of the total project cost.

The project will renovate and reconstruct a Civil War structure, located at 400 North River Street and will include a mixed-used building containing three floors of residential and commercial space. The first floor will contain a 10,000+ square foot restaurant while the second and third floors will contain 20 residential rental units occupying nearly 16,000 square feet. The restaurant will be operated by 3mission Redevelopment Corporation, which currently owns and operates several successful restaurants in Traverse City, Royal Oak and Ann Arbor. The project is expected to result in \$11.7 million in total capital investment and create 70 jobs.





I am excited to see the Thompson Block redevelopment moving forward. As a lifelong resident of Ypsilanti, I have been witness as the massive old building transitioned through many different uses only to eventually stand vacant and withering. The good people at 3mission Redevelopment Corporation are offering Thompson Block and the surrounding neighborhood an opportunity at reinvention. When completed, this project will serve as a catalyst for further economic development across Ypsilanti. I strongly encourage you to adopt the pending Thompson Block resolutions.

Thank you,

A handwritten signature in cursive script that reads "Ronnie Peterson". The signature is written in dark ink and is positioned above the printed name.

Ronnie Peterson



54TH DISTRICT  
STATE CAPITOL  
P.O. BOX 30014  
LANSING, MI 48909-7514  
PHONE: (517) 373-1771  
FAX: (517) 373-5797  
E-MAIL: ronniepeterson@house.mi.gov

MICHIGAN HOUSE OF REPRESENTATIVES

**RONNIE D. PETERSON**

STATE REPRESENTATIVE

December 19, 2017

Michigan Strategic Fund  
Michigan Economic Development Corporation  
300 N. Washington Square  
Lansing, MI 48913

RE: Huron Valley PACE Private Activity Bond Authorization

Distinguished Board Members:

I write today to formally recommend the adoption of the Michigan Strategic Fund resolution for the Huron Valley PACE Activity Bond Authorization. If approved, the proposed resolution would clear the way for the Ypsilanti based health care provider to proceed with a \$5.5 million bond sale. The capital raised would allow Huron Valley PACE to expand their existing facility and double their capacity to serve qualifying senior residents across southeast Michigan.

Huron Valley PACE has provided a variety of essential health care services to members of my community as well as residents of Washtenaw, Wayne, Oakland, Macomb, Livingston and Monroe counties since 2012. Their primary location, in the heart of Ypsilanti, serves as a hub for distributed home and community based services as well as a gathering place where seniors provide support for one another while enjoying first-class medical treatment.

The PACE program is a cost effective alternative to residential nursing facilities. PACE keeps seniors active and connected to their community. Authorizing the expansion of Huron Valley PACE will enable more of our senior population to stay in their homes and maintain their independence.

I urge you to adopt the Huron Valley PACE Private Activity Bond Authorization resolution.

Sincerely,

Ronnie Peterson





37TH DISTRICT  
STATE CAPITOL  
P.O. BOX 30014  
LANSING, MI 48909-7514  
PHONE: (517) 373-1793  
E-MAIL: [christinegreig@house.mi.gov](mailto:christinegreig@house.mi.gov)

MICHIGAN HOUSE OF REPRESENTATIVES

**CHRISTINE GREIG**

HOUSE DEMOCRATIC FLOOR LEADER

December 18, 2017

Mr. Jeff Mason, President  
Michigan Strategic Fund  
300 N. Washington Square  
Lansing, MI 48913

Dear Mr. Mason,

I am writing to express my support for the American HAVAL Motor Technology, LLC's request for a \$1.5 million Michigan Business Development Program performance-based grant to support expansion of its sales and R&D operations to meet potential growth opportunities in the U.S. market. HAVAL and its parent company, Great Wall Motor Company Limited, employ more than 60,000 employees worldwide. Together, the companies provide manufacturing services in three vehicle categories, including SUV, passenger car and pickup truck.

The company has identified a 16,000 square foot facility in the city of Farmington Hills. If approved, the project is expected to result in \$3.51 million in capital investment and create 150 jobs in the state of Michigan.

I would also like to extend my thanks to the Michigan Economic Development Corporation for continuing to improve business attraction and acceleration in Michigan. Your dedication to developing business assistance services has been greatly important to the 37<sup>th</sup> House District.

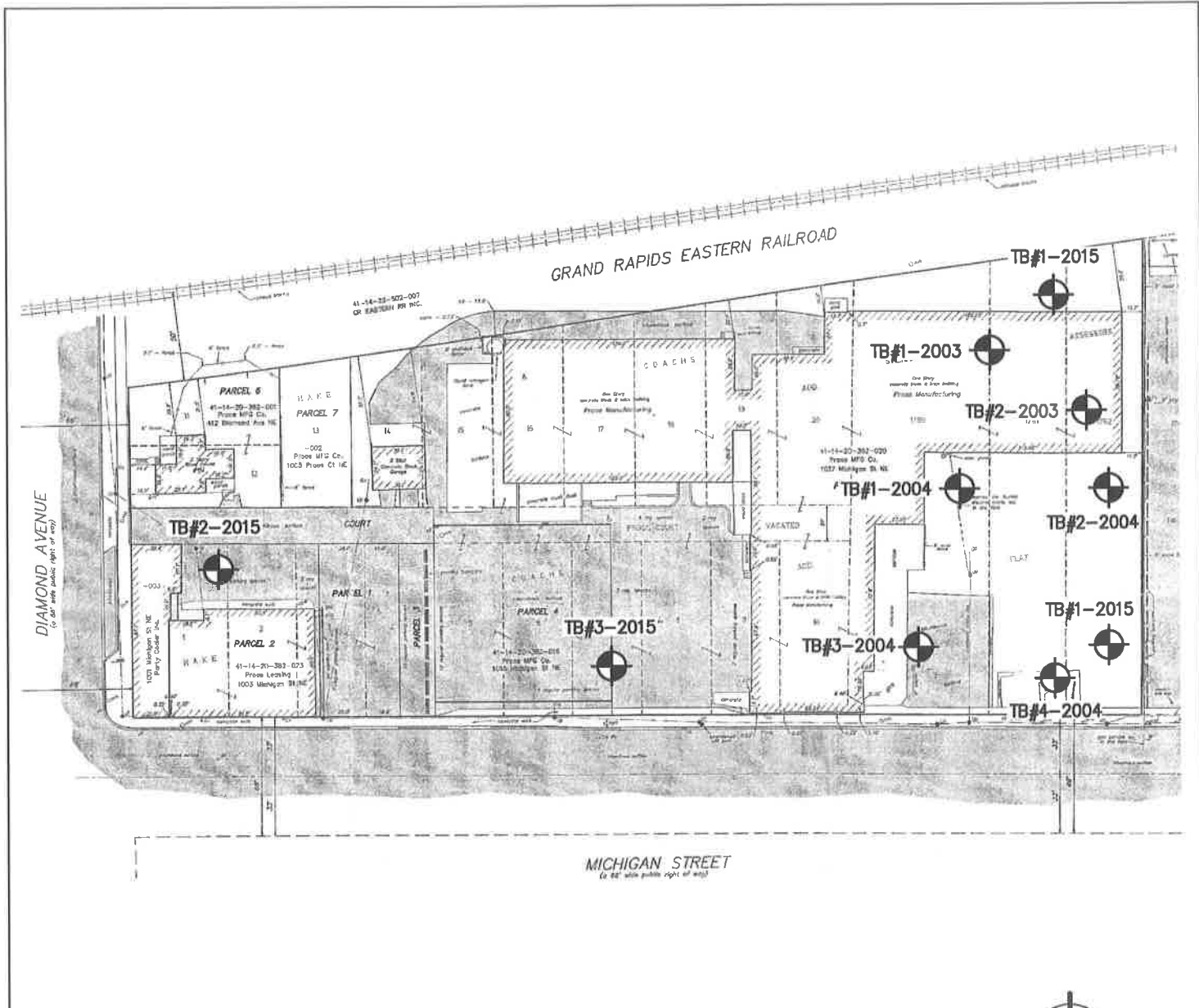
Thank you again for providing me with the opportunity to express my support for this project. It would be a great honor to have the future home of American HAVAL Motor Technology, LLC located in my district.

Sincerely,

A handwritten signature in black ink that reads "Christine Greig".

State Representative  
37<sup>th</sup> District

cc: Khalfani Stephens, City of Farmington Hills



**TEST BORING LOCATION PLAN**  
NTS



Note: The background of the test boring location plan is a portion of a 2004 site plan by Moore & Bruggink.

Diamond Place  
1037 Michigan Street  
Grand Rapids, Michigan

**Soils & Structures, Inc.**  
6480 Grand Haven Road  
Muskegon, Michigan 49441

JOB NO. 2015.0752      DATE 8-15-2015

# Log of Test Boring

Soils & Structures, Inc.

Muskegon 1-800-933-3959 Traverse City

Project Michigan & Diamond -

Mixed Use Development

Location Grand Rapids, Michigan

Job Number 2015.0752

Boring Number <u>1-2015</u>	Crew Chief <u>J. Kibby</u>	Ground Water Encountered <u>None</u> ft.	Plugging Record Boring Sealed with: <u>Excavated Soil</u>
Depth Drilled <u>20.5</u> ft.	Helper <u>S/A Hohmeyer</u>	After Completion <u>None</u> ft.	between <u>0.0</u> ft. & <u>20.5</u> ft.
Surface Elev. <u>685.3</u> ft.	Drill Rig <u>D-50</u>	After <u>1/4</u> hrs. <u>None</u> ft.	between _____ ft. & _____ ft.
Date Started <u>7-31-15</u>	Boring Method <u>3 1/4" ID</u>	Volume <u>None</u>	
Date Completed <u>7-31-15</u>	<u>Hollow Stem Auger</u>	Seepage at <u>None</u> ft.	

Depth in Feet	Soil Description	Penetration ASTM D 1586	"N" (BPF)	Laboratory Data			
				Water Content (%)	Dry Density (pcf)	Shear Strength (psf)	Unified Soil Classif.
0.4'	TOPSOIL - dark brown sand (5.0")						
1.8'	SAND - dark brown fine with a trace of gravel and concrete rubble (Fill)	1-1-2	3				PT
3.5'	PEAT - soft black with some wood						
	SAND - loose brown fine with a lenses of peat	2-1-3	4				SP
6.5'							
	SAND - slightly compact brown fine with a trace of peat	2-2-2	4				SP
10.0'							
	SAND - very compact brown fine	2-4-6	10				SP
13.0'							
	SAND - compact brown fine to medium with a trace of gravel	2-4-8	12				SP
20.5'	End of Boring	2-2-4	6				SP

# Log of Test Boring

Soils & Structures, Inc.

Muskegon 1-800-933-3959 Traverse City

Project Michigan & Diamond -

Mixed Use Development

Location Grand Rapids, Michigan

Job Number 2015.0752

Boring Number <u>2-2015</u>	Crew Chief <u>J. Kibby</u>	Ground Water Encountered <u>7.0</u> ft.	Plugging Record
Depth Drilled <u>21</u> ft.	Helper <u>S/A Hohmeyer</u>	After Completion <u>7.0</u> ft.	Boring Sealed with: <u>Excavated Soil</u>
Surface Elev. <u>685.0</u> ft.	Drill Rig <u>D-50</u>	After <u>1/4</u> hrs. <u>7.0</u> ft.	<u>AsphPatch</u> between <u>0.0</u> ft. & <u>0.4</u> ft.
Date Started <u>7-31-15</u>	Boring Method <u>3 1/4" ID</u>	Volume <u>Heavy</u>	<u>Ex Soil</u> between <u>0.4</u> ft. & <u>21.0</u> ft.
Date Completed <u>7-31-15</u>	<u>Hollow Stem Auger</u>	Seepage at <u>7.0</u> ft.	

Depth in Feet	Soil Description	Penetration ASTM D 1586	"N" (BPF)	Laboratory Data			
				Water Content (%)	Dry Density (pcf)	Shear Strength (psf)	Unified Soil Classif.
0.3'	ASPHALT - (4.0")						
0.6'	GRAVEL - natural aggregate (3.0")						
2.0'	SAND - dark brown fine with gravel and lenses of brown sand						
2.8'	TOPSOIL - dark brown clayey sand	1-2-3	5				
	CLAY - soft gray sandy						
5.5'	SAND - loose brown fine with peat lenses	2-2-2	4				
7.0'	SAND - compact brown fine	4-4-5	9				
9.0'	SAND - loose brown fine to medium	2-.5-.5	1				
12.0'	SAND - compact brown fine to coarse with occasional clay lenses	7-10-7	17				
21.0'	End of Boring	5-9-13	22				

# Log of Test Boring

Soils & Structures, Inc.

Muskegon 1-800-933-3959 Traverse City

Project Michigan & Diamond -

Mixed Use Development

Location Grand Rapids, Michigan

Job Number 2015.0752

Boring Number	<u>3-2015</u>	Crew Chief	<u>J. Kibby</u>	Ground Water Encountered	<u>5.0</u> ft.	Plugging Record	
Depth Drilled	<u>20</u> ft.	Helper	<u>S/A Hohmeyer</u>	After Completion	<u>5.0</u> ft.	Boring Sealed with: <u>Excavated Soil</u>	
Surface Elev.	<u>684.5</u> ft.	Drill Rig	<u>D-50</u>	After <u>1/4</u> hrs.	<u>5.0</u> ft.	<u>AsphPatch</u>	between <u>0.0</u> ft. & <u>0.4</u> ft.
Date Started	<u>7-31-15</u>	Boring Method	<u>3 1/4" ID</u>	Volume	<u>Heavy</u>	<u>Ex Soil</u>	between <u>0.4</u> ft. & <u>20.0</u> ft.
Date Completed	<u>7-31-15</u>		<u>Hollow Stem Auger</u>	Seepage at	<u>5.0</u> ft.		

Depth in Feet	Soil Description	Penetration ASTM D 1586	"N" (BPF)	Laboratory Data			
				Water Content (%)	Dry Density (pcf)	Shear Strength (pcf)	Unified Soil Classif.
0.5'	ASPHALT - (6.0")						
1.2'	GRAVEL - dark brown with sand						
	PEAT - soft black sandy clayey	2-3-4	7				
3.5'	CLAY - stiff gray with lenses of fine sand	1-1-1	2				
4.5'	SAND - loose brown fine with occasional peat lenses	1-4-7	11				
7.0'	SAND - compact brown fine to medium	7-15-21	36				
15.0'	CLAY - very stiff gray with occasional sand lenses	15-13-16	29				
17.5'	SAND - very compact gray fine to coarse with a trace of gravel	17-19-20	39				
20.0'	End of Boring						

# Log of Test Boring

Soils & Structures, Inc.

Muskegon 1-800-933-3959 Traverse City

Project Michigan & Diamond -

Mixed Use Development

Location Grand Rapids, Michigan

Job Number 2015.0752

Boring Number <u>4-2015</u>	Crew Chief <u>J. Kibby</u>	Ground Water Encountered <u>4.0</u> ft.	Plugging Record
Depth Drilled <u>20</u> ft.	Helper <u>S/A Hohmeyer</u>	After Completion <u>4.0</u> ft.	Boring Sealed with: <u>Excavated Soil</u>
Surface Elev. <u>685.9</u> ft.	Drill Rig <u>D-50</u>	After <u>1/4</u> hrs. <u>4.0</u> ft.	_____ between <u>0.0</u> ft. & <u>20.0</u> ft.
Date Started <u>7-31-15</u>	Boring Method <u>3 1/4" ID</u>	Volume <u>Heavy</u>	_____ between _____ ft. & _____ ft.
Date Completed <u>7-31-15</u>	<u>Hollow Stem Auger</u>	Seepage at <u>4.0</u> ft.	

Depth in Feet	Soil Description	Penetration ASTM D 1586	"N" (BPF)	Laboratory Data			
				Water Content (%)	Dry Density (pcf)	Shear Strength (psf)	Unified Soil Classif.
0.4'	TOPSOIL - brown sand (5.0")						
1.4'	SAND - dark brown with gravel (Fill) (12.0")						
	SAND - compact brown fine	5-7-8	15				
		3-3-3	6				
5.5'	SAND - compact brown fine to coarse						
5.7'							
6.0'	TOPSOIL - soft black sandy						
	SAND - very compact brown fine with occasional peat lenses	4-9-15	24				
9.0'		3-6-9	15				
	SAND - very compact brown fine	4-6-10	16				
		4-6-11	17				
20.0'	End of Boring						



# Log of Test Boring

## Soils & Structures, Inc.

6480 Grand Haven Road  
Muskegon, Michigan 49441

231-798-4127 / 1-800-933-3959  
fax 231-798-1383

Project Proos Manufacturing

Addition

Location Grand Rapids, Michigan

Project Number 2004.0510

Boring Number 1-2004

Crew Chief B. Fritz

Water Observations

Depth 4.0 ft.

Plugging Record

Boring Sealed with: excavated soil

Depth Drilled 20 ft.

Helper J. Spangler

Artesian Layers 3.0 ft.

between 0.0 ft. & 20.0 ft.

Surface Elev. 99.1 ft.

Drill Rig D-50 ATV

Volume 1/4 3.0

between      ft. &      ft.

Date Started 7-21-04

Boring Method

heavy

Test Boring Location:     

Date Completed 7-21-04

hollow stem auger

3.0

Depth in Feet	Soil Description	Penetration ASTM D 1586	"N" (BPF)	Laboratory Data			
				Water Content (%)	Dry Density (pcf)	Shear Strength (psf)	Unified Soil Classif.
3.2'	TOPSOIL - compact black fine sand with roots	3-4-4	8				Tops1
6.5'	SAND - compact brown with dark brown and orange mottling fine	5-6-4	10				SP
		5-6-8	14				SP
		5-7-11	18				SP
	SAND - compact to very compact brown fine	5-6-8	14				SP
20.0'	End of Boring	3-4-3	7				SP

# Log of Test Boring

**Soils & Structures, Inc.**

6480 Grand Haven Road  
Muskegon, Michigan 49441

231-798-4127 / 1-800-933-3959  
fax 231-798-1383

Project Proos Manufacturing

Addition

Location Grand Rapids, Michigan

Project Number 2004.0510

Boring Number 2-2004  
Crew Chief B. Fritz  
Depth Drilled 20 ft.  
Surface Elev. 97.9 ft.  
Date Started 7-21-04  
Date Completed 7-21-04  
Helper J. Spangler  
Drill Rig D-50 ATV  
Boring Method hollow stem auger

Water Observations  
Depth 2.5 ft.  
Artesian Layers 3.0 ft.  
Volume 1/4 3.0  
heavy  
3.0

Plugging Record  
Boring Sealed with: excavated soil  
between 0.0 ft. & 20.0 ft.  
between \_\_\_\_\_ ft. & \_\_\_\_\_ ft.  
Test Boring Location: \_\_\_\_\_

Depth in Feet	Soil Description	Penetration ASTM D 1586	"N" (BPF)	Laboratory Data			
				Water Content (%)	Dry Density (pcf)	Shear Strength (pcf)	Unified Soil Classif.
1.8'	TOPSOIL - black fine sand with trace of clay and roots						
4.0'	SAND - compact brown fine	3-2-3	5				SP
6.5'	SAND - loose brown fine	2-1-1	2				SP
		2-2-3	5				SP
		3-4-6	10				SP
	SAND - compact brown fine						
		4-5-6	11				SP
20.0'	End of Boring	5-6-11	17				SP

# Log of Test Boring

**Soils & Structures, Inc.**

6480 Grand Haven Road  
Muskegon, Michigan 49441

231-798-4127 / 1-800-933-3959  
fax 231-798-1383

Project Proos Manufacturing

Addition

Location Grand Rapids, Michigan

Project Number 2004.0510

Boring Number 3-2004

Crew Chief E. Fritz

Water Observations  
Depth 6.5 ft.

Plugging Record  
Boring Sealed with: excavated soil

Depth Drilled 20 ft.

Helper J. Spangler

Artesian Layers 6.5 ft.

between 0.0 ft. & 20.0 ft.

Surface Elev. 99.4 ft.

Drill Rig D-50 ATV

Volume 1/4 6.5

between      ft. &      ft.

Date Started 7-21-04

Boring Method     

heavy

Test Boring Location:     

Date Completed 7-21-04

hollow stem auger

6.5

Depth in Feet	Soil Description	Penetration ASTM D 1586	"N" (BPF)	Laboratory Data			
				Water Content (%)	Dry Density (pcf)	Shear Strength (psf)	Unified Soil Classif.
0.3'	ASPHALT						
1.0'	GRAVEL - dark brown fine to coarse						
1.8'	SAND - brown fine						
2.3'	PEAT - black fibrous	2-1-3	4				PT
4.0'	SAND - loose brown fine with clay (moist)						
	PEAT - soft black fibrous with occasional seams of brown fine sand	0-1-1	2				PT
6.5'		3-4-5	9				SP
	SAND - compact brown fine	3-3-6	9				SP
12.5'		4-10-13	23				SP
	SAND - very compact brown fine	6-8-10	18				SP
20.0'	End of Boring						

# Log of Test Boring

Soils & Structures, Inc.

