

**MICHIGAN STRATEGIC FUND
BOARD MEETING
February 25, 2014
Time 10:00 am**

AGENDA

Adoption of Proposed MSF Meeting Minutes – December 18, 2013 [*Action Item*]
Public Comment [*Please limit public comment to three (3) minutes*]
Communication [*Information – Andrea Robach*]

A. Administrative– [*Action Items-Karla Campbell*]

Change in MSF Committee Structure
Consent Agenda Process Approval

B. Consent Agenda – [*Action Item-Karla Campbell*]

Mid Towne Hospitality, LLC – MCRP – [*Action Item-Joe Martin*]
Manufacturing Support Services RFP – [*Action Item – Jacob Schroeder*]
MTRAC – Advanced Transportation Amendment – [*Action Item-Roselyn Zator*]
2014 Business Incubator RFPs – [*Action Item-Roselyn Zator*]
SSBCI Loan Guarantee Program – Request for Public Hearing – [*Action Item-Eric Hanna*]
Ratification of Request for Legal Representation – [*Action Item-Christin Armstrong*]
Job Creation/MBT Credit Amendments:
McLaren Performance Technologies, Inc. – [*Action Item-Marcia Gebarowski*]
The Minacs Group (USA), Inc. – [*Action Item-Marcia Gebarowski*]
AVL Powertrain Engineering, Inc. – [*Action Item-Trevor Friedeberg*]

C. Community Vitality

Strathmore Apartments LDHA, LLC – MCRP – [*Action Item-Joe Martin*]
Ashley Owner, LLC – MCRP/Brownfield TIF – [*Action Item-Joe Martin*]
Midland DTH, LLC – MCRP/Brownfield TIF – [*Action Item-Joe Martin*]
Downtown Infrastructure Grants – CDBG – [*Action Item-Christine Whitz*]

D. State Branding – [*Action Item-Leslie Hornung*]

Weber Shandwick Worldwide Contract Amendment

E. Business Investment

1. Entrepreneurship – [*Action Items-Roselyn Zator*]

2014 Entrepreneurial Support Services RFP – Award Recommendation
2014 Early Stage Funding RFP –Award Recommendation

2. Business Growth - MBDP

Kalitta Air, LLC – [*Action Item-Ken Murdoch*]
Eberspaecher North America, Inc. – [*Action Item-Trevor Friedeberg*]

3. Access to Capital

Detroit Ventures Partners Award – PM Ventures Development Fund – [*Action Item-Mike Flanagan*]
Harvest Fresh Farms – Collateral Support through SSBCI – [*Action Item-Christopher Cook*]
SSBCI Loan Guarantee Program Approval – [*Action Item-Eric Hanna*]
Canton Renewables, LLC-Sauk Hills Project – Bond Authorization – [*Action Item-Eric Hanna*]
Sisters, Servants of the Immaculate Heart of Mary – Bond Authorization – [*Action Item-Eric Hanna*]

Lifecare, Inc. d/b/a Friendship Village – Bond Inducement – *[Action Item-Eric Hanna]*
Facility for Rare Isotope Beams (FRIB) – Bond Inducement – *[Action Item-Eric Hanna]*

F. Informational

CCO Quarterly Report

FY 2014 1st Quarter Delegated Approval Report – MBDP & MCRP

FY 2014 1st Quarter Delegated Approval Report – CDBG

FY 2014 1st Quarter Delegated Approval Report – MSDF-SSBCI

FY 2014 1st Quarter Delegated Approval Report - Portfolio

MICHIGAN STRATEGIC FUND BOARD MEETING
December 18, 2013
PROPOSED MEETING MINUTES

A meeting of the Michigan Strategic Fund [MSF] Board was held on Wednesday, December 18, 2013, at the Michigan Economic Development Corporation [MEDC], Lake Michigan Room, 300 N. Washington Square, Lansing, Michigan.

MEMBERS PRESENT:

Craig DeNooyer
Steve Hilfinger (serving on behalf of Michael Finney, designation attached)
Bill J. Martin
Michael J. Jackson, Sr.
Richard Rassel
W. Howard Morris (via conference call)
Steve Arwood
Andrew Lockwood (serving on behalf of Treasurer Clinton, designation attached)
Shaun Wilson

MEMBERS ABSENT:

None

CALL TO ORDER: Mr. Hilfinger called the meeting to order at 1:34 p.m.

ADOPTION OF MSF PROPOSED MEETING MINUTES – NOVEMBER 20, 2013:

Mr. Hilfinger asked if there were any questions from the Board. Mr. Martin asked that the minutes be revised to remove Mr. Boji and Ms. Keeley as absent members, since their resignations from the MSF Board had been accepted by Governor Snyder. There being no further questions, Steve Arwood motioned for the approval of the amended November 2013 meeting minutes. Craig DeNooyer seconded the motion. **The motion carried – 9 ayes, 0 nays, 0 recusals, 0 absent.**

PUBLIC COMMENT:

Mr. Hilfinger asked if there was anyone in the audience present who wished to make a public comment. There was none.

COMMUNICATION: Andrea Robach, MSF Board Relations Liaison and Executive Assistant, notified the Board members of the following:

- 1) There is a slight change in the order of the agenda, due to two previously tabled items which Are required to come back before the Board as “Old Business” and must be discussed first.
- 2) At the table is a letter from the Village of Dexter in support of the Chelsea Area Wellness Project; agenda item A1. A copy of this letter will be attached to the December meeting minutes.

OLD BUSINESS

Resolution 2013-204 Chelsea Area Wellness Foundation

Mr. Arwood motioned for this item be brought back to the table for discussion. Richard Rassel seconded the motion. *Eric Hanna, Director, Debt Capital, provided the Board with information regarding this action item.* Chelsea-Area Wellness Foundation (“CWF”) is seeking financing to purchase land and an approximately 48,000 square foot building CWF currently leases located at 2810 Baker Road, Dexter, in Washtenaw County. The facility will provide the community with fitness facilities, meeting space, health education classes, medical integration programming and other wellness related offerings. CWF indicates

that it employs 65 individuals. It is anticipated when full membership is attained, CWF will employ approximately 100 full time and part time jobs for skilled, certified and unskilled employees

Recommendation

Based upon a determination by Miller, Canfield, Paddock and Stone, P.L.C. and the State of Michigan Attorney General's office that the project complies with state and federal law requirements for tax exempt financing, staff recommends the adoption of a Bond Authorizing Resolution in the amount of not to exceed \$12,000,000.

Board Discussion

Mr. Hilfinger asked if there were any questions from the Board. As this was an item previously tabled due to contention between the Village of Dexter and the Chelsea Area Wellness Foundation, Mr. Hanna provided a letter from the Village which explained that the two parties had loosely come to an agreement regarding the proposed project, and that the Village, based on these terms, was now in support of the project. Each Board member received a copy of this letter at the table, however it was not read into the minutes of the meeting. Following this, brief discussion regarding the agreement ensued. There being no further questions, Andrew Lockwood motioned for the approval of Resolution 2013-204. Steve Arwood seconded this motion. **With a roll call vote of all members, the motion carried; 9 ayes, 0 nays, 0 recused, 0 absent.**

Resolution 2013-205 Wealthy Street Historic Development, LLC

Steve Arwood motioned for this item to be brought back to the table for Board Discussion. Richard Rassel seconded the motion. *Amy Lux, Renaissance Zone Specialist, provided the Board with information regarding this action item.* Wealthy Street Historic Development, LLC (the "Company") and the City of Grand Rapids (the "City") are requesting an amendment to the Renaissance Zone Development Agreement: Zone Extension (the "Zone Agreement") to remove the job creation milestone from the agreement. The Michigan Economic Development Corporation ("MEDC") is also requesting an amendment to the granting MSF Resolution 2009-021 (the "Granting Resolution") to remove the requirement for certain parties from the resulting Zone Agreement.

Recommendation

The MEDC recommends the MSF Board approve an amendment of the Company's Renaissance Zone Development Agreement and the Granting Resolution as follows: Remove the job creation milestone from the Zone Agreement; Revoke Condition#2 of the Granting Resolution, which requires of the escrow account arrangement; and Amend Condition #3 of the Granting Resolution to remove the Grand Rapids EDC, Kent County, and the MEDC as required parties. All other terms and conditions of the Agreement and the Granting Resolution remain unchanged

Board Discussion

Mr. Hilfinger asked if there were any questions from the Board. Mr. Martin asked to confirm that this instance was a special situation, and that the MSF was not planning to allow the same exceptions to occur for future projects. Ms. Lux confirmed that yes, there were no plans for similar exceptions to occur. There being no further questions, Bill Martin motioned for the approval of Resolution 2013-205. Craig DeNooyer seconded this motion. **The motion carries; 9 ayes, 0 nays, 0 recusals, 0 absent.**

PRIVATE ACTIVITY BONDS

Resolution 2013-206 Green Box NA Detroit, LLC-Solid Waste

Eric Hanna, Director, Debit Capital, provided the Board with information regarding this action item. The Michigan Strategic Fund induced a \$3,200,000 project on behalf of Green Box NA Detroit, LLC (the "Company") at its December 21, 2011 meeting. The Company is asking for a two year extension to Resolution 2011-170 until December 18, 2015. The extension request to the Inducement Resolution is due

to the need to move the induced project closer to the incoming waste stream. Additionally, the Company was unable to build in Romulus due to the inability to use the proper size cranes to construct the facility. The location was too close to the airport for the proper cranes heights required to construct the facility. The proposed location is now in the Detroit, Wayne County area.

Recommendation

Staff recommends the approval of the amending resolution to extend the expiration date for the inducement resolution to December 18, 2015.

Board Discussion

Mr. Hilfinger asked if there were any questions from the Board. There being none, Andrew Lockwood motioned for the approval of Resolution 2013-206. Craig DeNooyer seconded this motion. **With a roll call vote, the motion carries: 9 ayes, 0 nays, 0 recused, 0 absent.**

RENAISSANCE ZONES

Amy Lux, Renaissance Zone Specialist, provided the Board with information regarding these action items.

Resolution 2013-207 Specialty Lifting Equipment, Inc.

Specialty Lifting Equipment, Inc. (“Specialty”) requests and Michigan Economic Development Corporation (“MEDC”) Staff recommends that the Michigan Strategic Fund (“MSF”) Board approve a resolution to transfer the Renaissance Zone time extension designation to Specialty for the site previously occupied by Apiaries & Orchard Forklift, Inc. (“A&O”) in the Village of Edmore within the Montcalm & Gratiot County Renaissance Zone.

Recommendation

MEDC Staff recommend that the MSF Board approve Specialty Lifting Equipment, Inc.’s request to transfer the Renaissance Zone time extension designation from Apiaries & Orchard Forklift, Inc. to Specialty, provided an assignment and assumption agreement is executed.

Board Discussion

Mr. Hilfinger asked if there were any questions from the Board. Mr. Arwood asked to confirm that this was a reassignment, not a revocation. Ms. Lux confirmed that he was correct. There being no further questions, Craig DeNooyer motioned for the approval of Resolution 2013-207. Mike Jackson seconded this motion. **The motion carries; 9 ayes, 0 nays, 0 recusals, 0 absent.**

Resolution 2013-208 Ryan’s Equipment, Inc.

Michigan Economic Development Corporation (“MEDC”) Staff requests the Michigan Strategic Fund (“MSF”) Board approve a resolution revoking the Renaissance Zone designation for Ryan’s Equipment, Inc.’s (the “Company”) site in the Village of Edmore Subzone within the Montcalm & Gratiot Counties Renaissance Zone. The Company has fallen substantially short of both milestones, having created just 3 full-time jobs and having invested less than \$130,000 since designation.

Recommendation

MEDC Staff recommend that the MSF Board approve the revocation of the Renaissance Zone designation for Ryan’s Equipment, Inc.’s site in the Village of Edmore Subzone within the Montcalm & Gratiot Counties Renaissance Zone, effective December 31, 2013 for property tax purposes and immediately for other tax purposes.

Board Discussion

Mr. Hilfinger asked if there were any questions from the Board. Mr. Arwood asked if the local unit of government has the right to pursue repayment of the tax capture from the company. Ms. Lux stated that they did not, at this time. There being no further questions, Richard Rassel motioned for the approval of Resolution 2013-208. Bill Martin seconded the motion. **The motion carries; 9 ayes, 0 nays, 0 recusals, 0 absent.**

Mr. Rassel Recused

Resolution 2013-209 Johnson Controls

Josh Hundt, Director, Development Finance, provided the Board with information regarding this action item. Mr. Hundt introduced Dave DeGraaf – Johnson Controls – Vice President and General Manager of Advanced Power Solutions Division – JCI, Kevin Kuznicki – VP & General Counsel – Johnson Controls and Dave Ladd – Consultant – Kelley Cawthorne. Mr. DeGraaf gave the Board a brief summary of their request, the company history, and the negotiations that ensued with the MEDC/MSF staff, in coming to the proposed agreement.

Johnson Controls APS Production, Inc. (the “Company”) is requesting an amendment to the Company’s Renaissance Zone Development Agreement (the “Agreement”) to reduce the required capital investment, reduce the required job creation, and to provide an additional option to remedy an event of default, among other things. As a result of these amendments the MEDC is recommending a reduction in the term of the Renaissance Zone from fifteen years to ten years According to the Company’s Renaissance Zone Progress Report of activity through December 31, 2012, the Company has reported investing \$149.8 million and the creation of 100 jobs since the time of the Renaissance Zone designation. These figures fail to meet the requirements of the original Renaissance Zone Development Agreement.

Based on the Agreement, the Company was required to invest \$220 million by December 31, 2011 and create 548 new full-time jobs at the property by December 31, 2013. The Company explains that the shortfall is due to slower than anticipated development of the marketplace for advanced energy storage systems The Company has requested to amend the Agreement to reduce and extend their capital investment requirement to \$150,000,000 by December 31, 2013. Additionally, the Company has requested to reduce its job creation requirement from 548 new full-time jobs at the property by December 31, 2013 to 175 new full-time jobs in the City of Holland and Holland Charter Township by December 31, 2013, 200 cumulative new full-time jobs in the City of Holland and Holland Charter Township by December 31 2014, and 225 cumulative new full-time jobs in the City of Holland and Holland Charter Township by December 31, 2016.

Recommendation

The MEDC recommends the MSF Board approve the amendments to the Agreement, as outlined in the Briefing Memo, effective immediately, in order for the Company to be in compliance and to accommodate a more gradual capital investment and job creation timeline.

Board Discussion

Mr. Hilfinger asked if there were any questions from the Board. Extensive discussion ensued between the Board, Mr. Hundt, and the guests representing JCI. The majority of this conversation revolved around the details of the negotiated agreement between the MEDC/MSF and JCI, which were outlined in the Briefing Memo, and the Resolution. In summary, the terms of the agreement are much more realistic based on the current market, and JCI is confident that further amendments will not be necessary. There was also extensive discussion as to the issue of compliance; that JCI was not necessarily giving anything up should they once again become noncompliant. Mr. DeNooyer asked Mr. Hundt and the JCI members present why we have agreements in place, when often it is our policy to revise these agreements? Mr. Hundt stated that JCI is a company whose work is important to the economy of the State, and that it is our policy to work with companies, when possible, to still encourage their success. Mr. Martin asked if by making such efforts

to bring this company into compliance on their agreement, was the MSF setting precedent, or opening the doors for other incentive seekers who may have fallen into noncompliance, to ask for similar treatment. Mr. Hundt commented that he did not believe that was the case. There being no further questions, Mike Jackson motioned for the approval of Resolution 2013-209. Andrew Lockwood seconded the motion. The motion carries; 8 ayes, 0 nays, 1 recused, 0 absent.

Mr. Russel Returns

21st CENTURY MICHIGAN

Resolution 2013-210 Energy Acceleration RFP

Robert Jackson, Deputy Director, Michigan Energy Office, provided the Board with information regarding this action item. The Michigan Economic Development Corporation (“MEDC”) Requests the MSF to authorize a RFP on the Advanced Energy Acceleration Services (“AEAS”) grant. The purpose of the AEAS grant is to provide funding to a Michigan non-profit organization, through the competitive RFP process, for advanced energy acceleration services. These services will help businesses make capital investments and create new jobs in Michigan. The Michigan Energy Office (“MEO”) will administer the AEAS grant.

Recommendation

Staff makes the following recommendations with respect to the program: Allocation of \$2.5 million from the FY 2014 appropriation to the AEAS RFP, and Authorization to issue the proposed RFP.

Board Discussion

Mr. Hilfinger asked if there were any questions from the Board. Mr. Robert Jackson noted that the original request was for the Board to authorize a public hearing. However, after subsequent discussion with MEDC Staff, and the Chief Compliance Officer, Mr. Jackson noted the request was to seek approval to post the RFP. Discussion regarding the revised timeline of the process, and potential applicants followed. There being no further questions, Steve Arwood motioned for the approval of Resolution 2013-210. Mike Jackson seconded this motion. **The motion carried; 9 ayes, 0 nays, 0 recusals, 0 absent.**

Resolution 2013-211 Van Andel Institute Program

Roselyn Zator, Director, Entrepreneurship and Innovation provided the Board with information regarding this action item. The MEDC requests the MSF approve allocating \$500,000 for a one-year agreement to the Van Andel Institute to continue its Tuberous Sclerosis Complex (TSC) research program. Pursuant to Section 1034b of Public Act 0059 of 2013, the MSF is directed to allocate \$500,000.00 to the Van Andel Institute to be used as a match for funding received from the department of defense and the national institutes of health for advanced medical research.

Recommendation

MEDC Staff recommends that the MSF Board approves allocating \$500,000 to the Van Andel Institute for a one-year agreement.

Board Discussion

Mr. Hilfinger asked if there were any questions from the Board. He confirmed that this was a request that was required to go before the MSF Board for approval. There being no further questions, Craig DeNooyer motioned for the approval of Resolution 2013-211. Bill Martin seconded the motion. **The motion carried; 9 ayes, 0 nays, 0 recusals, 0 absent.**

Resolution 2013-212 Michigan Accelerator Fund 1

Michael Flanagan, Director, Equity Capital, provided the Board with information regarding this action

item. The Michigan Accelerator Fund 1 (“MAF”), an early stage venture capital fund awarded through the Accelerator Fund Program in 2010, has requested a waiver from requirements of an investment conflicts provision in the Side Letter Agreement (“Side Letter”) between MAF and the Michigan Strategic Fund (“MSF”), executed on January 27, 2011. The provision states that partnership investments shall not be permitted in portfolio companies that are a client of or under any contract with the fund group or any of their respective affiliates. MAF is interested in investing in Grand Rapids Aseptic Manufacturing (“GRAM”), which has been contracted with two MAF affiliates, The Charter Group, a Grand Rapids based M&A advisory firm, and StillPoint Capital, LLC (“StillPoint”), a Tampa, Florida based investment banking and registered representative licensing firm. John Kerschen and Dale Grogan, both managing partners of MAF, are also principals at The Charter Group and were both licensed as registered representatives through StillPoint.

Recommendation

MEDC Staff recommends that the MSF Board approve a waiver from requirements of the investment conflicts provision in the Side Letter Agreement, Section 10(b)(i)(1), in this instance, in order to allow MAF to make an investment into GRAM.

Board Discussion

Mr. Hilfinger asked the Board if there were any questions. There being none, Richard Rassel motioned for the approval of Resolution 2013-212. Shaun Wilson seconded the motion. **The motion carries; 9 ayes, 0 nays, 0 recusals, 0 absent.**

ADMINISTRATIVE: APPOINTMENTS

Karla Campbell, MSF Fund Manager, provided the Board with information regarding these action items.

Mr. Wilson Recused

Resolution 2013-213 Develop Michigan, Inc. – Investment Advisory Committee Appointment

Pursuant to the Loan Agreement between the Michigan Strategic Fund (“MSF”) and Develop Michigan, Inc. (“DMI”) and its corresponding investment into its subsidiary private equity fund, the MSF is afforded the ability to name a representative to the Investment Advisory Committee which reviews a variety of matters related to the funds operations including variances from investment mix, loan to value and asset class/product type.

Recommendation

The MEDC Staff recommends the appointment of Eric Hanna to the Investment Advisory Committee until replaced, subject to the appointment requirements of the Operating Agreement.

Board Discussion

Mr. Hilfinger asked if there were any questions from the Board. There being none, Steve Arwood motioned for the approval of Resolution 2013-213. Andrew Lockwood seconded this motion. **The motion carries; 8 ayes, 0 nays, 1 recused, 0 absent.**

Mr. Wilson returns.

Resolution 2013-214 HWD Manager, Inc.

On August 25, 2013 the MSF approved a \$5,649,071 equity contribution into HWD Investors, LLC for the Flint Cornerstone Project. The project involves the redevelopment of four city blocks in Downtown Flint to create an emerging health and wellness district. HWD Manager, Inc. was formed as the managing entity of

URC FJ, LLC and will own approximately 80% of URC FJ, LLC per the NMTC structure. The sole shareholder of the HWD Manager, Inc. is HWD Investors, LLC, whose sole members will be Uptown Reinvestment Corporation, and the Michigan Strategic Fund. The Board of Directors for HWD Manager, Inc. will initially consist of two directors appointed by URC and one director appointed by the MSF.

Recommendation

MEDC staff recommends the appointment of the Joseph Martin to sit on the Board of Directors for HWD Manager, Inc.

Board Discussion

Mr. Hilfinger asked if there were any questions from the Board. There being none, Bill Martin motioned for the approval of Resolution 2013-214. Andrew Lockwood seconded the motion. **The motion carries; 9 ayes, 0 nays, 0 recused, 0 absent.**

Steve Hilfinger asked for a motion to adjourn the meeting. Steve Arwood motioned for approval. Bill Martin seconded the motion. The meeting was adjourned at 2:42 pm.

MICHIGAN STRATEGIC FUND

RESOLUTION 2014-

CHANGE IN COMMITTEE STRUCTURE OF MSF

WHEREAS, the Michigan legislature created the Michigan Strategic Fund in 1984;

WHEREAS, the Michigan Economic Development Corporation (“MEDC”) provides administrative services to the Michigan Strategic Fund (“MSF”) for 21st Century Jobs Trust Fund programs, certain federally funded programs and other incentives;

WHEREAS, the MEDC recommends and the MSF Board desires to abolish the MSF Advisory Committee established by Resolution 2013-048;

WHEREAS, the MEDC recommends and the MSF Board desires to create and establish an Advisory Committee and delegate to the MSF President the authority to name and appoint Advisory Committee members who shall review and make recommendations to MEDC Staff and MSF Board delegates for the following programs: (i) the 21st Century Jobs Fund 2006 and 2008 Business Plan Competition rounds, as well as the predecessor programs, Michigan Technology Tri-Corridor Fund program and Michigan Life Sciences Corridor Fund program; (ii) the Company Formation and Growth Fund (retention of Pfizer assets program); (iii) those loans awarded under the Choose Michigan program; and (iv) any other programs or matters the MSF Board may authorize the Advisory Committee to review.

NOW, THEREFORE, BE IT RESOLVED, the MSF Board abolishes the MSF Advisory Committee;

BE IT FURTHER RESOLVED, the MSF Board creates and establishes an Advisory Committee and delegate to the MSF President the authority to name and appoint Advisory Committee members who shall review and make recommendations to MEDC Staff and MSF Board delegates for the following programs: (i) the 21st Century Jobs Fund 2006 and 2008 Business Plan Competition rounds, as well as the predecessor programs, Michigan Technology Tri-Corridor Fund program and Michigan Life Sciences Corridor Fund program; (ii) the Company Formation and Growth Fund (retention of Pfizer assets program); (iii) those loans awarded under the Choose Michigan program; and (iv) any other programs or matters the MSF Board may authorize the Advisory Committee to review.;

BE IT FURTHER RESOLVED, the MSF Board authorizes the MSF Fund Manager or the MSF President to take any action necessary to effectuate the terms of this Resolution.

Ayes:

Nays:

Recused:

East Lansing, Michigan
February 27, 2013



MEMORANDUM

Date: February 25, 2013

To: Michigan Strategic Fund Board

From: Karla Campbell
Fund Manager

Subject: Michigan Strategic Fund
Consent Agenda Guidelines

Request: The Michigan Strategic Fund (MSF) and Michigan Economic Development Corporation (MEDC) staff requested authority to implement the use of a Consent Agenda at their November 2013 meeting. This request was approved by Resolution 2013-203.

Background

Attached to this memo are Guidelines outlining how the Consent Agenda will be developed each month as well as how the Consent Agenda is approved by the MSF, how items are removed from the Consent Agenda to the general agenda, and how they will be recorded for the official record.

Recommendation

Staff recommends that the Guidelines for the Consent Agenda be approved.

Guidelines for Preparation and Approval of Consent Agendas for the MSF

The Michigan Strategic Fund approved the use of a Consent Agenda on November 20, 2013 (Resolution 2013-203).

The MSF Fund Manager may place items on the Consent Agenda when that item, in the normal and usual course of business of the MSF Board, is routine, is not anticipated to be controversial, and is not anticipated to prompt deliberations or discussions by the MSF Board. Items appropriate for placement on the Consent Agenda include, but are not limited to:

1. Approval of meeting minutes;
2. Amendments to projects that do not impact the scope and are otherwise permitted:
 - a. Extension of a timeline or milestone,
 - b. Addition of a qualified taxpayer,
 - c. Location changes that do not impact a local commitment related to an approved project,
 - d. Other routine adjustments.
3. Administrative items such as:
 - a. Routine requests for the continuation of funds
 - b. Revocation of benefits such as tax credits.
4. Reissuance of Memorandums of Understanding and other documents with minimal changes.
5. Projects less than \$1,000,000 in cumulative benefit from the MSF, and where cumulative delegation to staff has not previously been approved.

Developing the Consent Agenda for Approval

1. The MSF Fund Manager will coordinate the Consent Agenda in conjunction with MSF and MEDC Staff.
2. If MEDC Staff and the MSF Fund Manager are not in agreement on whether the item will be placed on the consent agenda, the item will be moved to the general agenda for individual consideration. Staff may also remove items based on changes to the project or the discovery of new information.

Consideration of the Consent Agenda

1. The Consent Agenda will have a separate tab under the general agenda.
2. The Consent Agenda will usually be placed after the Call to Order and Public Comment, and will be approved pursuant to a single Consent Agenda Resolution in a form similar to the attached **Exhibit A**. Supporting documentation for each Consent Agenda item should be included with the Consent Agenda Resolution.
3. When the Consent Agenda is taken up during the meeting, the Chair (or acting Chair) should inquire whether any MSF member would like an item removed from the Consent Agenda and placed on the regular agenda.
 - a. If a member makes this request, no vote is required; the item is removed from the Consent Agenda and placed at the appropriate place on the agenda.
 - b. If no request is made, or once any items objected to are removed, the Consent Agenda Resolution, in its then-current form (objectionable items removed), must be approved.
 - c. Items under the Consent Agenda are approved with one vote.
 - d. Approval of the Consent Agenda Resolution must be unanimous, subject to any recusals. If there is doubt, then a roll call vote should be taken.
 - e. A single no vote indicates that the Consent Agenda items are not collectively approved, and that all items will be placed on the general agenda individually.

Documentation of Items Approved or Removed from the Consent Agenda

1. When the Consent Agenda Resolution is approved, the official minutes will reflect all items included in the final Consent Agenda as approved.

MICHIGAN STRATEGIC FUND

RESOLUTION 2014-

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

WHEREAS, the Michigan Strategic Fund (“MSF”), at its November, 2013 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, which were included pursuant to the Guidelines.

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, for each of which supporting documentation is attached to this Resolution.

Consent Agenda Items:

1. Mid Towne Hospitality, LLC; Michigan Community Revitalization Program
2. Manufacturing Support Services Request for Proposal
3. Michigan Translational Research and Commercialization Program (MTRAC); Advanced Transportation Amendment
4. 2014 Business Incubator Request for Proposals
5. State Small Business Credit Initiative (SSBCI) – Request for Public Hearing
6. Ratification of Request for Legal Representation – Clifford Development
7. McLaren Performance Technologies, Inc. (Job Creation/MBT Credit Amendment)
8. The Minacs Group (USA), Inc. (Job Creation/MBT Credit Amendment)
9. AVL Powertrain Engineering, Inc. (Job Creation/MBT Credit Amendment)

Ayes:

Nays:

Recused:

Lansing, Michigan
February 25, 2014



MEMORANDUM

Date: February 25, 2014

To: Michigan Strategic Fund

From: Joseph Martin, Manager, Community Revitalization and Brownfield Programs

Subject: Mid Towne Hospitality, LLC and Mercantile Bank of Michigan
Michigan Community Revitalization Program
Request for Reauthorization of Approval of a \$3,000,000 Performance-based Loan Participation

Action

MEDC staff is seeking reauthorization of the original approval of the Michigan Community Revitalization Program incentive in the amount of \$3,000,000 in the form of a performance-based loan participation for Mid Towne Hospitality, LLC (Applicant) and Mercantile Bank of Michigan (Lender).

Background

On August 28, 2013, the Michigan Strategic Fund board approved a \$3,000,000 performance-based loan participation for Mid Towne Hospitality, LLC under the Michigan Community Revitalization Program (MCRP). The project involves the demolition of a surface parking lot to make room for the construction of a 5 story, 148 room hotel with a two-level, 200-car parking garage under it. The project is located at 433 Dudley Place NE and 431 Paris Avenue NE in the City of Grand Rapids. The total square footage of the hotel will be over 94,000 square feet while the parking deck will be approximately 72,200 square feet. Please find attached a project area map and the original MSF approval.

The original approval provided a maximum of 120 days to complete all due diligence and finalize all MCRP transaction documents. During the allotted time period, a final agreement was not executed. MEDC Project Management staff has been working with the Applicant and the Lender to finalize the due diligence and other documentation necessary to execute an agreement. Mercantile Bank anticipates closing on the senior loan transaction in early February, which will permit the MSF to execute the participation agreement and purchase a share of the loan.

Recommendation

The MEDC staff recommends approval of the reauthorization of the MCRP commitment, as outlined above and in the attached briefing memo dated August 28, 2013, with the commitment to remain valid until May 26, 2014 (90 days after approval) with approval for the MSF Fund Manager to extend the commitment an additional 30 days.

PROJECT MAP





MEMORANDUM

DATE: August 28, 2013

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

FROM: Joseph Martin, MEDC – Manager, Community Revitalization and Brownfield Programs
Sarah L. Rainero, MEDC – Community Assistance Team Specialist

SUBJECT: Approval of Michigan Community Revitalization Request for \$3,000,000 in a Performance-Based Loan Participation award to:

Mid Towne Hospitality, LLC (“Borrower” or “Applicant”)
545 Michigan Street, Suite 301
Grand Rapids, Michigan 49503
http://thirdcoastdev.com/?page_id=20

Mercantile Bank of Michigan (“Lender”)
310 Leonard St NW
Grand Rapids, MI 49504
<https://www.mercbank.com/>

MCRP PROGRAM AND ITS GUIDELINES

On December 21, 2011, the MSF Board approved the Michigan Community Revitalization Program (“MCRP”) and its guidelines. The primary intended objective of the MCRP is to provide incentives to persons that make eligible investments on eligible property in Michigan.