6480 Grand Haven Road  
Muskegon, Michigan 49441

231-798-4127 / 1-800-933-3959  
fax 231-798-1383

Project Proos Manufacturing

Addition

Location Grand Rapids, Michigan

Project Number 2004.0510

Boring Number 4-2004  
Depth Drilled 20 ft.  
Surface Elev. 100.3 ft.  
Date Started 7-21-04  
Date Completed 7-21-04

Crew Chief B. Fritz  
Helper J. Spangler  
Drill Rig D-50 ATV  
Boring Method hollow stem auger

Water Observations  
Depth 4.0 ft.  
Artesian Layers 5.0 ft.  
Volume 1/4 5.0  
heavy  
5.0

Plugging Record  
Boring Sealed with: excavated soil  
between 0.0 ft. & 20.0 ft.  
between \_\_\_\_\_ ft. & \_\_\_\_\_ ft.  
Test Boring Location: \_\_\_\_\_

Depth in Feet	Soil Description	Penetration ASTM D 1586	"N" (BPF)	Laboratory Data			
				Water Content (%)	Dry Density (pcf)	Shear Strength (pcf)	Unified Soil Classif.
0.2'	SAND - dark brown fine						
	SAND - compact brown fine with concrete at 3.0 feet	3-5-4	9				FILL
4.0'	PEAT - firm black fibrous and occasional seam of fine sand	2-2-3	5				PT
6.5'		2-6-7	13				SP
		5-6-10	16				SP
	SAND - compact to very compact brown fine	7-10-13	23				SP
20.0'	End of Boring	5-6-8	14				SP

# Log of Test Boring

Soils & Structures, Inc.

6480 Grand Haven Road  
Muskegon, Michigan 49441

231-798-4127 / 1-800-933-3959  
fax 231-798-1383

Project Proos Manufacturing

Location Grand Rapids, Michigan

Project Number 2003.0386

Boring Number 1-2003  
Depth Drilled 35.5 ft.  
Surface Elev. 100.0 ft.  
Date Started 7-22-03  
Date Completed 7-22-03

Crew Chief S. Hohmeyer  
Helper J. Koedyker  
Drill Rig D-50 ATV  
Boring Method hollow stem auger

Ground Water Encountered 6.5 ft.  
After Completion 6.5 ft.  
After 1/4 hrs. 6.5 ft.  
Volume heavy  
Seepage at 6.5 ft.

Plugging Record  
Boring Sealed with: patch between 0.0 ft. & 0.5 ft.  
soil between 0.5 ft. & 35.0 ft.  
Test Boring Location: \_\_\_\_\_

Depth in Feet	Soil Description	Penetration ASTM D 1586	"N" (BPF)	Laboratory Data			
				Water Content (%)	Dry Density (pcf)	Uncouffied Strength (psf)	Unified Soil Classif.
0.7'	CONCRETE - 8" with #3 bar				R.D.		
2.0'	SAND - compact brown fine (fill)						
4.5'	SAND - loose brown fine (fill)	1-0-1	1				Fill
5.5'	TOPSOIL - brown sandy	2-3-2	5				Tops1
9.0'	SAND - slightly compact brown very fine with some topsoil	17-15-8	23				Fill
10.0'	SAND - loose black fine with roots	1-2-3	5		50%		SP
19.0'	SAND - slightly compact to compact brown fine	2-2-4	6		50%		SP
22.0'	SAND - compact brown fine with occasional gravel	6-8-13	21		80%		SP
30.0'	SAND - very compact to extremely compact brown fine with occasional gravel	2-3-4	7		50%		SP
35.5'	CLAY - extremely stiff gray sandy with gravel and cobbles	6-10-14	24		75%		SP
35.5'	End of Boring	53-48	100				CL

# Log of Test Boring

**Soils & Structures, Inc.**

6480 Grand Haven Road  
Muskegon, Michigan 49441

231-798-4127 / 1-800-933-3959  
fax 231-798-1383

Project Proos Manufacturing

Location Grand Rapids, Michigan

Project Number 2003.0386

Boring Number 2-2003  
Depth Drilled 39 ft.  
Surface Elev. 100 ft.  
Date Started 7-22-03  
Date Completed 7-22-03

Crew Chief S Hohmeyer  
Helper J. Koedyker  
Drill Rig D-50 ATV  
Boring Method hollow stem auger

Ground Water Encountered 7.0 ft.  
After Completion \_\_\_\_\_ ft.  
After \_\_\_\_\_ hrs. \_\_\_\_\_ ft.  
Volume \_\_\_\_\_  
Seepage at \_\_\_\_\_ ft.

Plugging Record  
Boring Sealed with: \_\_\_\_\_  
patch between 0.0 ft. & 0.5 ft.  
soil between 0.5 ft. & 38.0 ft.  
Test Boring Location: \_\_\_\_\_

Depth in Feet	Soil Description	Penetration ASTM D 1586	"N" (BPF)	Laboratory Data			Unified Soil Classif.
				Water Content (%)	Dry Density (pcf)	Unconfined Strength (pcf)	
0.7'	CONCRETE - with #3 or #4 bar each way				R.D.		
	SAND - slightly compact brown fine (fill)	2-2-2	4				Fill
4.0'	TOPSOIL - dark brown sandy						
5.0'	MARL - brown with sand and gravel	10-13-15	28				OL
5.5'	SAND - very compact brown fine						
6.5'		3-3-4	7	55%			SP
	SAND - slightly compact to compact brown fine	2-2-3	5	50%			SP
15.0'		4-7-9	16	75%			SP
	SAND - compact to very compact brown fine	4-6-8	14	65%			SP
27.0'		8-12-15	27	85%			SP
	SAND - very compact to extremely compact brown fine with some gravel	4-5-6	11	60%			SP
37.0'		7-13-19	32				SP

# Log of Test Boring

**Soils & Structures Inc.**

6480 Grand Haven Rd.  
Muskegon, Michigan 49441

231-798-4127 / 1-800-933-3959  
fax 231-798-1383

Project Proos Manufacturing

Location Grand Rapids, Michigan

Project Number C 2003.0386

Boring Number 2-2003  
Crew Chief S. Hohmeyer  
Depth Drilled 39 ft.  
Helper J. Koedyker  
Surface Elev. 100 ft.  
Drill Rig D-50 ATV  
Date Started 7-22-03  
Boring Method hollow stem auger  
Date Completed 7-22-03

Ground Water Encountered 7.0 ft.  
After Completion \_\_\_\_\_ ft.  
After \_\_\_\_\_ hrs. \_\_\_\_\_ ft.  
Volume \_\_\_\_\_  
Seepage at \_\_\_\_\_ ft.

Plugging Record  
Boring Sealed with:  
patch between 0.0 ft. & 0.5 ft.  
soil between 0.5 ft. & 38.0 ft.

Depth in Feet	Soil Description	Penetration ASTM D 1586	"N" (BPF)	Laboratory Data			
				Water Content (%)	Dry Density (pcf)	Unconfined Strength (psf)	Unified Soil Classif.
39.0'	CLAY - extremely stiff gray with a trace of sand and gravel End of Boring	36-52-43	95				CL

## MEMORANDUM

**To:** Michigan Strategic Fund Board

**From:** Chris Cook, Director – Capital Access

**Date:** January 23, 2018

**Subject:** FY2018 Grant Request – Metro Community Development, Inc.

---

### **Request**

To provide a grant of up to \$100,000 for FY2018 to Metro Community Development, Inc. (“MCD”). The requested grant will be used to support MCD in funding of staffing and administrative expenses. This grant would support MCD with its operation of the Pure Michigan Micro Loan Initiative.

### **Background**

On September 23, 2016 delegates of the MSF Board approved a request to provide up to \$400,000 in loan guaranty exposure to MCD based on MCD closing on a loan of up to \$2,000,000 from Huntington National Bank (“Bank”). The \$2,000,000 is being used by MCD to make small business and micro loans to operating companies in the following markets: City of Flint, Genesee County, City of Saginaw, Saginaw County, Shiawassee County, Lapeer County, and St. Clair County. MCD also assists in facilitating technical assistance in areas such as legal, accounting, marketing, and business development through a partnership with SBDC. SBDC assists MCD in developing a pipeline of potential loans and acts as the gatekeeper for all new applicants seeking financing through the program.

The MEDC provided a \$100,000 grant to MCD in FY17 in order to support staffing and implementation of loan management systems. During FY17 MCD added staff with a primary responsibility of managing the Pure Michigan Micro Loan Initiative. Since closing with the Bank on October 31, 2016, MCD has closed and enrolled four loans totaling \$452,000. At the time of this request MCD has one pending enrollment request totaling \$150,000.

MCD is a non-profit 501(c)(3) originally formed in 1992 as Metro Housing Partnership. In 2009 the name of the organization was changed to MCD in order to better reflect its three areas of focus: housing, community development, and coalition building.

### **Recommendation**

Staff recommends \$100,000 in 21<sup>st</sup> CJF funding be awarded as a grant to MCD for FY18.



**MICHIGAN STRATEGIC FUND  
RESOLUTION**

**2018-**

**METRO COMMUNITY DEVELOPMENT, INC. GRANT**

**WHEREAS**, the Michigan legislature enacted the Michigan Strategic Fund Act, MCL 125.2001 et. seq., (the “Act”) to enable the Michigan Strategic Fund (“MSF”) to provide funding opportunities and programming, in cooperation with employers and communities, to create jobs to meet employment demands and prevent unemployment;

**WHEREAS**, the Michigan Economic Development Corporation (“MEDC”) provides administrative services to the MSF;

**WHEREAS**, pursuant to Section 7(c) of the Act, MCL 125.2007(c), the MSF has, among other things, the power to make grants;

**WHEREAS**, the MSF wishes to award a grant of \$100,000 to Metro Community Development, Inc. (“MCD”) to support staffing and administrative expenses related to operation of the Pure Michigan Micro Loan Initiative, which provides small business and micro loans to companies in the City of Flint, Genesee County, City of Saginaw, Saginaw County, Shiawassee County, Lapeer County, and St. Clair County (the “MCD Grant”);

**WHEREAS**, MEDC recommends that the MSF Board approve the MCD Grant and transfer \$100,000 from the funds allocated to the Michigan Business Development Program (“MBDP”) to fund the MCD Grant; and

**WHEREAS**, the MSF wishes to approve the MCD Grant and transfer \$100,000 from the funds allocated to the MBDP to fund the MCD Grant.

**NOW, THEREFORE, BE IT RESOLVED**, the MSF approves the MCD Grant and authorizes transfer of \$100,000 from the funds allocated to the MBDP to fund the MCD Grant; and

**BE IT FURTHER RESOLVED**, the MSF authorizes the MSF Fund Manager to negotiate the final terms and conditions of the final documents necessary to effectuate the MCD Grant.

Ayes:

Nays:

Recused:

Lansing, Michigan  
January 23, 2018

## MEMORANDUM

**Date:** January 23, 2018

**To:** Michigan Strategic Fund (“MSF”) Board Members

**From:** Trevor Friedeberg, Senior Development Finance Manager

**Subject:** Kroger Co. of Michigan (“Company” or “Applicant”)  
Amendment to Approval of Michigan Business Development Program Performance-based Grant Request

---

### **Request**

The Company has requested to include US Security Associates, Inc., Jani King of Michigan, Inc., Merit Logistics, LLC, and FirstFleet, Inc., in addition to Penske Logistics, LLC, as entities that are part of the Company Group of which jobs can count towards Qualified New Jobs for the purpose of the Michigan Business Development Program grant agreement.

### **Background**

On June 27, 2017 the Michigan Strategic Fund approved a \$2,078,000 award for Kroger Company of Michigan under the Michigan Business Development Program (“MBDP”). The Company proposed to open a new dry-goods distribution center in Chesterfield Township, make investments of up to \$24.9 million and create jobs related to general warehousing and storage.

The Company has additional entities working at the project site supporting its operations. Although these new jobs do not fall under the umbrella of the Kroger Company of Michigan, they are directly related to the operations occurring at the project. To be considered Qualified New Jobs under the MBDP grant agreement, the definition of a Qualified New Job would need to be modified to include jobs created by these additional entities.

With this modification, the Company will have caused the creation of 300 Qualified New Jobs and is on track to meet all future milestone requirements.

### **Recommendation**

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

- a) Amend the June 27, 2017 approval in accordance with the attached Term Sheet;
- b) All other aspects of the approval remain unchanged.

**MICHIGAN STRATEGIC FUND**

**RESOLUTION 2018-**

**AMENDMENT TO APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM  
GRANT TO  
THE KROGER CO. OF MICHIGAN**

**WHEREAS**, the Michigan legislature passed legislation establishing the 21<sup>st</sup> Century Jobs Trust Fund initiative that was signed into law;

**WHEREAS**, the Michigan Economic Development Corporation (“MEDC”) provides administrative services to the Michigan Strategic Fund (“MSF”) for 21<sup>st</sup> Century Jobs Trust Fund programs;

**WHEREAS**, pursuant to MCL 125.2088r, the MSF shall create and operate the Michigan Business Development Program (“MBDP”) to provide grants, loans and other economic assistance to qualified businesses that make qualified investments or provide qualified new jobs in Michigan;

**WHEREAS**, on December 21, 2011, by Resolution 2011-184, the MSF (i) created the MBDP, and (ii) adopted the guidelines for the MBDP (“Guidelines”);

**WHEREAS**, pursuant to SFCR 125.2088r-1, the MSF approved the MSF Fund Manager or the MSF President to negotiate the terms and conditions and execute all final documents necessary to effectuate awards and decisions approved under the MBDP in accordance with the Guidelines (“Transaction Documents”);

**WHEREAS**, the Guidelines require that MBDP awards over \$1 million must be approved by the MSF Board;

**WHEREAS**, on June 27, 2017, the MSF Board approved a performance based MBDP grant of up to \$2,078,000 for The Kroger Co. of Michigan (the “Company”) along with certain terms and conditions contained in the original term sheet for its project in Chesterfield Township (the “Project”) (the “Original Approval”);

**WHEREAS**, The Company has requested a modification to the Original Approval to allow additional entities to create jobs at the Project for purposes of the grant, as outlined in the attached supplemental term sheet (the “Term Sheet”) (the “Grant Modification Request”); and;

**WHEREAS**, the MEDC recommends that the MSF approve the Company’s Grant Modification Request in accordance with the Term Sheet, subject to: (i) available funding, (ii) final due diligence performed to the satisfaction of the MEDC; and (iii) execution of the Transaction Documents, within 120 days of the date of this Resolution (“Time Period”), or this Resolution shall have no effect; provided however, at the sole discretion of the MSF Fund Manager, the Time Period may be extended for up to an additional 60 days (“MBDP Amendment Recommendation”).

**NOW, THEREFORE, BE IT RESOLVED**, the MSF Board approves the MBDP Amendment Recommendation.

Ayes:

Nays:

Recused:

Lansing, Michigan  
January 23, 2018

MICHIGAN ECONOMIC  
DEVELOPMENT CORPORATION

**MICHIGAN BUSINESS DEVELOPMENT PROGRAM  
Performance Based Incentive - Term Sheet - Definitions**

This document contains terms and definitions, which will be used to structure this incentive. 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. Exhibit A will be presented to the MSF for consideration.

**Terms and Definitions:**

**Base Employment Level:** The number of jobs currently maintained in Michigan by the Kroger Company of Michigan (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.

**Qualified New Job Creation:** The minimum number of total Qualified New Jobs the Company, Penske Logistics, LLC, US Security Associates, Inc., Jani King of Michigan, Inc., Merit Logistics, LLC, and FirstFleet, Inc. (Company Group) shall be required to create at the Project Location (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.

**Company Investment:** The Company anticipates investment of up to \$24,911,584 for annual lease costs, building renovations, computers and IT, and machinery and equipment, or any combination thereof, for the Project.

**Municipality Support.** One of the conditions of execution of the final Agreement is the requirement that the municipality shall have committed to provide: use of township offices for a job fair to support job growth. The final terms and conditions demonstrating this support shall be included in the final Agreement.

**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 the Company must otherwise be in compliance with all terms and conditions of the final Agreement, and further shall include:

- a. **Disbursement Milestone 1:** Up to \$1,650,000      Upon demonstrated creation of 300 Qualified New Jobs above the Base Employment Level and verification of final approval of municipality support by no later than February 28, 2018.
- b. **Disbursement Milestone 2:** Up to \$275,000      Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 50 additional Qualified New Jobs (for a total of 350 Qualified New Jobs) above the Base Employment Level, by no later than December 31, 2018.
- c. **Disbursement Milestone 3:** Up to \$153,000      Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, and upon demonstrated creation of 27 additional Qualified New Jobs (for a total of 377

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MICHIGAN ECONOMIC  
DEVELOPMENT CORPORATION

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Qualified New Jobs) above the Base Employment Level, by no later than December 31, 2019.

**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 Group moves 25% or more of their employees out of Michigan, if the Company Group fails to maintain the Base Employment Level in Michigan, if the Company Group fails to maintain the Qualified New Jobs incented by this Award.

**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.

**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. At the request and expense of the MSF or the MEDC, the Company will cooperate with the MSF or the MEDC to promote the Project through one or more of the placement of a sign, plaque, media coverage or other public presentation at the Project or other location acceptable to the Parties.

MICHIGAN ECONOMIC  
DEVELOPMENT CORPORATION

**EXHIBIT A**  
**MICHIGAN BUSINESS DEVELOPMENT PROGRAM**  
**Performance Based Incentive - Term Sheet - Summary**

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").

Date: January 5, 2018

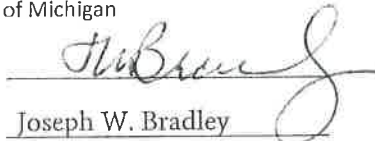
Company Name:	Kroger Company of Michigan and/or its affiliates and subsidiaries.
Project Location:	26090 23 Mile Road New Baltimore, MI 48051
MBDP Incentive Type:	Performance Base Grant
Maximum Amount of MBDP Incentive:	Up to \$2,078,000
Base Employment Level:	At least 517
Qualified New Jobs:	At least 377 at the Project Location
Municipality Supporting Project:	Chesterfield Township has agreed to provide staff, financial or economic assistance in support of the project.
Start Date for Measurement of Creation of Qualified New Jobs:	March 22, 2016 (Date of Accepted Offer Letter)
Term of the Agreement:	June 30, 2020
Milestone Based Incentive:	Disbursements will be made over a 3 year period and will be performance based on job creation as follows: Milestone 1: \$1,650,000 for the creation of 300 jobs. Milestone 2: \$275,000 for the creation of 50 jobs. Milestone 3: \$153,000 for the creation of 27 jobs.

*The detailed numbers, and statutorily required repayment and reporting provisions, will be reflected in the subsequent transaction documents.*

Acknowledged as received by:

Kroger Company of Michigan

By:

  
Printed Name: Joseph W. Bradley

Its:

Vice President and Assistant Treasurer

Michigan Economic Development Corporation

By:

  
Printed Name: Trevor Friedberg

Its:

So. Business Dev. Project Mgr.

**MEMORANDUM**

**Date:** January 23, 2018

**To:** Michigan Strategic Fund (“MSF”) Board Members

**From:** Julia Veale, Business Development Project Manager

**Subject:** *Williams International Co., LLC (“Company” or “Applicant”)  
Re-Authorization of Michigan Business Development Program Request for \$4,000,000  
Performance-Based Grant  
MSF-Designated Renaissance Zone Amendment*

---

**Request**

The Company has requested that the Michigan Strategic Fund (“MSF”) Board reauthorize approval of the Company’s Michigan Business Development Program (“MBDP”) award and modify the approval for the MSF-Designated Renaissance Zone designation to allow for additional time to execute the required incentive agreements. The Company has also requested that the start date for measuring job creation for the incentives be modified to an earlier date.

**Background**

On June 27, 2017 the MSF Board approved a MBDP performance-based grant in the amount of \$4,000,000 and also approved a request for an MSF Designated Renaissance Zone for fifteen (15) years for the Williams International project located in the City of Pontiac, Oakland County. The approval for both incentives required that an Agreement be entered into within 120 days of the date of the approval, with the possibility of an extension of up to an additional 60 days with approval from the MSF Fund Manager. However, due to required reviews from all parties involved, it has taken longer than expected to execute the agreement.

In addition, the original MSF Board approval required that the Start Date for Measurement of Qualified New Jobs begin on June 27, 2017. However, the date should have been the date the Offer Letter was signed, April 1, 2017.

The Company has requested to amend the Start Date for the Measurement of Qualified New Jobs. The Company is still committed to the creation of 400 Qualified New Jobs for this project.

Due to these administrative limitations, all parties have been unable to enter into the required Agreements within the allowable 180 days. However, it is anticipated that the company will be in a position to execute the agreement within the next 60 days with the modification to the Start Date for Measurement of Qualified New Jobs.

**Recommendation**

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

- a) Reauthorization of the MBDP award with the modification to the Job Creation Measurement Start Date; and
- b) Extend the deadline for the execution of a development agreement for the MSF-Designated Renaissance Zone designation.

Commitment will remain valid for 120 days with approval for MSF Fund Manager to extend the commitment an additional 60 days.