SOURCE OF INFORMATION

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

HISTORY OF THE APPLICANT AND PROJECT

Third Coast Development Partners, LLC (“Third Coast”) is a Grand Rapids based real estate development company formed by Brad Rosely and Dave Levitt. Third Coast is the development entity behind Mid Towne Village, which is a multi-phase project that consisted of razing a blighted neighborhood including the demolition of 50 homes near Michigan Street’s intersection with College Avenue. The overall Mid Towne Village project is currently subject to an Act 381 work plan approved July 13, 2004 by the Michigan Economic Growth Authority (MEGA) for \$3,440,162. A Single Business Tax Brownfield Tax Credit was subsequently approved October 4, 2004 for \$31,627,612 in eligible investment and a credit of \$2,000,000.

On October 16, 2007, the SBT credit approval was amended to multiphase the project into four phases and extends the time to complete eligible investment to ten years. Certificates of completion were issued for Phase I and Phase II in November 2007 and January 2009 respectively, for credits totaling \$1.3 million. The first two phases are now home to the West Michigan’s Women’s Health Center, Park Row Condos and the 545 Michigan Street mixed use building. An SBT amendment request is currently under

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consideration to combine the remaining two phases (III and IV) into a single phase (III) and utilize the remaining \$700,000 in credits to construct a five-story, 94,000 square foot, 148 room hotel on Lot A, which is also subject to the MCRP below.

Mid Towne Hospitality, LLC was formed in in June 2013 specifically for the development of the 148 unit Hampton Inn & Suites proposed below. The managing entity behind Mid Towne Hospitality, LLC is Lodgco Management, LLC, which currently manages the operations of 16 hotels across Michigan and is affiliated with Hilton, Marriott, Wyndam, and InterContinental Hotel Group. Third Coast has been retained to undertake the development work including securing the financing and construction contract, but is only a minority investor at 15%.

PROJECT DESCRIPTION

The Applicant plans to demolish a surface parking lot to make room for a 5 story, 148 room hotel with a two-level, 200-car parking garage under it. The total square footage of the hotel will be over 94,000 square feet while the parking deck will be approximately 72,200. The project is located at 433 Dudley Place NE and 431 Paris Avenue NE in the City of Grand Rapids (see Exhibit A).

- a) The project is “blighted property” as authorized under the program. While the findings of Blight outlined the conditions of the property at the time the MEGA approvals occurred, these are not the current conditions on the property since the blighted properties were demolished as part of the predevelopment activities following MEGA approval. No vertical construction has occurred on the site to date. The property still meets the definition of blighted property as it “has been declared a public nuisance in accordance with a local housing, building, plumbing, fire or other related code or ordinance.” Furthermore, the property is still subject to the original authorizing brownfield plan.
- b) The Applicant plans to make eligible investment of \$14,577,035 to the project for new construction, machinery/equipment/fixtures and site improvements, as authorized under the program. The project will be located in City of Grand Rapids. The City of Grand Rapids has offered a “staff, financial, or economic commitment to the project” in the form of tax increment financing through an amendment to an existing brownfield plan that is currently valued at \$3.5 million, but is being requested to increase to \$10.9 million.
- c) The project is located in a downtown or traditional commercial center. Preference was given to project based on the development team’s historical success on the other phases of the whole project and also the developer’s gap. The revenue generated from operating a hotel on this site, with a parking garage to accommodate the guests, does not meet the required debt coverage ratios necessary to secure financing. Fund assistance is necessary to reduce the debt obligation of the project to provide an acceptable return on investment for the financial institutions and investors.

FINANCING OPPORTUNITY – MCRP LOAN PARTICIPATION

MSF Facility	MCRP Loan Participation and Servicing Agreement Under “other economic assistance”
Borrower:	Mid Towne Hospitality, LLC

Lender: Mercantile Bank

Loan Amount: \$19,134,043

Lender Share: \$16,134,043

MSF Share: \$3,000,000

Payment Terms: Not to exceed 84 Months

On the Lender Share monthly payment of interest only during construction (up-to 15-months) followed by monthly principal and interest amortized over 19 years

On the MSF Share monthly payment of interest only during first three years followed by monthly principal and interest amortized over 19 years with a balloon payment of all remaining principal due no later than the 84th month

Interest Rate: On the Lender Share, a fixed rate of 300 bps above the cost of the lender's funds

On the MSF share 1.00% per annum

Collateral: Currently, anticipated to be a mortgage lien on the property, the MSF Share in collateral will be subordinate to the Senior Lender in an event of default

Guarantee: Currently, anticipated to be the unlimited unsecured personal guarantees of project investors. The MSF Share guarantee will be subordinate to the Senior Lender

Loan Fee: One-time fee equal to 1.00% of the MSF's Share of the loan

Funding: The MSF will fund up to \$3,000,000 to be disbursed following closing of the Loan

SUMMARY OF DEVELOPMENT SOURCES:

Mercantile Bank Mortgage	\$	16,134,043
MCRP Participated Loan Amount	\$	3,000,000
Mercantile Bank TIF Bridge Loan	\$	4,254,130
Brownfield Tax Credit Equity	\$	630,000
Owner Equity	\$	<u>3,000,000</u>
TOTAL	\$	27,018,173

Whether the project is financially and economically sound:

Following attainment of stabilized operating levels it is anticipated that the project will produce cash flow to service its debt at a rate of 1.10 to 1.00, which is based on relatively conservative estimates. MEDC staff is proposing a three (3) year interest only period to assist with construction and the project reaching a stabilized occupancy level. By 2017, the borrower projects an increase in average daily room rates from \$129 up to \$145 and increased average occupancy up to 65% from the 55% stabilized value. If this is achieved the DSCR will achieve 1.50x.

The applicant's financial need for a community revitalization incentive:

The development team has been able to secure conventional permanent financing for the project in excess of 75% and has been able to raise another \$3,000,000 (over 10% of the total development costs) in equity to contribute to the project. However, most of the gap is being driven by the desire for a more compact urban feel with the parking structure versus a surface lot. The parking structure is adding \$7.5 million in additional infrastructure costs. The Lender was willing to provide a \$4.2 million in a non-revolving line of credit secured by tax increment finance payments (not part of this request). However, this left a remaining gap to be filled by the existing MEDC credits and the MCRP loan participation. Additionally, during our review we have been able to get the development team to reduce the estimated development cost through value engineering and increase the equity contribution to the project by \$500,000. The resulting overall return to the investors is 7 to 10%.

MICHIGAN STRATEGIC FUND CONSIDERATIONS

As required under the program, the following criteria shall be considered by the MSF, as MEDC Staff believes each is reasonably applicable to proposed project:

A. The importance of the project to the community in which it is located:

A large customer base of the hotel is anticipated to be patient and patient families of the ambulatory surgical centers located in the Women's Health Center building which is adjacent to this site. These guests of the hotel will be able to walk from their surgery room to their hotel and one of the three restaurants that are in or adjacent to the development.

B. If the project will act as a catalyst for additional revitalization of the community in which it is located:

With 148 rooms, this hotel will provide a constant stream of guests into the area which will increase demand for the nearby services. In addition, the 200 car parking ramp will provide enough parking for not only the hotel, but for all walkable properties surrounding the hotel. This increased demand for services and ability to commute and park close to the nearby businesses will promote private investment to the area.

C. The amount of local community and financial support for the project:

Local TIF contribution of approximately \$10.4 million is being sought through an amendment to the Brownfield Plan and the Act 381 Work Plan.

D. The extent of reuse of vacant buildings, reuse of historical buildings, and redevelopment of blighted property:

The project is part of a Brownfield Plan that determined the property as blighted.

E. Creation of jobs:

This hotel will create an estimated 40 full-time and 10 part-time jobs. The average hourly wage for the jobs is estimated to be approximately \$14 for the full-time jobs and \$10 for the part-time jobs.

- F. The level of private sector and other contributions, including, but not limited to, federal funds and federal tax credits:**
An anticipated investment of \$27.0 million will be required for land acquisition, construction, furniture and fixtures and all other associated expenses to this project, which is Phase three of the overall development. A total of \$37 million has been invested into the first two phases described above.
- G. Whether the project increases the density of the area:**
The project will increase density of the area by allowing a hotel option for patients visiting the Michigan Street corridor, which has been dubbed the Medical Mile in the City of Grand Rapids.
- H. Whether the project promotes mixed-use development and walkable communities:**
This project further promotes mixed-use development and walkability because hotel patrons will be able to easily walk to the West Michigan's Women's Health Center and the 545 Michigan Street building that houses three restaurants, which are adjacent to the project site.
- I. Whether the project converts abandoned public buildings to private use:**
The project does not convert abandoned public buildings to a private use.
- J. Whether the project promotes sustainable development:**
The building is proposed to be a LEED certified building that incorporates sustainable development characteristics such as a green roof.
- K. Whether the project involves the rehabilitation of a historic resource:**
The project does not involve the rehabilitation of historic resources.
- L. Whether the project addresses area-wide redevelopment:**
This project addresses area-wide redevelopment, as the hotel component will complement the residential, medical, office and retail components adjacent to the property.
- M. Whether the project addresses underserved markets of commerce:**
This project will fulfill the need for a hotel in the area. The demand is driven by a large customer base of patients and their families in the nearby regional hospital and in the ambulatory surgical centers located at the adjacent Women's Health Center building.
- N. The level and extent of environmental contamination:**
The site does not have any know environmental contamination.
- O. If the rehabilitation of the historic resource will meet the federal Secretary of the Interior's standards for rehabilitation and guidelines for rehabilitating historic buildings (36 CFR 67):**
The project does not involve the rehabilitation of a historic resource, as the site is a surface parking lot.
- P. Whether the project will compete with or affect existing Michigan businesses within the same industry:**
The project is not competing with or affecting other Michigan businesses. Due to the continued expansion of the Medical Mile Corridor in Grand Rapids, it is filling the need for additional lodging for friends and family of medical patients.

Q. Any other additional criteria approved by the board that are specific to each individual project and are consistent with the findings and intent of this chapter:

There is no need to consider additional criteria.

INCENTIVE OPPORTUNITY

This project involves \$14,577,035 in eligible investment and total capital investment of up to \$27,018,173 in the City of Grand Rapids. The requested incentive amount from the MSF is \$3,000,000 in the form of performance based loan participation.

Please see below for more information on the recommended action.

RECOMMENDATIONS

MEDC Staff recommends (the following, collectively, "Recommendation"):

- a) Approval of the MCRP Proposal as outlined above (collectively, "MCRP Proposal");
- b) Closing the MCRP Proposal, subject to available funding under the MCRP at the time of closing ("Available Funding"), completion of due diligence, the results of which are satisfactory to the MEDC (collectively, "Due Diligence"), finalization of all MCRP transaction documents, and further subject to the following terms and conditions:
 - a. Commitment will remain valid for 120 days with approval for MSF Fund Manager to extend the commitment an additional 30 days.

**MICHIGAN STRATEGIC FUND
RESOLUTION 2014-**

**APPROVAL OF A MICHIGAN COMMUNITY REVITALIZATION PROGRAM LOAN
PARTICIPATION AWARD TO MID TOWNE HOSPITALITY, 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”), and (iii) approved the MSF Fund Manager to negotiate the final terms and conditions of the written agreements to be used to memorialize MCRP awards on the MSF’S behalf in accordance with the Guidelines (“Transaction Documents”);

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

WHEREAS, by Resolution No. 2013-134, at the request of Mid Towne Hospitality, LLC (“Company”) and Mercantile Bank of Michigan (“Lender”) and upon the recommendation of the MEDC, the MSF Board approved a performance based loan participation under the MCRP of up to \$3 million (“2013 Approval”);

WHEREAS, the Company and Lender have pursued senior private lending and due to the complexities surrounding the closing of the senior loan, the MSF participation has not been able to close within the time frame authorized by the 2013 Approval;

WHEREAS, the Company has again requested a performance based loan participation under the MCRP of up to \$3 million (“Award Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”);

WHEREAS, the MEDC has recommended to the MSF Advisory Committee that the MSF approve the Company’s Award 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 90 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 30 days (“MCRP Award Recommendation”);

WHEREAS, the MSF Advisory Committee has indicated its support of the MCRP Award Recommendation.

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

BE IT FURTHER RESOLVED, the MSF Fund Manager, in coordination with MEDC Staff, is authorized to negotiate the final terms and conditions of, and sign, the Transaction Documents necessary to effectuate the MCRP Award Recommendation.

ADOPTED

Ayes:

Nays:

Recused:

Lansing, Michigan
February 25, 2014

EXHIBIT A

LOAN FACILITY

MSF Facility MCRP Loan Participation and Servicing Agreement
Under “other economic assistance”

Borrower: Mid Towne Hospitality, LLC

Lender: Mercantile Bank

Loan Amount: Currently estimated at \$19,134,043

Lender Share: Currently estimated at \$16,134,043

MSF Share: Up to \$3,000,000

Payment Terms Anticipated to be 84 Months

On the Lender Share payment terms are currently projected as monthly payments of interest only during construction (up-to 15-months) followed by monthly principal and interest amortized over 19 years

On the MSF Share monthly payment of interest currently anticipated during first three years followed by monthly principal and interest amortized over 19 years with a balloon payment of all remaining principal due no later than the 84th month

Interest Rate: On the Lender Share the interest rate is currently anticipated at a fixed rate of 300 bps above the cost of the Lender’s funds

On the MSF share 1.00% per annum

Collateral: Currently, anticipated to be a mortgage lien on the property, the MSF Share in collateral will be subordinated to the Senior Lender in an event of default

Guarantee: Currently, anticipated to be the unlimited unsecured personal guarantees of project investors. The MSF Share of guarantee will be subordinated to the Senior Lender

Fee: The MSF shall be paid a one-time fee equal to 1.00% of the MSF’s Share of the loan. The Lender may charge the borrower for this fee.

Funding: The MSF will fund up to \$3,000,000 to be disbursed following closing of the Loan and other performance criteria



MEMORANDUM

Date: January 28, 2014
To: Michigan Strategic Fund Board
From: Jacob Schroeder, Director, Pure Michigan Business Connect Services
Subject: *Manufacturing Services Request for Proposals*

Action

The MEDC requests that the MSF Board approve the Manufacturing Services Request for Proposals (“RFP”).

Background

The proposed Manufacturing Services RFP seeks a contractor to provide services to the Michigan manufacturing (and related) industry. With the goal of increasing sales, profitability, the Michigan tax base, as well as creating and retaining jobs, these services will include:

- Matchmaking assistance in support of Pure Michigan Business Connect (“PMBC”) initiatives.
- Research and consultation as it relates to the MEDC’s Economic Gardening (second stage growth) program.
- Consulting and training related to process improvement and efficiency.
- Provide business outreach and services in support of the MEDC Business Development efforts.

In order to foster the growth of Michigan’s manufacturing-related economy, funding (in the form of a grant) will be awarded to one or more non-profit organizations through a competitive process in which all submitted proposals will be reviewed by a Joint Evaluation Committee (“JEC”). Results from the JEC review will be provided, in the form of numerical scores and award recommendation(s), to the MSF Board.

The MEDC recommends that the MSF Board approve appointing a Joint Evaluation Committee (“JEC”) to review the proposals submitted and make recommendations to the MSF Board. The following individuals are recommended to be appointed to the JEC to review proposals:

- Eric Shreffler-MEDC
- Susan Holben-MEDC
- Robert Luce-Detroit Regional Chamber
- Dan Radomski-Next Energy
- Christine Roeder-MEDC (If any of the above four are unable to participate)

The MEDC also recommends that the MSF Board approve the scoring and evaluation criteria attached as Exhibit B to the resolution to be used by the JEC members in their review of proposals submitted in response to the RFP.

Recommendation

Michigan Economic Development Corporation

MEDC Staff recommends that the MSF Board approve the following actions.

- 1) Allocation of \$1.38 million for the program;
- 2) Approval of the RFP attached as Exhibit A to the resolution;
- 3) Appointment of the JEC listed above; and
- 4) Approval of the scoring and evaluation criteria attached as Exhibit A to the resolution appointing the JEC and approving the scoring criteria.

REQUEST FOR PROPOSALS

Michigan Strategic Fund

2014 MANUFACTURING SUPPORT SERVICES

RFP-CASE-

DRAFT

REMINDER

REMINDER

Please check your proposal to make sure you have included all of the specifications in the Request for Proposals. In addition, please submit an electronic version of each of the following:

- Technical Proposal (Section II-A); and
- Conflicts of Interest Disclosure (if applicable) (Section II-G).

APPLICANTS ARE RESPONSIBLE FOR ASSURING THAT THE FOLLOWING IDENTIFYING INFORMATION APPEARS IN THE SUBJECT LINE OF YOUR EMAIL: “RFP-CASE- [REDACTED] Proposal” with Company Name, and “message 1 of 3” as appropriate if the submission consists of multiple emails.

The MSF will not respond to telephone inquiries, or visitation by Applicants or their representatives. Applicant’s sole point of contact concerning the RFP is below and any communication outside of this process may result in disqualification.

Contracts and Grants
Michigan Strategic Fund
300 North Washington Square, 3rd Floor
Lansing, Michigan 48913
contractsandgrants@michigan.org

IMPORTANT DUE DATES

- **February 18, 2014 at 3:00 p.m.:** Questions from potential Applicants are due via email to contractsandgrants@michigan.org. Please note: The Michigan Strategic Fund (“MSF”) will not respond to questions that are not received by the above date and time. In addition, questions that are phoned, faxed or sent through regular mail will not be accepted.
- **February 21, 2014 by close of business:** Responses to all qualifying questions will be posted on the MSF’s website, <http://www.michiganbusiness.org/public-notices-rfps/>
- **February 25, 2014, at 3:00 p.m.:** Electronic versions of your Proposal due to the MSF via email to contractsandgrants@michigan.org. **Proposals will not be accepted via U.S. mail or any other delivery method.**

Table of Contents

Section I –Work Statement.....	1
A - Purpose	1
B - Background Statement and Objectives	1
C - Qualifications.....	2
D - Deliverables.....	2
Section II – Proposal Format.....	3
A - Proposal Content.....	3
B - Proposal Submittal.....	4
Section III – RFP Process and Terms and Conditions.....	5
A - Pre-Bid Meeting/Questions	5
B - Proposals.....	5
C - Economy of Preparation	5
D - Selection Criteria	5
E - Applicants Costs.....	6
F - Taxes.....	6
G - Conflict of Interest	6
H - Breach of Contract.....	7
I - Disclosure of Litigation	7
J - False Information.....	8
K - Disclosure.....	8
L - Clarification/Changes in the RFP	8
M - Electronic Submission.....	8
N - Reservation of MSF Discretion	8
O - Jurisdiction	9
P - Additional Certification	9
Section IV – Contractual Terms and Conditions.....	10
A - MSF Required Terms	10
B - Contractor Responsibilities	11
C - Limitation on Fees	11
D - Acceptance of Proposal Content	12
E - Project Control and Reports.....	12

REQUEST FOR PROPOSAL

RFP-CASE-

This Request for Proposals (“RFP”) is issued by the Michigan Strategic Fund (the “MSF”), Contracts and Grants Unit (“C&G”). The Michigan Economic Development Corporation (the “MEDC”) provides administrative services associated with the programs and activities of the Michigan Strategic Fund Act on behalf of the MSF. C&G is the sole point of contact with regard to all bidding and contractual matters relating to the services described in this RFP. C&G is the only office authorized to change, modify, amend, alter, clarify, etc. the specifications, terms and conditions of this RFP and any contract(s) awarded as a result of this RFP (the “Contract”). Contracts and Grants will remain the SOLE POINT OF CONTACT throughout the bidding process. ***The MSF will not respond to telephone inquiries, or visitation by Applicants or their representatives. Applicant’s sole point of contact concerning the RFP is below and any communication outside of this process may result in disqualification.***

Contracts and Grants
Michigan Strategic Fund
300 North Washington Square, 3rd Floor
Lansing, Michigan 48913
contractsandgrants@michigan.org

**SECTION I
WORK STATEMENT**

A) PURPOSE

MSF is seeking a contractor to provide services to the Michigan manufacturing (and related) industry. With the goal of increasing sales, profitability, the Michigan tax base, as well as creating and retaining jobs, these services will include:

- Matchmaking assistance in support of Pure Michigan Business Connect (“PMBC”) initiatives;
- Research and consultation as it relates to the MEDC’s Economic Gardening (second stage growth) program;
- Consulting and training related to process improvement and efficiency; and
- Provide business outreach and services in support of the MEDC Business Development efforts.

B) BACKGROUND STATEMENT AND OBJECTIVES

Under the umbrella of the 21st Century Jobs Fund, the MSF Board has been given the opportunity to foster the growth of Michigan’s manufacturing-related economy. Funding (in the form of a grant) will be awarded to one or more non-profit organizations through a competitive process in

which all submitted proposals will be reviewed by a Joint Evaluation Committee (“JEC”). Results from the JEC review will be provided, in the form of numerical scores and award recommendation(s), to the MSF Board. The budget for this service shall be \$1.38 Million.

C) QUALIFICATIONS

Only non-profit organizations are eligible for funding under this RFP. Additionally, to be eligible, the Applicant must demonstrate the ability to provide the following services:

- Assist PMBC in matchmaking requests, including the broad search efforts as related to supplier summits;
- Provide services to Michigan manufacturers that allow those businesses operate more effectively in order to create and retain jobs;
- Support those firms (described in the above bullet) with a particular emphasize on 2nd stage growth companies; and
- Have the ability to provide manufacturing specific research and search engine optimization (“SEO”) to support the MEDC’s Economic Gardening/Second Stage Growth Accelerator program.

The Applicant must also have:

- A minimum of ten (10) years of experience providing manufacturing support services to all industries in the manufacturing sector (20+ years highly preferred); **AND**
- Have a statewide reach and focus; **AND**
- Have the administrative ability and desire to provide efficient, transparent operations and funding details on a systematic basis; **AND**
- Have access to additional, non-MSF, funding to support operations; **AND**
- Leverage federal and/or private sector funding sources to support the program/services

D) DELIVERABLES

Applicants must identify milestones/deliverables that the Applicant will commit to as a result of providing the proposed services. If Applicant is awarded funding, progress reports are due quarterly every year throughout the award. Identify how milestone completion will result in Economic Impact.

SECTION II PROPOSAL FORMAT

To be considered, each Applicant must submit a COMPLETE proposal in response to this RFP using the format specified. Applicant's proposal must be submitted in the format outlined below. There should be no attachments, enclosures, or exhibits other than those required in the RFP or considered by the Applicant to be essential to a complete understanding of the proposal. Each section of the proposal should be clearly identified with appropriate headings:

A) PROPOSAL CONTENT

1. Business Organization and History – State the full name, address, and phone and facsimile number of your organization and, if applicable, the branch office or other subordinate element that will perform, or assist in performing, the work hereunder. Indicate whether it operates as an individual, partnership, or corporation; if as a corporation, include the state in which it is incorporated. If appropriate, the proposal must state whether the organization is licensed to operate in the State of Michigan.
2. Statement of the Problem – State in succinct terms your understanding of the problem(s) presented by this RFP.
3. Narrative – Include a narrative summary description of the proposed effort and of the services(s)/products(s) that will be delivered.
4. Technical Work Plans – Provide a detailed research outline and timelines for accomplishing the work.
5. Prior Experience – Describe the prior experience of your organization which you consider relevant to the successful accomplishment of the project defined in this RFP. Include sufficient detail to demonstrate the relevance of such experience. Proposals submitted should include, in this Section, descriptions of qualifying experience to include project descriptions, costs, and starting and completion dates of projects successfully completed; also include the name, address, and phone number of the responsible official of the client organization who may be contacted.

The MSF may evaluate the Applicant's prior performance with the MSF, and prior performance information may be a factor in the award decision.

6. Project Staffing – The Applicant must be able to staff a project team which possesses talent and expertise in the field of the requirements of this RFP. Identify a Project Manager and staff assigned by name and title. Include biographies, experience and any other appropriate information regarding the work team's qualification for this initiative. Indicate staff turnover rates. Show where the project team will be physically located during the time they are engaged in the work. Indicate which of these individuals you consider key to the successful completion of the work. Indicate the amount of dedicated management time for the Applicant's Project Manager and other key individuals. Do not include any financials for the contemplated work within the Technical Proposal. Resumes of qualifications should be supplied for proposed project personnel.

Please Note: The MSF further reserves the right to interview the key personnel assigned by the

Contractor to this project and to recommend reassignment of personnel deemed unsatisfactory.

7. Subcontractors – List here all subcontractors that will be engaged to accomplish the project described in this RFP; include firm name and address, contact person and complete description of work to be subcontracted. Include descriptive information concerning subcontractor's organization and abilities. Also, the information provided in response to A-5, above, should include detailed information about each potential subcontractor.
8. Applicant's Authorized Expediter – Include the name and telephone number of person(s) in your organization authorized to expedite any proposed contract with the MSF.
9. Additional Information and Comments – Include any other information that is believed to be pertinent, but not specifically asked for elsewhere.

B) PROPOSAL SUBMITTAL

Submit an electronic version of your Proposal to the MSF via email to contractsandgrants@michigan.org not later than **3:00 p.m. on February 25, 2014**. The MSF has no obligation to consider any proposal that is not timely received. **Proposals will not be accepted via U.S. mail or any other delivery method.**

APPLICANTS ARE RESPONSIBLE FOR ASSURING THAT THE FOLLOWING IDENTIFYING INFORMATION APPEARS IN THE SUBJECT LINE OF YOUR EMAIL: *"RFP-CASE- Proposal" with Company Name, and "message 1 of 3" as appropriate if the proposal consists of multiple emails.*

**SECTION III
RFP PROCESS AND TERMS AND CONDITIONS**

A) PRE-BID MEETING/QUESTIONS

A pre-bid meeting will not be held. Questions from Applicants concerning the specifications in this RFP must be received via e-mail no later than **3:00 pm on February 18, 2014**. Questions must be submitted to:

Contracts and Grants
contractsandgrants@michigan.org

B) PROPOSALS

To be considered, Applicants must submit a complete response to this RFP, using the format provided in Section III of this RFP, by **3:00 p.m. on February 25, 2014**. No other distribution of proposals is to be made by the Applicant.

The Proposal must be **signed physically or electronically** by an official of the Applicant authorized to bind the Applicant to its provisions.

C) ECONOMY OF PREPARATION

Each proposal should be prepared simply and economically, providing a straightforward, concise description of the Applicant's ability to meet the requirements of the RFP. Emphasis should be on completeness and clarity of content.

D) SELECTION CRITERIA

Responses to this RFP will be evaluated based upon a multi-step selection process. The proposal must address the requirements described in Section II of this RFP.

The first step is an evaluation of which proposals satisfactorily meet the requirements of this RFP as stated in Section II.

1) Step I – Initial evaluation for compliance

a) *Proposal Content* – Contracts and Grants will screen the proposals for technical compliance to include but not limited to:

- Timely submission of the proposal.
- Proposal clearly identified and sent in accordance with instructions provided in this RFP.
- Proposal signed physically or electronically by an official of the Applicant authorized to bind the Applicant to its provisions.
- Proposals satisfy the form and content requirements of this RFP.

2) Step II – Criteria for Satisfactory Proposals

- a.) During the second step of the selection process, proposals will be considered by a Joint Evaluation Committee (“JEC”) comprised of individuals selected by the MSF. Only those proposals that satisfy the requirements described in this RFP, as determined in the sole discretion of the JEC, will be considered for evaluation in Step II. The JEC reserves the right to request additional information from any Applicant.
- b.) *Competence, Experience and Staffing Capacity* – The proposal should indicate the ability of the Applicant to meet the requirements of this RFP, especially the time constraints, quality, and recent projects similar to that described in this RFP. The proposal should indicate the competence of the personnel whom the Applicant intends to assign to the project, including education and experience, with particular reference to experience on projects similar to that described in this RFP and qualifications of Applicant’s Project Manager and the Project Manager’s dedicated management time, as well as that of other key personnel working on this project.

		Weight
1.	Statement of Work	30
2.	Applicant Information	10
3.	Prior Experience	30
4.	Staffing	10
5.	Financial Stability	20
	TOTAL	100

- c.) During the JEC’s review, Applicants may be required to make oral presentations of their proposals to the JEC. These presentations provide an opportunity for the Applicants to clarify the proposals. The MSF will schedule these presentations, if required by the JEC. Only those proposals receiving a score of **70 points or more** in the written review proposal evaluation will be invited to participate in the oral presentation, if determined necessary by the JEC.
- d.) In addition to the scoring outlined above, the JEC may provide preferences and additional points to applicants who satisfy the following conditions:
- a. A preference for proposals that can contribute to the development of economic diversification or the creation of employment opportunities in this state (5 points);
 - b. A preference for collaborations between institutions of higher education, Michigan nonprofit research institutions, Michigan nonprofit corporations, and qualified businesses (5 points); and
 - ~~b.~~c. A preference for proposals that meet 1 or more of the following: (i) Forecast revenues within 2 years; (ii) Have outside investments from investors with experience and management teams with experience in the industry targeted by the proposal; and (iii) Have outside directors with expertise in the industry targeted by the proposal (5 points).

E) APPLICANTS COSTS

The MSF is not liable for any costs incurred by any Applicant prior to signing of the Contract by all parties.

F) TAXES

The MSF may refuse to award a contract to any Applicant who has failed to pay any applicable taxes or if the Applicant has an outstanding debt to the State or the MSF.

Except as otherwise disclosed in an exhibit to the Proposal, Applicant certifies that all applicable taxes are paid as of the date the Applicant's Proposal was submitted to the MSF and the Applicant owes no outstanding debt to the State or the MSF.

G) CONFLICT OF INTEREST

The Applicant must disclose, in an exhibit to the proposal, any possible conflicts of interest that may result from the award of the Contract or the services provided under the Contract.

Except as otherwise disclosed in the proposal, the Applicant affirms that to the best of its knowledge there exists no actual or potential conflict between the Applicant, the Applicant's project manager(s) or its family's business or financial interests ("Interests") and the services provided under the Contract. In the event of any change in either Interests or the services provided under the Contract, the Applicant will inform the MSF regarding possible conflicts of interest which may arise as a result of such change and agrees that all conflicts shall be resolved to the MSF's satisfaction or the Applicant may be disqualified from consideration under this RFP. As used in this Section, "conflict of interest" shall include, but not be limited to, the following:

1. Giving or offering a gratuity, kickback, money, gift, or any thing of value to a MSF official, officer, or employee with the intent of receiving a contract from the MSF or favorable treatment under a contract;
2. Having or acquiring at any point during the RFP process or during the term of the Contract, any contractual, financial, business or other interest, direct or indirect, that would conflict in any manner or degree with Applicant's performance of its duties and responsibilities to the MSF under the Contract or otherwise create the appearance of impropriety with respect to the award or performance of the Contract; or
3. Currently in possession of or accepting during the RFP process or the term of the Contract anything of value based on an understanding that the actions of the Applicant or its affiliates or Interests on behalf of the MSF will be influenced.

H) BREACH OF CONTRACT

Except as otherwise disclosed in an exhibit to Applicant's proposal, Applicant is not in material default or breach of any contract or agreement that it may have with the State of Michigan or any of its departments, commissions, boards or agencies, or any other public body in the State of Michigan. Further, Applicant represents and warrants that it has not been a party to any contract with the State or any public body that was terminated within the previous five (5) years because the Applicant failed to perform or otherwise breached an obligation of such contract.

I) DISCLOSURE OF LITIGATION

Except as otherwise disclosed in an exhibit to Applicant's proposal, there is no criminal litigation,

investigations or proceedings involving the Applicant (and each subcontractor, if subcontractors will be used to provide the goods/services requested under this RFP) or any of the Applicant's officers or directors or any litigation or proceedings under the Sarbanes-Oxley Act. In addition, Applicants must disclose in the exhibit requested under this Section of the RFP any civil litigation, arbitration or proceeding to which the Applicant (or, to the extent Applicant is aware, any subcontractor) is a party and which involves: (1) disputes that might reasonably be expected to adversely affect the viability or financial stability of the Applicant (or subcontractor); or (2) a claim or written allegation of fraud or breach of contract against Applicant (or, to the extent Applicant is aware, subcontractor), by a governmental or public entity arising out of their business dealings with governmental or public entities. Details of any settlements which Applicant is prevented from disclosing under the terms of the settlement may be annotated as such.

J) FALSE INFORMATION

If the MSF determines that a Applicant purposefully or willfully submitted false information in response to this RFP, the Applicant will not be considered for an award and any resulting Contract that may have been executed may be terminated.

K) DISCLOSURE

All Applicants should be aware that proposals submitted to the MSF in response to this RFP may be subject to disclosure under the provisions of Public Act 442 of 1976, as amended, known as the Freedom of Information Act ("FOIA"). Accordingly, confidential information should be excluded from Applicants' proposals. Applicants, however, are encouraged to provide sufficient information to enable the MSF to determine the Applicant's qualifications and to understand or identify areas where confidential information exists and could be provided. The FOIA also provides for the complete disclosure of the Contract and any attachments or exhibits thereto.

L) CLARIFICATION/CHANGES IN THE RFP

Changes made to the RFP as the result of responses made to qualifying questions or concerns will be posted on <http://www.michiganbusiness.org/public-notices-rfps/>. Applicants are encouraged to regularly check this site for changes or other information related to the RFP.

M) ELECTRONIC SUBMISSION

ELECTRONIC VERSIONS OF YOUR PROPOSAL MUST BE RECEIVED AND TIME-STAMPED BY THE MSF TO contractsandgrants@michigan.org, ON OR BEFORE **3:00 p.m. on February 25, 2014**. Applicants are responsible for timely submission of their proposal. THE MSF HAS NO OBLIGATION TO CONSIDER ANY PROPOSAL THAT IS NOT RECEIVED BY THE APPOINTED TIME.

N) RESERVATION OF MSF DISCRETION

Notwithstanding any other statement in this RFP, the MSF reserves the right to:

- 1) reject any and all proposals;

- 2) waive any errors or irregularities in the application process or in any proposal;
- 3) rebid the project;
- 4) negotiate with any Applicant for a reduced or increased Award Amount;
- 5) reduce the scope of the project, and rebid or negotiate with any Applicant regarding the revised project; or
- 6) defer or abandon the project.

The MSF's decision is final and not subject to appeal. Any attempt by an applicant, collaborating entity, or other party of interest to the project to influence the awards process, to appeal, and/or take any action, including, but not limited to, legal action, regarding the proposal or awards process in general may result in the applicant's disqualification and elimination from the award process.

O) JURISDICTION

In the event that there are conflicts concerning this RFP that proceed to court, jurisdiction will be in a Michigan court of law. Nothing in this RFP shall be construed to limit the rights and remedies of the MSF that are otherwise available.

P) ADDITIONAL CERTIFICATION

Pursuant to Public Act 517 of 2012, an Iran linked business is not eligible to submit a bid or proposal on a request for proposal, with a public entity.

Applicants must include the following certification in the proposal:

“Applicant certifies that it is not an Iran-linked business as defined in MCL 129.312.”

Failure to submit this certification will result in disqualification from consideration.

**SECTION IV
CONTRACTUAL TERMS AND CONDITIONS**

A) MSF REQUIRED TERMS AND CONDITIONS

In addition to the final terms and conditions negotiated between the MSF and Awardee, the following terms and conditions shall be included in the final executed contract:

- 1) The Awardee shall not use any portion of the Award for the development of a stadium or arena for use by a professional sports team or development of a casino or property associated or affiliated with the operation of a casino as prohibited by the Act (see MCL 125.2088(k)(5)(a) and (b)), or to induce the Awardee, a qualified business, or small business to leave the State of Michigan, or to contribute to the violation of internationally recognized workers' rights, of workers in a country other than the United States, as prohibited by the MSF Act (see MCL 125.2088(k)(6)(c) and (d)).
- 2) The MSF, the State of Michigan, the MEDC, its Executive Committee and their respective directors, participants, officers, agents and employees (collectively, the "Indemnified Persons") shall not be liable to the Awardee for any reason. The Awardee shall indemnify and hold the the MSF, the State of Michigan and the MEDC and other Indemnified Person harmless against all claims asserted by or on behalf of any individual person, firm or entity (other than an Indemnified Person), arising or resulting from, or in any way connected with the final contract or any act or failure to act by the Awardee under the final contract, including all liabilities, costs and expenses, including reasonable counsel fees, incurred in any action or proceeding brought by reason of any such claim. The Awardee shall also indemnify the State of Michigan, the MSF, the MEDC and other Indemnified Person from and against all costs and expenses, including reasonable counsel fees, lawfully incurred in enforcing any obligation of the Awardee under the final agreement.
- 3) In connection with the Award, Awardee agrees not to discriminate against any employee or applicant for employment, with respect to their hire, tenure, terms, conditions or privileges of employment, or any matter directly or indirectly related to employment, because of race, color, religion, national origin, ancestry, age, sex, height, weight, marital status, physical or mental disability unrelated to the individual's ability to perform the duties of the particular job or position. further agrees that every subcontract entered into for performance of this Agreement will contain a provision requiring nondiscrimination in employment, as specified in this Agreement, binding upon each subcontractor. This covenant is required under the Elliot Larsen Civil Rights Act, 1976 PA 453, MCL 37.2101, et seq., and the Persons with Disabilities Civil Rights Act, 1976 PA 220, MCL 37.1101, et seq., and any breach thereof may be regarded as a material breach of the final contract.

Under 1980 PA 278, MCL 423.321, et seq., the State of Michigan shall not award a contract or subcontract to an employer whose name appears in the current register of employers failing to correct an unfair labor practice compiled under MCL 423.322. The United States Labor Relations Board compiles this information. The Awardee shall not enter into a contract with a subcontractor, manufacturer, or supplier whose name appears in this register. Under MCL 423.324, the State of Michigan may void any contract if, subsequent to the award of the contract, the name of the Awardee as an employer, or the name of a subcontractor, manufacturer, or supplier of the Awardee appears in the register.

- 4) If the State Legislature or the State government fails to provide or terminates the funding necessary for the MSF to fund the Award, the MSF may terminate the final contract by providing notice to the Awardee not less than thirty (30) calendar days before the date of cancellation provided, however, that if the action of the State Legislature or State government results in an immediate absence or termination of funding, the final contract may be terminated effective immediately upon delivery of written notice to the Awardee. Upon such termination of funding, the MSF shall have no further obligation to make any additional disbursements to the Awardee beyond the date of termination.
- 5) To the best of Awardee's knowledge, neither Awardee nor any of its affiliates, subsidiaries, officers, directors and any person who, directly or indirectly, holds a pecuniary interest in the Awardee of 20% or more: (i) have any criminal convictions incident to the application for or performance of a state contract or subcontract, and (ii) have any criminal convictions or have been held liable in any civil proceeding that negatively reflects on the person's business integrity, including without limitation, based on a finding of embezzlement, theft, forgery, bribery, falsification or destruction of records, receiving stolen property or violation of state or federal antitrust statutes.
- 6) During the term of the award, there will be frequent contact between the Grant Manager, or other MEDC, MSF or representatives of the State, and the Awardee, including possible site visits. In addition, to enable the Auditor General, the Department of Technology, Management and Budget (the "DTMB"), the MSF, or the MEDC to monitor and ensure compliance with the terms of the final contract, the Awardee shall permit the Auditor General, the DTMB, the MSF, or the MEDC to visit the Awardee, and any other location where books and records of the Awardee are normally kept, to inspect the books and records, including financial records and all other information and data relevant to the terms of the final contract, including the expenditure of any funds; provided, however, that such audit right shall survive the end of the term of the final contract by three (3) years. In connection with any such audit, the Awardee shall cooperate with the chief compliance officer, if contacted, as provided in MCL 125.2088i(6)(h). At such visits, the Awardee shall permit the Auditor General, the DTMB, the MSF, or any member, employee or agent of the MSF, the Grant Manager or any employee or agent of the MEDC to make copies or extracts from information and to discuss the affairs, finances and accounts of the Awardee related to this Agreement with its officers, employees or agents. Notwithstanding anything to the contrary, any information and data that the Awardee reasonably determines is confidential information shall be reviewed by the Auditor General, the DTMB, the MSF, and the MEDC at the offices of the Awardee and the Auditor General, the DTMB, the MSF, or the MEDC shall have the right to remove, photocopy, photograph or otherwise record in any way any part of such books and records only with the prior written consent of the Awardee, which consent shall not be unreasonably withheld.

B) CONTRACTOR RESPONSIBILITIES

The selected will be required to assume responsibility for all contractual activities offered in this RFP whether or not the performs them. Further, the MSF will consider the selected to be the sole point of contact with regard to contractual matters, including payment of any and all charges resulting from the Contract.

C) LIMITATION ON FEES

The MSF's contribution to management fees, overhead, expenses and other administrative costs is

limited to 25% of the Award Amount.

D) ACCEPTANCE OF PROPOSAL CONTENT

If awarded a grant, the contents of this RFP and Applicant's proposal will become contractual obligations. In the event of any discrepancies between the RFP, the proposal and the final executed agreement, the final executed contract shall control. Failure of the successful Applicant to accept these obligations may result in cancellation of the award.

D) PROJECT CONTROL AND REPORTS

1) Project Control

- a) The selected Applicant (the "Awardee") will carry out this project under the direction and control of the Business Support Unit of the MSF.
- b) The MSF will appoint a Grant Manager for this project. Although there will be continuous liaison with the Awardee team, the Grant Manager will meet with the Awardee's project manager for the purpose of reviewing progress and providing necessary guidance to the Awardee in solving problems which arise.
- c) The Awardee will be required to submit progress reports, together with supporting documentation, to the Grant Manager on a regular basis in order to assist the MSF in complying with the reporting requirements of the MSF Act. The Grant Manager may request such other documentation or information as may be necessary to effectively administer the award.

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Proposal Evaluation Form 2014 Manufacturing Support Services

Name of Applicant: _____

Name of Reviewer: _____

Criteria	Reviewer's Comments	Points
<p>Statement of Work:</p> <ul style="list-style-type: none"> • Does the applicant effectively demonstrate the capacity and ability to provide the following: <ul style="list-style-type: none"> ○ Assist Pure Michigan Business Connect (PMBC) in matchmaking requests, including the broad search efforts as related to supplier summits ○ Provide services to Michigan manufacturers that allow those businesses operate more effectively in order to create and retain jobs ○ Support those firms (described in the above bullet) with a particular emphasize on 2nd stage growth companies ○ Have the ability to provide manufacturing specific research and search engine optimization (SEO) to support the MEDC's Economic Gardening/Second Stage Growth Accelerator program 		<p>Max. Possible Points: 30</p> <p>Score: _____</p>
<p>Bidder Information:</p> <ul style="list-style-type: none"> • Have a statewide reach and focus • Identified milestones/deliverables • Deliverables result in positive economic impact 		<p>Max. Possible Points: 10</p> <p>Score: _____</p>
<p>Prior Experience:</p> <ul style="list-style-type: none"> • The Applicant should indicate past experience with Manufacturing Support Services, and specifically discuss how the STATEMENT OF WORK that the Applicant fulfilled and its success will play a role in this project 		<p>Max. Possible Points: 30</p> <p>Score: _____</p>
<p>Staffing:</p> <ul style="list-style-type: none"> • Identified key players • Identified collaborators • Have the administrative ability and desire to provide efficient, transparent operations and funding details on a systematic basis 		<p>Max. Possible Points: 10</p> <p>Score: _____</p>
<p>Financial Stability:</p> <ul style="list-style-type: none"> • Have access to additional, non-MSF, funding to support operations • Leverage federal and/or private sector funding sources to support the program/services 		<p>Max. Possible Points: 20</p> <p>Score: _____</p>
<p>Total Score:</p>		<p>Max. Possible Points: 100</p> <p>Score: _____</p>
<p>Preferences: If applicant satisfies any of the preferences below, those points shall be added to the applicant's total score achieved through the initial evaluation and scoring phase of this RFP. Each preference is worth five (5) points if the preference is satisfied by applicant. If not satisfied by applicant then a score of zero (0) shall be assigned.</p>		
<p>1. Does proposal demonstrate that project can contribute to the development of economic diversification or the creation of employment opportunities in the State of Michigan?</p>		<p>Possible Points: 5</p> <p>Preference Points: _____</p>
<p>2. Does proposal demonstrate collaboration between application and institutions of higher education, Michigan nonprofit research institutions, Michigan nonprofit corporations, and qualified businesses?</p>		<p>Possible Points: 5</p> <p>Preference Points: _____</p>
<p>3. Does proposal meet one or more of the following: (i) Forecast revenues within 2 years; (ii) Have outside investments from investors with experience and management teams with experience in the industry targeted by the proposal; or (iii) Have outside directors with expertise</p>		<p>Possible Points: 5</p> <p>Preference Points: _____</p>

Exhibit A

in the industry targeted by the proposal?		
Preferences Score:		Score: _____
OVERALL PROPOSAL SCORE (Total Score + Preferences Score)		Score: _____

MEMORANDUM

Date: February 25, 2014
To: Michigan Strategic Fund Board
From: Paula Sorrell, Vice President Entrepreneurship, Innovation & Venture Capital
Subject: University of Michigan, Advanced Transportation Technology Translation Program

Action

The MEDC requests the MSF approve allocating \$1,000,000 for continuation of the Michigan Translational Research and Commercialization (“MTRAC”) University of Michigan, Advanced Transportation Technology Translation Program.

Background

At its September 27, 2012 board meeting, the MSF Board approved the creation of the Michigan Translational Research and Commercialization Program (the “MTRAC Program”) allocating \$6,000,000 from the 21st Century Jobs Fund to the program. The MTRAC Program is based on the success of the Coulter Process, a nation-wide best practice that facilitates and enables the translation of cutting-edge university research and knowledge into economic impact through technology transfer.

On February 27, 2013 the MSF selected the Grantee – University of Michigan, Advanced Transportation Technology Translation Program to receive a grant in the amount of \$150,000 for a six-month pilot program with the option to award the full amount that was requested in the proposal (\$1,000,000) to be disbursed under the grant agreement.

Project Success

The six-month pilot project included hiring the program manager, putting in place an oversight committee to review projects and soliciting proposals from faculty. There were 8 applications reviewed with 4 finalists who have the potential to receive funding of which 2 will be selected. The program was able to accomplish a significant amount during the pilot program and has met all of their milestones and reporting requirements.

Recommendation

MEDC Staff recommends that the MSF Board approves allocating an additional \$1,000,000 to the University of Michigan, Advanced Transportation Technology Program grant.

**MICHIGAN STRATEGIC FUND
RESOLUTION**

2014-

MTRAC PROGRAM AWARD

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

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

WHEREAS, at its September 27, 2012 meeting, the MSF Board approved the creation of the Michigan Translational Research and Commercialization Program (the “MTRAC Program” or “Program”) under Section 88o of the Act and allocated \$6 million from the 21st Century Jobs Fund to the Program;

WHEREAS, also at its September 27, 2012 meeting, the MSF issued a Request for Proposals (“RFP”) under the MTRAC Program, approved an application and scoring process for the RFP, and appointed a Joint Evaluation Committee (“JEC”) to review proposals received in response to the RFP;

WHEREAS, the JEC received and reviewed proposals from seven (7) institutions of higher education under the RFP in accordance with the requirements of the RFP, including all statutory requirements, and the scoring and evaluation criteria adopted by the MSF Board;

WHEREAS, the MSF awarded a grant to the University of Michigan in an initial amount of \$150,000 for a pilot project in advanced transportation, with an option to award up to \$1,000,000 as requested in the University’s proposal upon successful completion of the milestones for the pilot program;

WHEREAS, the University of Michigan has successfully completed the milestones under the UM Grant and MEDC Staff recommends that the MSF Board exercise its option to award up to an additional \$1,000,000 to the University of Michigan under the MTRAC Program (the “UM Grant”); and

WHEREAS, the MSF Board wishes to approve the UM Grant.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board approves the UM Grant; and

BE IT FURTHER RESOLVED, that MSF Fund Manager or the MSF Chairperson, with only one required to act and in coordination with MEDC Staff, is authorized to the negotiate final terms and conditions of the UM Grant and to execute all documents necessary to effectuate the UM Grant.

Ayes:

Nays:

Recused:

Lansing, Michigan
February 25, 2014



MEMORANDUM

Date: February 25, 2014
To: Michigan Strategic Fund Board
From: Roselyn Zator, Managing Director, Entrepreneurial Services
Subject: *FY 2014 Business Incubator Programs Request for Proposals*

Action

The MEDC requests that the MSF Board approve the 2014 Business Incubator Programs Request for Proposals.

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. For the 2013 fiscal year, the business incubators reported the following results occurred as a result of their activities: 145 companies created, 3,869 companies served, 587 jobs created, and \$135 million investment. These results reflect levels at or improved over 2012 results. The Michigan Economic Development Corporation (“MEDC”) provides administrative services for the business incubator grants.

The MEDC requests that the MSF release the 2014 Business Incubator Request for Proposals (“RFP”) in the amount of \$4,535,000 to solicit proposals from organizations that have received prior MSF funding and require additional funding to support them in reaching self-sustainability. Applicants must provide a sustainability plan clearly indicating how and when sustainability will occur.

The MEDC anticipates the following proposed timeline for the execution of this RFP:

Issue RFP to the Public: February 26, 2014
Questions due from the Public: March 5, 2014
Answers posted to the MEDC web page: March 7, 2014
Applications Deadline: March 26, 2014

The MEDC recommends that the MSF Board approve appointing a Joint Evaluation Committee (“JEC”) to review the proposals submitted and make recommendations to the MSF Board. The following individuals are recommended to be appointed to the JEC to review proposals:

Roselyn Zator – Entrepreneurial Services Managing Director, MEDC
Nadia Abunasser – Federal and Development Projects Director, MEDC
Andrew Meadow – Biotech and Medical Device Venture Director, MEDC
Gabe Yancho – Portfolio Manager, MEDC

The MEDC recommends that the MSF Board approve the scoring and evaluation criteria attached as Exhibit B to the resolution to be used by the JEC members in their review of proposals submitted in response to the RFP.

Recommendation

MEDC Staff recommends that the MSF Board approve the following actions.

- 1) Allocation of \$4.535 million for the program;
- 2) Approval of the RFP attached as Exhibit A to the resolution;
- 3) Appointment of the JEC listed above; and
- 4) Approval of the scoring and evaluation criteria attached as Exhibit A to the resolution appointing the JEC and approving the scoring criteria.

EXHIBIT A

REQUEST FOR PROPOSALS

Michigan Strategic Fund

BUSINESS INCUBATOR PROGRAMS

RFP-CASE-79420

DRAFT

REMINDER

Please check your proposal to make sure you have included all of the specifications and required documents listed in the Request for Proposals. Please email one document that includes contact page, check list page, and proposal.

APPLICANTS ARE RESPONSIBLE FOR ASSURING THAT THE FOLLOWING IDENTIFYING INFORMATION APPEARS IN THE SUBJECT LINE OF YOUR EMAIL: "RFP-CASE-79420" with Company Name.

The MSF will not respond to telephone inquiries, or visitation by Applicants or their representatives. APPLICANTS OR ANY OF THEIR AUTHORIZED REPRESENTATIVES MAY NOT INITIATE CONTACT WITH MEDC OR MSF STAFF OR ANY MEMBER OF THE APPOINTED JOINT EVALUATION COMMITTEE (JEC), OTHER THAN THE CONTACT LISTED BELOW, FOR ANY REASON DURING THE RFP OR PROPOSAL EVALUATION PROCESS. Applicant's sole point of contact concerning the RFP is below and any communication outside of this process may result in disqualification.

Contracts and Grants
Michigan Strategic Fund
300 North Washington Square, 3rd Floor
Lansing, Michigan 48913
contractsandgrants@michigan.org

IMPORTANT DUE DATES

- **March 5, 2014 3:00 p.m.:** Questions from potential Applicants are due via email to contractsandgrants@michigan.org. Please note: The Michigan Strategic Fund ("MSF") will not respond to questions that are not received by the above date and time. In addition, questions that are phoned, faxed or sent through regular mail will not be accepted.
- **March 7, 2014, by close of business:** Responses to all qualifying questions will be posted on the MSF's website, <http://www.michiganadvantage.org/Public-Notices-Requests-for-Proposals>
- **March 26, 2014, at 3:00 p.m.:** Electronic versions of your Proposal due to the MSF via email to contractsandgrants@michigan.org. **Proposals will not be accepted via U.S. mail or any other delivery method.**

Table of Contents

SECTION I	1
WORK STATEMENT	1
A) PURPOSE.....	1
B) BACKGROUND STATEMENT AND OBJECTIVES	1
C) ELIGIBILITY	2
D) QUALIFICATIONS	2
E) PREFERENCES	4
SECTION II	4
PROPOSAL FORMAT	4
A) COMPLETE PROPOSAL.....	4
B) PROPOSAL SUBMITTAL	6
SECTION III	7
RFP PROCESS AND TERMS AND CONDITIONS	7
A) QUESTIONS	7
B) PROPOSALS.....	7
C) ECONOMY OF PREPARATION	7
D) SELECTION CRITERIA	7
E) TAXES	8
F) CONFLICT OF INTEREST	9
G) BREACH OF CONTRACT	9
H) FALSE INFORMATION	9
I) DISCLOSURE	9
J) CLARIFICATION/CHANGES IN THE RFP.....	10
K) ELECTRONIC RECEIPT OF PROPOSALS.....	10
L) RESERVATION OF MSF DISCRETION.....	10
M) PROTEST PERIOD	11
N) JURISDICTION	11
O) ADDITIONAL CERTIFICATION.....	11

REQUEST FOR PROPOSAL
BUSINESS INCUBATOR PROGRAMS
RFP-CASE-79420

This Request for Proposals (“RFP”) is issued by the Michigan Strategic Fund (the “MSF”), Contracts and Grants Unit (“C&G”). The Michigan Economic Development Corporation (the “MEDC”) provides administrative services associated with the programs and activities of the Michigan Strategic Fund Act on behalf of the MSF. C&G is the sole point of contact with regard to all application and contractual matters relating to the services described in this RFP. The MSF is the only office authorized to change, modify, amend, alter, clarify, etc. the specifications, terms and conditions of this RFP and any contract(s) awarded as a result of this RFP (the “Contract”). Contracts and Grants will remain the SOLE POINT OF CONTACT throughout the application process. ***The MSF will not respond to telephone inquiries, or visitation by Applicants or their representatives. Applicant’s sole point of contact concerning the RFP is below and any communication outside of this process may result in disqualification.***

Contracts and Grants
Michigan Strategic Fund
300 North Washington Square, 3rd Floor
Lansing, Michigan 48913
contractsandgrants@michigan.org

SECTION I
WORK STATEMENT

A) PURPOSE

Public Act 215 of 2005, Section 88k(2) allows the Strategic Economic Investment and Commercialization (“SEIC”) Board to award grants and loans from the 21st Century Jobs Fund 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 in the state.” Under 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”).

Through this 2014 Business Incubator Request for Proposals, the MSF Board desires to allocate up to \$4.535 million (“Award Amount”), disbursed up to 2 years, to non-profit organizations/universities that operate business incubator/accelerator programs AND fulfill the ELIGIBILITY and QUALIFICATIONS below.

This RFP is focused on providing funding for organizations that have received prior MSF funding and require additional funding to support them in reaching self-sustainability. Applicants must provide a sustainability plan clearly indicating how and when sustainability will occur.

B) BACKGROUND STATEMENT AND OBJECTIVES

Since 2009 the 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. The MSF through this RFP continues to encourage this activity.

Funding (in the form of a grant) will be awarded to non-profit organizations/universities through a competitive process in which all submitted proposals will be reviewed by a Joint Evaluation Committee ("JEC"). Results from the JEC review will be provided, in the form of numerical scores and award recommendation(s), to the MSF Board.

C) ELIGIBILITY

- **Only organizations that FULFILL one of the following criteria are eligible to apply and must be able to provide documented success. DO NOT APPLY IF YOU DO NOT FULFILL ONE OF THE FOLLOWING CRITERIA.**
 - Received Retention of Pfizer Assets Funds (documented through a MEDC grant agreement) and can document success OR
 - A business incubator associated with a SmartZone that was designated after January 1, 2005 (documented through a MEDC SmartZone agreement dated after January 1, 2005) and can document success OR
 - Provides business incubator/accelerator services REGIONALLY (defined as serving at least 8 counties), and received past funding from the MSF/MEDC for business incubator activities (documented through a MEDC grant agreement), and can document success
- "Success" is the program identified above resulted in additional companies created, additional jobs created, follow-on funding by the companies served, or the organization leveraged the program funding and received additional funding to support technology commercialization activities.

D) QUALIFICATIONS

IF ELIGIBLE, MUST ALSO FULFILL the following criteria:

- **Purpose**

Proposals submitted MUST substantiate that the requested funds will lead to sustainability of the business incubator/accelerator and the applicant must provide the plan for this sustainability.

- **Technology Sectors**

Proposals submitted **MUST** be to foster the growth of Michigan's technology based economy by supporting early stage companies and entrepreneurs to create jobs and commercialize product(s) within one or more of the competitive edge technology sectors defined in Section 125.2088a of the MSF Act, as amended, and as approved by the MSF Board, including Advanced Automotive, Manufacturing, Materials, Information, and Agricultural Processing Technology, Alternative Energy, Homeland Security and Defense Technology, Life Sciences, and Other Innovative Technologies.

- **Non-Profit and University Entities**

Only non-profit organizations and Michigan universities are eligible to receive funding through this RFP. To be eligible as a non-profit corporation, an applicant must, at the time the award is made, be: (i) a non-profit corporation duly organized under the laws of Michigan; or (ii) a foreign non-profit corporation duly authorized to transact business in Michigan. The principal site for the applicant's management must be a facility located in Michigan. Such a facility must be either: (i) owned or leased by the non-profit organization; or (ii) owned or leased by an organization collaborating on the project. If the principal site is owned or leased by a collaborating organization, the organization must meet the "principal site of the project" requirement for a non-profit corporation, as defined in this section. Eligible non-profit organizations must be authorized to conduct business in the State of Michigan. Universities must be Michigan universities.

- **Leverage and Match**

The MSF Board encourages applicants to leverage other resources as a condition of the award. Each proposal must provide specific financial or in-kind contribution committed to, or available for, the direct support of the proposed plan. Although the proportion or the amount of the leveraged resources is not specified in this RFP, applicants are highly encouraged to maximize the contribution committed for their organization. Cash match is favored. 1:1 match is preferred. Other State of Michigan grant funds are not eligible for match. Letters of financial commitment and proposal support are not required in the proposal though may be requested during the award process.

- **Award and Grant Agreements**

All grant agreements approved by the MSF Board will contain a provision that the Auditor General has access to the books and records, including financial records and all other information and data relevant to the terms of the grant agreement related to the use of the funds.

Successful proposals approved for funding by the MSF Board are subject to the final execution of a legal grant agreement and successful completion of a due diligence review including, among other things: criminal and civil background checks of the applicant. Background checks will include, without limitation, affiliates, subsidiaries, officers, directors, managerial employees, and any person who directly or indirectly holds a pecuniary interest in that business entity of 20 percent or more.

Insufficient or inappropriate proposals will not be funded.

- **Award Reporting Requirements**

Progress Reports are due every six (6) months, due in October and April throughout the term of the grant agreement, though metrics reporting is for five (5) years. After the term of the grant agreement the reports are annual reports. For Progress Reports, grantees must report on Milestones, Budget, and Metrics. For the annual reporting, grantees must report on metrics. The grantee is responsible for timely submission of reports that must be submitted electronically through the MEDC Portal.

Monthly Metrics are due monthly and include the following: dollars leveraged (match dollars), new companies created, companies expanded, companies served, jobs created, jobs retained, new investments in companies served (MEDC Funds, federal funds, venture capital, angel funds, bank/loan, owner investment, new sales, other), companies/people attending events. The grantee is responsible for timely submission of reports that must be submitted electronically through MEDC's Google Docs process.

Delayed, incomplete, or incorrect reporting filed will likely result in a loss of funding to the incubator/accelerator.

Annual site visits are conducted by the MEDC Grant Manager.

- **Overhead Rates**

The overhead rate (indirect administration costs) for the award recipient is limited to reflect actual overhead, but not greater than 15 percent of the Award Amount over the lifetime of the grant agreement. Preference will be given to proposals that are able to leverage outside funding sources to reduce overhead expenses for the award recipient.

E) PREFERENCES

Public Act 215 of 2005, Section 88k requires that the following preferences are included in the scoring and evaluation of proposals responding to this RFP (also see Section III.D.2)b.):

- A preference for proposals that can contribute to the development of economic diversification or the creation of employment opportunities in this state;
- A preference for collaborations between institutions of higher education, Michigan nonprofit research institutions, Michigan nonprofit corporations, and qualified businesses; and
- A preference for proposals that meet 1 or more of the following: (i) Forecast revenues within 2 years; (ii) Have outside investments from investors with experience and management teams with experience in the industry targeted by the proposal; and (iii) Have outside directors with expertise in the industry targeted by the proposal.