**MICHIGAN STRATEGIC FUND**

**RESOLUTION 2018-**

**REAUTHORIZATION AND AMENDMENT OF APPROVAL OF A MICHIGAN  
BUSINESS DEVELOPMENT PROGRAM GRANT TO  
WILLIAMS INTERNATIONAL CO., LLC**

**WHEREAS**, the Michigan legislature passed legislation establishing the 21<sup>st</sup> Century Jobs Trust Fund initiative that was signed into law;

**WHEREAS**, the Michigan Economic Development Corporation (“MEDC”) provides administrative services to the Michigan Strategic Fund (“MSF”) for 21<sup>st</sup> Century Jobs Trust Fund programs;

**WHEREAS**, pursuant to MCL 125.2088r, the MSF shall create and operate the Michigan Business Development Program (“MBDP”) to provide grants, loans and other economic assistance to qualified businesses that make qualified investments or provide qualified new jobs in Michigan;

**WHEREAS**, on December 21, 2011, by Resolution 2011-184, the MSF (i) created the MBDP, and (ii) adopted the guidelines for the MBDP (“Guidelines”);

**WHEREAS**, pursuant to SFCR 125.2088r-1, the MSF approved the MSF Fund Manager or the MSF President to negotiate the terms and conditions and execute all final documents necessary to effectuate awards and decisions approved under the MBDP in accordance with the Guidelines (“Transaction Documents”);

**WHEREAS**, the Guidelines require that MBDP awards over \$1 million must be approved by the MSF Board;

**WHEREAS**, via MSF Resolution 2017-090, the MSF Board approved a \$4,000,000 Michigan Business Development Program Performance based grant on June 27, 2017 for Williams International Co., LLC (the “Company”) for the creation of 400 Qualified New Jobs for a project in the City of Pontiac in Oakland County, along with other terms and conditions as previously approved (the “Original Approval”);

**WHEREAS**, due to administrative limitations, an agreement has not yet been reached between the parties to govern the MBDP award consistent with the Original Approval within the allotted approval timeframe; and

**WHEREAS**, the Company requests, and the MEDC recommends, that the MSF Board reauthorize the grant consistent with the terms outlined in the Original Approval, except for a modification of the Start Date for the Measurement of Qualified New Jobs from June 27, 2017 to April 1, 2017 (the “Grant Reauthorization and Amendment Request”).

**NOW, THEREFORE, BE IT RESOLVED**, the MSF Board approves the Grant Reauthorization and Amendment Request; and

**BE IT FURTHER RESOLVED**, the MSF Fund Manager is authorized to negotiate the final terms and conditions of the final documents necessary to effectuate the Grant Reauthorization and Amendment Request.

Ayes:

Nays:

Recused:

Lansing, Michigan  
January 23, 2018

**MICHIGAN STRATEGIC FUND**

**RESOLUTION  
2018-**

**MSF DESIGNATED RENAISSANCE ZONE AMENDMENT  
Williams International Co., LLC**

**WHEREAS**, Section 8a(2) of the Michigan Renaissance Zone Act (the “Act”), 1996 PA 376, as amended, authorizes the Michigan Strategic Fund (“MSF”) Board to designate up to twenty-seven (27) renaissance zones (a “Renaissance Zone”) in one or more city, village, or township if consented to by the local unit of government in which the proposed renaissance zone will be located;

**WHEREAS**, the Michigan Economic Development Corporation (“MEDC”) provides administrative services to the MSF for the Renaissance Zone program;

**WHEREAS**, via MSF Resolution 2017-091, the MSF Board approved an MSF-Designated Renaissance Zone designation to Williams International Co., LLC (the “Company”) for its project in the City of Pontiac, with several conditions (the “Original Approval”);

**WHEREAS**, due to administrative limitations, a development agreement has not yet been reached between the parties to govern the MSF-Designated Renaissance Zone designation by the deadline outlined in the Original Approval; and

**WHEREAS**, the MEDC recommends that the MSF Board approve a modification to the Original Approval allowing for the execution of a development agreement consistent with the terms of the Original Approval between the Michigan Strategic Fund, the real property owner(s), and the Company within 120 days of this Resolution, or within 180 days should the MSF Fund Manager authorize an extension not exceeding 60 additional days.

**NOW, THEREFORE, BE IT RESOLVED**, that the MSF Board agrees to modify the Original Approval to allow for the execution of a development agreement consistent with the terms of this Resolution between the Michigan Strategic Fund, the real property owner(s), and the Company within 120 days of this Resolution, or within 180 days should the MSF Fund Manager authorize an extension not exceeding 60 additional days; and

**BE IT FURTHER RESOLVED**, that the MSF Fund Manager is authorized to negotiate the final terms and conditions of and to execute the development agreement and any other related documents necessary to effectuate the terms of this Resolution on behalf of the MSF.

Ayes:

Nays:

Recused:

Lansing, Michigan  
January 23, 2018

**MEMORANDUM**

**Date:** January 23, 2018

**To:** Michigan Strategic Fund Board

**From:** Joshua Hundt, Executive Vice President & Chief Business Development Officer

**Subject:** *XALT Energy MI, LLC  
Amendment of MEGA Tax Credit & Renaissance Zone  
Termination of Cell Manufacturing Credit & Advanced Lithium Ion Battery Pack  
Credit*

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**Request**

XALT Energy, MI, LLC, formerly known as KD ABG MI, LLC and Dow Kokam MI, LLC, (“XALT or “Company”) has requested that the Michigan Strategic Fund (“MSF”) Board terminate their Cell Manufacturing Credit Agreement and Advanced Lithium Ion Battery Pack Credit Agreement and waive an event of default under its Renaissance Zone Award. In consideration for the terminations and waiver, the Company has agreed to reduce the term of its Standard MEGA Tax Credit and Renaissance Zone Award by three years (the aforementioned, collectively, the “Request”).

**Background**

In 2009 and 2010, the Michigan Economic Growth Authority (“MEGA”) Board and the MSF authorized the following incentives for the Company: 1) a Standard Tax Credit of up to 100 percent for fifteen consecutive tax years through December 31, 2026 for a minimum of 50 qualified new jobs and a maximum of 885 qualified new jobs in Michigan (the “Standard MEGA Tax Credit”); 2) a tax credit under Section 434(5) of the Michigan Business Tax Act of up to \$100 million over four years for up to 50 percent of the qualified capital investment expenses related to the construction of an integrative cell manufacturing facility (the “Cell Manufacturing Tax Credit”); 3) a tax credit under Section 434(7) of the Michigan Business Tax Act of up to \$42,000,000 over four years for capital investment expenses for the manufacture of lithium ion battery packs (the “Battery Pack Tax Credit”); and 4) a Renaissance Zone designation of up to 15 years, beginning on December 31, 2010 for property tax purposes and on January 1, 2011 for income and Michigan Business Tax purposes (the “Renaissance Zone Award”). Executive Order 2012-9 transferred all authority, powers, and duties of the MEGA Board to the MSF.

On September 22, 2009, the Standard MEGA Tax Credit and the Cell Manufacturing Credit were amended to extend the time in which the final agreements were to be executed. On February 27, 2013, the MSF approved an amendment to the Renaissance Zone Award that modified the due date of the job creation milestone from February 1, 2014 to the following targets and deadlines: 125 cumulative new jobs by December 31, 2015, 155 cumulative new jobs by December 31, 2016, 220 cumulative new jobs by December 31, 2017, and 320 cumulative new jobs by December 31, 2018. An amendment to the Cell Manufacturing Tax Credit was also approved on February 27, 2013 to extend the project completion due date from December 31, 2015 to December 31, 2018.

XALT satisfied the requirements of the Cell Manufacturing Tax Credit and the Battery Pack Tax Credit and received the full benefit under the respective agreements. The Company continues to receive benefits

under the MEGA Tax Credit and the Renaissance Zone Designation. XALT has reported to have invested over \$300 million at their plants in Midland and employed the required 320 employees in early 2015. However, due to market conditions and the Company's focus on research & development they have not maintained all those positions. As of September 2017 the company had 119 employees in Midland. This reduction in staff resulted in an event of default under the Renaissance Zone Award for failing to maintain the jobs through the term.

XALT is in the final stages of negotiation with a significant investor and the amendments and terminations contemplated in this memo and resolution are a condition of the financing. The Company and its investor are requesting that the MSF terminate the Cell Manufacturing Tax Credit and the Battery Pack Tax Credit and waive the event of default under the Renaissance Zone Award. In consideration for these requests, the terms of the Standard MEGA Tax Credit and the Renaissance Zone Award will be reduced by three years. Approval of the Request is necessary for XALT to continue operations. The financing will fall through if the MSF does not approve the Request, which will force XALT to liquidate assets, lay off employees, and cease all operations.

**Recommendation**

MEDC Staff recommends approval of the Request.

**MICHIGAN STRATEGIC FUND**

**RESOLUTION 2018-**

**XALT ENERGY MI, LLC AMENDMENT RENAISSANCE ZONE**

**WHEREAS**, Section 8a(2) of the Michigan Renaissance Zone Act, MCL 125.2688a, authorizes the Michigan Strategic Fund (“MSF”) to designate renaissance zones in one or more cities, villages, or townships if consented to by the local unit of government in which the renaissance zone is located;

**WHEREAS**, the Michigan Economic Development Corporation (“MEDC”) provides administrative services to the MSF for the renaissance zone program;

**WHEREAS**, on February 24, 2010, the MSF approved a renaissance zone for Dow Kokam MI, LLC for up to 15 years, beginning on December 31, 2010 for property tax purposes and on January 1, 2011 for income and Michigan Business Tax purposes (the “Renaissance Zone Award”);

**WHEREAS**, on February 27, 2013, the MSF approved an amendment to the Renaissance Zone Award to modify the due date of the job creation milestone from February 1, 2014 to the following targets and deadlines:

- 125 cumulative new jobs by December 31, 2015
- 155 cumulative new jobs by December 31, 2016
- 220 cumulative new jobs by December 31, 2017
- 320 cumulative new jobs by December 31, 2018

**WHEREAS**, on December 6, 2013, Dow Kokam MI, LLC changed its name to XALT Energy, MI, LLC (“XALT” or “Company”);

**WHEREAS**, XALT created the required 320 cumulative new jobs by December 31, 2015 and is now in default of its Renaissance Zone Award for failing to maintain those jobs through the term of the Renaissance Zone Award (the “Event of Default”);

**WHEREAS**, the Company has requested that the MSF waive the Event of Default in exchange for an amendment to reduce the term of its Renaissance Zone Award by three years (the “Waiver and Amendment Request”);

**WHEREAS**, the MEDC recommends that the MSF approve the Amendment Request;  
and

**WHEREAS**, the MSF wishes to approve the Amendment Request.

**NOW, THEREFORE, BE IT RESOLVED**, the MSF Board approves the Amendment Request; and

**BE IT FURTHER RESOLVED**, that the MSF Fund Manager is authorized to negotiate the final terms and conditions of the Amendment Request and to execute all documents necessary to finalize the Amendment Request.

Ayes:

Nays:

Recused:

Lansing, Michigan  
January 23, 2018

## **MICHIGAN STRATEGIC FUND**

### **RESOLUTION 2018-**

#### **XALT ENERGY MI, LLC AMENDMENT TO STANDARD MEGA TAX CREDIT AND TERMINATION OF CELL MANUFACTURING AND BATTERY PACK TAX CREDITS**

**WHEREAS**, the Michigan Legislature created the Michigan Economic Growth Authority (“MEGA”) under the Michigan Economic Growth Authority Act, 1995 PA 24, as amended, with the authority to grant an authorized business a credit against the tax imposed by the Michigan Business Tax Act, 2007 PA 36, as amended;

**WHEREAS**, Section 434(5) of the Michigan Business Tax Act, MCL 208.1434(5), authorized the MEGA to issue a tax credit of up to 50 percent of the capital investment expenses, for any tax year after construction of an integrative cell manufacturing facility that includes anode and cathode manufacturing and cell assembly if the taxpayer creates not less than 300 new jobs in the State of Michigan;

**WHEREAS**, Section 434(7) of the Michigan Business Tax Act, MCL 208.1434(7), authorized the MEGA to issue a tax credit to a taxpayer for the manufacture of advanced lithium ion battery packs;

**WHEREAS**, by Executive Order 2012-9, all the authority, powers, duties and functions of the MEGA Board were transferred to the Michigan Strategic Fund (“MSF”);

**WHEREAS**, the Michigan Economic Development Corporation (“MEDC”) provides administrative services to the MSF;

**WHEREAS**, on April 14, 2009, the MEGA Board authorized a Standard Tax Credit for KD ABG MI, LLC of up to 100 percent for fifteen consecutive tax years through December 31, 2026 for a minimum of 50 qualified new jobs and a maximum of 885 qualified new jobs in Michigan (the “Standard MEGA Tax Credit”);

**WHEREAS**, on April 14, 2009, the MEGA Board authorized a tax credit for KD ABG MI, LLC under Section 434(5) of the Michigan Business Tax Act of up to \$100 million over four years for up to 50 percent of the qualified capital investment expenses related to the construction of an integrative cell manufacturing facility (the “Cell Manufacturing Tax Credit”);

**WHEREAS**, on September 22, 2009, the Standard MEGA Tax Credit and the Cell Manufacturing Credit were amended to extend the time in which a final agreement was to be executed and to recognize the company’s name change from KD ABG MI, LLC to Dow Kokam MI, LLC;

**WHEREAS**, on February 25, 2010, the MEGA Board authorized a tax credit for Dow Kokam MI, LLC under Section 434(7) of the Michigan Business Tax Act of up to \$42,000,000

over four years for capital investment expenses for the manufacture of lithium ion battery packs (the “Battery Pack Tax Credit”);

**WHEREAS**, on February 27, 2013, the Cell Manufacturing Credit was amended to extend the project completion due date from December 31, 2015 to December 31, 2018;

**WHEREAS**, on December 6, 2013, Dow Kokam MI, LLC changed its name to XALT Energy, MI, LLC (“XALT” or “Company”);

**WHEREAS**, the Company has requested that the MSF authorize the following actions in connection with the Standard MEGA Tax Credit, the Cell Manufacturing Tax Credit, and the Battery Pack Tax Credit (collectively, the “Amendment Request”):

- (1) Reduce the term of the Standard MEGA Tax Credit by three years;
- (2) Terminate the Cell Manufacturing Credit in its entirety; and
- (3) Terminate the Battery Pack Tax Credit in its entirety.

**WHEREAS**, MEDC recommends that the MSF approve the Amendment Request; and

**WHEREAS**, the MSF wishes to approve the Amendment Request.

**NOW, THEREFORE, BE IT RESOLVED**, the MSF Board approves the Amendment Request; and

**BE IT FURTHER RESOLVED**, that the MSF Fund Manager is authorized to negotiate the final terms and conditions of the Amendment Request and to execute all documents necessary to finalize the Amendment Request.

Ayes:

Nays:

Recused:

Lansing, Michigan  
January 23, 2018



## MEMORANDUM

**Date:** January 23, 2018  
**To:** Michigan Strategic Fund Board  
**From:** Dean Wade, Compliance Specialist, Compliance and Contract Services  
**Subject:** NanoBio Corporation – Loan Conversion Request

### Request

NanoBio Corporation (“NanoBio” or the “Company”) has requested a partial conversion of and amendment to its 21<sup>st</sup> Century Jobs Fund Business Plan Competition Loan in accordance with the following terms: 1) converting \$606,978.42 of the loan balance into New Series A Preferred stock at \$0.10864/share for a total of 5,587,062 shares and 2) extending the grace period on the unconverted loan balance for thirty six (36) months, with full principal and interest payments beginning on June 1, 2021 and continuing in equal monthly installments for the following twenty-three (23) months, with all other terms and conditions of the loan remaining in full force and effect (the “Request”).

### Background

NanoBio is a research-stage biotechnology company focused on developing and commercializing products for the prevention and treatment of infectious diseases. The Company is a spinout from the Center for Biologic Nanotechnology at the University of Michigan. NanoBio received a loan of up to \$2,377,526 from the Strategic Economic Investment and Commercialization (“SEIC”) Board and the MSF on May 15, 2007.

The original award was a straight loan with an interest rate of 3%, a six year grace period and a four year payment schedule (the “NanoBio Loan”). The MSF was also granted, and maintains, a security interest on the Company’s tangible personal property, excluding inventory. The NanoBio Loan was amended on October 15, 2013 (Amendment 1) as follows: 1) conversion of 50% of the then outstanding indebtedness (\$2,743,174.32) into 3,356,796 shares of the Company’s Series C Preferred Stock; 2) the addition of conversion terms that would allow the MSF to elect to convert the remaining indebtedness into equity upon the occurrence of a conversion event, including the closing of a financing round of at least \$1,000,000 or the Company’s filing of an initial public offering; and 3) extended the grace period of the remaining indebtedness to June 1, 2015. The NanoBio Loan was again amended on December 1, 2015 (Amendment 2) as follows: 1) extension of the grace period to June 1, 2016 and 2) increase the interest rate from 3% to 3.25%. The NanoBio Loan was again amended on July 6, 2016 (Amendment 3) as follows: 1) extend the grace period to June 1, 2017 and 2) increase the interest rate from 3.25% to 3.5%. The NanoBio Loan was again amended on May 25, 2017 (Amendment 4) as follows: 1) the grace period was extended to June 1, 2018 and 2) the interest rate was increased from 3.5% to 4.0%. The loan balance as of January 1, 2018 was \$1,606,978.47.

Under Section 2.6 of the NanoBio Loan Agreement, as amended, the MSF has the right to convert some or all of the outstanding debt into equity of the company upon the occurrence of a venture-financing event of at least \$1,000,000. The Company has a term sheet from a combination of previous investors that proposes a venture-financing event of \$3,000,000. The current financing event is expected to supplement up to \$10,000,000 in grants from NIH during 2017-19. As such, this financing will fund NanoBio through late 2019. During this period, the Company hopes to achieve several key milestones in their intranasal vaccine programs, including entering Phase 1 human studies for anthrax and H5 (pandemic influenza) vaccines and potentially securing a commercial partner in pertussis (whooping cough).

Staff recommends a partial conversion at this time because it 1) allows the MSF to convert all or part of the remaining loan balance in future financing rounds, (which might have financial incentives over earlier rounds) or upon the occurrence of a liquidity event or an IPO; 2) it protects against down rounds in case the Company loses value from previous rounds; and 3) the outstanding loan balance is accruing interest at 4% annually and remains secured by the Company's tangible personal property (excluding inventory).

A summary of the pre-conversion and post-conversion details are included below:

**21<sup>st</sup> Century Jobs Fund Award 2006 (Pre Conversion)**

Award Type:	Straight Loan (amended to convertible)
Original Award Amount:	\$2,377,526
Award Date:	May 15, 2007
Interest Rate:	4% (as amended)
Outstanding Balance:	\$1,606,978.47 (as of 01/01/2018)
Equity:	3,356,796 shares Series C Preferred Stock
Collateral:	Tangible personal property excluding inventory

**21<sup>st</sup> Century Jobs Fund Award 2006 (Post Conversion)**

Award Type:	Straight Loan (amended to convertible)
Original Award Amount:	\$2,377,526
Award Date:	May 15, 2007
Interest Rate:	4% (as amended)
Outstanding Balance:	\$1,000,000.05 (as of 01/01/2018)
Equity:	3,356,796 shares Series C Preferred Stock 5,587,062 shares New Series A Preferred Stock
Collateral:	Tangible personal property excluding inventory

**Recommendation**

MEDC staff recommends approval of the Request.

**MICHIGAN STRATEGIC FUND**

**RESOLUTION  
2018-**

**NANOBIO CORPORATION – PARTIAL LOAN CONVERSION AND  
AMENDMENT REQUEST**

**WHEREAS**, Public Acts 215 and 225 of 2005 established the 21<sup>st</sup> Century Jobs Trust Fund initiative;

**WHEREAS**, the Michigan Economic Development Corporation (“MEDC”) provides administrative services for the Michigan Strategic Fund (“MSF”) for 21st Century Jobs Fund programs;

**WHEREAS**, the Strategic Economic Investment and Commercialization (“SEIC”) Board, the MSF and NanoBio Corporation (“NanoBio” or “Company”), entered into a 21<sup>st</sup> Century Business Plan Competition Loan Agreement, dated May 15, 2007, whereby the SEIC Board and MSF agreed to loan up to \$2,377,526 to NanoBio under the terms and conditions set forth in the Convertible Loan Agreement, Security Agreement and Promissory Note (the “Note”), each dated January 18, 2007 (the Loan Agreement, Security Agreement, and Note, collectively, “Loan Documents”);

**WHEREAS**, pursuant to Executive Order 2010-08, the SEIC Board was abolished and all powers, duties, and functions of the SEIC Board were transferred to the MSF;

**WHEREAS**, on October 15, 2013, the Loan Documents were amended to convert 50% of the then outstanding loan balance into 3,356,796 shares of the Company’s Series C Preferred stock; add a conversion right that allows the MSF to convert the loan upon the occurrence of a venture financing event; and extend the grace period of the remaining indebtedness to June 1, 2015;

**WHEREAS**, on December 1, 2015, the Loan Documents were amended to extend the grace period to June 1, 2016 and increase the interest rate from 3% to 3.25%;

**WHEREAS**, on July 6, 2016, the Loan Documents were amended to extend the grace period to June 1, 2017 and increase the interest rate from 3.25% to 3.5%;

**WHEREAS**, on May 25, 2017, the Loan Documents were amended to extend the grace period to June 1, 2018 and increase the interest rate from 3.5% to 4%;

**WHEREAS**, NanoBio has requested that the MSF exercise its right to convert a portion of the loan balance and amend the Loan Documents with terms and conditions that shall include:

- (a) Converting \$606,978.42 into 5,587,062 shares of the Company’s new Series A Preferred Stock;

(b) extending the grace period ending date under the Note from June 1, 2018 to June 1, 2021; and

(c) requiring Note payments in equal installments of principal and interest to begin on June 1, 2021 and continuing for the following twenty-three (23) months.

(the aforementioned, collectively the “Loan Conversion and Amendment Request”);

**WHEREAS**, the MEDC recommends that the MSF Board approve the Loan Conversion and Amendment Request; and

**WHEREAS**, the MSF wishes to approve the Loan Conversion and Amendment Request.

**NOW, THEREFORE, BE IT RESOLVED**, the MSF approves the Loan Conversion and Amendment Request; and

**BE IT FURTHER RESOLVED**, that the MSF Fund Manager is authorized to take all necessary action to effectuate the Loan Conversion and Amendment Request in accordance with the terms and conditions of this resolution.