SECTION II PROPOSAL FORMAT

To be considered, each Applicant must submit a COMPLETE proposal in response to this RFP using the format specified. APPLICANTS MUST NOT COMMUNICATE REGARDING THIS RFP WITH MEDC PERSONNEL OR JEC MEMBERS DURING THE ENTIRE PROCESS THROUGH THE APPROVAL OF THE MSF BOARD APPROVAL. Applicant's proposal must be submitted in the format outlined below. There should be no attachments, enclosures, or exhibits other than those required in the RFP or considered by the Applicant to be essential to a complete understanding of the proposal. All proposals must be signed by an individual authorized by the Applicant to submit the application on its behalf. Each section of the proposal should be clearly identified with appropriate headings:

A) COMPLETE PROPOSAL

- 1) Contact Page – State the Organization's full name, address, and phone and facsimile number. Also included should be contact information, including phone number, email, cell phone number, and fax numbers. Also include signature of the authorized signor of the applicant organization.
- 2) Check List Page – Include a checklist of the required sections of the proposal, as listed in this Section II-A) 3 a-g and an indication that the section is included in the proposal. And include as indicated in Section III.O. below the following: "Applicant certifies that it is not an Iran-linked business as defined in MCL 129.312."
- 3) Proposal (up to 10 pages) – Provide a proposal and include the required elements a-i, as described here. **In the Proposal clearly identify the following sections as headers.**

a) Eligibility

The Applicant must clearly identify how they are eligible to apply under one of the following criteria:

- Received Retention of Pfizer Assets Funds (documented through a MEDC grant agreement) and can document success OR
- A business incubator associated with a SmartZone that was designated after January 1, 2005 (documented through a MEDC SmartZone agreement dated after January 1, 2005) and can document success OR
- Provides business incubator/accelerator services REGIONALLY (defined as serving at least 8 counties), and received past funding from the MSF/MEDC for business incubator

activities (documented through a MEDC grant agreement), and can document success. The Applicant must identify the services that they provide in each county and the amount of funding that is dedicated to provide services in each county and the source of the funding.

“Success” is the program identified above resulted in additional companies created, additional jobs created, follow-on funding by the companies served, or the organization leveraged the program funding and received additional funding to support technology commercialization activities.

b) Executive Summary

The Executive Summary should summarize the information provided in response to paragraphs (a) above and (c) through (i) below. And specifically indicate:

- **THE NAME OF THE APPLICANT ORGANIZATION**
- **THE ELIGIBILITY CRITERIA (See Section 1.C. above) AND PROOF OF SUCCESS**
- **THE AMOUNT OF FUNDS REQUESTED**
- **THE AMOUNT OF MATCHING FUNDS**
- **THE TERM (up to 2 years)**
- **THE PURPOSE OF THE FUNDING**
- **TARGETED NUMBERS FOR:**
 - **Companies Created**
 - **Jobs Created**
 - **Increase Investment/Revenue**
- **PREFERENCES**

c) Purpose of Funds

The Applicant must clearly indicate whether the organization is a non-profit or university. The Applicant must clearly describe how the proposed use of funds will lead to sustainability and must include a sustainability plan clearly indicating how and when sustainability will occur. The Applicant must clearly describe how the proposed use of funds will be to foster the growth of Michigan’s technology based economy and clearly identify the specific competitive edge technology sectors that the Applicant will serve.

d) Past Experience

The Applicant should indicate past experience with business incubation/acceleration, and specifically discuss how the ELIGIBILITY CRITERIA that the Applicant fulfilled and its success will play a role in this project.

e) Team

Summarize key personnel, their time commitment to the project, their specific responsibilities, and their value. Identify collaborative partners, their responsibilities, and value.

f) Milestones/Deliverables

Identify semi-annual milestones/deliverables that the Applicant will commit to as a result of providing the proposed services. If Applicant is awarded funding, Progress Reports are due April 15 and October 15 every year throughout the award, therefore provide milestones/deliverables that will be completed in April and October over the course of the proposal. Identify how milestone completion will result in specific Economic Impact identified in (h).

Additionally, Applicants selected for funding will be required to submit monthly performance metrics to measure the effectiveness of the program; these metrics include, but are not limited to: dollars leveraged, new companies created, companies expanded, companies served, jobs created, jobs retained, new sales, and funding obtained by client companies, including amount and source of such funding (sources including state funds, federal funds, venture capital, angel funds, bank/loan, owner investment, other), as well as the names and amounts of companies funded by the program.

g) Budget Request

Attach a schedule of all expenses covering each of the services and activities identified in your proposal. Specifically identify THE AMOUNT OF FUNDS REQUESTED, the TERM REQUESTED, PUBLIC AND/OR PRIVATE LEVERAGED FUNDS, and what the Applicant proposes to do with FUNDS APPLIED THROUGH THIS RFP and the TIMING OF THE FUNDS. Progress Reports are due in April and October so proposals should include 6-month budgets of relevant line items that align with these dates. Include the budget in a table format with column headings, Start of grant—4/1/2014-9/30/2014, etc. and rows should include the expense line-items. Preference is that this funding should not overlap other MSF Board approved funding. And if requesting funding that does overlap other MSF approved funding, applicant must provide explicit justification for this overlap.

h) Economic Impact

Identify the targeted number of companies created, jobs created, and increases in investment/revenue resulting from the services. Include justification and assumptions related to these expectations. You will be held responsible for delivering these specific numbers in your semi-annual Progress Reports. Explain how you define success and will deliver a successful program. Identify how you will make an economic development impact and be sustainable.

i) Preferences

Address/summarize how the proposal contributes to the development of economic diversification or the creation of employment opportunities in this state. Address/summarize collaborations between institutions of higher education, Michigan nonprofit research institutions, Michigan nonprofit corporations, and qualified businesses. Address/summarize how the proposal meets 1 or more of the following: (i) Forecast revenues within 2 years; (ii) Have outside investments from investors with experience and management teams with experience in the industry targeted by the proposal; and (iii) Have outside directors with expertise in the industry targeted by the proposal.

B) PROPOSAL SUBMITTAL

Submit an electronic version of your proposal (one document that includes contact page, check list page and proposal) to the MSF via email to contractsandgrants@michigan.org not later than **3:00 p.m. on March 26, 2014**. The MSF has no obligation to consider any proposal that is not timely received. **Proposals will not be accepted via U.S. mail or any other delivery method.**

APPLICANTS ARE RESPONSIBLE FOR ASSURING THAT THE FOLLOWING IDENTIFYING INFORMATION APPEARS IN THE SUBJECT LINE OF YOUR EMAIL: *"RFP-CASE-79420" with Company Name.*

**SECTION III
RFP PROCESS AND TERMS AND CONDITIONS**

A) QUESTIONS

Questions from Applicants concerning the specifications in this RFP must be received via e-mail no later than **3:00 pm on March 5, 2014**. Questions must be submitted to:

Contracts and Grants
contractsandgrants@michigan.org

B) PROPOSALS

To be considered, Applicants must submit a complete response to this RFP, using the format provided in Section II of this RFP, by **3:00 p.m. on March 26, 2014**. No other distribution of proposals is to be made by the Applicant.

C) ECONOMY OF PREPARATION

Each proposal should be prepared simply and economically, providing a straightforward, concise description of the Applicant's ability to meet the requirements of the RFP. Emphasis should be on completeness and clarity of content.

D) SELECTION CRITERIA

Responses to this RFP will be evaluated based upon a two-step review process. The proposal must address the requirements described in Section II of this RFP.

The first step is an evaluation of which proposals satisfactorily meet the requirements of this RFP as stated in Section II. Incomplete proposals will not be accepted or reviewed.

1) Step I – Initial evaluation for compliance

a) *Proposal Content* – Contracts and Grants will screen the proposals for technical compliance to include but not limited to:

- Timely submission of the proposal
- Eligibility
- Executive Summary
- Purpose
- Past Experience
- Team
- Milestones/deliverables
- Budget

- Economic impact – Expected number of businesses created, jobs created, and private investment leveraged.
- Preferences
- Proposal signed physically or electronically by an official of the Applicant authorized to bind the Applicant to its provisions.
- Proposals satisfy the form and content requirements of this RFP.

2) Step II – Criteria for Satisfactory Proposals

- a.) During the second step of the selection process, proposals will be considered by a Joint Evaluation Committee (“JEC”) comprised of individuals selected by the MSF. Only those proposals that satisfy the technical requirements described in this RFP, as determined in the sole discretion of the JEC, will be considered for evaluation in Step II. The JEC reserves the right to request additional information from any Applicant.
- b.) *Competence, Experience and Staffing Capacity* – The proposal should indicate the ability of the Applicant to meet the requirements of this RFP, especially the time constraints, quality, and recent projects similar to that described in this RFP. The proposal should indicate the competence of the personnel whom the Applicant intends to assign to the project, including education and experience, with particular reference to experience on projects similar to that described in this RFP and qualifications of Applicant’s Project Manager and the Project Manager’s dedicated management time, as well as that of other key personnel working on this project.

		Weight
1.	ELIGIBILITY	20
2.	Executive Summary	5
3.	Purpose	10
4.	Past Experience	10
5.	Team	5
6.	Milestones/Deliverables	5
7.	Budget	5
8.	Economic Impact	10
9.	PREFERENCES	30
	TOTAL	100

- c.) During the JEC’s review, Applicants may be required to make oral presentations of their proposals to the JEC. These presentations provide an opportunity for the Applicants to clarify the proposals. The MEDC will schedule these presentations, if required by the JEC. Only those Applicants that score 70 points or higher on the written review will be invited for an oral presentation if the JEC determines that an oral presentation is necessary.

E) TAXES

The MSF may refuse to award a contract to any Applicant who has failed to pay any applicable taxes or if the Applicant has an outstanding debt to the State or the MSF.

Except as otherwise disclosed in an exhibit to the Proposal, Applicant certifies that all applicable taxes are paid as of the date the Applicant’s Proposal was submitted to the MSF and the Applicant owes no outstanding debt to the State or the MSF.

F) CONFLICT OF INTEREST

The Applicant must disclose, in an exhibit to the proposal, any possible conflicts of interest that may result from an award under this RFP.

Except as otherwise disclosed in the proposal, the Applicant affirms that to the best of its knowledge there exists no actual or potential conflict between the Applicant, the Applicant's project manager(s) or its family's business or financial interests ("Interests") and the MSF or MEDC. In the event of any change in the RFP, the Applicant will inform the MSF and the MEDC regarding possible conflicts of interest which may arise as a result of such change and agrees that all conflicts shall be resolved to the MSF's satisfaction or the Applicant may be disqualified from consideration under this RFP. As used in this Section, "conflict of interest" shall include, but not be limited to, the following:

1. Giving or offering a gratuity, kickback, money, gift, or anything of value to an official, officer, or employee of the MSF or the MEDC with the intent of receiving an award from the MSF or favorable treatment under a contract;
2. Having or acquiring at any point during the RFP process or during the term of the award, any contractual, financial, business or other interest, direct or indirect, that would conflict in any manner or degree with Applicant's performance of its duties and responsibilities to the MSF under the award or otherwise create the appearance of impropriety with respect to the award or performance of the award; or
3. Currently in possession of or accepting during the RFP process or the term of the award anything of value based on an understanding that the actions of the Applicant or its affiliates or Interests on behalf of the MSF will be influenced.

G) BREACH OF CONTRACT

Except as otherwise disclosed in an exhibit to Applicant's proposal, Applicant is not in material default or breach of any contract or agreement that it may have with the State of Michigan or any of its departments, commissions, boards or agencies, or any other public body in the State of Michigan. Further, Applicant represents and warrants that it has not been a party to any contract with the State or any public body that was terminated within the previous five (5) years because the Applicant failed to perform or otherwise breached an obligation of such contract.

H) FALSE INFORMATION

If the MSF determines that a Applicant purposefully or willfully submitted false information in response to this RFP, the Applicant will not be considered for an award and any resulting Contract that may have been executed may be terminated.

I) DISCLOSURE

All Applicants should be aware that proposals submitted to the MSF in response to this RFP may be

subject to disclosure under the provisions of Public Act 442 of 1976, as amended, known as the Freedom of Information Act ("FOIA"). Accordingly, confidential information should be excluded from Applicant's proposals. Applicants, however, are encouraged to provide sufficient information to enable the MSF to determine the Applicant's qualifications and to understand or identify areas where confidential information exists and could be provided. The FOIA also provides for the complete disclosure of the contract and any attachments or exhibits thereto.

J) CLARIFICATION/CHANGES IN THE RFP

Any change or update to the acceptance of proposals will be posted on the MEDC website. Such postings shall constitute constructive notice to the general public and to all Applicants of any modifications or alterations of the deadline for proposals. Therefore, Applicants are strongly encouraged to continuously check the MEDC website at <http://www.michiganadvantage.org/Public-Notices-Requests-for-Proposals/>.

K) ELECTRONIC RECEIPT OF PROPOSALS

AN ELECTRONIC VERSION OF YOUR PROPOSAL MUST BE RECEIVED AND TIME-STAMPED BY THE MSF TO contractsandgrants@michigan.org, ON OR BEFORE **3:00 p.m. on March 26, 2014**. Applicants are responsible for timely submission of their proposal. THE MSF HAS NO OBLIGATION TO CONSIDER ANY PROPOSAL THAT IS NOT RECEIVED BY THE APPOINTED TIME.

L) RESERVATION OF MSF DISCRETION

Notwithstanding any other statement in this RFP, the MSF reserves the right to:

- 1) reject any and all proposals;
- 2) waive any errors or irregularities in the application process or in any proposal;
- 3) reissue the RFP;
- 4) negotiate with any Applicant for a different award amount;
- 5) reduce the scope of the project, and reissue the RFP or negotiate with any Applicant regarding the revised project
- 6) extend the term of the project and add additional funding as necessary or appropriate; or
- 7) defer or abandon the project.

Decisions by the MSF are final and not subject to appeal.

Any attempt by an Applicant, collaborating entity, or other party of interest to the project to influence the awards process, to appeal, and/or take any action, including, but not limited to, legal action, regarding the proposal or awards process in general may result in the Applicant's disqualification and elimination from the award process.

M) PROTEST PERIOD

If an Applicant wishes to initiate a protest of the award recommendation, the Applicant must submit a protest in writing by 5:00 p.m. within (10) ten calendar days from the date of the notice of award sent by the MSF. The written protest should include the RFP number, clearly state the facts believed to constitute an error in the award recommendation, and describe the desired remedy. Only the information provided within the protest period will be considered in arriving at a decision. The MSF is not required to take into consideration any material filed by any party after the protest deadline. The MSF Fund Manager or MSF Chairperson will provide a written decision to the protesting party after investigating the matter or, if more information is needed, will schedule an informal meeting before issuing a decision. This decision is final.

To maintain the integrity of the procurement process and to ensure that procurements are received without undue delay, protests requesting a waiver of the following omissions and requirements cannot be granted:

1. Failure of an Applicant to properly complete proposal return envelope instructions;
2. Failure of a Applicant to submit the proposal by the due date and time;
3. Failure of a Applicant to provide samples, descriptive literature or other required documents by the date and time specified;
4. Failure of a Applicant to submit a protest within the time stipulated in the notice to award or as determined by the MSF.

In fairness to Applicants who meet the RFP specifications and to prevent delays in program implementation, the MSF will not withdraw an award or re-evaluate proposals when a protest maintains that the RFP specifications were faulty.

N) JURISDICTION

In the event that there are conflicts concerning this RFP that proceed to court, jurisdiction will be in a Michigan court of law. Nothing in this RFP shall be construed to limit the rights and remedies of the MSF or the MEDC that are otherwise available.

O) ADDITIONAL CERTIFICATION

Pursuant to Public Act 517 of 2012, an Iran linked business is not eligible to submit an application or proposal to a request for proposal issued by a public entity.

Applicants must include the following certification in the proposal:

“Applicant certifies that it is not an Iran-linked business as defined in MCL 129.312.”

Failure to submit this certification will result in disqualification from consideration.

**MICHIGAN STRATEGIC FUND
RESOLUTION**

2014-

**BUSINESS INCUBATORS REQUEST FOR PROPOSALS
AND FUNDING ALLOCATION**

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

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

WHEREAS, the MSF has reviewed a RFP form, which includes provisions required by the Act and establishes a competitive proposal process for awarding grants to business incubators to stimulate the creation and continued growth of technology-based businesses and jobs (the “Business Incubators RFP”). A copy of this RFP form is attached to this Resolution;

WHEREAS, the MSF desires to initiate the competitive proposal process to award grants to business incubators and authorizes the issuance of the Business Incubators RFP; and

WHEREAS, the MEDC recommends and the MSF Board the MEDC recommends and the MSF Board desires that \$3.5 million from the 21st Century Jobs Trust Fund FY 2014 appropriation for Innovation and Entrepreneurship be allocated to the Business Incubators RFP and that \$1 million previously allocated to the Centers of Energy Excellence (“COEE”) program and \$35,000 previously allocated to the 2011 and 2012 Business Incubators be reallocated to the Business Incubators RFP, for a total allocation of \$4.535 million (collectively, the “Business Incubators Funding Allocation”).

NOW, THEREFORE, BE IT RESOLVED, that the MSF approves the attached Business Incubators RFP and authorizes its issuance;

BE IT FURTHER RESOLVED, that the MSF Board approves the Business Incubators Funding Allocation;

BE IT FURTHER RESOLVED, the MSF Board requests the State Treasurer to transfer \$4.535 million from the 21st Century Jobs Trust Fund to the MSF for the Business Incubators RFP; and

BE IT FURTHER RESOLVED, that the MSF authorizes the MSF Fund Manager, in coordination with MEDC Staff, to modify the Business Incubators RFP as may be necessary or appropriate, so long as the modifications are not material or adverse to the interests of the MSF.

Ayes:

Nays:

Recused:

Lansing, Michigan
February 25, 2014

**MICHIGAN STRATEGIC FUND
RESOLUTION**

2014-

**APPROVAL OF THE JOINT EVALUATION COMMITTEE AND SCORING AND
EVALUATION CRITERIA FOR THE BUSINESS INCUBATORS REQUEST FOR
PROPOSALS**

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

WHEREAS, on January 28, 2014, the MSF issued a Request for Proposals (“RFP”) to make grants to business incubators to stimulate the creation and continued growth of technology-based businesses and jobs (the “Business Incubators RFP”);

WHEREAS, the Act requires that proposals received in response to the Business Incubators RFP be reviewed by a joint evaluation committee (“JEC”);

WHEREAS, the MEDC recommends and the MSF desires to appoint the following individuals to the JEC for the Business Incubators RFP:

Roselyn Zator – Entrepreneurial Services Managing Director, MEDC
Nadia Abunasser – Federal and Development Projects Director, MEDC
Andrew Meadow – Biotech and Medical Device Venture Director, MEDC
Gabe Yancho – Portfolio Manager, MEDC.

WHEREAS, the MEDC also recommends and the MSF desires to approve the scoring and evaluation criteria contained in Attachment A for use by the JEC in its review of proposals (the “Business Incubators RFP Scoring Criteria”).

NOW, THEREFORE, BE IT RESOLVED, the MSF Board approves the JEC set forth above and approves the Business Incubators RFP Scoring Criteria attached as Exhibit A to this resolution.

Ayes:

Nays:

Recused:

Lansing, Michigan
February 25, 2014

Proposal Evaluation Form 2014 Business Incubator RFP

Name of Applicant: _____

Name of Reviewer: _____

Criteria	Reviewer's Comments	Points
<p>Eligibility:</p> <ul style="list-style-type: none"> • Received Retention of Pfizer Assets Funds (documented through a MEDC grant agreement) and can document success OR • A business incubator associated with a SmartZone that was designated after January 1, 2005 (documented through a MEDC SmartZone agreement dated after January 1, 2005) and can document success OR • Provides business incubator/accelerator services REGIONALLY (defined as serving at least 8 counties), and received past funding from the MSF/MEDC for business incubator activities (documented through a MEDC grant agreement), and can document success 		<p>Max. Possible Points: 20</p> <p>Score: _____</p>
<p>Executive Summary: Overview</p> <ul style="list-style-type: none"> • NAME OF THE APPLICANT ORGANIZATION • ELIGIBILITY CRITERIA • AMOUNT OF FUNDS REQUESTED • AMOUNT OF MATCHING FUNDS • TERM • PURPOSE • The TARGETED NUMBERS FOR: <ul style="list-style-type: none"> ○ Companies Created ○ Jobs Created ○ Increase Investment/Revenue 		<p>Max. Possible Points: 5</p> <p>Score: _____</p>
<p>Purpose:</p> <ul style="list-style-type: none"> • The Applicant must clearly indicate whether the organization is a non-profit or university. • The Applicant must clearly describe how the proposed use of funds will lead to sustainability and must include a sustainability plan clearly indicating how and when sustainability will occur. • The Applicant must clearly describe how the proposed use of funds will be to foster the growth of Michigan's technology based economy and clearly identify the specific competitive edge technology sectors that the Applicant will serve. 		<p>Max. Possible Points: 10</p> <p>Score: _____</p>
<p>Past Experience:</p> <ul style="list-style-type: none"> • The Applicant should indicate past experience with business incubation/acceleration, and specifically discuss how the ELIGIBILITY CRITERIA that the Applicant fulfilled and its success will play a role in this project. 		<p>Max. Possible Points: 10</p> <p>Score: _____</p>
<p>Team:</p> <ul style="list-style-type: none"> • Identified key players • Identified collaborators 		<p>Max. Possible Points: 5</p> <p>Score: _____</p>
<p>Milestones/Deliverables:</p> <ul style="list-style-type: none"> • Identified meaningful milestones/deliverables • Achievable and leading to economic impact 		<p>Max. Possible Points: 5</p> <p>Score: _____</p>
<p>Budget:</p> <ul style="list-style-type: none"> • Identified meaningful budget for proposal • Organization budget clearly indicates need for funding • Indicates how and when will achieve sustainability 		<p>Max. Possible Points: 5</p> <p>Score: _____</p>
<p>Economic Impact:</p> <ul style="list-style-type: none"> • Realistic assumptions and expectations based on industry knowledge and incubator's past reported performance • Identified targeted metrics: <ul style="list-style-type: none"> ○ Companies Created 		<p>Max. Possible Points: 10</p> <p>Score: _____</p>

Exhibit A

<ul style="list-style-type: none">○ Jobs Created○ Increase Investment/Revenue		
Preferences: <ul style="list-style-type: none">• Addressed/summarized how the proposal contributed to the development of economic diversification or the creation of employment opportunities in this state.• Addressed/summarized collaborations between institutions of higher education, Michigan nonprofit research institutions, Michigan nonprofit corporations, and qualified businesses.• Addressed/summarized how the proposal met 1 or more of the following: (i) Forecast revenues within 2 years; (ii) Have outside investments from investors with experience and management teams with experience in the industry targeted by the proposal; and (iii) Have outside directors with expertise in the industry targeted by the proposal.		Max. Possible Points: 30 Score: _____
Total Score:		Max. Possible Points: 100 Score: _____

MICHIGAN STRATEGIC FUND

**RESOLUTION
2014-**

**NOTICE OF PUBLIC HEARING FOR
MICHIGAN LOAN GUARANTEE PROGRAM**

WHEREAS, Public Acts 215 and 225 of 2005 (collectively, the “Act”) established the 21st 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, pursuant to MCL.125.2088d(1) the MSF shall create and operate a loan enhancement program;

WHEREAS, on May 20, 2009, the MSF created the Michigan Supplier Diversification Fund (“MSDF”) as a loan enhancement program;

WHEREAS, the MEDC recommends that the MSF authorize the creation and operation of the Michigan Loan Guarantee Program as a subprogram of the MSDF;

WHEREAS, pursuant to MCL 125.2088c(5), the MSF shall hold a public hearing before adopting a resolution that established or substantially changes a 21st century investment program, as defined by the Act;

WHEREAS, the MSF desires to hold a public hearing with respect to the Michigan Loan Guarantee Program on March 12, 2014 to offer persons an opportunity to present data, views, questions and arguments; and

WHEREAS, the MSF desires to approve the Notice of Public Hearing and to authorize the MSF Fund Manager to be present at the hearing and participate in the public discussion regarding the Michigan Loan Guarantee Program.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Fund Manager is authorized to publish the attached Notice implementing the requirements of MCL 125.2088c(5);

BE IT FURTHER RESOLVED, that the MSF designates the MSF Fund Manager to be present at the public hearing and participate in the public discussion of the Michigan Loan Guarantee Program;

BE IT FURTHER RESOLVED, pursuant to MCL 125.2088c(5), the MSF intends to adopt a final resolution implementing changes to the 21st Century Jobs Fund program by approving the creation and operation of the Michigan Loan Guarantee Program; and

BE IT FURTHER RESOLVED, Resolution 2013-176 is rescinded in its entirety.

Ayes:

Nays:

Recused:

East Lansing, Michigan
February 25, 2014

NOTICE OF PUBLIC HEARING

On March 11, 2014, the Michigan Strategic Fund Board ("MSF Board") will hold a public hearing with respect to the attached proposed resolution of the MSF Board approving changes to the 21st Century Jobs Fund program. The proposed resolution seeks to create the Michigan Loan Guarantee Program and related guidelines (the "Proposed Resolution").

The hearing will commence at 9:00 a.m. and will be held in the Lake Huron Conference Room of the Michigan Economic Development Corporation ("MEDC") located at 300 North Washington Square, Lansing, Michigan 48913. Interested persons wishing to express any data, views or arguments regarding the Proposed Resolution will be given an opportunity to do so at the public hearing. Written comments will be accepted by the MSF Board at Michigan Strategic Fund Board, c/o Andrea Robach, 300 North Washington Square, Lansing, MI 48913, or electronically to msf.manager@michigan.org, but must be mailed or electronically transmitted on or before the date and time of the hearing.

This hearing will provide a reasonable opportunity for interested persons to express their views, both orally and in writing, on the Proposed Resolution.

The MEDC will provide necessary reasonable accommodation upon seven (7) days' notice to the MEDC. Individuals with disabilities who need a reasonable accommodation to effectively participate in this public hearing should contact MEDC by writing or calling the person listed below.

Dated: February 25, 2014

Andrea Robach
Michigan Strategic Fund Board
300 North Washington Square
Lansing, Michigan 48913
(517) 373-0327

MICHIGAN STRATEGIC FUND

**PROPOSED RESOLUTION
2014-**

**APPROVAL OF THE MICHIGAN LOAN GUARANTEE PROGRAM AND
DELEGATION OF AUTHORITY**

WHEREAS, Public Acts 215 and 225 of 2005 established the 21st Century Jobs 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, pursuant to MCL 125.2088d(1) the MSF created the Michigan Supplier Diversification Fund (“MSDF”) as a loan enhancement program;

WHEREAS, the MEDC recommends the creation and operation of the Michigan Loan Guarantee Program (the “MLGP” or “Program”) under the MSDF and approval of the attached guidelines to be utilized for the MLGP (the “MLGP Guidelines”);

WHEREAS, pursuant to MCL 125.2088c(5), the MSF held a public hearing on March 10, 2014 to offer persons an opportunity to present data, views, questions and arguments on the MLGP and the MLGP Guidelines;

WHEREAS, the MSF Board desires to: (i) create and operate the Program under the MSDF and (ii) adopt the attached MLGP Guidelines;

WHEREAS, under Section 125.2005(7) of the Act, the MSF Board may delegate to its president, vice-president, staff or others those functions and authority the MSF Board deems necessary or appropriate;

WHEREAS, the MSF Board desires to authorize the Chairperson of the MSF Board to (1) approve the awards to be funded under the MLGP in accordance with existing MSDF delegation of authority, as provided in Resolution 2012-37; (2) negotiate the final terms and conditions of the award in accordance with the MLGP Guidelines; and (3) execute all documents necessary to effectuate the awards made under the MLGP (the “Delegation of Authority”); and

WHEREAS, the MSF Board wishes to fund the MLGP with funds previously allocated to the MSDF and that repayments to the MSF from awards authorized under the MLGP be returned to the MSDF for future use under the MSDF (the “Funding Allocation”).

NOW, THEREFORE, BE IT RESOLVED, the MSF hereby approves: (i) the creation and operation of the Program under the MSDF; (ii) the adoption of the attached MLGP Guidelines; (iii) Delegation of Authority; and (iv) the Allocation of Funding; and

BE IT FURTHER RESOLVED, subject to the control and direction of the MSF Board, the MEDC will provide the administrative services to the MSF for the MLGP.

Ayes:

Nays:

Recused:

East Lansing, Michigan
February 25, 2014

DRAFT

Exhibit A

**“Michigan Loan Guarantee Program” a part of the
Michigan Supplier Diversification Fund**

- The program may guarantee up to 95% of a loan issued by a lender which generally includes insured depository institutions (“IDI’s”), credit unions, Community Development Finance Institutions (“CDFI’s) and Regional Revolving Loan Funds.
- If the guaranteed loan is by an IDI, the program will rely on the IDI’s evaluation of the borrower which in the case of a CDFI borrower shall include its CARS rating and a written evaluation about the IDI’s acceptability of the loan and the due diligence which was or shall be performed by the IDI in arriving at a lending decision.
- The level of MSF guarantee will be determined on a case by case basis with loans serving borrowers in low to moderate income communities receiving consideration for higher levels of guarantee.
- The program shall determine on a case by case basis whether it shall fund the guarantee in advance to a holding account or whether it shall pay claims on the guarantee as claims arise.
- Applications shall be first come first serve and shall describe the community and economic development merits of the proposed transaction. The program shall evaluate those merits in balance with the financial risk of loss it is being asked to assume.
- The program reserves the right to disqualify borrowers based on the nature of the business activity or use of proceeds should such nature or use be prohibited by the MSF Act, or as otherwise determined by the program, including if in the view of the program the loan opportunity does not meet a public purpose such as facilitating planned job growth, capital investment or additional tax revenue.
- The program generally requires but may waive on a case by case basis personal and other guarantees of owners and affiliates of the final small businesses receiving loan proceeds whether such proceeds are direct or pass through proceeds of a guaranteed loan.
- The program may charge a closing fee of up to 3% of the guarantee amount at the time of closing and may charge additional annual fees in its sole determination depending on the risk and policy merits of the proposed transaction.
- The program shall comply with all laws, policies, regulations, guidelines, and rules as prescribed by the MSF or other applicable law. Such requirements shall be documented and current as of the execution date of the Loan Guarantee Agreement.

MICHIGAN STRATEGIC FUND

**RESOLUTION
2014-**

**MICHIGAN SUPPLIER DIVERSIFICATION FUND
FUNDING ALLOCATION**

WHEREAS, Public Acts 215 and 225 of 2005 established the 21st Century Jobs 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, pursuant to MCL 125.2088d(1) the MSF created the Michigan Supplier Diversification Fund (“MSDF”) as a loan enhancement program;

WHEREAS, as part of the 21st Century Jobs Trust fund initiative, and pursuant to MCL 125.2088h(1), the jobs for Michigan investment fund was created as a permanent fund authorized by the state constitution (“Investment Fund”);

WHEREAS, pursuant to MCL 125.2088h(3) and MCL 125.2088h(7), the MSF Board shall direct the investment and reinvestment of the Investment Fund as provided under Chapter 8A of the MSF Act (“Chapter 8A”);

WHEREAS, pursuant to MCL 125.2088h(5)(b) and (c), the Investment Fund consists of, among other things, return on investments, return on principal, payments made, or other money received by or payable to the MSF under agreements related to loans or investments by the MSF under Chapter 8A;

WHEREAS, the MEDC recommends that the MSF allocate \$3,000,000 from the Investment Fund to the MSDF; and

WHEREAS, the MSF Board desires to allocate \$3,000,000 from the Investment Fund to the MSDF.