Ayes:

Nays:

Recused:

Lansing, Michigan  
January 23, 2018

## MEMORANDUM

**Date:** January 23, 2018

**To:** Michigan Strategic Fund (“MSF”) Board

**From:** Mark Morante, Fund Manager

**Subject:** Reallocation of Returns and Repayments under Pure Michigan Venture Match Fund and Pure Michigan Venture Development Fund programs

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### **Request**

Michigan Economic Development Corporation (“MEDC”) staff is requesting that the Michigan Strategic Fund (“MSF”) Board reallocate returns and repayments received by the jobs for Michigan investment fund (the “Investment Fund”) from awards authorized under the Pure Michigan Venture Match Fund program (the “PMVMF Program”) and the Pure Michigan Venture Development Fund program (the “PMVDF Program”) for reuse under the PMVMF Program and the PMVDF Program for any authorized use under Section 88h and the MSF Act (the “Request”).

### **Background**

On March 28, 2012, the MSF approved guidelines for the PMVMF Program to make matching investments in for-profit companies that secured venture investments from qualified venture funds. On June 27, 2012, the MSF approved guidelines for PMVDF Program to make awards to qualified venture funds in the State of Michigan. As required under Section 88h of the MSF Act, any returns or repayments from awards authorized under these two programs are deposited in the Investment Fund. At the time of program creation, the MSF earmarked these returns for future use under the PMVMF Program and the PMVDF Program.

Both the PMVMF Program and PMVDF Program have remained dormant since 2014, when the MSF last authorized any new awards under either program. As such, MEDC staff recommends that any returns or repayments to the Investment Fund from existing awards be available for any authorized use of the Investment Fund instead of for specific use under the PMVMF Program or the PMVDF Program.

### **Recommendation**

MEDC Staff recommends the MSF Board approve the Request

**MICHIGAN STRATEGIC FUND**

**RESOLUTION 2018-**

**REALLOCATION OF PURE MICHIGAN VENTURE MATCH FUND AND PURE MICHIGAN VENTURE DEVELOPMENT FUND RETURNS**

**WHEREAS**, Public Acts 215 and 225 of 2005 established the 21<sup>st</sup> Century Jobs Trust Fund initiative;

**WHEREAS**, as part of the 21<sup>st</sup> Century Jobs Trust Fund initiative and pursuant to Section 88h of the Michigan Strategic Fund (“MSF”) Act, MCL 125.2088h, the jobs for Michigan investment fund was created as a permanent fund authorized by section 19 of article IX of the State Constitution of 1963 (the “Investment Fund”);

**WHEREAS**, on March 28, 2012 by Resolution 2012-33, the MSF approved guidelines for the Pure Michigan Venture Match Fund to make matching investments in for-profit companies that secured venture investments from qualified venture funds (the “PMVMF Program”);

**WHEREAS**, by Resolution 2012-34, the MSF Board directed that any returns or repayments to the Investment Fund from awards authorized under the PMVMF Program be earmarked for future use under PMVMF Program;

**WHEREAS**, on June 27, 2012 by Resolution 2012-61, the MSF approved guidelines for the Pure Michigan Venture Development Fund to make awards to qualified venture funds in the State of Michigan (the “PMVDF Program”);

**WHEREAS**, by Resolution 2012-62, the MSF Board directed that any returns or repayments to the Investment Fund from awards authorized under the PMVDF Program be earmarked for future use under PMVDF Program;

**WHEREAS**, MEDC staff recommends that any returns or repayments to the Investment Fund from awards authorized under the PMVMF Program or the PMVDF Program be reallocated and available for any permitted use of the Investment Fund under the MSF Act (the “Reallocation Request”);

**WHEREAS**, the MSF wishes to approve the Reallocation Request.

**NOW, THEREFORE, BE IT FURTHER RESOLVED**, the MSF approves the Reallocation Request.

Ayes:

Nays:

Recused:

Lansing, Michigan  
January 23, 2018

## MEMORANDUM

**Date:** January 23, 2018  
**To:** MSF Board  
**From:** Fred Molnar, VP Entrepreneurship and Innovation  
**Subject:** 2015 Business Incubator Gatekeeper Grant Amendments

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### Action

The MEDC requests that the MSF Board approve awards in the amount of \$574,338 to the following 7 nonprofit/university organizations to provide business incubator services in their respective SmartZone to early stage technology companies and institutions for commercializing competitive-edge technologies:

- Ann Arbor SPARK East, Ann Arbor-Ypsilanti SmartZone – Ypsilanti, MI
- Central Michigan University Research Corporation (CMURC), Mt. Pleasant SmartZone– Mt. Pleasant, MI
- Lansing Economic Area Partnership (LEAP), Lansing Regional SmartZone – Lansing, MI
- Macomb-Oakland University Incubator (Mac-OUInc), Sterling Heights SmartZone – Sterling Heights, MI
- Muskegon Innovation Hub (MIH) SmartZone - formerly Michigan Alternative and Renewable Energy Center (MAREC), Muskegon Lakeshore SmartZone – Muskegon, MI
- Midland Tomorrow formerly MidMichigan Innovation Center, Midland SmartZone – Midland, MI
- Western Michigan University Homer Stryker M.D. School of Medicine (WMU Med) – formerly Southwest Michigan Innovation Center (SMIC), Kalamazoo SmartZone – Kalamazoo, MI

### Background

Since 2009 the Michigan Strategic Fund (“MSF”) has provided funding to business incubators to stimulate the creation and continued growth of technology-based businesses and jobs by capitalizing on the State of Michigan's growing base of high technology industry, its skilled labor force, its nationally recognized university system, its SmartZones, and its business incubators.

### Results

On February 24, 2015, the MSF selected CMURC, SPARK East, LEAP, Mac-OUInc, MIH, Midland Tomorrow, and WMU Med for business incubator grants. The MSF approved refunding these grants on December 20, 2016.

- **Ann Arbor SPARK East, Ann Arbor-Ypsilanti SmartZone, (\$100,000 over 1 year to continue the existing gatekeeping activities at their incubator located in Ypsilanti, MI,):** SPARK East serves as an innovation hub with access to funding and business development support for start-up and mature stage technology based companies and is the center piece for economic development and re-vitalization in eastern Washtenaw County. SPARK East was initially awarded a 2 year (4/1/15-3/31/17), \$350,000 grant to perform gatekeeping activities at their incubator located in Ypsilanti, MI, and to increase technology transfer activities and collaboration with the Digital Engagement Center at Eastern Michigan University. They were refunded for an additional year in the amount of \$100,000 to continue the gatekeeping activities. The additional funds requested here will be used to continue gatekeeping activities for an additional year starting 4/1/18. SPARK East will be providing the match.

Since being awarded this grant in 2015, Ann Arbor SPARK East has achieved the following metrics:

- New companies formed: 11
- Companies served: 26
- New jobs created: 25
- Jobs retained: 51
- Follow on funding: \$110,000 with an additional \$14.22 million in new sales

- **Central Michigan University Research Corridor (CMURC), Mt. Pleasant SmartZone (\$99,550 over one year for gatekeeper activities):** CMURC was initially awarded a 2 year (4/1/15-3/31/17) grant in the amount of \$199,100 for gatekeeping activities. They were refunded for an additional year (\$99,550) to continue these activities through 3/31/18. The funding has been used to cover the salary and expenses of the gatekeeper who assists technology companies with BAF applications and support of BAF activities, assistance with client pre-seed applications and support of pre-seed activities and other similar activities. The additional funding requested here will be used to continue funding the gatekeeper for an additional year starting 4/1/18. CMURC will be matching this funding at a minimum of 1-1.

Since being awarded this grant in 2015, CMURC has achieved the following metrics:

- New companies formed: 47
- Companies served: 402
- New jobs created: 209
- Jobs retained: 696
- Follow on funding: \$5.07 million with an additional \$16.3 million in new sales

- **Lansing Economic Area Partnership (LEAP), Lansing Regional SmartZone (\$100,000 over one year to support continued gatekeeping activities):** LEAP was initially awarded a 2 year (4/1/15-3/31/17), \$200,000 grant to fund the gatekeeper position. They were refunded for an additional year at the same level (\$100,000) to continue these activities through 3/31/18. The funds have gone toward the salary and expenses of the gatekeeper position. The gatekeeper is responsible for assisting technology based companies affiliated with the Technology Innovation Center and the



MSU technology commercialization pipeline navigate the ecosystem and access the programs run by the various service providers including BAF, and pre-seed. The additional funding requested here will go towards funding the gatekeeper position for an additional year starting 4/1/18. The match will be provided by LEAP general funds and membership fees.

Since being awarded this grant in 2015, LEAP has achieved the following metrics:

- New companies formed: 52
- Companies served: 235
- New jobs created: 79
- Jobs retained: 32
- Follow on funding: \$5.87 million with an additional \$149,404 in new sales

- **Macomb- Oakland University, Sterling Heights SmartZone (\$49,332 over 9 months to support continued gatekeeping activities):** Mac OUInc was initially awarded a 27 month (4/1/15-6/30/17) grant in the amount of \$197,326. They were refunded for an additional year at the same level (\$98,663) to continue these activities through 6/30/18. They were given an additional 3 months initially compared to the other grants because they were to be hiring a new employee to fill the gatekeeper position. This funding has been used to cover the salary and expenses of the gatekeeper who is responsible for gatekeeping activities at the incubator. This gatekeeper is also responsible for Capital-raise Activities, Direct Consulting, Business Pipeline Development and Supporting the Technology-based Entrepreneurial Ecosystem. The additional funding requested here will go towards funding the gatekeeper position for an additional 9 months starting 7/1/18. This grant will be matched with funding from Oakland University and in-kind services from the Business Advisory Board.

Since being awarded this grant in 2015, MacOUInc has achieved the following metrics:

- New companies formed: 32
- Companies served: 249
- New jobs created: 97
- Jobs retained: 1407
- Follow on funding: \$29.57 million with an additional \$21.9 million in new sales

- **Muskegon Innovation Hub, Muskegon Lakeshore SmartZone (\$25,456 over 7 months to support gatekeeping activities):** In June 2016 Michigan Alternative and Renewable Energy Center changed its name to better reflect its activities and the original agreement was amended to reflect this change. MIH was initially awarded a 27 month (4/1/15-6/30/17) grant in the amount of \$111,980. They were awarded an additional \$60,000 to fund the gatekeeper position through 9/1/18. They were initially given an additional 3 months compared to the other grants because they were to be hiring a new employee to fill the gatekeeper position. This funding has been used to cover the salary and expenses for the business incubator manager. The business incubator manager runs the day-to-day operations of the incubator and is the gatekeeper to guide clients moving through the accelerator, pre-seed, angel investor, SBDC, and other support programs. The additional funding requested here will be used to continue funding the gatekeeper

position for an additional year. MIH will also be receiving a 3 month no cost extension on the original term of the grant since it took them much longer than anticipated to hire a gatekeeper. MIH-GVSU plans on providing the match to this grant.

Since being awarded this grant in 2015, MIH has achieved the following metrics:

- New companies formed: 18
  - Companies served: 113
  - New jobs created: 73
  - Jobs retained: 159
  - Follow on funding: \$14.83 million with an additional \$5.93 million in new sales
- **Midland Tomorrow, Midland SmartZone (\$100,000 over one year to support gatekeeping activities):** On September 27, 2016 the MSF reassigned the grant originally awarded to the MidMichigan Innovation Center (MMIC) to Midland Tomorrow following their acquisition of MMIC and transfer of all activities to Midland Tomorrow. Midland Tomorrow (MMIC) originally received a 2 year (4/1/15-3/31/17), \$200,000 grant to fund the gatekeeper position. They were refunded for an additional year at the same level (\$100,000). This funding covers the costs associated with maintaining a full-time staff person to manage gatekeeping activities and navigate technology based entrepreneurs through the State's entrepreneurial ecosystem. The additional funding requested here will fund the gatekeeper position for an additional year starting 4/1/18. Midland Tomorrow will match this grant with funding from their partners.

Since being awarded this grant in 2015, Midland Tomorrow has achieved the following metrics:

- New companies formed: 12
  - Companies served: 140
  - New jobs created: 31
  - Jobs retained: 652
  - Follow on funding: \$19.13 million with an additional \$1.08 million in new sales
- **Western Michigan University Homer Stryker M.D. School of Medicine (WMed), Kalamazoo SmartZone (\$100,000 over one year to support gatekeeping activities):** On February 23, 2016 the MSF approved reassigning the grant originally awarded to Southwest Michigan Innovation Center (SMIC) to the Western Michigan University Homer Stryker M.D. School of Medicine after they acquired SMIC. WMU Med/SMIC initially received a 2 year (4/1/15-3/31/17), \$200,000 grant to fund the gatekeeper position. They were refunded for an additional year at the same level (\$100,000). This funding has supported the salary and travel expenses for gatekeeping and looking for drug development related technologies for commercialization. The gatekeeper is responsible for helping clients navigate the entrepreneurial ecosystem within the State. The additional funding requested will continue to fund the gatekeeper position for an additional year starting 4/1/18. WMU Med will be providing the match.

Since being awarded this grant in 2015, WMU Med has achieved the following metrics:

- New companies formed: 4

- Companies served: 161
- New jobs created: 41
- Jobs retained: 186
- Follow on funding: \$196.48 million with an additional \$32.2 million in new sales

**Recommendation**

MEDC staff requests that the MSF Board approve the following awards using funds allocated for the Fiscal Year 2018 21st Century Jobs Fund to support Entrepreneurship and Innovation:

\$100,000	- Ann Arbor SPARK East, Ann Arbor-Ypsilanti SmartZone
\$99,550	- Central Michigan University Research Corporation, Mt Pleasant SmartZone
\$100,000	- Lansing Economic Area Partnership, Lansing Regional SmartZone
\$49,332	- Macomb-Oakland University, Sterling Heights SmartZone
\$25,456	- Muskegon Innovation Hub, Muskegon Lakeshore SmartZone
\$100,000	- Midland Tomorrow, Midland SmartZone
\$100,000	- Western Michigan University School of Medicine, Kalamazoo SmartZone
<b>\$574,338</b>	<b>- Total</b>

The grants will be administered under an amended grant agreement with each grantee with refined milestones and metrics. These milestones will be related to serving the companies and helping them navigate the entrepreneurial support (financial or otherwise) that is funded through grants approved by the MSF. The metrics will be, at a minimum, those that are required by the legislation, including number of companies created, number of jobs created, number of jobs retained, follow on funding raised, average salaries of new and retained jobs, and number of tech companies served.

MEDC staff also recommends that the MSF Board delegate authority to the MSF Fund Manager, with the assistance of MEDC staff, to negotiate and execute the final terms and conditions and all necessary agreements with awardees.

**MICHIGAN STRATEGIC FUND  
RESOLUTION**

**2018-**

**2015 BUSINESS INCUBATORS AWARDS**

**WHEREAS**, Public Acts 215 and 225 of 2005 (“Act”) established the 21st Century Jobs Trust Fund initiative;

**WHEREAS**, MCL 125.2088k authorizes the Michigan Strategic Fund (“MSF”) Board to award grants and loans for basic research, applied research, university technology transfer, and commercialization of products, processes and services to encourage the development of competitive edge technologies to create jobs within the State of Michigan;

**WHEREAS**, the Michigan Economic Development Corporation (“MEDC”) provides administrative services to the MSF;

**WHEREAS**, MCL 125.2088k requires that the MSF Board establish a competitive process to award grants and make loans for competitive edge technologies;

**WHEREAS**, on November 25, 2014, the MSF initiated a competitive proposal process to award grants to business incubators to stimulate the creation and continued growth of technology-based businesses and jobs (the “Business Incubators RFP”) and allocated \$6.435 million to the Business Incubators RFP;

**WHEREAS**, on February 24, 2015, the MSF Board authorized grants to the following entities for the initial terms and award amounts listed below, with the option to extend the grants for up to an additional three years and allocate additional funds:

<b>Grantee</b>	<b>Initial Term</b>	<b>Initial Award Amount</b>
Ann Arbor SPARK East	4/1/15-3/31/17	\$350,000
Central Michigan University Research Corporation	4/1/15-3/31/17	\$199,100
Lansing Economic Area Partnership	4/1/15-3/31/17	\$200,000
Macomb-Oakland University Incubator	4/1/15-6/30/17	\$197,326
Muskegon Innovation Hub	4/1/15-6/30/17	\$111,980
Mid-Michigan Innovation Center	4/1/15-3/31/17	\$200,000
Southwest Michigan Innovation Center	4/1/15-3/31/17	\$200,000

(the aforementioned, collectively, the Business Incubator Awards”);

**WHEREAS**, on February 23, 2016, the MSF Board authorized Mid-Michigan Innovation Center to assign its Business Incubator Award to Midland Tomorrow;

**WHEREAS**, on September 27, 2016, the MSF Board authorized Southwest Michigan Innovation Center to assign its Business Incubator Award to Western Michigan University Homer Stryker, M.D. School of Medicine;

**WHEREAS**, on December 20, 2016, the MSF exercised its first option to extend and allocate additional funds to the Business Incubator Awards for the terms and amounts listed below:

<b>Grantee</b>	<b>Extension</b>	<b>Additional Funds</b>
Ann Arbor SPARK East	3/31/18	\$100,000
Central Michigan University Research Corporation	3/31/18	\$99,500
Lansing Economic Area Partnership	3/31/18	\$100,000
Macomb-Oakland University Incubator	6/30/18	\$98,663
Muskegon Innovation Hub	9/1/18	\$60,000
Midland Tomorrow	3/31/18	\$100,000
WMU Homer Stryker M.D. School of Medicine	3/31/18	\$100,000

(the aforementioned, collectively, the “Business Incubator Grants Amendment #1”).

**WHEREAS**, the MEDC recommends that the MSF Board exercise its second option to extend the grants and allocate additional funds to the Business Incubator Awards for the terms and amounts listed below:

<b>Grantee</b>	<b>Extension</b>	<b>Additional Funds</b>
Ann Arbor SPARK East	3/31/19	\$100,000
Central Michigan University Research Corporation	3/31/19	\$99,550
Lansing Economic Area Partnership	3/31/19	\$100,000
Macomb-Oakland University Incubator	3/31/19	\$49,332
Muskegon Innovation Hub	3/31/19	\$25,456
Midland Tomorrow	3/31/19	\$100,000
WMU Homer Stryker M.D. School of Medicine	3/31/19	\$100,000

(the aforementioned, collectively, the “Business Incubator Grants Amendment #2”).

**NOW, THEREFORE, BE IT RESOLVED**, that the MSF Board approves the Business Incubator Grants Amendment #2; and

**BE IT FURTHER RESOLVED**, the MSF Fund Manager is authorized to negotiate the final terms and conditions of the Business Incubator Grants Amendment #2 and to execute all documents necessary to effectuate the Business Incubator Grants Amendment #2.

Ayes:

Nays:

Recused:

Lansing, Michigan  
January 23, 2018

## MEMORANDUM

**Date:** January 23, 2018  
**To:** Michigan Strategic Fund  
**From:** Fred Molnar, Vice President, Entrepreneurial Services  
**Subject:** 2016 Business Incubator Gatekeeper Grants Amendments

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### Action

The MEDC requests that the MSF Board approve awards in the amount of \$299,691 to the following 5 nonprofit/university organizations to provide business incubator services in their respective SmartZone to early stage technology companies and institutions for commercializing competitive-edge technologies:

- Innovation Marquette Enterprise Corporation (IMQT), Marquette SmartZone – Marquette, MI
- Michigan Tech Enterprise Corporation (MTEC), Michigan Tech Enterprise SmartZone – Houghton/Hancock, MI
- Lenawee Now, Adrian and Tecumseh SmartZone– Adrian/Tecumseh, MI
- Lakeshore Advantage, Holland SmartZone – Holland, MI
- SSMart / Lake Superior State University, Sault Ste. Marie SmartZone – Sault Ste. Marie, MI

### Background

Since 2009 the Michigan Strategic Fund (“MSF”) has provided funding to business incubators to stimulate the creation and continued growth of technology-based businesses and jobs by capitalizing on the State of Michigan's growing base of high technology industry, its skilled labor force, its nationally recognized university system, its SmartZones, and its business incubators.

### Results

On April 26, 2016, the MSF selected IMQT, MTEC, Lenawee Now, Lakeshore Advantage and SSMart/LSSU for business incubator grants.

- **Innovate Marquette Enterprise Corporation, Marquette SmartZone (\$6,977 over 11 months):** The funding will be used to partially fund the salary and expenses of the gatekeeper. IMQT was initially awarded a 2 year (5/1/16-4/30/18), \$190,000 grant to partially fund the CEO as the gatekeeper. The gatekeeping duties were shifted to the SmartZone program manager and the salary was reduced allowing the original grant funds to be utilized over a longer period of time. The additional funding will further extend the end of the grant to 3/31/19. The gatekeeper will assist technology companies with BAF applications and support of BAF activities, assistance with client Pre-Seed applications and

support of PreSeed activities and other similar activities. The matching funds will be provided by Innovate Marquette Enterprise Corporation.

Since being awarded this grant IMQT has achieved the following metrics:

- New companies formed: 6
- Companies served: 115
- New jobs created: 8
- Jobs retained: 6
- Follow on funding: \$379,000 with an additional \$27,000 in new sales

- **Lakeshore Advantage, Holland SmartZone (\$69,210 over 11 months):** The funding will be used to cover the salary and expenses of the gatekeeper. Lakeshore Advantage was originally awarded a 2 year (5/1/16-4/30/18), \$151,600 grant to fund the gatekeeper position. The gatekeeper is responsible for working with technology based companies located in the new Holland SmartZone satellite. The gatekeeper works with technology based companies navigate the entrepreneurial ecosystem in the state including assisting with BAF and PreSeed applications. Lakeshore Advantage will provide matching funds. The additional funding will extend the grant through 3/31/19.