NOW, THEREFORE, BE IT RESOLVED, the MSF Board allocates \$3,000,000 from the Investment Fund to the MSDF.

Ayes:

Nays:

Recused:

East Lansing, Michigan
February 25, 2014

MICHIGAN STRATEGIC FUND

RESOLUTION 2014-

RATIFICATION OF REQUEST FOR LEGAL REPRESENTATION

WHEREAS, under MCL 125.2005(7), the Michigan Strategic Fund (“MSF”) Board may delegate to its president, vice-president, staff or others those functions and authority those functions and authority the MSF Board deems necessary or appropriate;

WHEREAS, by Resolution 2011-164, the MSF Board authorized the MSF President to request the Attorney General of the State of Michigan (the “Attorney General”) to respond to legal actions by MSF borrowers, guarantors, and other parties involved in MSF transactions, and to request the Attorney General to take affirmative legal action concerning borrowers, guarantors, and other parties involved in MSF transactions, provide that any action taken by the MSF President pursuant to this delegation of authority is placed on the agenda of the next MSF Board meeting for review and ratification or other appropriate action;

WHEREAS, on January 31, 2013, the MSF President requested that the Attorney General take affirmative legal action against Clifford Development, LLC;

WHEREAS, Clifford Development, LLC received a loan in the original principal amount of \$3,511,000 and is in default of its obligations under that certain Convertible Loan Agreement and Promissory Note, each dated February 12, 2007, for failure to pay amounts owing the MSF (the “Clifford Development Claim”); and

WHEREAS, the MSF wishes to affirm and ratify the MSF President’s request of the Attorney General to take affirmative legal action with respect to the Clifford Development Claim.

NOW, THEREFORE, BE IT NOW RESOLVED, the MSF Board affirms and ratifies the MSF’s President’s request of the Attorney General to take affirmative legal action with respect to the Clifford Development Claim.

BE IT FURTHER RESOLVED, the MSF Board further authorizes the MSF President and the MSF Fund Manager to take all action necessary to assist the Attorney General with the Clifford Development Claim.

Ayes:

Nays:

Recused:

East Lansing, Michigan
February 25, 2014



MEMORANDUM

Date: February 25, 2014

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

From: Marcia Gebarowski, Senior Development Finance Manager

Subject: *McLaren Performance Technologies, Inc. (“Company” or “Applicant”)
Amendment of MEGA Job Creation MBT Credit*

Request

McLaren Performance Technologies, Inc. (“McLaren”) is requesting an amendment to their high technology/high wage MEGA job creation credit to increase the maximum eligible qualified new job total. The Company proposed expanding operations in the City of Livonia, which was successfully done. McLaren is currently proposing to consolidate their sales office in Southfield and their engineering center in Livonia to create a Sales and Engineering Center. The Company’s parent, Linamar, plans to invest approximately \$28 million to construct a second facility and add machinery and equipment on the existing property in Livonia. This consolidation will also result in the creation of 75 new jobs. The City of Livonia has committed to a PA 198 for the new real and personal property investment as well.

Background

McLaren Performance Technologies, Inc. is an engineering firm well known for its analysis and testing capabilities. The Company has traditionally focused on the racing and high performance markets. Linamar, headquartered in Geulph, Ontario, is a global supplier of driveline and powertrain components in the automotive, commercial vehicle, agricultural and energy industries. Linamar purchased McLaren in 2003 and uses McLarens skillset to support Linamar’s internal engineering and testing.

The original project was approved in 2009 to incent McLaren to expand and grow in Livonia as a result of new testing equipment being acquired and to support growth in their New Power Transfer Unit business. For this project, the Company received a high technology/high wage MEGA job creation credit for a term of ten years. McLaren has collected their credit through 2012 and has already reached their ceiling of 34 Qualified New Jobs. The City of Livonia approved a twelve year PA 198 tax abatement related to the project. The credit was amended in August, 2011 to add related entities to the MEGA agreement eligible to count Qualified New Jobs.

Recommendation

The MEDC Staff recommends that the Michigan Economic Growth Authority (MEGA) job creation credits awarded to McLaren Performance Technologies, Inc. by the MEGA on February 17, 2009, be amended to include the following:

- (i) Increase the number of Qualified New Jobs by 75 from 34 to 109 beginning in tax year 2015 through 2019.

MICHIGAN STRATEGIC FUND

Resolution 2014-

**McLaren Performance Technologies Inc.
Standard Credit (Amendment #2)**

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 authorize tax credits under the Michigan Business Tax Act, 2007 PA 36, as amended;

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 Michigan Strategic Fund (“MSF”);

WHEREAS, in Resolution 2009-23 adopted on February 17, 2009, the MEGA Board authorized a Tax Credit for McLaren Performance Technologies Inc. (the “Company”) of 100 percent for a period of ten consecutive years, beginning no later than the Company’s tax year ending December 31, 2010 to expand its engineering facility and create jobs in the City of Livonia, Wayne County (the “Project”);

WHEREAS, the MEGA agreement was amended on August 8, 2011 to define average weekly wage, quarter ending date and the addition of Associated and Subsidiary entities;

WHEREAS, the Company is expanding the project scope in the City of Livonia, Wayne County, by consolidating and growing their operations and creating additional jobs;

WHEREAS, the Company requests that the Tax Credit and Agreement be amended to (the following, collectively, “Amendment”):

- (i) Increase the number of Qualified New Jobs from 34 to 109 over the Company’s Base Employment Level of 109 beginning fiscal year 2015;
- (ii) This amendment is effective as of February 17, 2009;

WHEREAS, the Michigan Economic Development Corporation provides administrative services to the MSF, and recommends approval of the Amendment to the Standard Tax Credit by the MSF Board.

NOW, THEREFORE, BE IT RESOLVED, that the Amendment is approved; and

BE IT FURTHER RESOLVED, that all other provisions of Resolution 2009-23, are reaffirmed and the MSF authorizes the MSF Fund Manager to implement the terms of this resolution.

Ayes:

Nays:

Recused:

February 25, 2014
Lansing, Michigan



MEMORANDUM

Date: February 25, 2014

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

From: Marcia Gebarowski, Senior Development Finance Manager

Subject: *The Minacs Group (USA) Inc. (“Company” or “Applicant”)
Amendment of MEGA Job Creation MBT Credit*

Request

The Minacs Group (USA) Inc. (“Minacs”) is requesting an amendment to their MEGA job creation standard credit. The Company proposed opening operations in the City of Southfield, which was successfully done. The proposed space in Southfield has since exceeded capacity and the Company has had to add new jobs at other sites in the region including their facility in Farmington Hills and customer locations in Dearborn, Auburn Hills and Warren. There is a new opportunity for Minacs to add an additional 200 jobs in Michigan as a result of new contracts awarded. Per the Company’s amendment application, the decision to add these 200 additional jobs will be based on the Company’s ability to utilize their MEGA credit for all jobs created in the state and not isolated to the City of Southfield alone.

Background

Minacs is a business process outsourcing company focused on Fortune 500 clients. The Minacs Group (USA) INC., based in Michigan, is a wholly-owned subsidiary of Aditya Birla Minacs Worldwide, Inc., which is based in Canada. Minacs provides marketing solutions, finance and accounting outsourcing, and contact centers for businesses in various industries, including manufacturing, finance, insurance, and others.

The original project was approved in 2010 to incent The Minacs Group (USA) Inc. to place new contracts and growth in Southfield, which has been accomplished. For this project, the Company received a standard MEGA job creation credit for a term of four years and has not yet collected on this credit. The company currently has 2,438 employees in Michigan. They have created 542 jobs at the project site, which is located in Southfield, Oakland County and have created 1,470 additional jobs in other facilities. The City of Southfield approved a three year PA 328 tax abatement related to the project. The credit was amended in July, 2011 to grant a time extension for the Company to enter into the MEGA agreement.

MEGA legislation defines a Qualified New Job (QNJ) as an employee whose wages and company provided benefits exceed 150% of federal minimum wage. A majority of these new employees hired by the Company opted out of the company healthcare plan, and by definition, those employees do not qualify as a QNJ based on wages alone. Despite creating over 1,000 new jobs, by statute, the Company will not have enough QNJ to meet the requirements of their agreement in 2011 and 2012.

Recommendation

The MEDC Staff recommends that the Michigan Economic Growth Authority (MEGA) job creation credits awarded to The Minacs Group (USA) INC. by the MEGA on April 20, 2010, be amended to include the following:

- (i) Remove threshold that the “Company must create at least 750 Qualified New Jobs by the end of the second year of the Tax Credit. Failure to do so will result in the remaining two years of the Tax Credit to be forfeited.”
- (ii) Revise the Project Description to include Southfield, Farmington Hills, Auburn Hills, Warren and Dearborn as locations eligible for Company to create Qualified New Jobs.

MICHIGAN STRATEGIC FUND

Resolution 2014-

**The Minacs Group (USA) Inc.
Standard Credit (Amendment #2)**

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 authorize tax credits under the Michigan Business Tax Act, 2007 PA 36, as amended;

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 Michigan Strategic Fund (“MSF”);

WHEREAS, in Resolution 2010-054 adopted on April 20, 2010, the MEGA Board authorized a Tax Credit for The Minacs Group (USA) Inc. (the “Company”) of 100 percent for a period of four consecutive years, beginning no later than the Company’s tax year ending March 31, 2012 to expand its business processing outsourcing services and create jobs in the City of Southfield, Oakland County (the “Project”);

WHEREAS, in Resolution 2011-100 adopted on July 19 2011, the MEGA Board authorized a time extension be amended to provide the Company and MEGA enter into an Agreement within 60 days of the resolution;

WHEREAS, the Company is expanding the project scope in the City of Auburn Hills, Oakland County, City of Warren, Macomb County, City of Dearborn, Wayne County and City of Farmington Hills, Oakland County, by expanding their service operations and creating additional jobs;

WHEREAS, the Company requests that the Tax Credit and Agreement be amended to (the following, collectively, “Amendment”):

- (i) Remove threshold that the “Company must create at least 750 Qualified New Jobs by the end of the second year of the Tax Credit. Failure to do so will result in the remaining two years of the Tax Credit to be forfeited”;
- (ii) Revise the Project Description to include Southfield, Farmington Hills, Auburn Hills, Warren and Dearborn as locations eligible for Company to create Qualified New Jobs;
- (iii) This amendment is effective as of August 3, 2011;

WHEREAS, the Michigan Economic Development Corporation provides administrative services to the MSF, and recommends approval of the Amendment to the Standard Tax Credit by the MSF Board.

NOW, THEREFORE, BE IT RESOLVED, that the Amendment is approved; and

BE IT FURTHER RESOLVED, that all other provisions of Resolution 2010-054, are reaffirmed and the MSF authorizes the MSF Fund Manager to implement the terms of this resolution.

Ayes:

Nays:

Recused:

February 25, 2014
Lansing, Michigan



MEMORANDUM

Date: February 25, 2014

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

From: Trevor Friedeberg, Development Finance Manager

Subject: AVL Powertrain Engineering, Inc. (“Company” or “Applicant”)
Job Creation MBT Credit Amendment

Request

This is a request from the Applicant for an amendment to its existing Job Creation MBT Credit. This project involves the creation of 100 Qualified New Jobs in the Plymouth Township, Wayne County and Ann Arbor, Washtenaw County.

Background

The Company is the North American operation of AVL, a 60 year-old powertrain consulting company based in Austria. The Company conducts research and development on engines and powertrains, and integrates that engineering into the end-user’s applications. AVL’s North American operations were established in 1994 and are based in southeast Michigan.

On July 19, 2006, the MEGA Board approved a 12 year 100 percent High Technology/High Wage Job Creation MBT Credit (Resolution 2006-45) for the Company to expand their operations in Plymouth Township, Wayne County. The Job Creation MBT Credit is for a maximum of 125 Qualified New Jobs with an Average Weekly Wage of \$1,238, with a Base Employment Level of 295.

On July 21, 2009 the Company was awarded a 5 year, 80 percent High Technology Job Creation MBT Credit (Resolution 2009-121) for the Company to expand their Hybrid and Alternative Fuel Development Center in the City of Ann Arbor. The Job Creation MBT Credit is for a maximum 40 Qualified New Jobs with an Average Weekly Wage of \$1,250, with a Base Employment level of 377.

The Company is evaluating locations for an expansion project that has the potential for up to 100 new jobs. To accommodate this growth, the Company would like to increase the maximum number of Qualified New Jobs on its 2006 Job Creation MBT Credit by 100 for up to 225 Qualified New Jobs for tax years ending December 31, 2015 through December 31, 2017, as well as amend the Project Description to allow job creation at its facilities in Plymouth Township, Wayne County and Ann Arbor, Washtenaw County, where they will design, develop and provide engineering services for the development and testing of vehicle powertrain systems. The Ann Arbor facility was not included in the Base Employment Level of the 2006 Job Creation MBT Credit. As a result the Base Employment Level should be amended to 319 to include existing employees located at the Company’s Ann Arbor facility. The Company is also requesting the following entities be allowed to count towards the Qualified New Job requirements to accurately reflect how the Company hires its employees: AVL Michigan Holding Corporation, AVL Test Systems, Inc., Scenaria, Inc., AVL Properties, and AVL North America, Inc.

Recommendation

MEDC Staff recommends the following amendments to the High Technology/High Wage MEGA Tax Credit (Resolution 2006-45):

- a) Increase the maximum number of Qualified New Jobs the Company can request credit for from 125 to 225 for tax years ending December 31, 2015 through December 31, 2017.
- b) Amend the number of years the Company is authorized to collect the tax credit from twelve (12) consecutive tax years to eleven (11) consecutive tax years.
- c) Amend the Project Description to include the following: The Company will expand operations at facilities in Plymouth Township, Wayne County and Ann Arbor, Washtenaw County to design, develop and provide engineering services for the development and testing of vehicle powertrain systems.
- d) Amend the definition of Related Companies to add AVL Test Systems, Inc. (EIN: 36-2482129) Scenaria, Inc. (EIN: 27-3284258), AVL Properties (EIN: 26-0644729) for purposes of Base Employment Level and Qualified New Jobs.
- e) Amend the definition of Qualified New Job to include the following Related Companies: AVL Michigan Holding Corporation (EIN 38-3164257), AVL Test Systems, Inc. (EIN: 36-2482129) Scenaria, Inc. (EIN: 27-3284258), AVL Properties (EIN: 26-0644729), and AVL North America, Inc. (36-2482129).
- f) Amend the Base Employment Level from 295 to 319 to include existing employees at the Ann Arbor facility.
- g) The company will agree to forego the MEGA Tax Credit (#562, Resolution 2009-121) and must execute a Termination Agreement prior to the execution of the final MEGA Amendment Agreement.
- h) All other terms and conditions will remain the same.

MICHIGAN STRATEGIC FUND

Resolution 2014-

**AVL POWERTRAIN ENGINEERING, INC.
HIGH TECHNOLOGY / HIGH WAGE CREDIT (AMENDMENT #2)**

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 authorize tax credits under the Michigan Business Tax Act, 2007 PA 36, as amended;

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 Michigan Strategic Fund (“MSF”);

WHEREAS, in Resolution 2006-45, adopted on July 19, 2006, the MEGA Board authorized a Tax Credit for AVL Powertrain Engineering, Inc. (the “Company”) of 100 percent for a period of twelve consecutive years, beginning no later than the Company’s tax year ending December 31, 2008 to lease and equip a facility in Plymouth Township, Wayne County, to design, develop, and provide engineering services for the development and testing of vehicle powertrain systems (the “Project”);

WHEREAS, the Company is expanding the project scope in Plymouth Township, by adding investment and creating additional jobs;

WHEREAS, the Company requests that the Tax Credit and Agreement be amended to (the following, collectively, “Amendment”):

- (i) Increase the maximum number of qualified new jobs that the company can request credit from 125 to 225 for tax years ending December 31, 2015 through December 31, 2017;
- (ii) Amend the number of years the company is authorized to collect the tax credit from twelve (12) consecutive tax years to eleven (11) consecutive tax years;
- (iii) Amend the Project Description to include the expansion of operations in Ann Arbor, Michigan;
- (iv) Amend the definition of Company to include AVL Michigan Holding Corporation (EIN: 38-3164257), located in Plymouth, Michigan; AVL Powertrain Engineering, Inc. (EIN: 38-3470982), located in Plymouth and Ann Arbor, Michigan; AVL Test Systems, Inc. (EIN: 36-2482129, Plymouth facility only; Scenaria, Inc. (EIN: 27-3284258), located in Plymouth, Michigan; and AVL Properties (EIN: 26-0644729), located in Plymouth, Michigan, for purposes of base employment and qualified new jobs;
- (v) Amend the Base Employment Level from 295 to 319 to include existing employees at the Ann Arbor facility.

WHEREAS, the Michigan Economic Development Corporation provides administrative services to the MSF, and recommends approval of the Amendment to the Standard Tax Credit by the MSF Board.

WHEREAS, the Company shall forego the MEGA Tax Credit (#562) originally approved on July 21, 2009 by resolution 2009-121. The Company shall execute a Termination Agreement with the MSF prior to the execution of the final Amendment Agreement.

NOW, THEREFORE, BE IT RESOLVED, that the Amendment is approved; and

BE IT FURTHER RESOLVED, that all other provisions of Resolution 2006-45, are reaffirmed and the MSF authorizes the MSF Fund Manager to implement the terms of this resolution.

ADOPTED

Ayes:

Nays:

Recused:

February 25, 2014
Lansing, Michigan



MEMORANDUM

Date: February 25, 2014

To: Michigan Strategic Fund

From: Joseph Martin, Manager, Community Revitalization and Brownfield Programs
Stacy Esbrook, Community Assistance Team Specialist

Subject: Strathmore Apartments Limited Dividend Housing Association, LLC
Michigan Community Revitalization Program
Request for Approval of a \$3,500,000 Performance-Based Other Economic Assistance

Request

Strathmore Apartments LDHA, LLC along with University Cultural Center Association (Co-Applicants) are requesting approval of a Michigan Community Revitalization Program (MCRP) incentive in the amount of \$3,500,000 in the form of a performance-based other economic assistance (equity contribution). The company anticipates that the project could result in eligible investment of \$21,602,000 and total capital investment in the amount of \$28,446,000 in the City of Detroit and the creation of three full-time jobs and one part-time job.

Background

Strathmore Apartments LDHA, LLC was created at the behest of McCormick Baron Salazar and University Cultural Center Association (UCCA) as a partnership for the redevelopment of subject property. McCormack Baron Salazar was incorporated in 1973 and has distinguished itself as a nationally acclaimed for-profit residential development company specialized in the revitalization of urban neighborhoods. McCormack Baron Salazar has extensive experience in the adaptive reuse and rehabilitation of historic structures and the integration of new construction into urban historic districts. The firm has developed 2,487 units of residential housing and 948,624 square feet of retail/commercial space in historic buildings and districts. University Cultural Center Association, a subsidiary of Midtown Detroit Inc., has been responsible for the redevelopment efforts in Midtown Detroit for over two decades. They have successfully leveraged private investment and public support from a wide circle of funding sources to grow and redeveloped this critical job creation and cultural center of Detroit.

The Co-Applicants have not received any incentives from the MSF previously.

The Co-Applicants plan to historically renovate the former Strathmore Hotel on approximately 0.78 acres of property located at 70 West Alexandrine in the City of Detroit. The project will convert the vacant and blighted 8-story building into 129 one and two-bedroom apartments with 2,000 square feet of retail space on the first floor and includes parking improvements on the adjacent site. Sixty percent of the residential units will be market-rate units.

The project is located in a downtown and qualifies for an MCRP award because it is functionally obsolete and a historic resource.

The project's statutory requirements are addressed in Appendix A, a project map is provided in Appendix B.

Deal Structure

Strathmore Apartments Limited Dividend Housing Association, LLC will be the property owner and is the entity responsible for the redevelopment and management of the property, including making the eligible investment and providing the cash flow to service all debt payments arising from the transaction. It is proposed that UCCA and the MSF would enter into a to be formed limited liability company (LLC) which would combine grants and other soft monies provided for the project through UCCA, and the proposed MCRP contribution. This LLC will then use the funds to provide low cost loan(s) to the project, rather than a direct equity investment in the property owner. This structure maximizes the value of the Low Income Housing and Historic Tax Credits (LIHTC) to the tax credit investor. At the end of the 15-year LIHTC compliance period, the tax credit investor would exit the structure, and transfer the property to Midtown Detroit, Inc. or a related entity. It is currently contemplated that concurrent with the tax credit investor exit, the MSF will exercise a membership redemption agreement for the fair market value of its membership interest in the LLC. Depending on the fair market value of the project at the end of 15 years, it is possible that under certain parameters the MSF will maintain soft loans to the new property owner to increase the amount of its equity investment that is repaid.

It is proposed that free cash flow of the LLC will be split based on the MSF and UCCA proportional contributions to the LLC. Before making payments on the LLC's loans, the project owner will pay \$500,000 in deferred developer fees owed to McCormack Baron Salazar and UCCA. Payment on the City of Detroit HOME Funds will be made coincident with payments to the MSF as a percentage of free cash flow which is yet to be determined. At present the free cash flow is anticipated to deliver a 1.40x Debt Service Coverage Ratio (DSCR) to cover the HUD 221(d)4 debt. Based on current projections, approximately \$130,000 in free cash flow will be available to be split on a stabilized value. Free cash flow is limited based on the income restrictions placed on the property.

A summary of the anticipated sources to the project can be found here:

TOTAL DEVELOPMENT SOURCES		Amount
Senior Debt		
221(d)4		\$4,954,500
Subordinate Debt/Grants		
MCRP Equity Contribution		\$3,500,000
Other:	Detroit CITY HOME	\$4,795,000
	Midtown Detroit,	
Other:	Inc.	\$2,539,000
Deferred Fees/Cash Equity		
Deferred Developer Fees		\$500,000
Cash Equity Owner		\$12,157,500
TOTAL DEVELOPMENT SOURCES		\$28,446,000

EQUITY PURCHASE

Co-Applicants: Strathmore Apartments Limited Dividend Housing Association, LLC, University Cultural Center Association, and a yet to be identified investment LLC

MSF Investment Amount: \$3,500,000

Interest Purchased: MSF will acquire an equity interest in a newly formed LLC with UCCA, and that LLC will make loans to Strathmore Apartments Limited

Dividend Housing Association, LLC. The MSF will provide no guarantees on debt and accept no recourse obligation.

“Put” Right:

The MSF will receive a “Put” right requiring the investment LLC and/or UCCA to repay in full the entire contribution provided to the partnership and any earned but unpaid profits available at the time of the notice to exercise the Put on terms and conditions acceptable to the MSF.

Membership Change:

The MSF will have certain rights to block or consent to any material change in the membership of the project owner entity. It is anticipated that the Tax Credit Investor may require some limitations on these rights which, so long as they do not create a violation of law or policy are anticipated to be acceptable.

Sale/Liquidation:

At the conclusion of the 15-year Low Income Housing Tax Credit Compliance Period, UCCA/Midtown Detroit, Inc. will have the right of first refusal to purchase the property and related assets. Concurrently, the MSF will have the option to enter into a membership redemption agreement to sell its equity interest in the LLC at fair market value. It is also contemplated that the MSF may have the option to continue in the structure by making soft loans to the new property owner if necessary to maximize the amount of its initial equity investment that is repaid.

Management:

The MSF Fund Manager or his/her designee shall have the right to appoint at least one-third of the management team of the LLC.

Timing of Funding:

The investment is authorized to fund on or about the date of the closing of the other project financing which shall include at a minimum the funding provided by University Cultural Center Association to complete the capitalization of the LLC.

Final Terms and Conditions:

Due to the complex nature of the transaction, the MSF Fund Manager is authorized to execute final terms and conditions so long as the following conditions are met:

- The Investment Amount is not exceeded
- The “Put” right is substantially preserved
- The final terms comply with the CRP Guidelines and MSF Act

The Applicant's financial need for a community revitalization incentive:

The project’s cash flow is significantly constrained by the mixed-income structure of this transaction. Of the 129 units, 40 percent have income restrictions. The income restrictions are partially offset by the Low Income Housing Tax Credit equity, but the project was only able to secure just under \$5 million in hard senior financing based. The debt was sized to meet a 1.20 DSCR.

Whether the project is financially and economically sound:

Upon completion, it is anticipated that the project will have no more than \$5 million in hard debt with regularly scheduled debt service requirements arising from the HUD 221(d)4 senior loan. The excess cash flow will then be split up amongst three obligations: deferred developer fee payments, City of Detroit HOME Loan, and equity. The cash flow projections show the project on a stabilized basis will not have over leveraged on debt and will be financially and economically sound. However, it should be noted that

unless rents significantly increase from current levels, the cash distribution to the MSF on an annual basis will be severely limited.

According to market information compiled in 2013 by Baker Tilly for this project, demand and absorption for rental housing in Midtown is high and continues to increase. The 129-units being added by this project is within the sufficient capture rate defined by HUD supported housing (capture rate is defined as the percentage of households with sufficient income to pay the rent for the project). Most notably, the project would need to capture between 1.4 and 1.9% of existing available renters in the area, which is well below the maximum threshold of 10%. Additionally, the number of household with incomes between \$35,000 and \$99,000 is expected to grow by 241 households per year in the study area between 2012 and 2017. This will only further increase the need for market rate housing. Lastly, a number of appraisals within downtown and Midtown Detroit have noted developments reporting 100% occupancy with waiting-lists. These studies took into account the potential redevelopments of Griswold Apartments, Capitol Park, David Whitney Building, and the Milner Hotel, determining there was sufficient demand to meet the supply.

Recommendation

The MEDC staff recommends approval of an MCRP performance-based equity contribution under other economic assistance in the amount of \$3,500,000 for Strathmore Apartments LDHA, LLC. The commitment will remain valid until August 25, 2014 (180 days after approval) with approval for the MSF Fund Manager to extend the commitment an additional 180 days.

APPENDIX A

MCRP PROGRAM AND ITS GUIDELINES

On December 21, 2011, the MSF Board approved the Michigan Community Revitalization Program (MCRP) and its guidelines. The primary intended objective of the MCRP is to provide incentives to persons that make eligible investments on eligible property in Michigan.

SOURCE OF INFORMATION

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

As required under the program, the following statutory criteria shall be considered by the MSF, as MEDC Staff believes each is reasonably applicable to proposed project:

A. The importance of the project to the community in which it is located:

This project will restore the historic Strathmore Hotel into a vibrant mixed-use building in the heart of Midtown, Detroit. The building is an eyesore and highly visible at one of the busiest intersections of Woodward Avenue. The site location is walkable to the Eds & Meds anchors of Detroit Medical Center, Wayne State University campus and Wayne State School of Medicine. The redevelopment of this building is crucial to growth and stability of the neighborhood given its visibility and size. Upon completion, the building will add much needed market-rate and affordable housing to the neighborhood. The retail space will add needed support amenities to the neighborhood, which both supports and attracts residents.

B. If the project will act as a catalyst for additional revitalization of the community in which it is located:

The redevelopment of the Strathmore supports the numerous redevelopment efforts of the Midtown area and will help to stabilize the neighborhood and attract future development.

C. The amount of local community and financial support for the project:

The project is being supported by the City of Detroit with a HOME cash flow loan in the amount of \$4,795,000 for 40 years and with a 10% Payment In Lieu Of Taxes (PILOT) estimated at \$4,900,000.

D. The extent of reuse of vacant buildings, reuse of historical buildings, and redevelopment of blighted property:

The Strathmore is a contributing building in a locally designated historic district. The building has been vacant for many years, has been vandalized and used as a graffiti canvas multiple times over. The current owner has had to have multiple trees removed from the interior of the building in order to keep it insured while structuring the development.

E. Creation of jobs:

The project is expected to result in the creation of three full-time jobs and one part-time job. The average hourly wage is estimated to be \$20 for the full-time jobs and \$12 for the part-time job.

F. The level of private sector and other contributions, including, but not limited to, federal funds and federal tax credits:

The project is being supported by the City of Detroit with a HOME cash flow loan in the amount of \$4,795,000 for 40 years and with a 10% Payment In Lieu Of Taxes (PILOT) estimated at \$4,900,000. Midtown Detroit Inc. is contributing \$2,539,000 in local foundation support from the Hudson-Webber Foundation and Invest Detroit, Core Strategic Fund. The affordable housing portion of this project (40% of the residential units) has been awarded a Low Income Housing Tax Credit in the amount of \$859,774. The project will also obtain Federal Historic Tax Credits in the amount of \$4,793,000.

G. Whether the project increases the density of the area:

Redevelopment of the Strathmore will increase the density of the area by adding 129 residential units to the neighborhood.

H. Whether the project promotes mixed-use development and walkable communities:

This project will add much needed residential and retail space to Midtown. The neighborhood, and more specifically, Woodward Avenue and Alexandrine, will become more walkable as a result of the redevelopment of the Strathmore. Not only will the additional 129 filled residential units add foot traffic to the neighborhood, but the redevelopment of the vacant building will make the neighborhood safer by removing a space for squatters or other criminal activity.

I. Whether the project converts abandoned public buildings to private use:

The vacant building that will be rehabilitated as a result of this project is not public.

J. Whether the project promotes sustainable development:

Restoration of a historic building is considered to be a sustainable practice. Improvements to the energy efficiency of the building envelope will be made and all residential units will be upgraded with high efficiency heating and cooling systems.

K. Whether the project involves the rehabilitation of a historic resource:

The Strathmore is a contributing building in a locally designated historic district under Public Act 196.

L. Whether the project addresses area-wide redevelopment:

The Midtown area has been the target for local and state revitalization efforts by providing housing and amenities that support people moving into the area who have been drawn by anchor institutions including Wayne State University and Detroit Medical Center. This project fits into the ongoing redevelopment efforts.

M. Whether the project addresses underserved markets of commerce:

Rental housing is in high demand in Midtown, Detroit, but there is a low stock of quality, market rate housing. This project will convert an 8-story vacant building into 129 units of residential space and 2,000 square feet of retail.

N. The level and extent of environmental contamination:

The project is not qualifying as a facility and environmental contamination is limited to asbestos and lead containing materials on the interior. Appropriate abatements will be conducted.

O. If the rehabilitation of the historic resource will meet the federal Secretary of the Interior's standards for rehabilitation and guidelines for rehabilitating historic buildings (36 CFR 67):

The building will be rehabilitated in accordance with the federal Secretary of the Interior's Standards.

P. Whether the project will compete with or affect existing Michigan businesses within the same industry:

This project will not compete with or affect any existing Michigan businesses.

Q. Any other additional criteria approved by the board that are specific to each individual project and are consistent with the findings and intent of this chapter:

No additional factors need to be considered for this project.

APPENDIX B



MICHIGAN STRATEGIC FUND

RESOLUTION 2014-

APPROVAL OF A MICHIGAN COMMUNITY REVITALIZATION PROGRAM EQUITY CONTRIBUTION AWARD TO ONE OR MORE OF STRATHMORE APARTMENTS LIMITED DIVIDEND HOUSING ASSOCIATION, LLC AND UNIVERSITY CULTURAL CENTER ASSOCIATION (OR SUCH OTHER CO-APPLICANTS) (STRATHMORE APARTMENTS PROJECT)

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, as later amended) 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”), and (iii) approved the MSF Fund Manager to negotiate the final terms and conditions of the written agreements to be used to memorialize MCRP awards on the MSF’S behalf in accordance with the Guidelines (“Transaction Documents”);

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

WHEREAS, Strathmore Apartments Limited Dividend Housing Association, LLC and University Cultural Center Association, or such other entities formed or to be formed in furtherance of the of the Strathmore Apartments project (“Co-Applicants”) have requested a performance based equity contribution to one or more of the Co-Applicants in furtherance of up to \$3,500,000 (“Equity Award Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”);

WHEREAS, the MEDC has recommended that the MSF approve the Equity Award 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 for the Equity Award Request within 180 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 180 days (“MCRP Award Recommendation”); and

WHEREAS, the MSF Advisory Committee has indicated its support of the MCRP Award Recommendation.

BE IT FURTHER RESOLVED, the MSF Board approves the MCRP Award Recommendation; and

BE IT FURTHER RESOLVED, the MSF Fund Manager, in coordination with MEDC Staff, is authorized to negotiate the final terms and conditions of, and sign, the Transaction Documents necessary to effectuate the MCRP Award Recommendation.

Ayes:

Nays:

Recusals:

Lansing, Michigan
February 25, 2014

Exhibit A

Terms Sheet

EQUITY PURCHASE

Co-Applicants:

Strathmore Apartments Limited Dividend Housing Association, LLC, University Cultural Center Association, and a yet to be identified investment LLC

MSF Investment Amount: \$3,500,000

Interest Purchased: MSF will acquire an equity interest in a newly formed LLC with UCCA, and that LLC will make loans to Strathmore Apartments Limited Dividend Housing Association, LLC. The MSF will provide no guarantees on debt and accept no recourse obligation.

“Put” Right: The MSF will receive a “Put” right requiring the investment LLC and/or UCCA to repay in full the entire contribution provided to the partnership and any earned but unpaid profits available at the time of the notice to exercise the Put on terms and conditions acceptable to the MSF.

Membership Change: The MSF will have certain rights to block or consent to any material change in the membership of the project owner entity. It is anticipated that the Tax Credit Investor may require some limitations on these rights which, so long as they do not create a violation of law or policy are anticipated to be acceptable.

Sale/Liquidation: At the conclusion of the 15-year Low Income Housing Tax Credit Compliance Period, University Cultural Center Association will have the right of first refusal to purchase the property and related assets. Concurrently, the MSF will have the option to enter into a membership redemption agreement to sell its equity interest in the LLC at fair market value. It is also contemplated that the MSF may have the option to continue in the structure by making soft loans to the new property owner if necessary to maximize the amount of its initial equity investment that is repaid.

Management/Member Vote: The MSF Fund Manager or his/her designee shall have the right to appoint at least one-third to the representation of management in the LLC.

Timing of Funding: The investment is authorized to fund on or about the date of the closing of the other project financing which shall include at a minimum the funding provided by University Cultural Center Association to complete the capitalization of the LLC.

Delegation:

The MSF Fund Manager or his/her designee shall have the right to exercise all rights granted to the MSF under the LLC and all derivative agreements.

Final Terms and Conditions: Due to the complex nature of the transaction the MSF Fund Manager is authorized to execute final terms and conditions so long as the following conditions are met:

- The Investment Amount is not exceeded
- The “Put” right is substantially preserved
- The final terms comply with the CRP Guidelines and MSF Act



MEMORANDUM

Date: February 25, 2014

To: Michigan Strategic Fund

From: Joseph Martin, Manager, Community Revitalization and Brownfield Programs
Shane Schamper, Specialist, Community Development Incentives
Stacy Esbrook, Specialist, Community Assistance Team

Subject: Ashley Owner, LLC
Request for Approval of an Act 381 Work Plan and a \$1,000,000 Michigan
Community Revitalization Program Performance-Based Grant

Request

The project requests to use both the Brownfield Act 381 Program and the Michigan Community Revitalization Program (MCRP) for the project located at 1526 Centre Street, Detroit. The City of Detroit Brownfield Redevelopment Authority has submitted an Act 381 Work Plan (Work Plan) request for the approval of state school tax capture for eligible activities in the amount of \$482,075. Ashley Owner, LLC (Applicant) is requesting approval of an MCRP Performance-based Grant in the amount of \$1,000,000. The applicant anticipates that the project could result in eligible investment of \$6,048,710 and total capital investment in the amount of \$8,248,415 in the City of Detroit and the creation of 10 full-time and 30 part-time jobs.

Background

Ashley Owner, LLC is owned by ASH ASAP B-1, LLC, which is jointly owned by Princeton Domino Investments LLC and Lamont Street Partners. The managing member of Ashley Owner, LLC is Matthew Lester.

Princeton has over 20 years of experience of redeveloping and repositioning undervalued real estate. Princeton owns and operates over 80 properties and controls more than 16,000 apartment units across eight states. Of the 16,000 units, 11,000 are located in the state of Michigan. Over the past 18 months, Princeton has acquired two additional properties in Detroit, including the Claridge House Apartments and Grand Park Centre.

The Applicant has not received any incentives from the MSF previously.

The MCRP Applicant plans to renovate the nearly vacant historic Milner Hotel into 61 market-rate one and two-bedroom apartments on floors three through nine; 5,200 square feet of commercial office space on the second floor; and the first floor/garden level will host two retail units for a combined 2,300 square feet. The property is located at 1526 Centre Street in the City of Detroit on approximately 0.14 acres, and is currently owned by Ashley Owner, LLC.

The project is located within the boundaries of the City of Detroit which is a Qualified Local Governmental Unit, and the property has been determined to be a contributing building in a locally designated historic district under Public Act 196. The property is the subject of a Brownfield Plan, duly approved by the City of Detroit on October 17, 2013.

The project's statutory requirements are addressed in Appendix A and a project map is provided in Appendix B.

Recommendation

The MEDC staff recommends approval of an MCRP performance-based grant in the amount of \$1,000,000 and approval of state school tax capture for the Act 381 eligible activities totaling \$482,075 described above. The commitment will remain valid until June 25, 2014 (120 days after approval) with approval for MSF Fund Manager to extend the commitment an additional 120 days.

APPENDIX A

MCRP PROGRAM AND ITS GUIDELINES

On December 21, 2011, the MSF Board approved the Michigan Community Revitalization Program (MCRP) and its guidelines. The primary intended objective of the MCRP is to provide incentives to persons that make eligible investments on eligible property in Michigan.

SOURCE OF INFORMATION

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

As required under the program, the following statutory criteria shall be considered by the MSF, as MEDC Staff believes each is reasonably applicable to proposed project:

A. The importance of the project to the community in which it is located:

Redevelopment of the Milner Hotel is important to the revitalization of downtown Detroit. The hotel is located in a section of the city that has seen a vast amount of investment in the past decade. The project is walkable to Comerica Park, Ford Field, Greektown district, and Harmonie Park (a/k/a Paradise Valley). Upon completion, the Ashley will add much needed market-rate residential units to the entertainment district and will increase the walkability of the neighborhood by adding foot traffic and retail amenities.

B. If the project will act as a catalyst for additional revitalization of the community in which it is located:

The public will benefit from the project by increasing the aesthetic and economic viability of a historic district within the city. It is anticipated that the completion of this project will draw attention from new developers and the availability of conventional financing back to Detroit.

C. The amount of local community and financial support for the project:

The City of Detroit has approved an Obsolete Property Rehabilitation Act abatement, valued at approximately \$2,005,660 in tax savings over 12 years. Invest Detroit has approved a subordinated loan in the amount of \$1,000,000.

D. The applicant's financial need for a community revitalization incentive:

The project's development team is contributing equity to the project in an amount equal to approximately 11% of the total development cost. Additionally, they have been able to secure conventional senior financing for the project in a depressed market. Despite their efforts, the project has a financing gap that MEDC staff is proposing to fill with a MCRP performance based grant. Additionally, the MCRP grant will allow the project to have projected stabilized debt service coverage of over 1.31 to 1.

E. The extent of reuse of vacant buildings, reuse of historical buildings, and redevelopment of blighted property:

The Milner Hotel is a contributing building in the locally designated historic district of Madison-Harmonie.

F. Creation of jobs and areas of high unemployment:

This project is expected to create approximately 10 new, full-time jobs and approximately 30 part-time jobs. The average hourly wage is estimated to be \$20 for the full-time jobs and \$15 for the part-time jobs. The City of Detroit unadjusted unemployment rate was 16.2% in October, 2013. This compares to the statewide unadjusted average of 8.3% in October, 2013.

G. The level of private sector and other contributions, including, but not limited to, federal funds and federal tax credits:

The City of Detroit has approved an Obsolete Property Rehabilitation Act abatement, valued at approximately \$2,005,660 in tax savings over 12 years. The project will utilize Federal Historic Tax Credits that are valued at \$1,300,000. Invest Detroit has approved a subordinated loan in the amount of \$1,000,000.

H. Whether the project is financially and economically sound:

The project is financially sound based on current market projections and has satisfactory cash flow to pay off the permanent debt, plus provide a reasonable return to the developer. According to market information compiled in 2013 by Integra Realty Services, Inc., demand for rental housing in both Midtown and Downtown Detroit is high and continues to increase. The demand has been driven by an economic recovery and more businesses locating to these two particular areas within the City. The overall vacancy rate for Downtown Detroit has been steadily decreasing since 2009 and was around 8.0% for all rental housing and 3.0% for "Class A" rental properties in 2013. Additionally, a number of developments have reported 100% occupancy with waiting-lists. The study took into account the potential redevelopments of Griswold Apartments, Capitol Park, David Whitney Building, and the Milner Hotel, determining there was sufficient demand to meet the supply.

I. Whether the project increases the density of the area:

The project will increase the density of the area by activating the space that is currently neglected within the building. The project will maximize the full space in the building by converting the hotel rooms into market-rate apartments, and by activating the first floor/garden level space for retail use.

J. Whether the project promotes mixed-use development and walkable communities:

The project will convert a single-use building that is currently substandard and underutilized, into a mixed-use building featuring residential, commercial office and retail space. The project will add to the walkability of the neighborhood by adding more residents and foot traffic for the surrounding businesses.

K. Whether the project converts abandoned public buildings to private use:

The building that will be rehabilitated as a result of this project is not public.

L. Whether the project promotes sustainable development:

Restoration of a historic building is considered to be a sustainable practice. Improvements to the energy efficiency of the building envelope will be made and all residential units will be upgraded with high efficiency heating and cooling systems.

M. Whether the project involves the rehabilitation of a historic resource:

“The Milner Hotel” is a contributing building in the locally designated historic district of Madison-Harmonie under Public Act 196.

N. Whether the project addresses area-wide redevelopment:

The project is located in Detroit’s entertainment district and is walkable to Comerica Park, Ford Field, Harmonie Park and Greektown. This area of Detroit’s downtown has seen massive investment and redevelopment over the past decade and this project will add to the existing efforts.

O. Whether the project addresses underserved markets of commerce:

Rental housing is in high demand in downtown Detroit, but there is a low stock of quality, market rate housing. This project will convert low quality hotel units into 61 market-rate rental units that will fit with the market demand in terms of size and function. The project will also add two commercial units to the neighborhood, which will be quickly filled with micro-amenities that will support the neighborhood residents.

P. The level and extent of environmental contamination:

The project is not qualifying as a facility and environmental contamination is limited to asbestos and lead containing materials on the interior. Appropriate abatements will be conducted.

Q. If the rehabilitation of the historic resource will meet the federal Secretary of the Interior's standards for rehabilitation and guidelines for rehabilitating historic buildings (36 CFR 67):

The building will be rehabilitated in accordance with the federal Secretary of the Interior’s Standards.

R. Whether the project will compete with or affect existing Michigan businesses within the same industry:

This project will not compete with or affect any existing Michigan businesses.

S. Any other additional criteria approved by the board that are specific to each individual project and are consistent with the findings and intent of this chapter:

No additional factors need to be considered for this project.

ADDITIONAL STATUTORY CRITERIA UNDER ACT 381:

a) Reuse of functionally obsolete buildings and/or redevelopment of blighted property:

Even though this project is not qualifying as functionally obsolete or blighted, it has been a drain on the downtown Detroit entertainment district with its substandard hotel space and the clientele such space attracts.

b) Cost gap that exists between the property and a similar greenfield property:

The Brownfield Tax Increment Financing is needed to offset the costs of demolition and asbestos abatement associated with the project; these costs would not be associated with a similar greenfield development.

c) Whether project will create a new brownfield property in the State:

No new Brownfields will be created by this project.

d) Other Factors Considered

No additional factors need to be considered for this project.

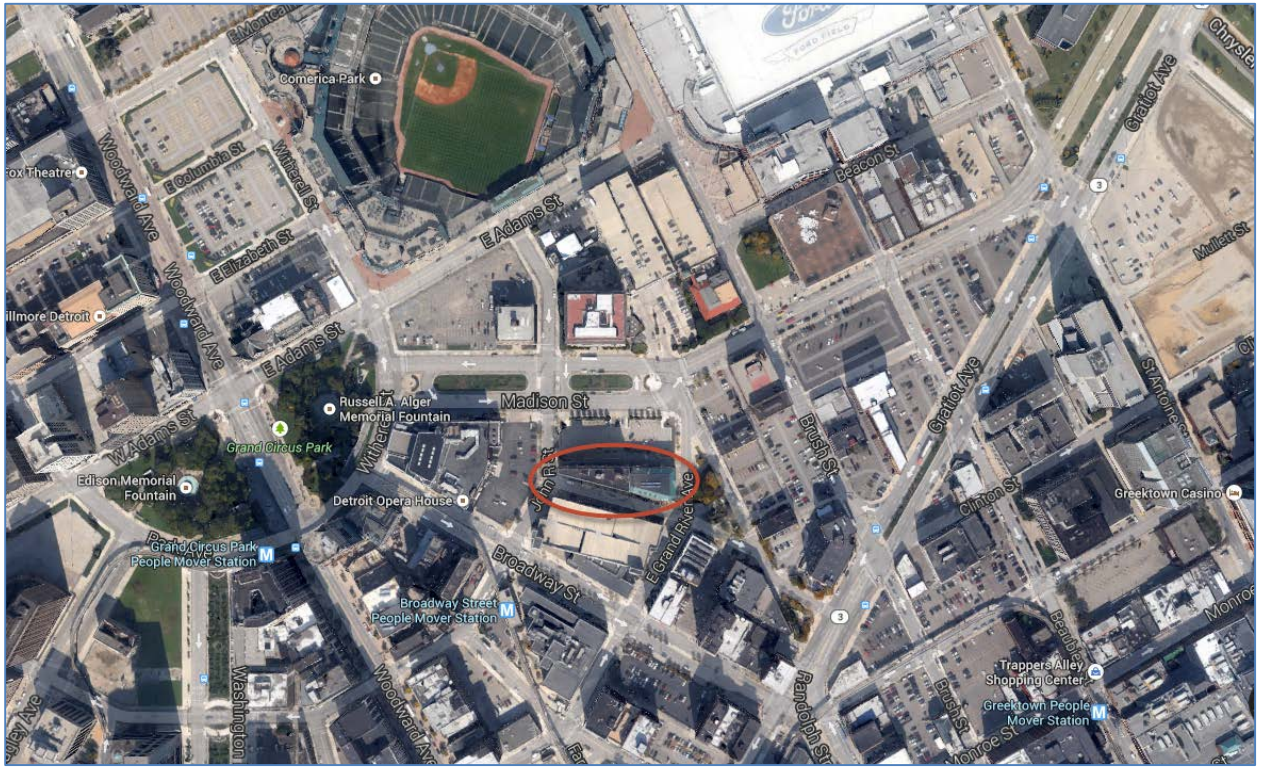
Act 381 TIF: There are 23.8308 non-homestead mills available for capture, with state school millage equaling 23.8308 mills (100%) and local millage is unavailable due to application of an Obsolete Properties Rehabilitation Act exemption on the property that will be in effect throughout the Brownfield TIF capture period. The value of the OPRA is estimated to exceed \$2 million and is considered to be an adequate local contribution to the project for a local match to school tax capture. The requested tax capture for eligible activities breaks down as follows:

School tax capture (100%)	\$ 482,075
Local tax capture (0%)	\$ <u>0</u>
TOTAL	\$ 482,075

COST OF ELIGIBLE ACTIVITIES

Demolition	\$ 200,000
Asbestos Abatement	<u>210,500</u>
Sub-Total	\$ 410,500
Contingency (15%)	<u>+ 61,575</u>
Sub-Total	\$ 472,075
Brownfield/Work Plan Preparation	<u>+ 10,000</u>
TOTAL	\$ 482,075

APPENDIX B



MICHIGAN STRATEGIC FUND

RESOLUTION 2014-

**APPROVAL OF A MICHIGAN COMMUNITY REVITALIZATION PROGRAM
PERFORMANCE-BASED GRANT AWARD FOR ASHLEY OWNER 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), as later amended, 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 No. 2011-185, the MSF (i) created the MCRP, (ii) adopted the guidelines for the MCRP, as later amended (“Guidelines”), and (iii) approved the MSF Fund Manager to negotiate the final terms and conditions of the written agreements to be used to memorialize MCRP awards on the MSF’S behalf in accordance with the Guidelines (“Transaction Documents”);

WHEREAS, the MCRP Applicants request a performance based grant award from the MSF under the MCRP for the Project in an amount not to exceed up to \$1,000,000 (“Award Request”), along with other general terms and conditions for the Award Request which are outlined in the term sheet attached as Exhibit A (“Term Sheet”);

WHEREAS, the MEDC recommends that the MSF approve the Award 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 120 days (“MCRP Award Recommendation”); and

WHEREAS, the MSF Advisory Committee has indicated its support of the MCRP Award Recommendation

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

BE IT FURTHER RESOLVED, the MSF Fund Manager, in coordination with MEDC Staff, is authorized to negotiate the final terms and conditions of, and sign, the Transaction Documents necessary to effectuate the MCRP Award Recommendation.

Ayes:

Nays:

Recused:

Lansing, Michigan
February 25, 2014

MICHIGAN STRATEGIC FUND

RESOLUTION 2014-

**APPROVAL OF A MICHIGAN COMMUNITY REVITALIZATION PROGRAM
PERFORMANCE-BASED GRANT AWARD FOR ASHLEY OWNER 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), as later amended, 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 No. 2011-185, the MSF (i) created the MCRP, (ii) adopted the guidelines for the MCRP, as later amended (“Guidelines”), and (iii) approved the MSF Fund Manager to negotiate the final terms and conditions of the written agreements to be used to memorialize MCRP awards on the MSF’S behalf in accordance with the Guidelines (“Transaction Documents”);

WHEREAS, the MCRP Applicants request a performance based grant award from the MSF under the MCRP for the Project in an amount not to exceed up to \$1,000,000 (“Award Request”), along with other general terms and conditions for the Award Request which are outlined in the term sheet attached as Exhibit A (“Term Sheet”);

WHEREAS, the MEDC recommends that the MSF approve the Award 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 120 days (“MCRP Award Recommendation”); and

WHEREAS, the MSF Advisory Committee has indicated its support of the MCRP Award Recommendation

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

BE IT FURTHER RESOLVED, the MSF Fund Manager, in coordination with MEDC Staff, is authorized to negotiate the final terms and conditions of, and sign, the Transaction Documents necessary to effectuate the MCRP Award Recommendation.

Ayes:

Nays:

Recused:

Lansing, Michigan
February 25, 2014

Exhibit A

Terms Sheet

1. **Applicant Name:** Ashley Owner LLC
2. **MCRP Incentive Type:** Performance Based Grant
3. **Maximum Amount of MCRP Incentive:** Lesser of 25% of the Eligible Investment, as defined below, or \$1,000,000 (“MCRP Incentive Award”).
4. **Project Description (“Project”):** Rehabilitation of an approximately 60,000 square foot building in the City of Detroit, Wayne County, Michigan. The property will be converted into nine (9) floors (2nd through 10th floors) of loft-style residential apartments consisting of 61 units. The first floor will be maintained as commercial and retail rental space.
5. **Anticipated Minimum Eligible Investment:** \$4,838,968 The Eligible Investment on the Project is anticipated to include:
 - Demolition
 - Building Alteration/Rehabilitation/Improvement
 - Site Improvements
 - Addition of Machinery, Equipment or Fixtures to the Project
 - Professional Fees

MICHIGAN STRATEGIC FUND

RESOLUTION 2014-

City of Detroit Brownfield Redevelopment Authority The Ashley Project City of Detroit

At the meeting of the Michigan Strategic Fund (“MSF”) held on February 25, 2014, in Lansing, Michigan.

WHEREAS, Michigan Economic Growth Authority (“MEGA”) has been established by 1995 PA 24, as amended (the “Act”);

WHEREAS, 2002 PA 727 amended 1996 PA 381, MCL 125.2651 et seq, to empower local brownfield redevelopment authorities to request the MEGA Board to approve a brownfield project work plan and, thereby, capture taxes levied for school operating purposes for the project;

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, captured school operating tax revenues may be used under 1996 PA 381 as amended, for infrastructure improvements that directly benefit eligible property, for lead or asbestos abatement, and for structure demolition and site preparation that are not response activities under the Natural Resources and Environmental Protection Act, 1994 PA 451;

WHEREAS, the City of Detroit Brownfield Redevelopment Authority (the “Authority”) has submitted a work plan for property located at 1526 Centre Street within the City of Detroit, known as the Ashley Project (the “Project”);

WHEREAS, the City of Detroit is a “qualified local governmental unit” and is eligible to provide for a) demolition; b) lead and asbestos abatement; c) public infrastructure improvements; d) site preparation; e) brownfield work plan preparation and review costs and f) interest as provided under 2007 PA 204 and;

WHEREAS, the Authority is requesting MSF approval to capture additional taxes levied for school operating purposes to provide for the reimbursement of the cost of eligible activities on an eligible property; and

WHEREAS, the Michigan Economic Development Corporation (“MEDC”) provides administrative services to the MSF, and has reviewed the application and recommends approval of the Brownfield Work Plan by the MSF Board.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board authorizes the Authority to capture taxes levied for school operating purposes in substantially the same proportion as the 100% to 0% ratio currently existing between school and local taxes for non-

homestead properties, due to the application of an Obsolete Properties Rehabilitation Act exemption to the property throughout the capture period, to reimburse the cost of demolition, and lead and asbestos abatement as presented in the revised Work Plan dated December 20, 2013. Any change in millage that increases the capture percentage of school operating taxes by more than 5 percentage points must be approved by the MSF Board. The authorization is based on the Authority capturing all available local operating mills for the term of the capture period. The authorization for the capture of taxes levied for school operating purposes is based on a maximum of \$472,075 for the principal activity costs of non-environmental activities and a contingency, and a maximum of \$10,000 for Brownfield/Work Plan preparation, and with the capture of taxes levied for school operating purposes being limited to a maximum of \$482,075.

BE IT FURTHER RESOLVED, that the MSF Board authorizes the MSF Fund Manager, to provide written notification to the Authority, in the form of a letter which incorporates the terms set forth in this Resolution and consistent with the limitations of the Act, and that this approval is further conditioned upon the Authority, or the City of Detroit as appropriate, maintaining adequate records regarding: a) all taxes captured for the project; and b) receipts or other appropriate documentation of the cost of eligible activities. The records shall be made available for review upon request by MSF or MEDC staff. Eligible activities authorized by this resolution must be completed within three (3) years.

BE IT FURTHER RESOLVED, that no taxes levied for school operating purposes shall be used to reimburse interest costs related to the eligible activities for the Project.

Ayes:

Nays:

Recused:

February 25, 2014
Lansing, Michigan



MEMORANDUM

Date: February 25, 2014

To: Michigan Strategic Fund

From: Joseph Martin, Manager, Community Revitalization and Brownfield Programs
Julius Edwards, Community Development Incentives
Nate Scramlin, Community Assistance Team

Subject: Midland DTH LLC
Request for approvals of an Act 381 Work Plan and Michigan Community Revitalization Program Performance-Based Loan

Request

Midland DTH LLC is requesting to use both the Brownfield Act 381 Program and the Michigan Community Revitalization Program (MCRP) for the project located at 102-128 East Main Street and 108 Ashman Street in the City of Midland. The City of Midland Brownfield Redevelopment Financing Authority has submitted an Act 381 Work Plan (Work Plan) request for the approval of local and school tax capture for eligible activities in the amount of \$8,329,487. Additionally, Midland DTH LLC (Applicant) is requesting a Performance-Based Loan Incentive in the amount of \$4,780,000. The Applicant anticipates the project could result in approximately \$20,372,749 in eligible investment and \$22,966,749 in capital investment in the City of Midland.

Background

Midland DTH LLC is a single-purpose entity organized by SSP Associates, Inc. (SSP) to complete the Project. SSP has successfully developed numerous Brownfield projects—and is in the process of developing others—over the last five years including:

- The Riverfront Medical Arts Development (including the Michigan Cardiovascular Institute Building, St. Mary's of Michigan Riverfront Campus, Tri City Urology Group, State of Michigan Offices, Garber Management Group and Citizens Bank) located at 1015 Washington Avenue, Downtown Saginaw (180,000 square feet in three buildings).
- Uptown at Rivers Edge (ongoing) – 43-acre development in Bay City, Michigan. Corporate anchors for this development include Dow Corning Corporation, McLaren Bay Region, and Chemical Bank.
- Midwestern Surgical, located at 912 South Washington Avenue, Saginaw, Michigan (20,000 square foot building).
- Michigan Works, located at 312 Genesee Street, Saginaw, Michigan. (17,500 square foot building).

Several of these projects had utilized the previous brownfield tax credit program authorized by the Michigan Economic Growth Authority as well as the Brownfield Tax Increment Financing Program. This Applicant has not previously received any incentives from the MSF.

The Applicant is proposing a mixed-use, five-story redevelopment in the heart of downtown Midland. The new building will have a 13,000 square foot footprint (65,000 square feet total) and an underground parking garage. A restaurant, the Northwood Gallery, and the Midland County Visitors' Bureau are planned for the first floor. Condominium extended stay hotel suites operated by the adjacent H Hotel and/or office space are planned for the second floor. The third through fifth floors will be occupied by

approximately fifteen two and three-bedroom apartments. The new development will occur on approximately 0.52 acres of property located at 102-128 East Main Street and 108 Ashman Street in the City of Midland. The property in question is either currently owned by Midland DTH LLC or under executed purchase agreement.

The project is located within the boundaries of the City of Midland, which is a Qualified Local Governmental Unit, and has been deemed a facility as verified by the Michigan Department of Environmental Quality (MDEQ). The property is the subject of a Brownfield Plan, duly approved by the City of Midland Brownfield Redevelopment Financing Authority on November 18, 2013 and concurred with by the City of Midland on December 16, 2013.

The project's statutory requirements are addressed in Appendix A and a project map is provided in Appendix B.

Deal Structure

Midland DTH, LLC will be developing the approximately 65,000 square foot condominium project. It is anticipated the financing sources for the project will consist of a Senior Debt Facility from a bank, Owner Equity Contribution equal to an amount of not less 7% of the total development cost, and a MCRP Loan from the MSF of up \$4,780,000. The MCRP Loan and the sale of the condominium spaces will be used exclusively to pay down a majority of the Senior Lending Facility with remaining portion (anticipated to be under \$2,000,000) to be paid down through 50% of the anticipated TIF Reimbursement Income Stream until complete repayment. Following repayment of the Senior Facility 50% of the TIF Reimbursements will go to the developer. During the duration of the MSF Loan Incentive 50% of the TIF Reimbursement will be used to repay the MSF with a lump sum payment required at expiration.

A summary of the anticipated permanent financing sources to the project can be found here:

TOTAL DEVELOPMENT SOURCES

Senior Debt Facility	\$16,579,077
Owner Equity Contribution	\$ 1,607,672
MCRP Loan	<u>\$ 4,780,000</u>
Total Development Sources	\$22,966,749

MSF LOAN FACILITY

Applicant/Borrower:	Midland DTH, LLC
MCRP Incentive Type:	Performance Based Loan
Interest Rate:	0%
MCRP Loan Amount	Not to exceed the lesser of \$4,780,000 or 25% or eligible investment
Fees:	One-Time Fee of equal to 1% of the Commitment Amount and an Annual Fee equal to \$37,800.

Term of Incentive: Note to exceed 15 years following disbursement.

Repayment: Up to \$1,000,000 to be forgiven at construction completion. Semi-annual payments equal to 50% of applicable TIF Reimbursement Revenue Stream. Remaining balance due at expiration of the loan.

Collateral: The loan will be secured by an assignment of the future TIF Reimbursement Revenue Stream.
Subordination: MSF assignment will only be subordinated to the approximately \$1,533,562 Loan from Chemical Bank to the Borrower. The amount may fluctuate based on the final selling price of the condominiums. In no instance will the assignment of TIF be subordinated greater than \$2,000,000.

Guarantee(s): Unlimited corporate guarantee of SSP Associates, Inc. and personal guarantees of Dr. Samuel Shaheen, Peter Shaheen and Sabrina Shaheen-Cronin and any 100% controlled Living Trusts.

The Applicant's financial need for a community revitalization incentive:

The applicant has secured permanent senior financing in the amount of \$21,900,000 (prior to MCRP investment) or approximately 95% of the total project cost. Additionally, the owners are expected to contribute a minimum approximately \$1,607,672 in equity to the project. MEDC staff is recommending a \$4,780,000 "Performance Based" loan which will be used to pay down a portion of the Senior debt financing and allow the project to provide the owner with a minimal rate of return.

Whether the project is financially and economically sound:

The project is a high-risk proposition for the applicant that is anticipated to generate a minimal return on investment. The risk profile is created by the large portion of the project that is dedicated to speculative premium priced residential condominiums. The MEDC looked to mitigate its risk in the project by taking an assignment of the future TIF Reimbursement Income Stream and requiring guarantees from financially able personal and corporate guarantors.

Recommendation

The MEDC staff recommends approval of an MCRP performance-based loan in the amount of \$4,780,000 for Midland DTH LLC. The commitment will remain valid until August 25, 2014 (180 days after approval) with approval for the MSF Fund Manager to extend the commitment an additional 180 days. Staff also recommends approval of school tax capture for the Act 381 eligible activities totaling \$8,329,487 described above.

APPENDIX A

MCRP PROGRAM AND ITS GUIDELINES

On December 21, 2011, the MSF Board approved the Michigan Community Revitalization Program (MCRP) and its guidelines. The primary intended objective of the MCRP is to provide incentives to persons that make eligible investments on eligible property in Michigan.