Since being awarded this grant Lakeshore Advantage has achieved the following metrics:

- New companies formed: 16
- Companies served: 51
- New jobs created: 54
- Jobs retained: 81
- Follow on funding: \$4.97 million with an additional \$6.65 million in new sales

- **Lenawee Now, Adrian and Tecumseh SmartZone (\$91,667 over 11 months):** This funding will be used to cover the salary and expenses of a new staff member who will be responsible for gatekeeping activities. Lenawee Now was originally awarded a 2 year, (5/1/16-4/30/18), \$190,000 grant to fund the gatekeeper position. The gatekeeper is responsible for working with technology based companies in the new Adrian/Tecumseh SmartZone satellite. The gatekeeper provides various services including assisting companies navigate MSF funded programs such as BAF and PreSeed. Matching funds will be available from multiple organizations as both in-kind and cash matches. The additional funding will extend the grant through 3/31/19.

Since being awarded this grant Lenawee Now has achieved the following metrics:

- New companies formed: 5
- Companies served: 13
- New jobs created: 11
- Follow on funding: \$190,000 with an additional \$540,000 in new sales

- **Michigan Tech Enterprise Corporation, Michigan Tech Enterprise SmartZone (\$91,667 over 11 months):** This funding will be used to partially fund the gatekeeper salary. MTEC was originally awarded a 2 year (5/1/16-4/30/18), \$180,759 grant to fund the gatekeeper position. The gatekeeper is responsible for activities including identifying and attracting clients and helping them navigate through the entrepreneurial ecosystem and

supporting BAF and PreSeed applications. The gatekeeper conducts these activities from the MTEC SmartZone business incubator/accelerator office locations headquartered in Hancock and Houghton, Michigan. The additional funding will extend the grant through 3/31/19.

Since being awarded this grant MTEC has achieved the following metrics:

- New companies formed: 10
  - Companies served: 120
  - New jobs created: 88
  - Jobs retained: 953
  - Follow on funding: \$9.43 million with an additional \$24.63 million in new sales
- **SSMart / Lake Superior State University, Sault Ste. Marie SmartZone (\$40,170 over 11 months):** This funding will be used to fund the salary of the CEO of the Sault Ste. Marie SmartZone as the gatekeeper. LSSU was originally awarded a 2 year (5/1/16-4/30/18), \$87,641 grant to fund the gatekeeper. He is responsible for helping technology based companies in the area access the state run programs such as the BAF and the Pre-seed fund. LSSU will be providing the matching funds. The additional funding will extend the grant through 3/31/19.

Since being awarded this grant LSSU has achieved the following metrics:

- New companies formed: 6
- Companies served: 11
- New jobs created: 5
- Follow on funding: \$305,169 with an additional \$17,000 in new sales

### **Recommendation**

MEDC staff requests that the MSF Board approve the following awards using funds allocated for the Fiscal Year 2018 21st Century Jobs Fund to support Entrepreneurship and Innovation:

\$6,997	- Innovate Marquette Enterprise Corporation, Marquette SmartZone
\$69,210	- Lakeshore Advantage, Holland SmartZone
\$91,667	- Lenawee Now, Adrian and Tecumseh SmartZone
\$91,667	- Michigan Tech Enterprise Corporation, Michigan Tech Enterprise SmartZone (Houghton/Hancock)
\$40,170	- SSMart - Lake Superior State University, Sault Ste. Marie SmartZone
<hr/>	
<b>\$299,691</b>	<b>- Total</b>

The grants will be administered under an amended grant agreement with each grantee with refined milestones and metrics. These milestones will be related to serving the companies and helping them navigate the entrepreneurial support (financial or otherwise) that is funded through grants approved by the MSF. The metrics will be, at a minimum, those that are required by the legislation,



including number of companies created, number of jobs created, number of jobs retained, follow on funding raised, average salaries of new and retained jobs, and number of tech companies served.

MEDC staff also recommends that the MSF Board delegate authority to the MSF Fund Manager, with the assistance of MEDC staff, to negotiate and execute the final terms and conditions and all necessary agreements with awardees.

**MICHIGAN STRATEGIC FUND  
RESOLUTION**

**2018-**

**2016 BUSINESS INCUBATORS GRANTS AMENDMENT #1**

**WHEREAS**, Public Acts 215 and 225 of 2005 (“Act”) established the 21st Century Jobs Trust Fund initiative;

**WHEREAS**, MCL 125.2088k authorizes the Michigan Strategic Fund (“MSF”) Board to award grants and loans for basic research, applied research, university technology transfer, and commercialization of products, processes and services to encourage the development of competitive edge technologies to create jobs within the State of Michigan;

**WHEREAS**, the Michigan Economic Development Corporation (“MEDC”) provides administrative services to the MSF;

**WHEREAS**, MCL 125.2088k requires that the MSF Board establish a competitive process to award grants and make loans for competitive edge technologies;

**WHEREAS**, on December 15, 2015, the MSF initiated a competitive proposal process to award grants to business incubators to stimulate the creation and continued growth of technology-based businesses and jobs (the “Business Incubators RFP”);

**WHEREAS**, on April 26, 2016, the MSF Board authorized grants to the following entities for the initial terms and award amounts listed below, with the option to extend the grants for up to an additional three years and allocate additional funds:

<b>Grantee</b>	<b>Initial Term</b>	<b>Initial Award Amount</b>
Innovate Marquette Enterprise Corporation	5/1/16-4/30/18	\$190,000
Lakeshore Advantage	5/1/16-4/30/18	\$151,600
Lenawee Now	5/1/16-4/30/18	\$190,000
Michigan Tech Enterprise Corporation	5/1/16-4/30/18	\$180,759
Lake Superior State University/SSMart	5/1/16-4/30/18	\$87,641

(the aforementioned, collectively, the “2016 Business Incubator Awards”);

**WHEREAS**, the MEDC recommends that the MSF Board exercise its first option to extend the grants and allocate additional funds to the 2016 Business Incubator Awards for the terms and amounts listed below:

<b>Grantee</b>	<b>Extension</b>	<b>Additional Funds</b>
Innovate Marquette Enterprise Corporation	3/31/19	\$6,977
Lakeshore Advantage	3/31/19	\$69,210
Lenawee Now	3/31/19	\$91,667
Michigan Tech Enterprise Corporation	3/31/19	\$91,667
Lake Superior State University/SSMart	3/31/19	\$40,170

(the aforementioned, collectively, the “Business Incubator Grants Amendment #1”).

**NOW, THEREFORE, BE IT RESOLVED**, that the MSF Board approves the Business Incubator Grants Amendment #1; and

**BE IT FURTHER RESOLVED**, the MSF Fund Manager is authorized to negotiate the final terms and conditions of the Business Incubator Grants Amendment #1 and to execute all documents necessary to effectuate the Business Incubator Grants Amendment #1.

Ayes:

Nays:

Recused:

Lansing, Michigan  
January 23, 2018

## MEMORANDUM

**Date:** January 23, 2018  
**To:** MSF Board  
**From:** Fred Molnar, VP Entrepreneurship and Innovation  
**Subject:** Lawrence Technological University Grant Amendment Two

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### ACTION

MEDC Staff recommends the MSF Board approve a grant in the amount of \$100,000 to Lawrence Technological University (LTU) to fund a Gatekeeper Business Incubator grant through March 31, 2019.

### BACKGROUND TO AWARD

The Michigan Strategic Fund (“MSF”) is authorized under Section 7 of the MSF Act to make grants, loans and investments in furtherance of the purposes of the MSF Act, as provided in Section 2 of the MSF Act, and which include the following: to help diversify the economy of this state, to assist business enterprise in obtaining additional sources of financing to aid this state in achieving the goal of long-term economic growth and full employment, to meet the growing competition for business enterprises, to preserve existing jobs, to create new jobs, and to reduce the cost of business and production.

The business incubator funding program grants funding to incubators to stimulate the creation and continued growth of technology-based businesses and jobs by capitalizing on the State of Michigan's growing base of high technology industry, its skilled labor force, its nationally recognized university system, its SmartZones, and its business incubators.

On February 24, 2015, the MSF selected Lawrence Technological University to receive a grant in the amount of \$100,000 over 12 months to act as a Gatekeeper for the Southfield SmartZone and to establish the Business and Technology Center in a 4,000 square foot space within a LTU building located on the campus. The Center is operated by LTU Economic Development, with day to day management provided by the LTU Collaboratory. This grant funds the salary and expenses of the center's director who is responsible for all gatekeeping activities including assisting companies with BAF and PreSeed applications and will also be responsible for collecting and monitoring the outcomes of the center. This grant is matched with TIF funds from the City of Southfield and in-kind in the form of salaries of the center's advisory board members. On June 28, 2016, the MSF selected LTU for an additional \$100,000 grant to continue funding the gatekeeper

position through June 30, 2017. On December 20, 2016, the MSF approved an additional extension through March 31, 2018 adding \$75,000 to the award.

### **PROGRAM RESULTS**

The purpose of this program is to assist early stage technology companies navigate the MSF funded entrepreneurial programs within the state and provide business advice to help these companies grow and prosper. Since July 1, 2016, LTU has helped 12 companies form, 6 companies expand, served 59 companies, helped create 9 jobs and raised over \$1.6 million including new sales.

### **BACKGROUND TO REFUNDING REQUEST**

The grant was awarded to the LTU Collaboratory knowing that it was still in its beginning phases of organization. The team at the Collaboratory have been able to provide the required services and have met or exceeded the milestones and metrics in the grant agreement. The continuation of the funding will allow them to continue assisting companies in the Southfield/Troy SmartZone area. LTU is also adding new services, including “Scale-Up for Success” a DOE backed program to assist “hardware” companies scale-up and commercialize their products. They will also begin construction on the 6,200 square foot Accelerator space with plans to open in Fall 2018.

### **RECOMMENDATION**

Lawrence Technological University, through this grant, has provided the necessary services to early stage technology based companies in the Southfield/Troy SmartZone. The grantee has continuously demonstrated stringent stewardship of the fund, while meeting or exceeding the expected metrics. As such, MEDC Staff recommends the MSF Board approve this grant for the amount of \$100,000, using funds appropriated to the MSF in FY2018 from the General Fund. The grant would be administered under an amended grant agreement with LTU with refined milestones and metrics. These milestones will be related to serving the companies and helping them navigate the entrepreneurial support (financial or otherwise) that is funded through grants approved by the MSF. The metrics will be, at a minimum, those that are required by the legislation, including number of companies created, number of jobs created, number of jobs retained, follow on funding raised, average salaries of new and retained jobs, and number of tech companies served.

MEDC staff also recommends that the MSF Board delegate authority to the MSF Fund Manager, with the assistance of MEDC staff, to negotiate and execute the final terms and conditions and all necessary agreements with LTU.

**MICHIGAN STRATEGIC FUND  
RESOLUTION**

**2018-**

**LAWRENCE TECHNOLOGICAL UNIVERSITY GRANT AMENDMENT #2**

**WHEREAS**, Public Acts 215 and 225 of 2005 (the “Act”) established the 21st Century Jobs Trust Fund initiative;

**WHEREAS**, the Michigan Economic Development Corporation (“MEDC”) provides administrative services to the Michigan Strategic Fund (“MSF”);

**WHEREAS**, Section 7 of the Act provides that the MSF has the power to make grants, loans and investments;

**WHEREAS**, Section 2 of the Act provides that the purposes of the Act and of the MSF is, among other things, to help diversify the economy of this state, to assist business enterprise in obtaining additional sources of financing to aid this state in achieving the goal of long-term economic growth and full employment, to meet the growing competition for business enterprises, to preserve existing jobs, to create new jobs, and to reduce the cost of business and production;

**WHEREAS**, on June 28, 2016, the MSF Board authorized a grant of up to \$100,000 to Lawrence Technological University (“LTU”) to assist early stage technology companies navigate entrepreneurial programs within the State of Michigan and provide business advice to help these companies grow and prosper, thereby increasing the number of jobs and investment in the State of Michigan for an initial term of July 1, 2016 to June 30, 2017, with the option to extend the grant for up to three additional years and allocate additional funds (the “LTU Grant”);

**WHEREAS**, on December 20, 2016, the MSF Board exercised its first option to extend the LTU Grant to March 31, 2018 and allocated \$75,000 in additional funding (“LTU Grant Amendment #1”); and

**WHEREAS**, the MSF Board wishes to exercise its second option to extend the LTU grant to March 31, 2019 and allocate \$100,000 in additional funding (the “Grant Amendment #2”).

**NOW, THEREFORE, BE IT RESOLVED**, that the MSF approves Grant Amendment #2; and

**BE IT FURTHER RESOLVED**, the MSF Fund Manager is authorized to negotiate the final terms and conditions of the Grant Amendment #2 and to execute all documents necessary to effectuate Grant Amendment #2.

Ayes:

Nays:

Recused:

Lansing, Michigan  
January 23, 2018

## MEMORANDUM

**Date:** January 23, 2018

**To:** MSF Board

**From:** Fred Molnar, VP Entrepreneurship and Innovation

**Subject:** TechTown Detroit Business Incubator Grant Amendment Three

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### ACTION

MEDC Staff recommends the MSF Board approve a grant amendment in the amount of \$250,000 to TechTown Detroit to fund the continuation of their Detroit Technology Exchange (DTX) Business Incubator grant through March 31, 2019.

### BACKGROUND TO AWARD

Under the authorities created by the Michigan Strategic Fund Act (“Act”), MCL 125.2088k, and transferred to the Michigan Strategic Fund (“MSF”) by Executive Order 2010-8, the MSF is charged with awarding grants and loans for basic research, applied research, university technology transfer, and commercialization of products, processes and services to encourage the development of competitive edge technologies to create jobs within the State of Michigan.

The business incubator funding program grants funding to incubators to stimulate the creation and continued growth of technology-based businesses and jobs by capitalizing on the State of Michigan's growing base of high technology industry, its skilled labor force, its nationally recognized university system, its SmartZones, and its business incubators.

On February 24, 2015, the MSF selected TechTown Detroit to receive a grant in the amount of \$500,000 over 12 months to continue their DTX program services in collaboration with its partners Invest Detroit, DC3 and TechStars. On February 23, 2016, the MSF refunded the grant to TechTown Detroit in the amount of \$500,000 to continue the DTX programming through March 31, 2017. On December 20, 2016, the MSF refunded the grant to TechTown Detroit in the amount of \$250,000 to continue the DTX programming through March 31, 2018. All grants were matched 1 to 1 by TechTown Detroit and their partners.

### PROGRAM RESULTS

The purpose of this program is to continue to administer the DTX program developed and administered by TechTown. This program includes *DTX Launch Detroit*, a startup accelerator for students; *D-Venture*, an entrepreneur-in-residence placement program; and integrated ecosystem services, including start-up company acceleration, incubation and portfolio sharing. The *DTX*

*Fellow* program, a mid-level talent placement program, will also be continued. TechTown has increased the number of organizations it collaborates with to also include Grand Circus, the Henry Ford Hospital and NextEnergy.

Since the beginning of this grant the DTX programming has created 33 new companies, assisted 42 companies in expanding, created 165 new jobs, helped companies raise over \$11.4 million in follow-on-funding and \$88.7 million in new sales and served 397 technology based companies.

## **BACKGROUND TO REFUNDING REQUEST**

The DTX program

- 1) Works to retain an energized student base in Detroit and create a pool of talent for the local entrepreneurial ecosystem.
- 2) Mines the vast amount of intellectual property (IP) generated by Detroit's universities, corporations and institutions and evaluates the commercialization potential of this underutilized and/or under developed IP.
- 3) Has developed a mid-level talent placement program as well as other programs for talent attraction and development
- 4) Provides services to enhance the overall entrepreneurial ecosystem in Detroit including mentorship, acceleration and incubation services through all of its partners including DC3, Invest Detroit, Henry Ford Hospital, Grand Circus, NextEnergy and others.

The continuation of this programming in Detroit is instrumental in the success of early stage companies in the area and will help keep more of these companies in Detroit contributing to the resurgence of the city.

## **RECOMMENDATION**

TechTown Detroit, through this grant, continues to provide significant economic impact for the state and for the city of Detroit. The grantee has continuously demonstrated stringent stewardship of the fund, while meeting or exceeding the expected metrics. As such, MEDC Staff recommends the MSF Board approve this grant amendment in the amount of \$250,000, using funds allocated for the Fiscal Year 2018 21st Century Jobs Fund to support Entrepreneurship and Innovation. The grant would be administered under an amended grant agreement with TechTown Detroit with refined milestones and metrics. These milestones will be related to the execution of the DTX programming, specifically, *DTX Launch Detroit*- launching the third session; *D-Venture-entrepreneur-in-residence* activities regarding seeking technology for commercialization, mentoring and coaching clients on business plan, pitch development, etc. and preparing clients and connecting with appropriate investment source; *DTX Fellow* program- placement of the fellow;



and integrated ecosystem services, including start-up company acceleration, incubation and portfolio sharing. The metrics will be, at a minimum, those required by the legislation, including number of companies created, number of jobs created, number of jobs retained, follow on funding raised, average salaries of new and retained jobs, and number of tech companies served.

MEDC staff also recommends that the MSF Board delegate authority to the MSF Fund Manager, with the assistance of MEDC staff, to negotiate and execute the final terms and conditions and all necessary agreements with TechTown.

## **MICHIGAN STRATEGIC FUND**

### **RESOLUTION**

**2018-**

### **TECHTOWN GRANT AMENDMENT #3**

**WHEREAS**, Public Acts 215 and 225 of 2005 (the “Act”) established the 21<sup>st</sup> Century Jobs Fund initiative;

**WHEREAS**, MCL 125.2088k created the Strategic Economic Investment and Commercialization Board (“SEIC Board”) for the purposes of awarding grants and loans for basic research, applied research, university technology transfer, and commercialization of products, processes and services to encourage the development of competitive edge technologies to create jobs within the State of Michigan;

**WHEREAS**, pursuant to Executive Order 2010-8, the Governor ordered the SEIC Board abolished and all powers, duties and functions of the SEIC Board transferred to the Michigan Strategic Fund (“MSF”), including those powers, duties and functions provided under MCL 125.2088k;

**WHEREAS**, the Michigan Economic Development Corporation (“MEDC”) provides administrative services to the MSF for the 21<sup>st</sup> Century Jobs Fund initiative;

**WHEREAS**, on November 25, 2014, the MSF Board authorized the issuance of a request for proposals (“RFP”) for awarding grants to business incubators to stimulate the creation and continued growth of technology-based businesses and jobs (the “Business Incubators RFP”);

**WHEREAS**, on February 24, 2015, TechTown was awarded a grant of \$500,000 under the Business Incubators RFP (the “TechTown Grant”) for a term of April 1, 2015 through March 31, 2016, with an option to extend the term of the grant for up to an additional three years and to increase the amount of the grant, subject to available funds;

**WHEREAS**, on February 23, 2016, the MSF Board exercised its first option to extend the TechTown Grant to March 31, 2017 and allocated \$500,000 in additional funding (“Grant Amendment #1”);

**WHEREAS** on December 20, 2016, the MSF Board exercised its second option to extend the TechTown Grant to March 31, 2018 and allocated \$250,000 in additional funding (“Grant Amendment #2”)

**WHEREAS**, the MEDC recommends that the MSF Board exercise its final option to extend the TechTown Grant to March 31, 2019 and allocate \$250,000 in additional funding (“Grant Amendment #3”); and

**WHEREAS**, the MSF Board wishes to approve the Grant Amendment #3.

**NOW, THEREFORE, BE IT RESOLVED**, the MSF Board approves the Grant Amendment #3;

**BE IT FURTHER RESOLVED**, the MSF Fund Manager is authorized to negotiate the final terms and conditions of the Grant Amendment #3 and to execute all documents necessary to effectuate the Grant Amendment #3.

Ayes:

Nays:

Recused:

Lansing, Michigan  
January 23, 2018

## MEMORANDUM

**Date:** January 23, 2018  
**To:** MSF Board  
**From:** Fred Molnar, VP Entrepreneurship and Innovation  
**Subject:** Automation Alley Business Incubator Grant Amendment Four

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### ACTION

MEDC Staff recommends the MSF Board approve a grant amendment in the amount of \$500,000 to Automation Alley to fund the continuation of their Business Incubator (7Cs) grant through October 31, 2018.

### BACKGROUND

Under the authorities created by the Michigan Strategic Fund Act (“Act”), MCL 125.2088k, and transferred to the Michigan Strategic Fund (“MSF”) by Executive Order 2010-8, the MSF is charged with awarding grants and loans for basic research, applied research, university technology transfer, and commercialization of products, processes and services to encourage the development of competitive edge technologies to create jobs within the State of Michigan.

On February 14, 2015, the MSF approved a grant in the amount of \$500,000 to support the launch of the Automation Alley’s 7Cs program. Further, the MSF amended and increased this Grant by an additional \$1,000,000.

The original term of this grant began on January 1, 2015 and is scheduled to end on March 31, 2018. Automation Alley seeks approval to 1) extend this agreement through October 31, 2018 and 2) add funding in the amount of \$500,000.