SOURCE OF INFORMATION

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

As required under the program, the following statutory criteria shall be considered by the MSF, as MEDC Staff believes each is reasonably applicable to proposed project:

A. The importance of the project to the community in which it is located:

The creation of increased residential living options and the reactivation of commercial spaces in downtown Midland are helping to fuel new business growth in the downtown and offering new housing choices for a mix of incomes and ages. This dynamic is helping to fuel the renaissance of the downtown area.

B. If the project will act as a catalyst for additional revitalization of the community in which it is located:

The construction of this development in downtown Midland will help create a demand for additional downtown businesses and services by promoting downtown living and walkability.

C. The amount of local community and financial support for the project:

The City of Midland has offered financial support in the form of an approved Brownfield Plan estimated at \$4,651,186 in eligible activities to be reimbursed by local tax capture.

D. The extent of reuse of vacant buildings, reuse of historical buildings, and redevelopment of blighted property:

All of the existing buildings on the eligible property will be demolished, and none are designated as historic.

E. Creation of jobs and areas of high unemployment:

This project is expected to create approximately 46 new, full-time jobs in the City of Midland, with average hourly wage being estimated at \$17.50. The City of Midland's unadjusted unemployment rate was 5.5% in August 2013.

F. The level of private sector and other contributions, including, but not limited to, federal funds and federal tax credits:

A minimum equity contribution in the amount \$1,607,672 and a bank loan in the amount of \$17,134,562 (following MCRP investment take-out) is anticipated to be contributed to the project.

G. Whether the project increases the density of the area:

This project will increase the density of the area by creating new residential living options in downtown Midland while adding increased commercial spaces as well.

H. Whether the project promotes mixed-use development and walkable communities:

This project promotes mixed-use development by providing residential units and reactivating the commercial/retail components on the first floor. The project is located in downtown Midland and promotes walkability by offering residents' service, retail, and entertainment options within a five minute walk of their doorstep.

I. Whether the project converts abandoned public buildings to private use:

This project does not involve any abandoned public buildings.

J. Whether the project promotes sustainable development:

This project promotes sustainable development by utilizing a Brownfield site in downtown Midland. The reuse of Brownfield sites generally utilizes already existing public infrastructure, decreasing the need for the development of new infrastructure often at the cost of public entities.

K. Whether the project involves the rehabilitation of a historic resource:

This project does not involve the rehabilitation of a historic resource.

L. Whether the project addresses area-wide redevelopment:

The creation of market-rate residential space and increased commercial spaces in downtown Midland will act as a catalyst for other projects in the area by increasing the density of people living in and visiting downtown.

M. Whether the project addresses underserved markets of commerce:

This project does not address underserved markets of commerce.

N. The level and extent of environmental contamination:

Contamination is evident on the subject properties as they are classified as a facility by the MDEQ. The Property will be prepared to make it suitable for development, and appropriate due care and additional response activities will be performed to prevent exposure to materials hazardous to human health, safety, and the environment.

O. If the rehabilitation of the historic resource will meet the federal Secretary of the Interior's standards for rehabilitation and guidelines for rehabilitating historic buildings (36 CFR 67):

This project does not involve the rehabilitation of a historic resource.

P. Whether the project will compete with or affect existing Michigan businesses within the same industry:

This project is not expected to negatively affect any existing businesses within the industry.

Q. Any other additional criteria approved by the board that are specific to each individual project and are consistent with the findings and intent of this chapter:

There are no additional criteria approved by the board specific to this project.

ADDITIONAL STATUTORY CRITERIA UNDER ACT 381:

a) Reuse of functionally obsolete buildings and/or redevelopment of blighted property:

This Project consists of redevelopment of economically obsolete property. The buildings on the Property underperform economically due to age, structural condition, and the inability to upgrade and modify the structures to serve the commercial markets at generally accepted market rates. Therefore, the existing buildings will be demolished.

b) Cost gap that exists between the property and a similar greenfield property:

The Brownfield tax increment financing is needed to alleviate Brownfield conditions to make the property suitable for redevelopment. The utilization of the Act 381 program will assist in activities such as BEA Activities (Phase I ESA, Phase II ESAs, and BEA), due care activities, additional response activities, preparation of Brownfield and Act 381 work plans, lead and asbestos survey and abatement, building demolition, site preparation, and infrastructure improvements. No alternative Greenfield site was considered for the project.

c) Whether project will create a new brownfield property in the State:

No new Brownfields will be created by this project.

d) Other Factors Considered

No additional factors need to be considered for this project.

INCENTIVE OPPORTUNITY

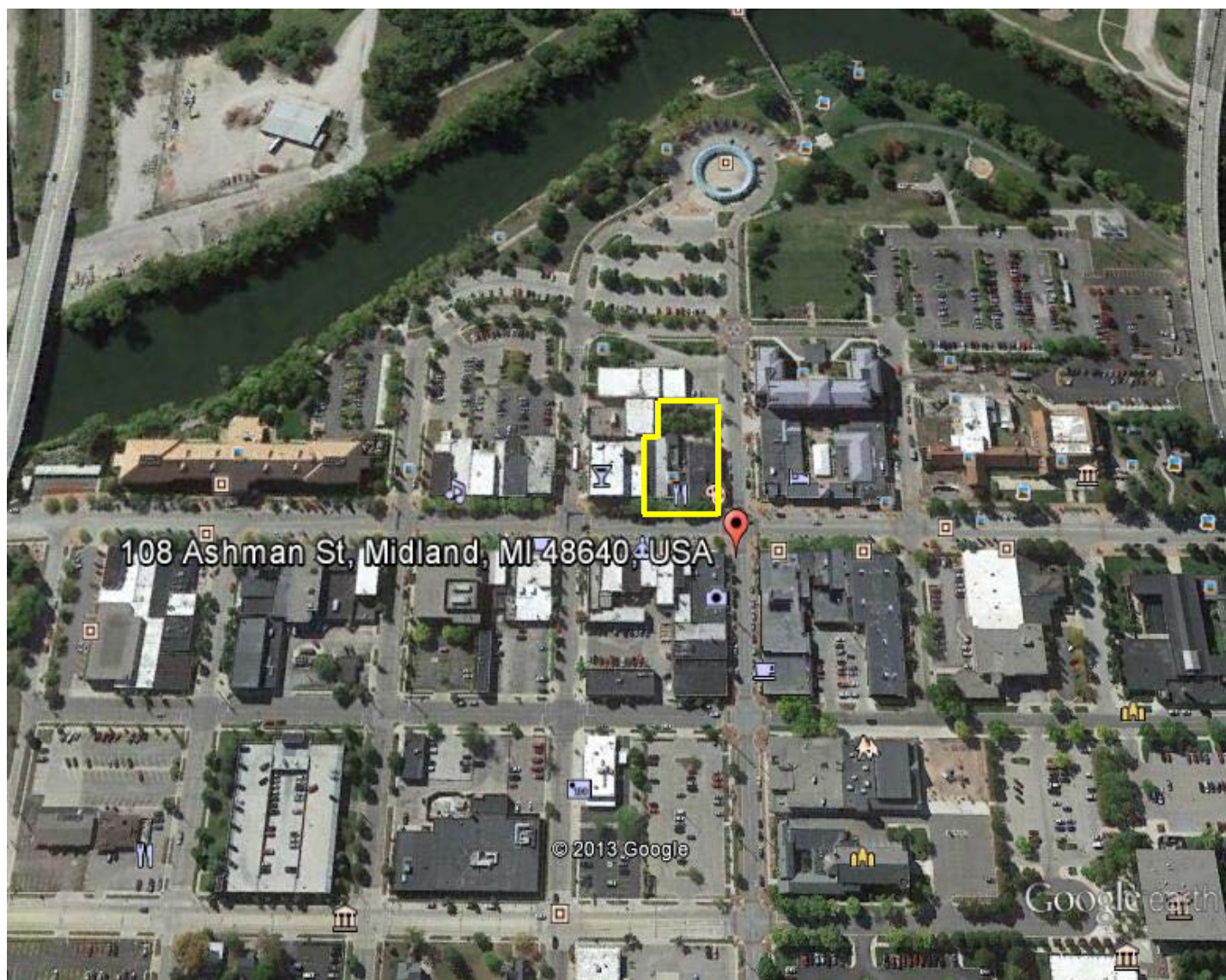
Act 381 TIF: There are 54.3524 non-homestead mills available for capture, with school millage equaling 24 mills (44.16%) and local millage equaling 30.3524 mills (55.84%). The requested tax capture for eligible activities breaks down as follows:

School tax capture (44.16%)	\$3,678,301
Local tax capture (55.84%)	\$4,651,186
TOTAL	\$8,329,487

COST OF ELIGIBLE ACTIVITIES

Demolition	\$ 350,000
Lead or Asbestos Abatement	100,000
Infrastructure Improvements	1,420,000
Site Preparation	<u>+3,137,500</u>
Sub-Total	\$5,007,500
Contingency (15%)	<u>+ 751,125</u>
Sub-Total	\$5,758,625
Interest (5%)	<u>+2,563,362</u>
Sub-Total	\$8,321,987
Brownfield/Work Plan Preparation	<u>+ 7,500</u>
TOTAL	\$8,329,487

APPENDIX B



**MICHIGAN STRATEGIC FUND
RESOLUTION 2014-**

**APPROVAL OF A MICHIGAN COMMUNITY REVITALIZATION PROGRAM LOAN
AWARD TO MIDLAND DTH 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, as later amended) 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”), and (iii) approved the MSF Fund Manager to negotiate the final terms and conditions of the written agreements to be used to memorialize MCRP awards on the MSF’S behalf in accordance with the Guidelines (“Transaction Documents”);

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

WHEREAS, Midland DTH LLC has requested a performance based loan of up to \$4,780,000 (“Award Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”);

WHEREAS, the MEDC has recommended that the MSF approve the Loan Award 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 for the Loan Award Request within 180 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 180 days (“MCRP Award Recommendation”); and

WHEREAS, the MSF Advisory Committee has indicated its support of the MCRP Award Recommendation.

BE IT FURTHER RESOLVED, the MSF Board approves the MCRP Award Recommendation; and

BE IT FURTHER RESOLVED, the MSF Fund Manager, in coordination with MEDC Staff, is authorized to negotiate the final terms and conditions of, and sign, the Transaction Documents necessary to effectuate the MCRP Award Recommendation.

Ayes:

Nays:

Recusals:

Lansing, Michigan
February 25, 2014

Exhibit A

Terms Sheet

Company Name:	Midland DTH LLC
MCRP Incentive Type:	Performance Based Loan
Interest Rate:	0%
MCRP Loan Amount	Not to exceed the lesser of \$4,780,000 or 25% or eligible investment
Fees:	One-Time Fee of equal to 1% of the Commitment Amount and an Annual Fee equal to \$37,800.
Term of Incentive:	Note to exceed 15 years following disbursement.
Repayment:	Up to \$1,000,000 to be forgiven at construction completion. Semi-annual payments equal to 50% of applicable TIF Reimbursement Revenue Stream. Remaining balance due at expiration of the loan.
Collateral:	The loan will be secured by an assignment of the future TIF Reimbursement Revenue Stream. Subordination: MSF assignment will only be subordinated to the approximately \$1,533,562 Loan from Chemical Bank to the Borrower. In no instance shall the subordination exceed \$2,000,000.
Guarantee(s):	Unlimited corporate guarantee of SSP Associates, Inc. and personal guarantees of Dr. Samuel Shaheen, Peter Shaheen and Sabrina Shaheen-Cronin and any 100% controlled Living Trusts.

**RESOLUTION 2014-
MICHIGAN STRATEGIC FUND**

**City of Midland Brownfield Redevelopment Authority
Downtown Midland Redevelopment Project
City of Midland**

At the meeting of the Michigan Strategic Fund (“MSF”) held on February 25, 2014, in Lansing, Michigan.

WHEREAS, Michigan Economic Growth Authority (“MEGA”) has been established by 1995 PA 24, as amended (the “Act”);

WHEREAS, 2002 PA 727 amended 1996 PA 381, MCL 125.2651 et seq, to empower local brownfield redevelopment authorities to request the MEGA Board to approve a brownfield project work plan and, thereby, capture taxes levied for school operating purposes for the project;

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, captured school operating tax revenues may be used under 1996 PA 381 as amended, for infrastructure improvements that directly benefit eligible property, for lead or asbestos abatement, and for structure demolition and site preparation that are not response activities under the Natural Resources and Environmental Protection Act, 1994 PA 451;

WHEREAS, the City of Midland Brownfield Redevelopment Authority (the “Authority”) has submitted a work plan for property located at 102, 110, 114, 124 & 128 East Main Street and 108 Ashman Street within the City of Midland, known as the Downtown Midland Redevelopment Project (the “Project”);

WHEREAS, the City of Midland is a “qualified local governmental unit” and is eligible to provide for a) demolition; b) lead and asbestos abatement; c) public infrastructure improvements; d) site preparation; e) brownfield work plan preparation and review costs and f) interest as provided under 2007 PA 204 and;

WHEREAS, the Authority is requesting MSF approval to capture additional taxes levied for school operating purposes to provide for the reimbursement of the cost of eligible activities on an eligible property; and

WHEREAS, the Michigan Economic Development Corporation (“MEDC”) provides administrative services to the MSF, and has reviewed the application and recommends approval of the Brownfield Work Plan by the MSF Board.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board authorizes the Authority to capture taxes levied for school operating purposes in substantially the same proportion as the 44.16% to 55.84% ratio currently existing between school and local taxes

for non-homestead properties, to reimburse the cost of site preparation, demolition, lead and asbestos abatement and infrastructure improvements as presented in the revised Work Plan dated November 21, 2013. Any change in millage that increases the capture percentage of school operating taxes by more than 5 percentage points must be approved by the MSF Board. The authorization is based on the Authority capturing all available local operating mills for the term of the capture period. The authorization for the capture of taxes levied for school operating purposes is based on a maximum of \$5,758,625 for the principal activity costs of non-environmental activities and a contingency, a maximum of \$2,563,362 in interest, and a maximum of \$7,500 for Brownfield/Work Plan preparation, and with the capture of taxes levied for school operating purposes being limited to a maximum of \$3,678,301.

BE IT FURTHER RESOLVED, that the MSF Board authorizes the MSF Fund Manager, to provide written notification to the Authority, in the form of a letter which incorporates the terms set forth in this Resolution and consistent with the limitations of the Act, and that this approval is further conditioned upon the Authority, or the City of Midland as appropriate, maintaining adequate records regarding: a) all taxes captured for the project; and b) receipts or other appropriate documentation of the cost of eligible activities. The records shall be made available for review upon request by MSF or MEDC staff. Eligible activities authorized by this resolution must be completed within three (3) years.

BE IT FURTHER RESOLVED, that the MSF Board is authorizing that capture of taxes levied for school operating purposes for the payment of interest, up to a maximum of \$2,563,362 related to the eligible activities for the Project.

Ayes:

Nays:

Recused:

February 25, 2014
Lansing, Michigan

MEMORANDUM

Date: February 25, 2014

To: Michigan Strategic Fund Board Members

From: Christine Whitz, Manager, Community Development Block Grant Program

Subject: *Community Development Block Grant Program
2013 Downtown Infrastructure Grant (DIG)*

Request

Fourteen units of general local government (see Exhibit A) are requesting a total of \$7,600,176 in Community Development Block Grant (CDBG) funds for infrastructure improvements in their downtowns.

Background

The Community Development Block Grant (CDBG) program announced a competitive round of CDBG funding in August 2013. Eligible communities could submit Part I Applications for Downtown Infrastructure Grants (DIG). This was the fourth offering of the Downtown Infrastructure Grants since the program was introduced.

The purpose of the DIG program is to assist low and moderate income communities seeking to improve the infrastructure quality of their downtown district. The MSF received 45 Part I Applications requesting \$18,766,057, with a total of \$6,777,618 in matching funds identified. The projects recommended have completed a full application and majority of their environmental review. This allows them to start construction immediately following the grant agreement being signed.

Program Requirements

The projects were evaluated utilizing the CDBG requirements. It has been determined that the projects meet the following requirements to qualify as an eligible project under the CDBG program:

- **National Objective:**
In order to qualify for CDBG funding, populations of communities or program areas must be at least 51 percent low and moderate income as determined by census data provided by the U.S. Department of Housing and Urban Development or an income survey. It has been determined that all of the recommended applicants meet this criterion.
- **Eligible Activity:**
All of the projects being recommended involve eligible activities identified in Section 105(a)(2) of Title I of the Housing and Community Development Act of 1974, as amended.

Screening Guidelines

All of the projects being recommended demonstrated that they are located in a traditional downtown; the community provided a cash match of at least ten percent; the community had not received a 2012 DIG grant; the community has a maintenance plan for the proposed projects; and the project is able to be completed by December 31, 2014.

The projects being recommended were scored and given priority based on the community providing matching funds above ten percent; the community not having any past CDBG grant issues and/or outstanding findings; the project being located in a Downtown Development Authority or similar type district; and the incorporation of innovative design elements.

The MEDC staff has concluded that the projects meet the minimum program requirements and screening guidelines to be eligible under the CDBG program.

Recommendation

A list of the fourteen recommended projects is attached as Exhibit A to the resolution and totals \$7,600,176. The list includes the CDBG applicants, project description, percentage of low and moderate income people living in the community, grant amount requested, and match commitment. Staff recommends that grant agreements totaling \$7,600,176 be authorized for the fourteen projects listed in Exhibit A of the resolution.

MICHIGAN STRATEGIC FUND

RESOLUTION 2014- _____

SPRING 2014 DOWNTOWN INFRASTRUCTURE GRANTS (DIG)

WHEREAS, Executive Order 1999-1, issued pursuant to Article V of the Michigan Constitution of 1963 and the laws of the State of Michigan, consolidated the State's economic development functions and programs and their accompanying powers in the Michigan Strategic Fund ("MSF");

WHEREAS, Executive Order 1999-1 transferred from the Michigan Jobs Commission to the MSF all authority, powers, duties, functions, grants, and responsibilities, including the functions of budgeting, procurement, personnel, and management related functions, of the Community Development Block Grant ("CDBG") program.

WHEREAS, the CDBG program has policies, criteria, and parameters which are enumerated in the 2013 Program Guidelines, as amended (the "Criteria") and the 2013 Application Guide (the "Guide"). The MSF by Resolution 2012-28 authorized and approved the Consolidated Plan and the Criteria, and by Resolution 2012-67 guidelines for grants;

WHEREAS, the recommended communities listed in Exhibit A (the "Communities") have submitted individual applications requesting funding to be used to improve the infrastructure quality in their downtown districts (the "Projects") for approval;

WHEREAS, the CDBG program staff reviewed the applications and proposed Projects in light of the Criteria, Guide and HUD regulations and concluded the Project is eligible for funding, are not speculative in nature, are economically sound, are ready to proceed, and at least 51% of the project beneficiaries are low and moderate income persons; and

WHEREAS, staff recommends that separate grant agreements be authorized and entered into with the Communities for funds from the CDBG program for the reasons set forth in this Resolution;

NOW, THEREFORE, BE IT RESOLVED, that the MSF authorizes separate grant agreements to be entered into with each Community not to exceed the respective amounts listed in Exhibit A for the payment or reimbursement of costs associated with the Projects. The MSF allocates \$7,600,176 from the Michigan CDBG program for the purpose of funding the Communities' proposed Projects contingent upon the MSF's continued receipt of CDBG funds and availability of adequate funds;

BE IT FURTHER RESOLVED, staff is directed to negotiate the terms of a grant agreement for the each Project consistent with this Resolution. The Fund Manager or MSF President is authorized to execute, on behalf of the MSF, all documentation necessary to effectuate the proposed Projects; and

BE IT FURTHER RESOLVED, if Communities fail to execute and return a grant agreement to staff within 120 days of the date this Resolution is adopted, then as to that specific community only, this Resolution shall be of no further force and effect and shall be void.

Ayes:

Nays:

Recused:

Lansing, Michigan
February 25, 2014

Exhibit A

Downtown Infrastructure Grants

Recommended Projects

Program Year 2013

Applicant	Project Description	Percent Low/Mod	CDBG Request	Total Match
City of Boyne City	Street and Streetscape Improvements	68.1	\$583,519	\$250,081
City of Big Rapids	Street and Streetscape Improvements	63.9	\$410,204	\$73,390
City of Evert	Streetscape and Pocket Park Improvements	63.3	\$623,556	\$69,285
City of Durand	Parking Lot Improvements	68.9	\$750,000	\$85,000
City of Harrison	Street, Streetscape and Infrastructure Improvements	51.2	\$598,000	\$161,639
City of Ithaca	Streetscape and Infrastructure Improvements	51.0	\$750,000	\$100,000
Village of Kalkaska	Streetscape Improvements	57.5	\$750,000	\$672,000
City of Lapeer	Street, Streetscape and Infrastructure Improvements	56.6	\$749,999	\$331,129
Village of Mattawan	Parking Lot and Infrastructure Improvements	68.7	\$285,885	\$256,000
Township of Michigamme	Streetscape and Infrastructure Improvements	53.4	\$258,581	\$65,000
City of Olivet	Street, Streetscape and Infrastructure Improvements	59.0	\$658,000	\$171,090
City of Owosso	Parking and Riverfront Improvements	51.3	\$695,264	\$370,000
Village of Constantine	Parking and Alleyway Improvements	53.4	\$242,182	\$80,727
City of West Branch	Streetscape, Pocket Park and Infrastructure Improvements	51.3	\$244,986	\$30,279
Total			\$7,600,176	\$2,715,620



MEMORANDUM

Date: February 25, 2014

To: MSF Board Members

From: Leslie Hornung, Senior Vice President, Marketing, Communications and Public Relations

Subject: Weber Shandwick Worldwide Contract Amendment

BACKGROUND

In accordance with Section 88b(4) of the Michigan Strategic Fund Act (the "Act"), 1984 PA 270, as amended, MCL 125.2088b(4) the Michigan Strategic Fund ("MSF") may use up to five percent of the annual appropriation from the 21st Century Jobs Trust Fund for business development and marketing costs.

Section 88b(4) requires that the MSF Board select all vendors for business marketing expenditures under Chapter 8A of the Act by issuing a Request for Proposals ("RFP").

The MSF Board approved issuance of a public relations and digital marketing RFP by Resolution 2011-093, adopted on June 22, 2011.

By Resolution 2011-123, adopted on August 24, 2011, the MSF Board awarded the public relations contract to Weber Shandwick Worldwide, for the period of September 1, 2011 to September 30, 2014, at \$3,750,000, with two one-year additional extensions.

Weber Shandwick Worldwide has successfully assisted MEDC in the development, planning and execution of media and public relations activities and promotional events in all MEDC's targeted geographic, industry and audience markets. These efforts were conducted in such a manner that resulted in the publication and broadcast of Michigan business, talent attraction and tourism related articles and feature stories by print, broadcast and online media in all identified markets. The overall goal is to increase awareness of www.michiganbusiness.org, www.mitalent.org and www.michigan.org websites.

To continue the success, we would like to increase the amount of the contract to include fiscal 2014 funding.

RECOMMENDATION

The MEDC recommends that the MSF increase the amount of the allocated funds to \$4,746,000, an increase of \$996,000 for fiscal year 2014.

Weber Shandwick Business PR Successes

- Weber Shandwick secured speaking opportunity for Mike Finney at the [2013 The Atlantic Washington Ideas Forum](#). Mike joined a panel of media and political and business leaders to discuss ideas on jumpstarting the economy, which allowed for Michigan's progress to be highlighted on a national scale.
- While Michigan did not move in **2012 Forbes Best States for Business rankings**, Weber helped to highlight changes in Michigan's business climate by placing an op-ed, [Governor Snyder on Reinventing Michigan: More than Meets the Eye](#), to coincide with the rankings (17,190,282 unique visitors per month)
- In July 2013, Michigan moved 4 spots up in **CNBC's Top States rankings**. Weber Shandwick helped to elevate awareness of Michigan's improved business climate once again through an op-ed placement, The [Comeback State: Michigan's Reinvention](#). (6,099,218 unique visitors per month)
- To counteract the negative news and perceptions surrounding Detroit's bankruptcy news, Weber Shandwick pitched positive stories about business and investment in the city, resulting in two stories on **money.cnn.com** (29,407,293 unique visitors per month). [Detroit's Stealth Business Boom](#) focused on the opportunity the city offered, by focusing on companies and residents moving back to the city. Following the announcement of the new sports arena in Detroit, with investment from the Michigan Economic Development Corporation, [New \\$444 million hockey arena is still a go in Detroit](#), addressed concerns over the funding by showing the economic impact the project could bring to the city.
- Efforts to highlight the Community Ventures program on a national scale resulted in a 2-part story in the **National Journal** (1,071,700 unique visitors per month) which included an op-ed from Governor Snyder, [How Michigan Has Flipped the Job Switch](#), on the program as well as an interview with Detroit, Travis Butler, who found employment through the program - [The Simple Power of a \\$12-an-hour Job](#)
- An effort was placed on highlighting changes in Michigan's business climate to influential site selection and industry trade magazines. As a result, Weber Shandwick has secured coverage in
 - **Chief Executive:** [State Economies Are Improving in the Upper Great Lakes](#)
 - **Business Xpansion:** [Michigan Advances Pro-Business Image](#)
 - **Chief Executive:** [Is Right to Work the Right Move](#)
- As a way to support entrepreneurs and tell the Michigan business story, individual success stories are used to highlight thriving businesses in Michigan. As a result of media outreach, Weber Shandwick secured national, top tier interviews and feature stories including:
 - Ferndale's Treat Dreams was featured in a print and online story in **Money Magazine** (1,908,509 circulation) and Money.Cnn.com. [Banker finds sweeter career: Making ice cream](#) shows how Scott went from a corporate career into an entrepreneur successfully and the growth of his business.
 - For **Inc.'s How I Did It** (716,872 monthly unique visitors), Weber Shandwick secured an interview with Michigan-based Warrior Sports and CEO Dave Morrow. [Why Warrior Sports Manufactures in Detroit](#) and focuses on why Dave chose to bring manufacturing back to the States, specifically the Midwest and Michigan, and how the robust manufacturing community is an asset to businesses, due to the quality and ability to operate smoothly compared to manufacturing overseas.
 - For **Fox & Friend's Who's Hiring**, TRW was featured as a company hiring for more than 100 jobs for a broadcast (1.5 million viewers) and online video segment (4,256,031 unique visitors per month). The segment mentioned the resurging automotive industry and living in Michigan.

Weber Shandwick Travel PR Successes

- **National Pie Day Campaign** –To highlight Michigan’s culinary offerings and agriculture industry, Weber Shandwick developed a campaign to bring a slice of Michigan’s pie industry to national media outlets leveraging National Pie Day on January 23, 2013. A national TV segment was secured on FOX & Friends, the number one cable morning show, and pie deliveries were conducted to more than 40 New York-based TV, radio, print and online media. Day-of and continued campaign coverage included: Sirius XM, Elvis Duran and the Morning Show: New York Z100, The Chew, Conde Nast’s Jaunted, TravelandLeisure.com, TheDailyMeal.com, GQ, Zagat and more. To date the campaign has received over 46,000,000 media impressions and 861,127 social media impressions. For Pure Michigan’s social media outlets, National Pie Day garnered more than 800 new Pure Michigan Twitter followers, nearly 600 #PureMichiganPie tweets, 343 contestant entries, 5,416 blog views and a Facebook reach of more than 25,000. @GTPie also gained 488 Twitter followers due to the promotion.
- **Pure Michigan Mario Batali Partnership** - In the fall of 2011, Weber Shandwick launched a partnership with seasonal Michigan resident and celebrity chef, Mario Batali, to highlight the myriad four season offerings Michigan offers, as well as focusing on key vertical markets such as culinary. The partnership included a dynamic media day in Michigan on June 28, 2012, punctuated by the creation of three all-new “Made in Michigan” recipes by the chef. The plan was to achieve a quick surge of publicity to be sustained with long-lead coverage throughout the summer. To date, Pure Michigan’s partnership with Mario Batali has resulted in **more than 96 million impressions** including:
 - SMT which produced 30 television, radio and internet interviews
 - Culinary media tour of Batali’s favorite Northern Michigan foodie spots which yielded 21 media attendees including national travel and food writers as well as regional media; included a special one-hour cooking experience with Batali
 - PureMichigan.org chat where Batali shared tips on travel and cooking which brought 1,452 visits to the blog and answered 57 consumer questions
 - “Made in Michigan” day promotion on the official Pure Michigan social channels, including Facebook, Twitter, YouTube, Google+ and Pinterest, where live photos, updates and recipes were shared
 - Batali also shared updates on his Facebook and Twitter pages, tagging Pure Michigan
 - Two videos – Mario Batali’s Favorite Places in Northern Michigan and Mario Batali’s Recipes and Michigan-inspired Dishes – which have garnered nearly 16K views
- **NYLON Guys Feature Article** - After a year in the making (*NYLON*’s participation in the Detroit press trip, followed by several editor independent press trips), PR efforts resulted in a five-page feature in the January 2013 issue of *NYLON Guys*. “Street Style Detroit” encouraged readers to visit Detroit and took them on a journey through the unknowns and unique style of the city. Reaching more than 100,000 readers in print, as well as an additional 30,000 readers online, the article highlighted press trip stops such as The Heidelberg Project, Detroit’s Eastern Market, The Renaissance Center and Corktown. *NYLON Guy*’s influential article was one of the many resulting from press trips, which positioned Detroit as a “comeback city.”
- **Saveur** – As a result of continued work with *Saveur* editors and an independent press trip in fall 2012, part of Weber Shandwick’s ongoing independent press trip initiatives, “Upper Crust,” a

three page feature article about the culinary glories of Michigan's Route 41 ran in the October issue of *Saveur* (UVP: 258,998/Circ: 331,378). The article takes readers on a journey through the culinary glories of Michigan's Route 41. Regional delights from pasties to whitefish are highlighted throughout the piece, a recipe for Povitica is shared for readers to try at home and several accompanying images help tell the UP's culinary story.

- **Press trips** – Since 2012, Weber Shandwick has hosted over 75 media on group and independent Pure Michigan press trips.

Pure Michigan Social Media Growth 2011 – 2014

Facebook:

- January 2011 – 328,870 Fans
- January 2014 – 593,973 Fans

Twitter:

- January 2011 – 20,000 Followers
- January 2014 - 83,939 Followers

Pure Michigan Blog:

- January 2011 - 11,345 Visits
- January 2014 - 73,282 Visits

Launch of New Social Media Platforms

Pinterest: Launched January 2012

- As of January 2014, the Pure Michigan Pinterest page has 11,595 followers.
- Pure Michigan has pinned 581 images and created 34 boards on Pinterest.
- Pure Michigan's Pinterest content has been re-pinned 55,904 times.

Instagram: Launched July 2012

- As of January 2014, the Pure Michigan Instagram page has 81,418 followers. It is the most followed state tourism page in the country.
- 632,400+ have been tagged with the #puremichigan hashtag on Instagram.