### PROGRAM RESULTS

Automation Alley’s 7Cs program is aimed at accelerating the growth of small businesses and startups across Michigan, with a specific emphasis on advanced manufacturing startups. Entrepreneurs are guided through a customized seven-step process that starts with the conception of their technology and leads to commercialization. Today, once-struggling Michigan companies that have been through the 7Cs program are generating revenue as suppliers to Subaru, BMW, Ford and Schlage. The current 7Cs program invests in approximately ten ‘advanced manufacturing’ companies per year. The investment portion of the 7Cs program is anticipated to be sustainable from inception. Automation Alley also uses the Automation Alley Pre-Seed Fund returning proceeds to invest in their 7Cs clients. The investment strategy designed into the 7Cs Program is beneficial to both the 7Cs client and the longevity of the 7Cs Program. Automation Alley anticipates a 70% repayment rate and internal rate of return of 16%.

Since the beginning of this grant, Automation Alley has created 14 new companies, created 51 new jobs, and assisted companies in raising over \$14.7 million in follow-on-funding.

**RECOMMENDATION**

MEDC Staff recommends the MSF Board approve the request to 1) extend this agreement through October 31, 2018 and 2) add funding in the amount of \$500,000. The grant would be administered under an amended grant agreement with Automation Alley.

MEDC staff also recommends that the MSF Board delegate authority to the MSF Fund Manager, with the assistance of MEDC staff, to negotiate and execute the final terms and conditions and all necessary agreements with the awardee.

**MICHIGAN STRATEGIC FUND  
RESOLUTION**

**2018-**

**AUTOMATION ALLEY  
BUSINESS INCUBATOR GRANT AMENDMENT #4**

**WHEREAS**, Public Acts 215 and 225 of 2005 (“Act”) established the 21st Century Jobs Trust Fund initiative;

**WHEREAS**, MCL 125.2088k authorizes the Michigan Strategic Fund (“MSF”) to award grants and loans for basic research, applied research, university technology transfer, and commercialization of products, processes and services to encourage the development of competitive edge technologies to create jobs within the State of Michigan;

**WHEREAS**, the Michigan Economic Development Corporation (“MEDC”) provides administrative services to the MSF;

**WHEREAS**, MCL 125.2088k requires that the MSF Board establish a competitive process to award grants and make loans for competitive edge technologies;

**WHEREAS**, on November 25, 2014, the MSF issued a request for proposals to award grants to business incubators to stimulate the creation and continued growth of technology-based businesses and jobs (the “Business Incubators RFP”); and

**WHEREAS**, on February 24, 2015, Automation Alley received a business incubator grant in the amount of \$500,000 for a term of January 1, 2015 to October 31, 2015, with the option to extend for up to an additional three years and to allocate additional funds (the “Automation Alley Grant”);

**WHEREAS**, pursuant to Section 125.2088k-4 of the Michigan Strategic Fund Compiled Resolutions, the MSF Fund Manager authorized a no-cost extension of the Automation Alley Grant to April 30, 2016 (“Grant Amendment #1”);

**WHEREAS**, on April 26, 2016, the MSF exercised its option to extend the term to March 31, 2017 and allocated \$500,000 in additional funding to the Automation Alley Grant (“Grant Amendment #2”);

**WHEREAS**, on December 20, 2016, the MSF exercised its option to extend the term for an additional one year ending March 31, 2018 and allocated \$500,000 in additional funding (“Grant Amendment #3”);

**WHEREAS**, the MEDC recommends that the MSF exercise its final option to extend the term to October 31, 2018 and allocate \$500,000 in additional funding for the Automation Alley Grant (the “Grant Amendment #4”); and

**WHEREAS**, the MSF wishes to approve the Grant Amendment #4.

**NOW, THEREFORE, BE IT RESOLVED**, that the MSF Board approves the Grant Amendment #4; and

**BE IT FURTHER RESOLVED**, that MSF Fund Manager is authorized to negotiate final terms and conditions of the Grant Amendment #4 and to execute all documents necessary to effectuate the Grant Amendment #4.

Ayes:

Nays:

Recused:

Lansing, Michigan  
January 23, 2018

**MEMORANDUM**

**Date:** January 23, 2018

**To:** Michigan Strategic Fund

**From:** Rob Garza, Brownfield and MCRP Senior Program Specialist

**Subject:** JNCC, LLC - Request for Approval of an MBT Brownfield Credit Amendment #1 – Shamrock Village Development Project

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**Request**

The proposed amendment will affect a project undertaken by JNCC, LLC. The project will redevelop approximately 50 parcels of property located along Breakfast Drive, south of Lyndon Street, east of Inkster Road between 7 Mile Road and Grand River Road on the former Catholic Central High School Site in Redford Township. The project qualifies for an MBT Amendment because it is functionally obsolete.

JNCC, LLC requests the following amendments be made to the Brownfield MBT credit for the Shamrock Village Development Project, originally approved by the Michigan Economic Growth Authority Board on July 15, 2008: the removal of the current phase two, which includes 150 senior housing units, and the recognition of the construction of 20 single-family homes instead of 20 multi-family condominiums in the existing phase five.

Phases two and five of this project were anticipated to be the construction of 150 senior housing units and 20 multi-family condominiums, respectively. However, it has been determined that the conversion of the multi-family units to single family homes and the removal of the senior housing component best meets current market demand. This change in project scope was supported by the adoption of an amended Brownfield Plan by the Redford Township Board of Trustees on November 15, 2016. The component completion certificates for phases one, three, four, and six have been issued for a combined value of \$2,757,232.

JNCC, LLC anticipates that the project will result in total capital investment in the amount of \$63,187,476.

**Background**

Phases one, three, four, and six included the construction of 32, 44, 49, and 63 single-family homes, respectively. The approved phase two includes 150 senior housing units and the approved phase five includes the construction of 20 multi-family condominiums. The developer anticipates the construction of the 20 single-family homes, as identified in the amendment request, to be completed by July 2018.



Neither JNCC, LLC nor its principals, have been awarded additional incentives by the MEGA or MSF Boards.

**Appendix A** addresses the Brownfield MBT tax credit structure.

**Recommendation**

MEDC staff recommends approval of the Brownfield MBT credit amendment request for the removal of the current phase two, which includes 150 senior housing units, and the recognition of the construction of 20 single-family homes instead of 20 multi-family condominiums in the existing phase five.

## APPENDIX A – Brownfield MBT Tax Credit Structure

Brownfield MBT Credit Amendment Request By:

JNCC, LLC  
39533 Woodward Avenue  
Suite 310  
Bloomfield Hills, MI 48304

Contact: Ms. Christina Jonna Piligian, Managing Member

	Previous Approval	Amendment
Project Eligible Investment:	\$36,861,448	\$24,907,853
Requested Credit Amount:	\$4,607,681	\$3,113,481
Requested Credit Percentage:	12.5%	12.5%

The project is a multi-phase project and was originally approved for six (6) phases, as described below:

**Phase I (COMPLETED)** – Construction of 32 single-family homes, and;

**Phase II (Removed)** – Construction of 150 senior housing units, and;

**Phase III (COMPLETED and renamed phase II)** – Construction 44 single-family homes, and;

**Phase IV (COMPLETED and renamed phase III)** – Construction of 49 single-family homes, and;

**Phase V** – Construction of 20 multi-family condominiums, and;

**Phase VI (COMPLETED and renamed phase IV)** – Construction of 63 single-family homes.

The proposed amended project will be completed in five (5) phases, and is described below:

**Phase I (COMPLETED)** – Construction of 32 single-family homes, and;

**Phase II (COMPLETED)** – Construction 44 single-family homes, and;

**Phase III (COMPLETED)** – Construction of 49 single-family homes, and;

**Phase IV (COMPLETED)** – Construction of 63 single-family homes, and;

**Phase V** – Construction of 20 single-family homes.

PROPOSED COST OF ELIGIBLE INVESTMENTS BY PHASE

**Phase I (COMPLETED)**

New Construction	+	<u>3,194,960</u>
<b>Phase I Total</b>	<b>\$</b>	<b>3,194,960</b>

**Phase II (COMPLETED)**

New Construction	+	<u>4,721,460</u>
<b>Phase II Total</b>	<b>\$</b>	<b>4,721,460</b>

**Phase III (COMPLETED)**

New Construction	+	<u>5,987,438</u>
<b>Phase III Total</b>	<b>\$</b>	<b>5,987,438</b>

**Phase IV (COMPLETED)**

New Construction	+	<u>8,153,995</u>
<b>Phase IV Total</b>	<b>\$</b>	<b>8,153,995</b>

**Phase V**

New Construction	+	<u>2,850,000</u>
<b>Phase V Total</b>	<b>\$</b>	<b>2,850,000</b>

PROPOSED TOTAL COST OF ELIGIBLE INVESTMENTS

New Construction	+	<u>24,907,853</u>
<b>Total</b>	<b>\$</b>	<b>24,907,853</b>

**MICHIGAN STRATEGIC FUND**

**RESOLUTION 2018 -**

**SHAMROCK VILLAGE DEVELOPMENT PROJECT JNCC, LLC  
BROWNFIELD REDEVELOPMENT MBT CREDIT – AMENDMENT #1  
CHARTER TOWNSHIP OF REDFORD**

At the meeting of the Michigan Strategic Fund (“MSF”) held on January 23, 2018 in Lansing, Michigan;

**WHEREAS**, the Michigan Economic Growth Authority (“MEGA”) is authorized by 1995 PA 24, as amended, to amend projects for brownfield redevelopment tax credits authorized by Section 437 of the Michigan Business Tax Act, PA 36 of 2007, as amended (the “Act”), or by former section 38(g) of the Michigan Single Business Tax Act, PA 228 of 1975;

**WHEREAS**, Executive Order 2012-9 transferred all the authority, powers, duties, functions, responsibilities, records, personnel, property, unexpended balances of appropriations, allocations or other funds of the MEGA to the MSF;

**WHEREAS**, by Resolution 2008-76 on July 15, 2008, the MEGA Board awarded a Brownfield MBT Tax Credit to JNCC, LLC (the “Applicant”) to make eligible investment up to \$36,861,448 at an eligible property in the Charter Township of Redford (the “Project”);

**WHEREAS**, Section 437(9) of the Act allows approved projects to request an amendment to the Project if the Project is unable to be completed as described in the original application;

**WHEREAS**, a request has been submitted to amend the Project to remove the current phase two, which includes 150 senior housing units, and recognize the construction of 20 single-family homes instead of 20 multi-family condos in the existing phase five; and

**WHEREAS**, four component completion certificates have been issued for the Project; and

**WHEREAS**, the Michigan Economic Development Corporation (“MEDC”) provides administrative services to the MSF, and recommends approval of the amendment by the MSF Board, provided that the maximum credit amount does not exceed \$3,113,481;

**NOW, THEREFORE, BE IT RESOLVED**, that the MSF Board amends the Project by removing the current phase 2, which includes 150 senior housing units, and recognizing the construction of 20 single-family homes instead of 20 multi-family condos in the existing phase five.

**BE IT FURTHER RESOLVED**, that the Project is required to submit a Certificate of Completion request for the final phase within one year of project completion.

Ayes:

Nays:

Recused:

Lansing, Michigan  
January 23, 2018

**MEMORANDUM**

**Date:** January 23, 2018

**To:** Michigan Strategic Fund Board

**From:** Rob Garza, Brownfield and MCRP Senior Program Specialist

**Subject:** North Channel Investors, LLC and North Channel Brewing, LLC  
Michigan Community Revitalization Program  
Request for Approval of a Grant Agreement Amendment

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**Request**

North Channel Investors, LLC and North Channel Brewing, LLC (“Companies”) are requesting approval of an amendment to the Michigan Community Revitalization Program Grant Agreement (“Agreement”). The amendment request dated December 15, 2017 includes a request to add a co-applicant, Develop Michigan Real Estate Fund LP.

**Background**

The Michigan Strategic Fund Board approved a \$970,000 grant award on November 28, 2017, to the Company for the purpose of rehabilitating an existing three-story building into a mixed-use building that will contain approximately 8,000 square feet of first floor commercial/retail space and up to 14 residential units totaling approximately 13,000 square feet on the second and third floors. The MEDC has completed civil and criminal background checks in accordance with the MSF Background Review Policy. No issues were identified.

**Recommendation**

The MEDC staff recommends approval of an amendment to the MCRP Grant Agreement and any related ancillary agreements to add a co-applicant, Develop Michigan Real Estate Fund LP, per the Companies’ request dated December 15, 2017.

**MICHIGAN STRATEGIC FUND  
RESOLUTION 2018 -**

**APPROVAL OF AN AMENDMENT TO A MICHIGAN COMMUNITY REVITALIZATION  
PROGRAM GRANT AWARD FOR  
NORTH CHANNEL INVESTORS, LLC AND NORTH CHANNEL BREWING, LLC**

**WHEREAS**, the Michigan legislature amended the Michigan Strategic Fund Act, MCL 125.2011 et. seq., to add Chapter 8C (being MCL 125.2090a – MCL 125.2090d) to enable the Michigan Strategic Fund (“MSF”) to create and operate the Michigan Community Revitalization Program (“MCRP”) to provide incentives in the form of grants, loans and other economic assistance for redevelopment of communities in Michigan;

**WHEREAS**, the Michigan Economic Development Corporation (“MEDC”) provides administrative services to the MSF for the MCRP;

**WHEREAS**, on December 21, 2011, by Resolution 2011-185, the MSF (i) created the MCRP, (ii) adopted the guidelines for the MCRP, as later amended (“Guidelines”);

**WHEREAS**, pursuant to SFCR 125.2090-1, the MSF approved the MSF Fund Manager or the MSF President to negotiate the terms and conditions and execute all final documents necessary to effectuate awards and decisions approved under the MCRP, (“Transaction Documents”);

**WHEREAS**, the project is not anticipated to meet the MCRP Incentive Parameters of a debt service coverage ratio of 1.20 to 1.00 in the initial years of operation or a minimum equity investment of 10% of project costs, however staff recommended a deviation from these requirements;

**WHEREAS**, by Resolution 2017-196 on November 28, 2017 the MSF Board awarded a MCRP Grant Award to North Channel Investors, LLC and North Channel Brewing, LLC, in furtherance of the Project of up to \$970,000 (“Award”); and

**WHEREAS**, the MEDC is recommending that the MSF approve the amendment recommendation to add Develop Michigan Real Estate Fund LP as a co-applicant, with all other requirements remaining in place from the original approval (the “MCRP Amendment Recommendation”).

**NOW, THEREFORE, BE IT RESOLVED**, the MSF Board approves the MCRP Amendment Recommendation; and

**BE IT FURTHER RESOLVED**, the MSF Fund Manager is authorized to negotiate the final terms and conditions of the MCRP Amendment Recommendation and to execute all documents necessary to effectuate the MCRP Amendment Recommendation.

Ayes:

Nays:

Recused:

Lansing, Michigan  
January 23, 2018

## MEMORANDUM

**Date:** January 23, 2018

**To:** Michigan Strategic Fund Board

**From:** Julius L. Edwards, Manager, Underwriting and Incentive Structuring

**Subject:** Grand Rapids Downtown Market Holdings, LLC Request for Approval of a Michigan Community Revitalization Program \$3,000,000 Other Economic Assistance-Performance-Based Loan Participation Agreement Amendment

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### Request

Grand Rapids Downtown Market Holdings, LLC (“Company”) is requesting approval of an amendment to the Michigan Community Revitalization Program Performance-Based Loan Participation Other Economic Assistance (Ex. Loan Participation) Agreement and any related ancillary agreements (“Agreement”). The amendment request is to extend the expiration date for the interest only period on the loan from January 31, 2018 to May 31, 2018. This will be the fourth and final extension request to allow time for the development team to firm up a proposal for restructuring Fifth Third’s and the MSF’s share of the loan participation. Staff anticipates presenting the debt restructuring proposal at the MSF’s February or March Board meeting. Extending the maturity date until May 31, 2018 will allow time to finalize any approved restructuring of the debt from Fifth Third and the MSF, and execute an amended Agreement.

### Background

The Michigan Strategic Fund Board approved a \$3,000,000 Other Economic Assistance Loan Participation Award in the form of a \$4,000,000 loan facility from Fifth Third Bank (“Participating Lender”) on February 27, 2013 to the Company for the purpose of constructing a 25,000 square foot year round market on multiple parcels, encompassing an entire city block of property, located at 435 Ionia Avenue, SW and 109 Logan Street, SW in the City of Grand Rapids. The project was to include multi-vendor space for fresh food markets, with both a year-round, indoor component and space for an outdoor seasonal farmer’s market, as well as restaurants and other food services, educational facilities, food processing and production facilities (such as a kitchen incubator), a rooftop greenhouse and other mixed-use components such as crafts, retail shops, residential units and offices.

The project has been successful in completing construction, attracting tenants, and bringing to fruition an attractive landmark in the City of Grand Rapids that is highly valued by its citizens. Despite these successes, the nature of the development partnership has changed and the development team had also underestimated the level of operating expenses that would be incurred annually to operate a market of this nature. These changes have led the market’s team to believe that the market would need to restructure its debt in order to maintain the level of services the market currently offers.

On July 25, 2017 MEDC staff presented to the MSF Board an amendment request to restructure MSF's Share of loan participation to accommodate a 40 year amortization period and a 1% interest rate. At that time the Board elected to table the amendment request and extend the expiration date for the interest only period from June 30, 2017 to September 30, 2017 to allow time for the development team to present information on a potential of restructuring of the Bank's Share of the loan participation. During the time that has elapsed since that meeting the development team has been working diligently and are close, but have yet to finalize a restructuring proposal to present to the MSF Board. As mentioned above, staff is requesting a final extension of the interest only period, anticipating being in a position to present a proposal to the MSF Board at its February or March Board meeting and execute an amended agreement.

Below is a summary of all of the amendments for the project to date:

An amendment/waiver request to the project was approved on July 1, 2014 to address the following:

- Recognize and waive the default resulting from Grand Rapids Downtown Market Holdings, LLC ("Company" or "Borrower") not obtaining a New Market Tax Credits structure and not implementing an amortization schedule by December 31, 2013.
- To allow Fifth Third Bank ("Bank of Lender") to amend the Draw Note to allow interest only payments to continue through June 30, 2016, with P & I payments beginning with the payment due July 30, 2016 with the amortization to be agreed upon prior to June 30, 2016 by all parties involved, but limit the maximum amortization period to 20 years.
- To allow the Bank to amend the Loan Agreement to allow the Borrower to finance \$500,000 for tenant improvements (the previous language only allowed for \$300,000).

A second amendment request to the project was approved on November 24, 2015 to:

- Consent to subordinating its collateral position to the proposed \$1,000,000 line of credit (LOC) from Old National Bank allowing the Lender to have a security position in the assets of the project. The LOC will be used to meet short-term working capital needs, financing future tenant build-outs, fund tenant allowances to attract other tenants, and finance additional non-income producing build-outs within the existing space such as restrooms, etc...

A third amendment request was approved on June 28, 2016 to extend the interest only period an additional 12 months to continue through June 30, 2017.

A fourth amendment was approved at the MSF's July 25, 2017 Board meeting, extending the interest only period on the loan participation to September 30, 2017.

A fifth amendment was approved at the MSF's September 26, 2017 Board meeting, extending the interest only period on the loan participation to January 31, 2018.

### **Recommendation**

MEDC staff recommends approval of an amendment to extend expiration of the interest only period from January 31, 2018 to May 31, 2018.



# DOWNTOWN MARKET GRAND RAPIDS

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435 IONIA AVENUE SW  
GRAND RAPIDS MI 49503

January 15, 2018

Julius L. Edwards, Manager, Underwriting and Incentive Structuring, Community Development  
Michigan Economic Development Corporation  
300 N. Washington Square  
Lansing, MI 48913

Dear Julius,

Per the last approved Michigan Strategic Fund Board amendment, which tabled the proposed restructure of the \$3,000,000 portion of the \$4,000,000 MEDC loan, the Grand Rapids Downtown Market has been working diligently to remove the \$1,000,000 portion of the debt that was secured by three local foundations, while also working to reduce operating costs.

Working with the Frey Foundation, we have been able to secure the following commitments to pay off the \$1,000,000 portion of the debt, resulting in the significantly reduced burden of this loan:

\$333,000 Frey Foundation (paid 12/31)  
\$250,000 Grand Action Foundation  
\$150,000 Grand Rapids Community Foundation  
\$266,667 Two Anonymous Local Foundations

It is anticipated that the full balance of the \$1,000,000 will be paid off no later than January 31, 2018.

Additionally, the following operating expenses have been reduced in anticipation of MEDC principal and interest going into effect.

- Staff vacancies have not been replaced.
- Deferred facility and grounds maintenance.
- Eliminated monthly capital reserve contribution.
- Significant reduction in marketing budget.

As you can see, the MSF Board's direction and encouragement has enabled us to motivate the three local loan guarantors, the project developer, and two anonymous donors to eliminate the \$1,000,000 portion of the debt. We are grateful to the MSF Board for their thoughtful review and advice in helping us gain momentum on this concern.

We look forward to working with you to restructure our remaining debt so that the Downtown Market can continue its viability and its transformational impact on Grand Rapids

Sincerely,

Mimi Fritz

**MICHIGAN STRATEGIC FUND  
RESOLUTION 2018 -**

**APPROVAL OF AN AMENDMENT TO  
THE MICHIGAN COMMUNITY REVITALIZATION PROGRAM OTHER  
ECONOMIC ASSISTANCE PERFORMANCE-BASED LOAN PARTICIPATION  
AWARD TO  
GRAND RAPIDS DOWNTOWN MARKET HOLDINGS, LLC**

**WHEREAS**, the Michigan legislature amended the Michigan Strategic Fund Act, MCL 125.2011 et. seq., to add Chapter 8C (being MCL 125.2090a – MCL 125.2090d) to enable the Michigan Strategic Fund (“MSF”) to create and operate the Michigan Community Revitalization Program (“MCRP”) to provide incentives in the form of grants, loans and other economic assistance for redevelopment of communities in Michigan;

**WHEREAS**, the Michigan Economic Development Corporation (“MEDC”) provides administrative services to the MSF for the MCRP;

**WHEREAS**, on December 21, 2011, by Resolution 2011-185, the MSF (i) created the MCRP, (ii) adopted the guidelines for the MCRP, as later amended (“Guidelines”);

**WHEREAS**, pursuant to SFCR 2090-1(3), the MSF approved the MSF Fund Manager or the MSF President to negotiate the terms and conditions and execute all final documents necessary to effectuate awards and decisions approved under the MCRP (“Transaction Documents”);

**WHEREAS**, the Guidelines require that MCRP awards over \$1 million must be approved by the MSF Board;

**WHEREAS**, by Resolution 2013-029 on February 27, 2013 the MSF Board awarded a MCRP Other Economic Assistance – Performance-Based Loan Participation to Grand Rapids Downtown Market Holdings (“Borrower”) of up to \$3,000,000 (“Award”) in a \$ 4,000,000 loan facility from Fifth Third Bank (“Participating Lender”);

**WHEREAS**, the MSF Fund Manager approved an amendment to: 1) waive the default resulting from the project not receiving a New Market Tax Credit allocation; 2) extend the interest only period to June 30, 2016 and limit the future amortization period to 20 years; and 3) allow the Participating to finance \$500,000 in tenant improvements;

**WHEREAS**, by Resolution 2015-169 on November 24, 2015 the MSF Board approved an amendment request for the MSF consent to subordinate its collateral position to a proposed \$1,000,000 Line of Credit from Old National Bank;

**WHEREAS**, by Resolution 2016-087 on June 28, 2016 the MSF Board approved an amendment request for the MSF to consent to extend the interest-only payments for one year;

**WHEREAS**, by Resolution 2017-114 on July 25, 2017 the MSF Board approved an amendment request for the MSF to consent to extend the interest-only payments to September 30, 2017;

**WHEREAS**, by Resolution 2017-156 on September 26, 2017 the MSF Board approved an amendment request for the MSF to consent to extend the interest-only payments to January 31, 2018; and

**WHEREAS**, the MEDC staff is recommending that the MSF Board approve an amendment to the MSF's Other Economic Assistance Loan Participation Agreement and other ancillary agreements allowing for the interest only repayment term be extended to May 31, 2018.

**NOW THEREFORE, BE IT RESOLVED**, the MSF Board approves the MCRP Award Amendment Recommendation;

**BE IT FURTHER RESOLVED**, the MSF Fund Manager is authorized to negotiate the final terms and conditions of the MCRP Award Amendment Recommendation and to execute all documents necessary to effectuate the MCRP Award Amendment Recommendation.

Ayes:

Nays:

Recused:

Lansing, Michigan  
January 23, 2018

## MEMORANDUM

**Date:** January 23, 2018

**To:** Michigan Strategic Fund Board

**From:** Dean Wade, Compliance Specialist, Compliance and Contract Services  
Christin Armstrong, Associate General Counsel & V.P. Compliance and Contract Services

**Subject:** Translume, Inc. Debt Conversion Request

### Request

Translume, Inc. (“Translume” or the “Company”) has requested a conversion of its 2006 - 21<sup>st</sup> Century Jobs Fund Loan into 2,301,645 shares of the Company’s Series B Preferred stock (the “Request”).

### Background

Translume was founded in 2001 in Ann Arbor to commercialize a novel technology to precision 3D machine fused silica glass, at which point the company closed a \$2 million Series A venture capital round from two venture capital funds (Ardesta, LLC and Avalon Investment Group). In 2002, the Company closed a \$1.6 million Series B round with Ardesta, followed by an equipment loan and a bridge loan in 2003.

Translume received a loan of up to \$1,650,310 from the Michigan Strategic Fund (“MSF”) on January 18, 2007 (the “Translume Loan”). Translume assets are worth approximately \$160,000, most of which is in the form of account receivables. The Company’s liabilities are approximately \$4,450,000, inclusive of the Translume Loan. A summary of the Translume Loan is included below:

### **21<sup>st</sup> Century Jobs Fund Loan**

Award Type:	Convertible Loan Agreement
Original Loan Amount:	\$1,650,310
Award Date:	January 18, 2007
Interest Rate:	10.25% (as amended)
Loan Balance	\$2,741,835 (principal and interest as of 12/31/17)
Equity:	Warrants to purchase 100,735 shares of Series B Stock
Collateral:	Tangible personal property excluding inventory

The Translume Loan was most recently amended on August 27, 2015 to extend the grace period to February 1, 2018, increase the interest rate to 10.25% through February 1, 2018 and set the interest rate to 6% on the restated balance beginning February 1, 2018. Prior to that request, the loan was amended on April 11, 2008 to revise the key milestones. The loan was amended on July 18, 2012 to reduce the loan amount to \$1,212,902, extend the grace period to February 1, 2014, and issue warrants to the MSF.

The Translume Loan matures on February 1, 2018, however, the Company is unable to service this debt at this time. Following a drop in activity due to reduced demand, Translume negotiated with their largest customer (approximately 50% of their 2017 revenues) for a contract in excess of \$1,000,000. The Company has received a large volume order from the customer; however, the customer’s demand exceeds Translume’s current fabrication capability. Translume is working with the customer to address this as

quickly as possible. In order to satisfy the associated volume requirements, Translume must upgrade its production equipment. The cost for the equipment upgrade is approximately \$100,000 and includes a six-month timeframe for delivery.

The Company's cash flow does not presently allow for the purchase of this additional manufacturing equipment and the Company's balance sheet is not conducive to obtaining a loan from a traditional lender. In order to secure the required investment, Translume needs to reduce its debt burden. As such, the Company is requesting that their creditors, including the MSF, convert the debt associated with their loans to preferred stock. The Company has two other creditors who have agreed to a debt conversion: Ardesta, LLC and Avalon Investment Group.

It is the opinion of MEDC staff that repayment of this loan is unlikely to occur in a timeframe in which the costs of maintaining the residual loan outweigh the gains. The value of the Company's assets are insufficient to cover the Company's debt load and it is unlikely that the MSF would see any return in a liquidation scenario. In addition, the MSF position is secure in terms of stock and warrants should Translume realize significant success.

**Recommendation**

MEDC staff recommends approval of the Request.

## **MICHIGAN STRATEGIC FUND**

### **RESOLUTION 2018-**

#### **TRANSLUME, INC. LOAN CONVERSION REQUEST**

**WHEREAS**, Public Acts 215 and 225 of 2005 established the 21<sup>st</sup> Century Jobs Trust Fund initiative;

**WHEREAS**, the Michigan Economic Development Corporation (“MEDC”) provides administrative services for the Michigan Strategic Fund (“MSF”) for 21st Century Jobs Fund programs;

**WHEREAS**, the Strategic Economic Investment and Commercialization (“SEIC”) Board, the MSF and Translume, Inc. (“Translume” or “Company”), entered into a 21<sup>st</sup> Century Business Plan Competition Loan Agreement, dated January 18, 2007, whereby the SEIC Board and MSF agreed to loan up to \$1,650,310 to Translume under the terms and conditions set forth in the Convertible Loan Agreement, Security Agreement and Promissory Note (the “Note”), each dated January 18, 2007 (the Loan Agreement, Security Agreement, and Note, collectively, “Loan Documents”);

**WHEREAS**, pursuant to Executive Order 2010-08, the SEIC Board was abolished and all powers, duties, and functions of the SEIC Board were transferred to the MSF;

**WHEREAS**, the Loan Documents were amended on April 11, 2008 to revise key milestones;

**WHEREAS**, the Loan Documents were amended on July 18, 2012 to extend the grace period to February 1, 2014 and issue warrants to the MSF for the purchase of 100,735 shares of the Company’s Series B stock;

**WHEREAS**, the Loan Documents were amended on August 27, 2015 to 1) extend the grace period from February 1, 2014 to February 1, 2018; 2) increase the interest rate to 10.25% from February 1, 2014 to January 31, 2018; and 3) reduce the interest rate from 10.25% to 6% on February 1, 2018 and throughout repayment of the loan;

**WHEREAS**, as of December 31, 2017 the total principal and interest owed to the MSF under the Loan Documents is \$2,741,835 (the “Indebtedness”);

**WHEREAS**, Translume has requested that the MSF convert the Indebtedness into 2,301,645 shares of the Company’s Series B stock (the “Conversion Request”);

**WHEREAS**, the MEDC recommends approval of the Conversion Request; and

**WHEREAS**, the MSF wishes to approve the Conversion Request.

**NOW, THEREFORE, BE IT RESOLVED**, the MSF approves the Conversion Request;  
and

**BE IT FURTHER RESOLVED**, that the MSF Board authorizes the MSF Fund Manager to negotiate all final terms and conditions and execute all documents necessary to finalize the Conversion Request.

Ayes:

Nays:

Recused:

Lansing, Michigan  
January 23, 2018

**MSF DELEGATED AUTHORITY QUARTERLY UPDATE  
FOR 21CJF LOAN PORTFOLIO  
BOARD MEETING – JANUARY 23, 2018  
FOR QUARTER ENDED DECEMBER 31, 2017**

**BACKGROUND**

Pursuant to Section 125.2088k-3 of the Michigan Strategic Fund Compiled Resolutions, the Michigan Strategic Fund (MSF) Board approved a delegation of authority for decisions with regard to awards under the (i) Company Formation and Growth Fund (“CFGF”), (ii) 21<sup>st</sup> Century Jobs Fund 2006 and 2008 business plan competition rounds, as well as its predecessor programs, Michigan Technology Tri-Corridor (“MTTC”) Fund program and Michigan Life Sciences Corridor Fund program, and (iii) those loans awarded under the Choose Michigan program, including the authority to approve loan restructure requests (the “Delegation of Authority”). Under the Delegation of Authority, actions related to awards with an original amount of \$1,000,000 or less may be approved by the MSF Chairperson, the MSF Fund Manager and the MSF State Treasurer Director, with only one required to act. Actions related to awards with an original amount of \$1,000,001 to \$3,000,000 may be reviewed by the MSF Advisory Subcommittee before presentation to the delegates for final approval. Actions related to awards with an original amount of \$3,000,001 are presented to the full MSF Board.

**APPROVALS BY AUTHORIZED DELEGATE**

Between October 1, 2017 and December 31, 2017, the following actions were approved pursuant to the Delegation of Authority:

<b>Company</b>	<b>Action(s)</b>	<b>Award Amount</b>	<b>Disbursed Amount</b>	<b>Date</b>
Epsilon Imaging, Inc.	Loan Restructure	\$767,547	\$767,547	November 27, 2017



## MEMORANDUM

**DATE:** January 23, 2018  
**TO:** Michigan Strategic Fund (“MSF”) Board Members  
**FROM:** Mary Kramer, MCRP and Brownfield Program Specialist  
**SUBJECT:** Quarterly Report of Delegated Approvals of Brownfield Act 381 Work Plans

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On April 5, 2017, the Brownfield Redevelopment Financing Act (Act 381) was amended to allow the chairperson of the Michigan Strategic Fund delegated approval of work plans that consist of tax capture of less than \$1,000,000.

There were no Brownfield Act 381 Work Plans approved by the delegates during the first quarter of the 2018 fiscal year.

**MEMORANDUM**

**Date:** January 23, 2018

**To:** Michigan Strategic Fund Board

**From:** Christine Whitz, Director, Community Development Block Grant Program

**Subject:** *Community Development Block Grant Program  
Quarterly Report of Delegated Approvals (October – December, 2017)*

On October 23, 2013, the MSF Board approved the Community Development Block Grant (CDBG) program delegated approval of projects that have incentives of \$1 million or less. Listed below is a synopsis of the delegated deals that were approved during the previous quarter. If you would like additional information on a project, please feel free to contact me.

<b>Grantee</b>	<b>Approval Date</b>	<b>CDBG Funds</b>	<b>Brief Summary of Project</b>
City of Albion	10/13/17	\$28,800	This was a grant amendment increase request to the City of Albion’s original grant agreement. There was an oversight by MEDC staff to include the additional \$28,800 in CDBG funds for a CDBG Certified Grant Administrator to assist the City with grant administration
City of Harrison	11/07/17	\$281,800	The City requested CDBG funds for infrastructure improvements needed for their Downtown Square Park Project. The Park will consist of a band shell/shelter, sitting area for entertainment events, a splash pad for summer and ice rink for winter.
City of Allegan	12/05/17	\$811,960	The City of Allegan requested CDBG funds for historic preservation activities for the Lumberman Lofts/Shoppes at the Pennies Block project. The project will convert the blighted 2-story structure into commercial space on the main level and seven loft apartments on the second floor. The City expects that this project could result in private investment of \$806,000.
<b>Total CDBG Funds for Quarter</b>		<b>\$1,122,560</b>	

## MEMORANDUM

**DATE:** January 23, 2018

**TO:** Michigan Strategic Fund (“MSF”) Board Members

**FROM:** Stacy Bowerman, Vice President, Business Development Projects  
Mary Kramer, Senior MCRP and Brownfield Program Specialist

**SUBJECT:** Quarterly Report of Delegated Approvals on Michigan Business Development Program  
& Michigan Community Revitalization Program

On December 21, 2011, the MSF Board approved the Michigan Business Development Program (“MBDP”) and the Michigan Community Revitalization Program (“MCRP”). Both programs allow for delegated approval of projects that have incentives of \$1 million or less. Listed below is a synopsis of the delegated deals that were approved during the first quarter of the 2018 fiscal year.

If you would like additional information on a project, please let us know.

### MBDP APPROVALS

Project Name	Approval Date	Location	Incentive Approved	Jobs	Investment
Saginaw Products Corporation dba Cignys	10/4/2017	Saginaw	\$200,000.00	50	\$6,000,000.00
Litehouse, Inc.	10/9/2017	Lowell	\$462,000.00	77	\$9,930,000.00
Service Express, Inc.	10/12/2017	Grand Rapids	\$450,000.00	75	\$3,109,458.00
Tecomet (fka Symmetry Medical Manufacturing, Inc.)	10/13/2017	Lansing	\$640,000.00	160	\$14,515,000.00
Axis Company, LLC	10/25/2017	Grand Rapids	\$400,000.00	50	\$4,050,000.00
ProAct Services Corporation	10/27/2017	Pere Marquette Charter Township	\$225,000.00	30	\$18,600,000.00
ITS Partners, LLC	11/2/2017	Ada	\$476,000.00	68	\$2,535,000.00
House of Flavors, Inc.	11/7/2017	Ludington	\$240,000.00	30	\$1,500,000.00

MBDP and MCRP Delegated Approvals

January 23, 2018

Page 2 of 2

Mahindra North American Technical Center	11/7/2017	Auburn Hills	\$850,000.00	80	\$22,293,200.00
Applied Dynamics International, Inc.	11/16/2017	Ann Arbor	\$650,000.00	100	\$2,620,000.00
VDL Steelweld Michigan, LLC	11/20/2017	Troy	\$300,000.00	43	\$1,222,000.00
Howmet Corporation - dba Arconic	11/27/2017	Whitehall	\$400,000.00	38	\$10,560,000.00
Cintas Corporation	12/1/2017	Delta Township	\$350,000.00	70	\$17,000,000.00
Minghua USA, Inc	12/1/2017	Troy	\$500,000.00	50	\$8,466,000.00
Zhongding USA, Inc.	12/18/2017	Northville	\$650,000.00	80	\$6,900,000.00
O-N Minerals (Michigan) Company	12/21/2017	Cedarville	\$200,000.00	32	\$96,370,685.00

**MCRP APPROVALS**

<b>Project Name</b>	<b>Approval Date</b>	<b>Location</b>	<b>Incentive Approved</b>	<b>Jobs</b>	<b>Investment</b>
Landmark Port Huron, L.L.C.	10/24/2017	Port Huron	\$644,330	15	\$2,483,303

**MSF DELEGATED AUTHORITY QUARTERLY UPDATE  
MSDF AND SSBCI PROGRAMS  
CAPITAL ACCESS TEAM  
October 1 – December 31, 2017**

**APPROVALS BY AUTHORIZED DELEGATES**

Between October 1 and December 31, 2017 the following actions were approved by the MSF Chairperson and MSF Fund Manager, subject to due diligence, and available funding:

SSBCI-MBGF						
Organization	Request Type	Loan Amount	MSF Support	Action	Date Approved	Closed
Fontijne Grotnes, Inc.	MBGF-CSP	\$ 1,000,000	\$ 499,000	Approved by Chair and Fund Manager	October 11, 2017	Y
Kalkaska Screw Products, Inc.	MBGF-CSP	\$ 11,200,000	\$ 2,825,000	Approved by Chair and Fund Manager	November 4, 2017	Y
Pentar Stamping, Inc.	MBGF-CSP	\$ 400,000	\$ 160,000	Approved by Chair and Fund Manager	November 4, 2017	Y
Custom Data Solutions	MBGF-CSP	\$ 100,000	\$ 49,900	Approved by Chair and Fund Manager	November 9, 2017	Y
Custom Data Solutions	MBGF-CSP	\$ 675,000	\$ 336,825	Approved by Chair and Fund Manager	November 9, 2017	Y
Heritage Broadcasting Company of Michigan	MBGF-CSP	\$ 4,450,000	\$ 2,000,000	Approved by Chair and Fund Manager	December 13, 2017	Y
Right Brain Beverages, L.L.C.	MBGF-CSP	\$ 1,210,000	\$ 235,000	Approved by Chair and Fund Manager	December 19, 2017	N
<b>Total</b>		<b>\$ 17,825,000</b>	<b>\$ 5,870,725</b>			
MSDF						
Organization	Request Type	Loan Amount	MSF Support	Action	Date Approved	Closed
Logiquip, LLC	MSDF-CSP	\$ 5,000,000	\$ 2,495,000	Approved by Chair and Fund Manager	November 19, 2017	Y
<b>Total</b>		<b>\$ 5,000,000</b>	<b>\$ 2,495,000</b>			

**MSF DELEGATED AUTHORITY QUARTERLY UPDATE  
MSF CONFIDENTIALITY MEMOS**

**Board Meeting [January 23, 2018]**

**FOR QUARTER ENDED [December 31, 2017]**

**BACKGROUND**

As a part of the process for negotiating with companies seeking to invest in Michigan, the Michigan Strategic Fund (MSF) receives information of a financial and/or proprietary nature from applicant companies. Avoiding the public disclosure of this information is desirable in order to protect against the potential for significant competitive harm to the applicant companies.

Via MCL 125.2005(9), as amended by Public Act 251 of 2011, information of a financial or proprietary nature considered by the applicant as confidential and acknowledged as confidential by the Michigan Strategic Fund Board or its designee is exempted from disclosure by the Michigan Freedom of Information Act, Public Act 442 of 1976, as amended. On February 27, 2012, the MSF Board approved by resolution the delegation of this authority to the MSF Fund Manager, who acknowledges the confidentiality of eligible information on behalf of the MSF Board by executing a confidentiality memo.

**APPROVALS BY AUTHORIZED DELEGATE**

During the period between [October 1 and December 31, 2017], the following confidentiality memos were approved by the MSF Fund Manager:

<b>Company Name and Location</b>	<b>Overview of Confidential Information</b>
<b>Axis Company, LLC</b> 2680 Elmridge Ave. NW Walker, Michigan 49534	1. Highlighted portions of the MBDP application, as submitted on September 15, 2017, which include portions of the following sections: Project Description, Project Constraints, Project Alternative, and Benefit Description.
<b>Centria Healthcare</b> 41621 West 11 Mile Road Novi, MI 48375	1. Project Waterski Growth Analysis LDD-Operating Agreement-Centria
<b>Fontijne Grotnes, Inc.</b> 30257 Redfield Street Niles, MI 49120	1. Any portion of any documents or record of any kind containing any of the following business or personal information pertaining to any of the Interested Parties to the Proposed Transaction: Financial statements (including without limitation, income statements, balance sheets, statements of cash flow and profit and loss statements), ratio analysis, appraisals and other appraisal reporting, collateral analysis, accounts receivable aging reports, customer names and lists, tax returns,

	<p>credit reports, social security or other tax identification numbers, and any analysis, report or record of any kind by or on behalf of any of the Interested Parties to the Proposed Transaction containing any of the foregoing information.</p>
<p><b>Jackson Entertainment, LLC</b> 2121 Celebration Drive NE Grand Rapids, MI 49525</p>	<ol style="list-style-type: none"> <li>1. Jackson Entertainment – Combined Proforma – (f. Revenue Input [lines 92&amp;103], g. Proforma [column G – rows 13 through 66; column O – rows 64-66], h. S&amp;U [column J – except rows 17, 49, 58 and 82; column W – rows 62-64, 68-69 and 75])</li> <li>2. Bank Financing Commitment from Mercantile Bank Studio C! – Parking Proforma 900 Spaces - (Third party report that is proprietary)</li> <li>3. Celebration South P&amp;L comparison</li> <li>4. Studio C! – LODGCO PA for building pad</li> <li>5. Studio C! – Franklin Partners Purchase Agreement for building pad</li> </ol>
<p><b>Indeck Niles, LLC</b> 2200 Progressive Drive Niles, MI 49120</p>	<ol style="list-style-type: none"> <li>1. IES Consolidated Financial Statements 12.31.15.pdf</li> <li>2. IES Consolidated Financial Statements 12.31.16.pdf</li> </ol>
<p><b>Bedrock Real Estate Services</b> 1092 Woodward Avenue Detroit, MI 48226</p>	<ol style="list-style-type: none"> <li>1. Draft and executed Leases</li> <li>2. Letter(s) of Intent/Interest</li> <li>3. Financing documents</li> <li>4. Third Party Contract(s)Employee Wage and Benefit information</li> <li>5. Wage and Benefit information for individual and incremental classes of employees</li> <li>6. Bedrock Real Estate Services Economic and fiscal impact analysis – cover memo</li> <li>7. Bedrock Real Estate Services Economic and fiscal impact analysis – package</li> <li>8. Bedrock Real Estate Services Pro forma packages for each of the transformational developments</li> <li>9. JLL Office Market Report</li> <li>10. HR&amp;A Net New Residential Memo</li> <li>11. Plante Moran TIF Assumptions Report</li> <li>12. Bedrock Family of Companies Office Space Needs</li> <li>13. GWU Family of Companies Economic Impact Analysis, 2010-2016</li> <li>14. WSP Parsons Brinckerhoff, State Fiscal Impact Analysis</li> <li>15. Net New Spending and Transformational Impacts: Research and Data summary</li> <li>16. Hudson’s Visitor Projection</li> </ol>

## MEMORANDUM

**Date:** January 23, 2018

**To:** Michigan Strategic Fund (“MSF”) Board

**From:** Mark Morante, Fund Manager

**Subject:** Background Review Policy

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### Request

Michigan Economic Development Corporation (“MEDC”) staff is requesting that the Michigan Strategic Fund (“MSF”) Board approve a revised Background Review Policy (the “Request”).

### Background

Public Act 225 of 2005 established Chapter 8A of the MSF Act and the 21<sup>st</sup> Century Jobs Trust Fund initiative to encourage diversification of the economy and the creation of jobs in the State of Michigan by investing in early stage technologies and companies and providing support services to early stage companies. Public Act 250 of 2011 amended Chapter 8A to authorize creation of the Michigan Business Development Program (“MBDP”). Public Act 252 of 2011 established Chapter 8C of the MSF Act and authorized creation of the Michigan Community Revitalization Program (“MCRP”).

At the time the MBDP and MCRP were created, the MSF Act required that the MSF Board establish policies and procedures to conduct background checks on qualified businesses applying for a grant, loan, or other economic assistance. To that end, the MSF Board adopted a policy on February 27, 2012 to establish background review policies and procedures for the MBDP and MCRP. The MSF amended the background review policy on September 27, 2012 to include a five-year look back on the background checks and to set forth the process for resolving any issues that arose in the course of the civil and criminal background check. On March 27, 2013, the MSF again amended the background review policy to allow an exemption from the civil and criminal background checks for non-profit entities, municipalities, and institutions of higher education. The MSF amended the policy on August 28, 2013 to limit the civil and criminal background check to certain key personnel of the applicants.

The legislature amended the MSF Act by Public Act 503 of 2014, which, among other things, consolidated the requirement for background reviews under Section 88c(4) of the MSF Act. Section 88c(4) of the MSF Act, MCL 125.2088c(4), as amended, requires the MSF to establish requirements to ensure that money expended under sections 88d, 88e, 88f, 88g, 88k, 88q, and 88r and Chapter 8C is not used for any of the following:

- Provision of money to a person who has been convicted of a criminal offense incident to the application for or performance of a state contract or subcontract.
- Provision of money to a person who has been convicted of a criminal offense, or held liable in a civil proceeding, that negatively reflects on the person's business integrity, based on a finding of embezzlement, theft, forgery, bribery, falsification or destruction of records,



receiving stolen property, violation of state or federal antitrust statutes, or for any additional findings as determined by the fund board.

On March 25, 2014, the MSF Board adopted the current Background Review Policy, a copy of which is attached as Exhibit A to this memo. The revised Background Review Policy, attached as Exhibit B to this memo, includes the following key changes:

- It would require a civil and criminal background check only on those applicants seeking an MSF incentive in an amount of \$50,000 or more. These incentives would still require the company to represent and warrant that, to the best of its knowledge, the company, including its affiliates, subsidiaries, officers, directors, managerial employees, and any person who, directly or indirectly, holds a pecuniary interest in the Applicant of 20% or more, do not have criminal convictions or civil liabilities as described in Sections 88c(4)(a) and 88c(4)(b).
- If the applicant is a partnership, limited partnership, limited liability partnership or limited liability company, a civil and criminal background check would be performed on those individuals and entities with an ownership interest in the applicant of 20% or more.
- Under the new policy, key individuals of any non-profit corporation, municipality, and institution of higher education would be subject to a civil and criminal background check. Under the current policy, the MSF Fund Manager and MSF President may approve an exemption from review upon for these individuals.

MEDC staff believes the proposed revisions to the Background Review Policy satisfy the requirements of Section 88c(4) of the MSF Act. In addition, the proposed revisions cover individuals and entities that are not currently reviewed under the existing policy. These proposed changes are necessary to conduct proper due diligence on the various types of entities seeking incentives from the MSF. In addition, the revised policy is easier for both staff and applicants to understand as it more clearly lays out the requirements for each type of entity.

**Recommendation**

MEDC Staff recommends the MSF Board approve the Request

## Exhibit A

### BACKGROUND REVIEW POLICY

The following guidelines shall be utilized as part of the due diligence process for programs created and operated by the MSF prior to finalizing a written agreement providing for any incentive:

1. **Certification Form.** All applicants shall provide staff with the completed certification form, including all requested information to correctly identify the applicant, and the following: the Chief Executive Officer, or the similarly situated position in charge of the applicant's executive operations; the Chief Financial Officer, or the similarly situated person in charge of the applicant's financial affairs; the Chief Operating Officer, or the similarly situated person in charge of the applicant's daily operations; and the person that is responsible for managing the incentive for the applicant (collectively, "Key Individuals").
2. **Background Check.** A background check, covering the previous five (5) calendar year period, via Westlaw, LexisNexis, Google, or any other internet search engine shall be conducted on all applicants and all Key Individuals.
3. **Joint Ventures/Business Combinations.** If an applicant is comprised of one or more business entities, such as a joint venture, or other business combination, each of the involved business entities comprising the business combination shall be considered an applicant for purposes of the Background Review process, and each, and their respective Key Individuals, are subject to the above guidelines.
4. **Publicly Traded Applicants (or their parent companies).** If an applicant (or its parent company) is publicly traded, and has filed all of its required SEC filings, a certification form shall not be required and a background check, covering the previous five (5) calendar year period, shall be conducted by reviewing the applicant's (or, as applicable, its parent company's) public filings with the SEC (e.g. annual reports and current event reports); provided, however, that if the Applicant (or, as applicable, its parent company) has not filed all of its required SEC filings, then a certification form shall be required and processed as set forth in Paragraphs 1-3 above.
5. **Findings of a criminal conviction described under Section 88c(4)(a) and 88k(6)(a)** (dealing with state contract or subcontract). If a background check results in a finding of any offense listed in Section 88c(4)(a) or 88k(6)(a), the potential award may not continue to proceed through the process toward a final written agreement.
6. **Findings of a criminal conviction or civil liability described under Section 88c(4)(b) and 88k(6)(b)** (dealing with criminal or civil liabilities, that negatively reflect on business integrity, based on certain described events):
  - a. If a background check results in a finding of any offense listed in Section 88c(4)(b) or 88k(6)(b):
    - i. the applicant may submit, in writing, to the MSF Chairperson and the MSF Fund Manager, mitigating circumstances that it believes support that the particular finding does not negatively reflect on the business integrity of the applicant or the Key Individuals, as applicable.

- ii. The MSF Chairperson and the MSF Fund Manager may, but are not obligated to, consider the mitigating circumstances; and
- iii. For the potential award to continue to proceed through the process toward a final written agreement, the results of the background check must be satisfactory to either: (i) both the MSF Chairperson and the MSF Fund Manager in consultation with the MEDC General Counsel, or (ii) the MSF Board.

7. **Representation and Warranty by the Applicant in the Final Agreement.** All written agreements memorializing a final award shall, in addition to other normal and customary representations and warranties required by the MSF, include representation and warranty language from the applicant, to the effect that to the best of its knowledge, the applicant and its Key Owners and Personnel, do not have criminal convictions or civil liabilities and will not use the funds for the prohibited purposes described in Section 88c(4), Section 88k(6), and Section 88r(5) of the MSF Act.

Key Owners and Personnel means: if the applicant is a business entity, its affiliates, subsidiaries, officers, directors, managerial employees, and anyone holding 20 percent or more of a pecuniary interest, directly or indirectly, in that business entity (which includes a parent company).

For purposes of defining an Applicant, incentives that flow through a financial institution from the MSF for the benefit of a borrower, the background check will be performed on the borrower and the Key Individuals of the borrower.

Provided, however, that municipalities, non-profit entities and institutions of higher education, and their boards of directors and Key Owners and Personnel, may be exempted from the background check process, in part or in whole except for Paragraph 7, at the discretion and approval of the MSF Chairperson and the MSF Fund Manager.

The MSF Chairperson and the MSF Fund Manager, with only one required to act, may request additional reviews on potential awardees at their discretion.

<b>Michigan Strategic Fund Background Review Policy</b>	Eff. March 25, 2014
	Rev. January 23, 2018

## **Background**

Section 88c(4) of the Michigan Strategic Fund (“MSF”) Act, MCL 125.2088c(4), requires the MSF Board to establish requirements to ensure that money expended under Sections 88d, 88e, 88f, 88g, 88k, 88q and 88r and Chapter 8C of the MSF Act shall not be used for any of the following:

- Provision of money to a person who has been convicted of a criminal offense incident to the application for or performance of a state contract or subcontract. 125.2088c(4)(a)
- Provision of money to a person who has been convicted of a criminal offense, or held liable in a civil proceeding, that negatively reflects on the person's business integrity, based on a finding of embezzlement, theft, forgery, bribery, falsification or destruction of records, receiving stolen property, violation of state or federal antitrust statutes, or for any additional findings as determined by the fund board. 125.2088c(4)(b)

The guidelines and procedure outlined in this Background Review Policy (the “Policy”) shall be used to satisfy the requirements of Section 88c(4) of the MSF Act and as part of the due diligence process for programs and activities created and operated by the MSF. The Michigan Economic Development Corporation (“MEDC”) will perform the civil and criminal background reviews for the MSF in accordance with this Policy.

## **Definitions**

“**Applicant**” means a sole proprietorship, partnership, limited partnership, limited liability partnership, limited liability company, joint venture, profit or nonprofit corporation including an institution of higher education, public utility, municipality, local industrial development corporation, economic development corporation, other association of persons organized for agricultural, commercial, or industrial purposes, or any other entity seeking the benefit of an incentive from the MSF.

“**Certification Form**” means the form(s) completed by the Applicant that contains the information necessary for the MEDC to perform a civil and criminal background check, as may be revised by the MEDC from time to time.

“**Key Individuals**” means the Applicant’s Chief Executive Officer, or the similarly situated person in charge of the Applicant’s executive operations; the Chief Financial Officer, or the similarly situated person in charge of the Applicant’s financial affairs; the Chief Operation Officer, or the similarly situated person in charge of the Applicant’s daily operations; and the individual who is responsible for managing the MSF incentive for the Applicant.

“**Key Owners**” means, if the Applicant is a business entity, any individual or business entity that, directly or indirectly, holds a pecuniary interest of 20% or more in the Applicant.

“**SEC**” means the United States Securities and Exchange Commission.

## **Guidelines**

- Any Applicant seeking an MSF incentive in the amount of \$15,000 or more is subject to a civil and criminal background check in accordance with this Policy.
- Key Individuals and Key Owners are subject to a civil and criminal background check in the following circumstances:

- If the Applicant is a corporation, the Applicant's Key Individuals are subject to a civil and criminal background check. If the Applicant is publicly traded and has filed all of its required SEC filings, then a review of the Applicant's public filings may be conducted in lieu of the civil and criminal background checks on the Applicant's Key Individuals only upon written approval of the MSF President and the MSF Fund Manager.
  - If the Applicant is a partnership, limited partnership, limited liability partnership or limited liability company, the Applicant's Key Individuals and Key Owners are subject to a civil and criminal background check.
  - If the Applicant is a non-profit corporation, municipality or an institution of higher education, the Applicant's Key Individuals are subject to a civil and criminal background check. The boards of directors and Key Owners of non-profit corporations, municipalities and institutions of higher education may be exempted from the civil and criminal background check only upon written approval of the MSF President and the MSF Fund Manager. If a member of the board of directors or a Key Owner is also a Key Individual, then a civil and criminal background check will be performed on that Key Individual.
  - In the case of incentives that flow through a financial institution from the MSF for the benefit of an Applicant, the Applicant's Key Individuals are subject to a civil and criminal background check.
  - If the Applicant is comprised of one or more business entities, such as a joint venture or other business combination, each of the component business entities and their respective Key Individuals are subject to a civil and criminal background check.
- All final written agreements memorializing an incentive from the MSF shall include language requiring the Applicant to represent and warrant that, to the best of its knowledge, the Applicant, including its affiliates, subsidiaries, officers, directors, managerial employees, and any person who, directly or indirectly, holds a pecuniary interest in the Applicant of 20% or more, do not have criminal convictions or civil liabilities as described in Sections 88c(4)(a) and 88c(4)(b) and will not use the funds for the prohibited purposes described in Sections 88c(4)(c)-(e).
  - The MSF President and the MSF Fund Manager, with only one required to act, may request additional reviews on any Applicant at his or her discretion.

## **Procedure**

1. Applicants provide MEDC Staff with completed Certification Form.
2. Upon receipt of a complete Certification Form from the Applicant, MEDC Staff will conduct a civil and criminal background check using Westlaw, LexisNexis, or another similar program that performs civil and criminal background checks.
3. If a background check results in a finding of a criminal conviction described under Section 88c(4)(a), the potential incentive may not continue to the process toward approval.
4. If a background check results in a finding of a criminal conviction or civil liability described under Section 88c(4)(b) within the previous five (5) calendar year period, the potential incentive may continue to the process toward approval only upon the occurrence of all of the following:

- a. The Applicant submits in writing an explanation of the findings and mitigating circumstances that it believes support that the findings do not negatively reflect on the business integrity of the Applicant, its Key Individuals, and its Key Owners.
- b. The MSF President and the MSF Fund Manager determine that, based on a consideration of the mitigating circumstances, the findings do not negatively reflect on the business integrity of the Applicant, its Key Individuals, and its Key Owners.
- c. Any findings of a criminal conviction or civil liability described under Section 88c(4) will be disclosed in writing to the MSF Board or its authorized delegates, as applicable, prior to or coincident with any recommendation for approval of an incentive.

**MICHIGAN STRATEGIC FUND**  
**RESOLUTION 2018-**  
**BACKGROUND REVIEW POLICY**

**WHEREAS**, Public Act 270 of 1984, MCL 125.2001 *et seq.* (the “MSF Act”), established the Michigan Strategic Fund (the “MSF”);

**WHEREAS**, Public Acts 215 and 225 of 2005 established the 21st Century Jobs Fund initiative (the “21<sup>st</sup> Century Jobs Fund”);

**WHEREAS**, the Michigan Economic Development Corporation (“MEDC”) provides administrative services to the MSF;

**WHEREAS**, pursuant to Section 88c(4), MCL 125.2088c(4), of the MSF Act, the MSF is required to establish requirements toward prohibiting providing incentive awards under sections 88d, 88e, 88f, 88g, 88k, 88q, and 88r and Chapter 8C to awardees with certain criminal convictions or civil liabilities;

**WHEREAS**, on March 25, 2014, the MSF adopted background review guidelines as required under Section 88c(4) of the MSF Act for all programs operated by the MSF Board (the “Background Review Policy”);

**WHEREAS**, the MEDC recommends that the MSF adopt the revised Background Review Policy attached to this Resolution; and

**WHEREAS**, the MSF wishes adopt the revised Background Review Policy attached to this Resolution.

**NOW, THEREFORE, BE IT RESOLVED**, the MSF adopts the Background Review Policy attached to this Resolution.

Ayes:

Nays:

Recused:

Lansing, Michigan  
January 23, 2018

<b>Michigan Strategic Fund Background Review Policy</b>	Eff. March 25, 2014
	Rev. January 23, 2018

## **Background**

Section 88c(4) of the Michigan Strategic Fund (“MSF”) Act, MCL 125.2088c(4), requires the MSF Board to establish requirements to ensure that money expended under Sections 88d, 88e, 88f, 88g, 88k, 88q and 88r and Chapter 8C of the MSF Act shall not be used for any of the following:

- Provision of money to a person who has been convicted of a criminal offense incident to the application for or performance of a state contract or subcontract. 125.2088c(4)(a)
- Provision of money to a person who has been convicted of a criminal offense, or held liable in a civil proceeding, that negatively reflects on the person's business integrity, based on a finding of embezzlement, theft, forgery, bribery, falsification or destruction of records, receiving stolen property, violation of state or federal antitrust statutes, or for any additional findings as determined by the fund board. 125.2088c(4)(b)

The guidelines and procedure outlined in this Background Review Policy (the “Policy”) shall be used to satisfy the requirements of Section 88c(4) of the MSF Act and as part of the due diligence process for programs and activities created and operated by the MSF. The Michigan Economic Development Corporation (“MEDC”) will perform the civil and criminal background reviews for the MSF in accordance with this Policy.

## **Definitions**

“**Applicant**” means a sole proprietorship, partnership, limited partnership, limited liability partnership, limited liability company, joint venture, profit or nonprofit corporation including an institution of higher education, public utility, municipality, local industrial development corporation, economic development corporation, other association of persons organized for agricultural, commercial, or industrial purposes, or any other entity seeking the benefit of an incentive from the MSF.

“**Certification Form**” means the form(s) completed by the Applicant that contains the information necessary for the MEDC to perform a civil and criminal background check, as may be revised by the MEDC from time to time.

“**Key Individuals**” means the Applicant’s Chief Executive Officer, or the similarly situated person in charge of the Applicant’s executive operations; the Chief Financial Officer, or the similarly situated person in charge of the Applicant’s financial affairs; the Chief Operation Officer, or the similarly situated person in charge of the Applicant’s daily operations; and the individual who is responsible for managing the MSF incentive for the Applicant.

“**Key Owners**” means, if the Applicant is a business entity, any individual or business entity that, directly or indirectly, holds a pecuniary interest of 20% or more in the Applicant.

“**SEC**” means the United States Securities and Exchange Commission.

## **Guidelines**

- Any Applicant seeking an MSF incentive in the amount of \$15,000 or more is subject to a civil and criminal background check in accordance with this Policy.
- Key Individuals and Key Owners are subject to a civil and criminal background check in the following circumstances:



- If the Applicant is a corporation, the Applicant's Key Individuals are subject to a civil and criminal background check. If the Applicant is publicly traded and has filed all of its required SEC filings, then a review of the Applicant's public filings may be conducted in lieu of the civil and criminal background checks on the Applicant's Key Individuals only upon written approval of the MSF President and the MSF Fund Manager.
  - If the Applicant is a partnership, limited partnership, limited liability partnership or limited liability company, the Applicant's Key Individuals and Key Owners are subject to a civil and criminal background check.
  - If the Applicant is a non-profit corporation, municipality or an institution of higher education, the Applicant's Key Individuals are subject to a civil and criminal background check. The boards of directors and Key Owners of non-profit corporations, municipalities and institutions of higher education may be exempted from the civil and criminal background check only upon written approval of the MSF President and the MSF Fund Manager. If a member of the board of directors or a Key Owner is also a Key Individual, then a civil and criminal background check will be performed on that Key Individual.
  - In the case of incentives that flow through a financial institution from the MSF for the benefit of an Applicant, the Applicant's Key Individuals are subject to a civil and criminal background check.
  - If the Applicant is comprised of one or more business entities, such as a joint venture or other business combination, each of the component business entities and their respective Key Individuals are subject to a civil and criminal background check.
- All final written agreements memorializing an incentive from the MSF shall include language requiring the Applicant to represent and warrant that, to the best of its knowledge, the Applicant, including its affiliates, subsidiaries, officers, directors, managerial employees, and any person who, directly or indirectly, holds a pecuniary interest in the Applicant of 20% or more, do not have criminal convictions or civil liabilities as described in Sections 88c(4)(a) and 88c(4)(b) and will not use the funds for the prohibited purposes described in Sections 88c(4)(c)-(e).
  - The MSF President and the MSF Fund Manager, with only one required to act, may request additional reviews on any Applicant at his or her discretion.

## **Procedure**

1. Applicants provide MEDC Staff with completed Certification Form.
2. Upon receipt of a complete Certification Form from the Applicant, MEDC Staff will conduct a civil and criminal background check using Westlaw, LexisNexis, or another similar program that performs civil and criminal background checks.
3. If a background check results in a finding of a criminal conviction described under Section 88c(4)(a), the potential incentive may not continue to the process toward approval.
4. If a background check results in a finding of a criminal conviction or civil liability described under Section 88c(4)(b) within the previous five (5) calendar year period, the potential incentive may continue to the process toward approval only upon the occurrence of all of the following:

- a. The Applicant submits in writing an explanation of the findings and mitigating circumstances that it believes support that the findings do not negatively reflect on the business integrity of the Applicant, its Key Individuals, and its Key Owners.
- b. The MSF President and the MSF Fund Manager determine that, based on a consideration of the mitigating circumstances, the findings do not negatively reflect on the business integrity of the Applicant, its Key Individuals, and its Key Owners.
- c. Any findings of a criminal conviction or civil liability described under Section 88c(4) will be disclosed in writing to the MSF Board or its authorized delegates, as applicable, prior to or coincident with any recommendation for approval of an incentive.