Annual Pure Michigan Moments Photo Contest

1st Annual Pure Michigan Moments Photo Contest:

- Contest Dates: October 22 – November 9, 2013
- 3,330 entries submitted
- 54,300 votes on entries
- 14,373 new Facebook fans acquired
- 800 sign-ups for the official Pure Michigan newsletter

2nd Annual Pure Michigan Moments Photo Contest:

- Contest Dates: November 1 – November 17, 2013
- 3,041 entries submitted
- 56,211 votes on entries
- 13,680 new Facebook fans acquired
- 571 sign-ups for the official Pure Michigan newsletter

MICHIGAN STRATEGIC FUND

**RESOLUTION
2014-**

**WEBER SHANDWICK WORLDWIDE CONTRACT FOR PUBLIC RELATIONS AND
BUSINESS MARKETING (Amendment #1)**

WHEREAS, Public Act 489 of 2000, MCL 12.251 to 12.260, created the Michigan Trust Fund Act, of which the 21st Century Jobs Trust Fund (“Trust Fund”) is established;

WHEREAS, Public Act 270 of 1984, MCL 125.2088b(4), provided for not more than five percent of the annual appropriations as provided by law from the Trust Fund may be used for business development and business marketing costs;

WHEREAS, on August 24, 2011, the Michigan Strategic Fund (“MSF”) approved the use of Weber Shandwick Worldwide as the vendor for the public relations and digital marketing program;

WHEREAS, the MSF and Weber Shandwick Worldwide desire to increase the amount of the contract by \$996,000 to continue the public relations activities and promotional events in the targeted geographic, industry, and audience markets;

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

WHEREAS, the MEDC recommends that the MSF increase the contract amount to continue the public relations promotional activities.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board amends the Weber Shandwick Worldwide contract by increasing the amount to not exceed \$4,746,000; and

BE IT FURTHER RESOLVED, that the MSF Fund Manager is authorized to execute the amendment to the Weber Shandwick Worldwide contract consistent with the terms of this resolution.

Ayes:

Nays:

Recused:

Lansing, Michigan
February 25, 2014

MEMORANDUM

Date: February 25, 2014
To: Michigan Strategic Fund Board
From: Roselyn Zator, Managing Director, Entrepreneurial Services
Subject: *FY 2014 Entrepreneurial Support Services Programs – Funding recommendation*

Action

The MEDC requests that the MSF Board approves funding of \$6,450,000 to Grand Valley State University Michigan Small Business Development Center (GVSU MI-SBDC) for its Entrepreneurial Support Services Programs including its Business Acceleration Services Fund, SBIR/STTR Federal Grant Match Program, and the Consulting and Business Counseling Services for Companies.

Background

On October 23, 2013 the MSF Board approved the release of the 2014 Entrepreneurial Support Services Request for Proposals in the amount of \$6,450,000. Four proposals were received, see Exhibit A. The written reviews were completed and the JEC met to discuss and agree to a consensus score, and recommended funding of the highest scoring proposal. GVSU MI-SBDC scored the highest with the score of 95.4.

Recommendation

MEDC Staff recommends that the MSF Board approve \$6.45 million to be awarded to Grand Valley State University Michigan Small Business Development Center for the following programs:

- **Business Accelerator Services Fund (\$1,733,248 for two years, \$1,500,000 will be granted to specialized service providers to directly assist companies):** GVSU MI-SBDC would administer a pool of capital that may be accessed by any of the SmartZones to assist a company with specialized business acceleration services and resources. Prior to this award the awardee managed a similar program for the last 2 years, disbursed \$3 million in grants to help companies create 116 jobs and raise over \$31 million in capital formation.
- **SBIR / STTR Federal Grant Match (\$2,293,472 for two years, \$2,076,500 will be granted to companies as matching funds to Federal SBIR/STTR grants):** GVSU MI-SBDC would administer a pool of capital that provides commercialization matching funds to companies receiving Federal SBIR / STTR grants. Prior to this award the awardee managed a similar program for the last 6 years, disbursed \$7 million in grants (matching \$59 million in SBIR/STTR grants) to help companies create 306 jobs and raise \$100 million in capital formation.
- **Consulting and Business Counseling Services for Companies (\$2,423,280 for one year):** GVSU MI-SBDC would provide consulting and business counseling services to small and start-up competitive-edge technology companies in Michigan, and/or provide business development training and follow-on implementation services to Michigan manufacturers and related companies including advanced manufacturing companies to assist them in growing their top and bottom lines, creating and retaining jobs, and increasing their Michigan investment. Since 2002, the awardee has assisted 157,710 entrepreneurs, helped small business owners start 4,012 businesses, created and retained 57,812 jobs, and raised over \$2.1 billion in capital.

Exhibit A - Scores of Proposals (Sorted in Descending Order)

Organization	Requested Amount	Final Score	Recommended Award
GVSU Michigan Small Business Development Center (GVSU MI-SBDC)	\$6,450,000	95.4	\$6,450,000
Michigan Women's Foundation	\$500,000	55.2	0
Michigan Medical Device Consortium	\$275,000	49.6	0
Adrian College	\$280,000	25.0	0
Total	\$7,505,000		

MICHIGAN STRATEGIC FUND

RESOLUTION

2014-

ENTREPRENEURIAL SUPPORT SERVICES RFP AWARD

WHEREAS, Public Acts 215 and 225 of 2005 (“Act”) established the 21st Century Jobs Trust 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, on April 11, 2011 a public hearing was held and public comments were received on a Request for Proposals (“RFP”) to award grants to non-profit organizations that provide specialized entrepreneurial support services to companies and institutions in commercializing competitive edge technologies and building innovative businesses with the potential for high growth and job creation (“Entrepreneurial Support Services RFP”);

WHEREAS, on October 23, 2013, the MSF Board approved the issuance of the Entrepreneurial Support Services RFP;

WHEREAS, the Act requires that proposals be evaluated by a joint evaluation committee (“JEC”) and the MSF Board selected a JEC and approved scoring and evaluation criteria at its October 23, 2013 meeting;

WHEREAS, four proposals were received in response to the Entrepreneurial Support RFP;

WHEREAS, the JEC scored and ranked the four proposals in accordance with the scoring and evaluation criteria approved by the MSF Board;

WHEREAS, the Grand Valley State University Michigan Small Business Development Center (“GVSU-SBDC”) received the highest score and the MEDC recommends that the MSF award a grant of up to \$6.45 million to GVSU-SBDC to provide entrepreneurial support services (the “GVSU-SBDC Grant”); and

WHEREAS, the MSF Board wishes to approve the GVSU-SBDC Grant.

NOW, THEREFORE, BE IT RESOLVED, the MSF Board approves the GVSU-SBDC Grant;

BE IT FURTHER RESOLVED, the MSF Board may, at its sole discretion, extend the term of the GVSU-SBDC Grant for up to an additional three years and may increase the amount of the GVSU-SBDC Grant, subject to available funds for so long as the GVSU-SBDC Grant is active; and

BE IT FURTHER RESOLVED, that MSF Fund Manager or the MSF Chairperson, with only one required to act and in coordination with MEDC Staff, is authorized to negotiate final terms and conditions of the GVSU-SBDC Grant and to execute all documents necessary to effectuate the GVSU-SBDC Grant.

Ayes:

Nays:

Recused:

Lansing, Michigan
February 25, 2014



MEMORANDUM

Date: February 25, 2014
To: Michigan Strategic Fund Board
From: Roselyn Zator, Managing Director, Entrepreneurial Services
Subject: *FY 2014 Early Stage Funding Program – Funding recommendation*

Action

The MEDC requests that the MSF Board approves funding of \$7,958,000 to Invest Michigan for its Early Stage Funding Program.

Background

On October 23, 2013 the MSF Board approved the release of the 2014 Early Stage Funding Programs Request for Proposals in the amount of \$7,958,000. Eight proposals were received, see Exhibit A. The written reviews were completed and the JEC met to discuss and agree to a consensus Written Score. The JEC recommended oral interviews for four of the top scoring applicants, and then the top two applicants of the oral interviews were asked to submit more detail substantiating their experience in managing a pre-seed fund. The JEC determined the Oral Score for the four applicants by assigning a score of -10 to +10 to each applicant. The Final Score was determined by summing the Written Score and the Oral Score. The JEC recommended funding of the highest scoring proposal. Invest Michigan scored the highest with the score of 84.6.

Invest Michigan requested \$7,958,000 of which \$6,764,300 will be used for investments. Within this amount \$5,264,300 will be used for pre-seed equity and loan investments in early stage competitive edge technology companies, \$500,000 for pre-seed micro equity or loan investments of \$50,000 or less, and \$1,000,000 for grants to assist university technology commercialization projects.

The JEC recommendation was based upon Charles Moret's (President of Invest Michigan) experience of managing a \$20 million pre-seed fund in Connecticut where he was directly responsible for providing all hands-on work of marketing, handling inquiries, negotiating with prospects, structuring investments, underwriting, presenting to the investment committee, documenting and closing transactions. After three years and 46 pre-seed investments, the Connecticut Pre-Seed Fund is reporting that 34 companies remain operating, 6 raised \$15.5 million in seed financing, 1 did an IPO, 2 defaulted, 1 paid-off, and 2 were write-offs. The Fund is considered successful and sustainable given the large number of companies operating and attracting seed investment, the one IPO, and the creation of 150 jobs created from the Pre-Seed Fund portfolio. For the last year, Charles has played an integral role at TechTown in Detroit managing technology commercialization projects.

Recommendation

MEDC recommends that the MSF Board approve \$7.958 million to be awarded to Invest Michigan.

Exhibit A - Scores of Proposals (Sorted in Descending Order of Final Score)

Organization	Requested Amount	Written Score (Range 0-100)	Oral Score Range (-10 to +10)	Final Score	Recommended Award
Invest Michigan	\$7,958,000	78.6	6.0	84.6	\$7,958,000
Antanda	\$7,958,000	77.4	5.8	83.2	
Ann Arbor Spark	\$7,800,000	82.0	-10.0	72.0	
MI Pre Seed Fund II	\$7,958,000	74.2	-5.0	69.2	
Michigan Initiative for Innovation and Entrepreneurship	\$2,850,000	65.4		65.4	
Henry Ford Health System	\$1,000,000	61.6		61.6	
Primas Civitas	\$7,958,000	48.0		48.0	
Global Food Protection Institute	\$2,894,300	44.6		44.6	
Total	\$46,376,3000				

**MICHIGAN STRATEGIC FUND
RESOLUTION**

2014-

EARLY STAGE FUNDING RFP AWARDS

WHEREAS, Public Acts 215 and 225 of 2005 (“Act”) established the 21st Century Jobs Trust 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, on April 11, 2011 a public hearing was held and public comments were received on a Request for Proposals (“RFP”) to make awards to non-profit organizations that invest in pre-seed and early stage companies that require capital to transition from research to early stages of the commercialization process in the competitive edge technology sectors (“Early Stage Funding RFP”);

WHEREAS, on October 23, 2013, the MSF Board approved the issuance of the Early Stage Funding RFP;

WHEREAS, the Act requires that proposals be evaluated by a joint evaluation committee (“JEC”) and the MSF Board selected a JEC and approved scoring and evaluation criteria at its October 23, 2013 meeting;

WHEREAS, eight proposals were received in response to the Entrepreneurial Support RFP;

WHEREAS, the JEC scored and ranked the eight proposals in accordance with the scoring and evaluation criteria approved by the MSF Board;

WHEREAS, the proposal submitted by Invest Michigan, a Michigan non-profit corporation, received the highest score and the MEDC recommends that the MSF award a grant of up to \$7,958,000 to Invest Michigan for its Early Stage Funding Program (the “Invest Michigan Grant”); and

WHEREAS, the MSF Board wishes to approve the Invest Michigan Grant.

NOW, THEREFORE, BE IT RESOLVED, the MSF Board approves the Invest Michigan Grant;

BE IT FURTHER RESOLVED, the MSF Board may, at its sole discretion, extend the term of the Invest Michigan Grant for up to an additional three years and may increase the amount of the Invest Michigan Grant, subject to available funds for so long as Invest Michigan Grant is active; and

BE IT FURTHER RESOLVED, that MSF Fund Manager or the MSF Chairperson, with only one required to act and in coordination with MEDC Staff, is authorized to negotiate final terms and conditions of the Invest Michigan Grant and to execute all documents necessary to effectuate the Invest Michigan Grant.

Ayes:

Nays:

Recused:

Lansing, Michigan
February 25, 2014



MEMORANDUM

Date: February 25, 2014

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

From: Kenneth Murdoch, Development Finance Manager

Subject: *Kalitta Air, LLC (“Company” or “Applicant”)*
Michigan Business Development Program Performance-based Grant Request

Request

This is a request from the Applicant for a \$2 million Performance-based grant. This project involves the creation of 200 Qualified New Jobs, and a capital investment of up to \$9,730,431 in Oscoda Charter Township, Michigan.

Background

The Applicant is a Federal Aviation Administration certified provider of aircraft maintenance, repair and overhaul services. The Company began service in November of 2000 and operates out of eight hangers at the Wurtsmith Airport located in Oscoda Charter Township, Michigan.

The Company will be constructing a new 80,000 square foot airplane hangar. The new hangar will be larger than the ones the Company currently uses and will allow the Company to offer nose to tail service and repair on B-747-400’s, B747-8’s and the Dreamliner aircrafts.

The incentive will assist the Company with the construction of the new hangar in Oscoda Charter Township, Michigan, which will result in job creation and investment related to the aircraft repair industry.

The Applicant has not directly received any incentives from the MSF in the past. In April of 2008 the Company benefitted from a \$1.3 million CDBG grant to Oscoda Charter Township that was used to make improvements to a township owned hangar being used by Kalitta Air and the parking lot servicing the hangar. The project is located in the former Oscoda-Wurtsmith Renaissance Zone which expired at the end of 2011.

The Applicant plans to construct a new aircraft hangar in Oscoda Charter Township, Michigan, make investments and create jobs related to aircraft maintenance and repairs.

Considerations

- a) The Applicant is a “Qualified Business”, as defined in MCL 125.2088r(9)(b), that is located and operates in Michigan.
- b) The project will be located in Oscoda Charter Township. The has offered a “staff, financial, or economic commitment to the project” in the form of tax increment financing via the Oscoda-Wurtsmith Airport Local Development Financing Authority (LDFA) approved by MSF on December 27, 2012. An estimated value of state and local taxes \$2.3 million will be generated by

Michigan Economic Development Corporation

the LDFA overall. An estimated \$140,085 of State Education Tax will be generated for tax increment revenue by the project, which will then be contributed to safety, infrastructure improvements and repairs that will support the project.

- c) The Applicant has demonstrated a need for the funding based on the need to justify additional operating expenses of operating from a rural and northern location and limitations on available workforce.
- d) The Applicant plans to create 200 Qualified New Jobs above a statewide base employment level of 699.
- e) Pursuant to the program guidelines, the following was taken into consideration for the proposed project: the project involves competition for aircraft maintenance and service operators in the southern states, and this project diversifies Michigan's economy.

Recommendation

MEDC Staff recommends (the following, collectively, "Recommendation"):

- a) Approval of the MBDP Proposal as outlined in the attached term sheet (collectively, "MBDP Proposal");
- b) Closing the MBDP Proposal, subject to available funding under the MBDP at the time of closing ("Available Funding"), satisfactory completion of due diligence, (collectively, "Due Diligence"), finalization of all MBDP transaction documents, and further subject to the following terms and conditions:
 - a. Commitment will remain valid for 120 days with approval for MSF Fund Manager to extend the commitment an additional 60 days;
 - b. MSF Fund Manager, in coordination with MEDC staff, can negotiate final milestone performance terms from that contained in the Term Sheet, and additional and other terms so long as the additional and other terms are not otherwise materially adverse to the MSF, to accommodate final signing of the Transaction Documents.



Google earth



MICHIGAN STRATEGIC FUND

RESOLUTION 2013-

**APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT TO
KALITTA AIR, LLC**

WHEREAS, the Michigan legislature passed legislation establishing the 21st 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 21st 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, (ii) adopted the guidelines for the MBDP (“Guidelines”), and (iii) approved the MSF Fund Manager to negotiate the final terms and conditions of the written agreements to be used to memorialize MBDP awards on the MSF’S behalf 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, Kalitta Air, LLC (“Company”) has requested a performance based MBDP grant of up to \$2 million (“Grant Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”);

WHEREAS, the MEDC has recommended to the MSF Advisory Committee that the MSF approve the Company’s Grant 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 Award Recommendation”); and

WHEREAS, the MSF Advisory Committee has indicated its support of the MBDP Award Recommendation.

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

BE IT FURTHER RESOLVED, the MSF Board approves the MSF Fund Manager to negotiate final milestone performance terms from that contained in the Term Sheet, and additional and other terms so long as the additional and other terms are not otherwise materially adverse to the MSF, to accommodate final signing of the Transaction Documents.

Ayes:

Nays:

Recused:

Lansing, Michigan
February 25, 2014



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

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

Date: 12/5/2013

1. **Company Name:** Kalitta Air, LLC ("Company" or "Applicant")
2. **Company Address:** 818 Willow Run Airport
Ypsilanti, Michigan 48198
3. **Project Address ("Project"):** 3685 Skyway Street
Oscoda, Michigan 48750
4. **MBDP Incentive Type:** Performance Based Grant
5. **Maximum Amount of MBDP Incentive:** Up to \$2,000,000 ("MBDP Incentive Award")
6. **Base Employment Level** 699 The number of jobs currently maintained in Michigan by the Company based on data submitted by the Company to the MEDC reflecting the Company's Oscoda County employment level in Michigan prior to the proposed project. The Base Employment Level, including identification of the Company data used to establish this level, shall be included in the final MBDP Incentive Award agreement ("Agreement") between the MSF and the Company.

7. **Total Qualified New Job Creation:** 200
(above Base Employment Level)
- The minimum number of total Qualified New Jobs the Company shall be required to create in Michigan (above the Base Employment Level), in addition to satisfying other milestones if applicable, to be minimally eligible to receive the full amount of the MBDP Incentive Award Each Qualified New Job must be performed for consideration by a Michigan resident (whose Michigan income taxes are withheld as required), and each Qualified New Job must be in excess of the Base Employment Level. The final terms and conditions of the requirements for the minimum number of Qualified New Jobs that must be created, including provisions addressing disbursements of portions of the MBDP Incentive Award, shall be included in the final Agreement.
- a. **Start Date for Measurement of Creation of Qualified New Jobs:** Date of Approval of MSF Award
8. **Company Investment:** \$9,730,431 for new building construction, annual lease costs, machinery and equipment, furniture and fixtures, computers, pollution control equipment, special tooling and other personal property, or any combination thereof, for the Project.
9. **Municipality supporting the Project:** Oscoda Charter Township
- a. **Municipality Support.** One of the conditions of execution of the final Agreement is the requirement that the municipality shall have committed to provide tax Increment Financing for this Project. The final terms and conditions demonstrating this support shall be included in the final Agreement.
10. **Disbursement Milestones:** The final terms and conditions of each of the disbursements of any portion of the MBDP Incentive Award shall be included in the final Agreement, including that before any disbursement is made to the Company, the Company must have maintained: (i) the Base Employment Level (exclusive of the number of Qualified New Jobs then created) and (ii) any Qualified New Jobs created for which disbursements by the MSF have been made, and must otherwise be in compliance with all terms and conditions of the final Agreement, and further shall include:
- a. **Disbursement Milestone 1:** Up to \$500,000 Upon demonstrated creation of 50 Qualified New Jobs above the Base Employment Level and verification of final approval of municipality support by no later than February 28, 2015
- b. **Disbursement Milestone 2:** Up to \$500,000 Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 50 additional Qualified New

Jobs (for a total of 100 Qualified New Jobs) above the Base Employment Level, by no later than February 28, 2016.

c. **Disbursement Milestone 3:** Up to \$500,000 Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, and upon demonstrated creation of 50 additional Qualified New Jobs (for a total of 150 Qualified New Jobs) above the Base Employment Level, by no later than February 28, 2017

d. **Disbursement Milestone 4** Up to \$500,000 Upon completion of Disbursement Milestone 1, Milestone 2, and Disbursement Milestone 3, and upon demonstrated creation of 50 additional Qualified New Jobs (for a total of 200 Qualified New Jobs) above the Base Employment Level, by no later than February 28, 2018.

11. Term of Agreement: Execution of Agreement to February 28, 2020.

12. Repayment Provisions:

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

13. Reporting Requirements:

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

14. Public Announcements:

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

Any final MBDP Incentive Award is contingent upon several factors, including: (i) submission by the Company of a completed application and all other documentation required under the MBDP (ii) satisfactory municipality support (iii)

available MSF funding (iv) completion of financial review, business integrity review, required background checks, and other business and legal review and due diligence as required, and the results of which must be satisfactory the MEDC, the MSF, and as applicable, the Chief Compliance Officer, (v) approval of an award by the MSF, and (vi) execution of a final Agreement containing the established milestones, repayment terms, reporting requirements, and all other detailed terms and conditions, required by the MSF.

If the Company is interested in the MEDC pursuing a recommendation to the MSF for a possible MBDP Incentive Award for the Company along the above parameters, please sign and date this Term Sheet. If the MEDC does not receive the signed Term Sheet from the Company by December 9 2013, the MEDC may not be able to proceed with any recommendation to the MSF.

Acknowledged as received by:

Kalitta Air, LLC

By:



Printed Name:

D.C. SANDERLIN

Its:

VICE PRES/GEN MGR

Dated:

DEC. 9, 2013

Michigan Economic Development Corporation

By:



Printed Name:

Ken Murdoch

Its:

Development Finance Mgr

Dated:

12/9/13



MEMORANDUM

Date: February 25, 2014

To: Michigan Strategic Fund (“MSF”) Advisory Committee Members

From: Trevor Friedeberg, Development Finance Manager

Subject: Eberspäecheer North America, Inc. (“Company” or “Applicant”)
Michigan Business Development Program Performance-based Grant Request

Request

This is a request from the Applicant for a \$4.5 million Performance-based grant. This project involves the creation of 545 Qualified New Jobs as a result of the project, and a capital investment of up to \$122 million in the City of Brighton.

Background

Eberspäecheer North America, Inc. is part of the Eberspäecheer Group, which was established in 1865 in Esslingen am Neckar, Germany. Eberspäecheer is an engineering firm specializing in automotive exhaust systems. Services include engineering design, simulation, prototype, manufacturing and exhaust systems testing services.

Eberspäecheer North America, Inc. was incorporated in 1999 in Delaware and has been operating in Michigan since 2000.

The Applicant has received incentives from the MSF in the past. In February of 2002 the Company was awarded a Community Development Block Grant in 2002 and a Brownfield MBT Credit in 2008. Both incentives have been successfully closed.

With an incentive award, the Company will invest and expand their upstream component manufacturing to replace steel bending, milling, and stamping components and supplies that are currently being purchased from elsewhere in the United States, as well as Canada, Germany, and South Africa. If located in Michigan, the Company would require a new 350,000+ square foot manufacturing facility.

The Applicant plans to invest and expand their upstream component manufacturing to replace steel bending, milling, and stamping components and supplies in the City of Brighton, make investments and create jobs related to Other Vehicle Parts Manufacturing.

Considerations

- a) The Applicant is a “Qualified Business”, as defined in MCL 125.2088r(9)(b), that is located and operates in Michigan.
- b) The project will be located at 2035 Orndorf Drive in the City of Brighton. The City of Brighton has offered a “staff, financial, or economic commitment to the project” in the form of a tax abatement on real and/or personal property.

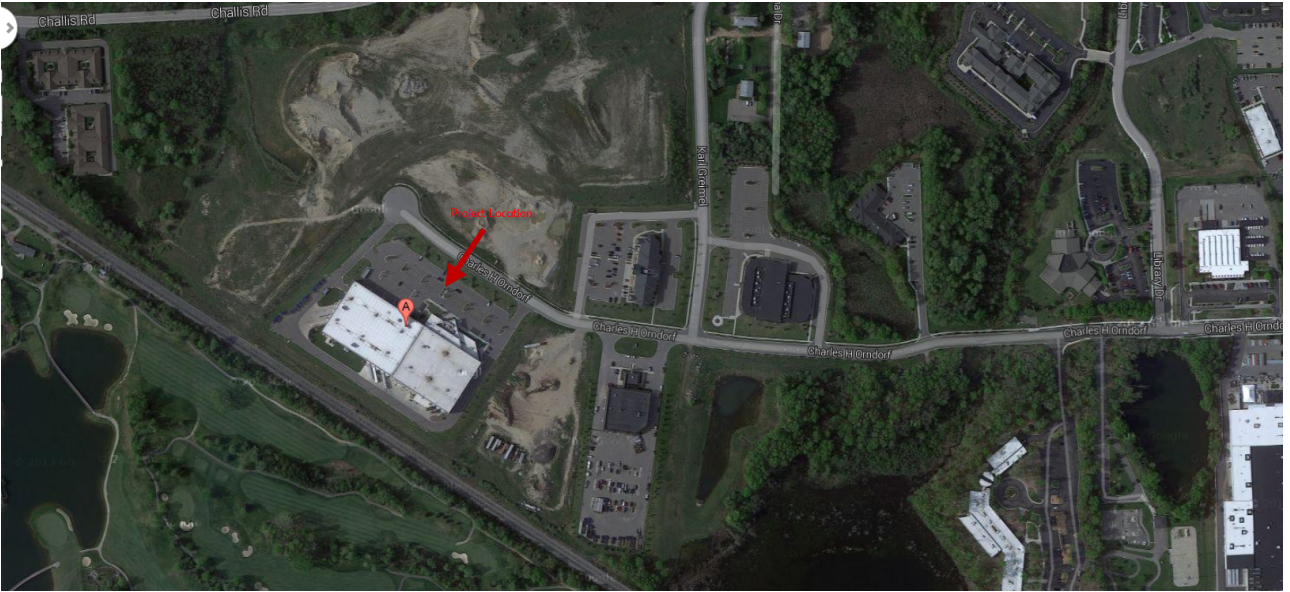
Michigan Economic Development Corporation

- c) The Applicant has demonstrated a need for the funding. The Company is considering locating this project in South Carolina. If this project locates in South Carolina all future manufacturing growth will take place there and not in Michigan. With this expansion in Michigan opportunities for future growth will first be considered in Michigan.
- d) The Applicant plans to create 545 Qualified New Jobs above a statewide base employment level of 533.
- e) Pursuant to the program guidelines, the following was taken into consideration for the proposed project: involves strong out-of-state competition with South Carolina; has a net positive return to Michigan; involves a high level of investment; has projected employer paid benefits; and the project has very strong links to Michigan suppliers.

Recommendation

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

- a) Approval of the MBDP Proposal as outlined in the attached term sheet (collectively, “MBDP Proposal”);
- b) Closing the MBDP Proposal, subject to available funding under the MBDP at the time of closing (“Available Funding”), satisfactory completion of due diligence, (collectively, “Due Diligence”), finalization of all MBDP transaction documents, and further subject to the following terms and conditions:
 - a. Commitment will remain valid for 120 days with approval for MSF Fund Manager to extend the commitment an additional 60 days;
 - b. MSF Fund Manager, in coordination with MEDC staff, can negotiate final milestone performance terms from that contained in the Term Sheet, and additional and other terms so long as the additional and other terms are not otherwise materially adverse to the MSF, to accommodate final signing of the Transaction Documents.



MICHIGAN STRATEGIC FUND

RESOLUTION 2014-

**APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT TO
EBERSPAECHER NORTH AMERICA, INC.**

WHEREAS, the Michigan legislature passed legislation establishing the 21st 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 21st 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, (ii) adopted the guidelines for the MBDP (“Guidelines”), and (iii) approved the MSF Fund Manager to negotiate the final terms and conditions of the written agreements to be used to memorialize MBDP awards on the MSF’S behalf 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, Eberspaecher North America, Inc. (“Company”) has requested a performance based MBDP grant of up to \$4.5 (“Grant Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”);

WHEREAS, the MEDC has recommended to the MSF Advisory Committee that the MSF approve the Company’s Grant 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 Award Recommendation”); and

WHEREAS, the MSF Advisory Committee has indicated its support of the MBDP Award Recommendation.

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

BE IT FURTHER RESOLVED, the MSF Board approves the MSF Fund Manager, in coordination with MEDC staff, to negotiate final milestone performance terms from that contained in the Term Sheet, and additional and other terms so long as the additional and other terms are not otherwise materially adverse to the MSF, to accommodate final signing of the Transaction Documents.

Ayes:

Nays:

Recused:

Lansing, Michigan
February 25, 2014

MEMORANDUM

DATE: February 25, 2014
TO: Michigan Strategic Fund Board
FROM: Michael Flanagan, Director of Equity Programs
SUBJECT: *Pure Michigan Venture Development Fund: Award Modification – Detroit Venture Partners*

REQUEST

MEDC Staff is requesting a modification to the award made to Detroit Venture Partners (“DVP”) through the Pure Michigan Venture Development Fund (“Program” or “VDF”), to allow DVP to have a final close of greater than \$50 million.

BACKGROUND

On October 23, 2013, the MSF Board approved an award of \$2.25 million to Detroit Venture Partners through the Pure Michigan Venture Development Fund. Under the Program Guidelines, funds are required to have a target fund size no greater than \$50 million. DVP met this requirement with a \$50 million target fund size, as reflected in their Private Placement Memorandum provided at application. However, DVP has recently informed MEDC staff that it will exceed its initial target fund size of \$50 million and will likely have a final close that is closer to \$65 million.

MEDC staff views this as a positive development. From an economic development perspective, the additional funds raised mean additional private capital leveraged on top of the MSF commitment and a great accomplishment by the fund. It also likely means more investments in Michigan companies. The original intent of the Program guideline limiting target fund size to under \$50 million was to ensure that the Program target venture funds with realistic goals, consistent with new venture funds. It was also designed to encourage funds to close out their fund raising and begin investing sooner. It was not intended to penalize funds that were able to exceed those goals within a reasonable timeframe. However, unfortunately, the guideline as written has had the unintended consequence of doing just this. Staff hopes to rectify this currently by allowing for the greater than \$50 million fund size.

Incidentally, the Program also required that funds could not have raised more than \$25 million at the time of application to ensure that the MSF commitment was relevant and could make a positive impact on future fund raising. DVP had approximately \$21 million raised at the time of application in February, 2013. The Fund has subsequently stated that the MSF commitment was instrumental in raising additional funds since that time.

As a reminder, Detroit Venture Partners was founded in November 2010, and is a Detroit based venture fund that makes seed and early stage investments in all-digital technology companies. The General Partners of DVP are Dan Gilbert, the Founder and Chairman of Quicken Loans and majority owner of the Cleveland Cavaliers; Josh Linkner, Founder and former Chairman and CEO of ePrize; and Brian Hermelin, Managing Director of Rockbridge Growth Equity. DVP is focused on creating a strong nexus of technological innovation in Detroit, Michigan.

RECOMMENDATION

Staff recommends that the MSF Board approve a resolution allowing Detroit Venture Partners to exceed its initial target fund size of \$50 million, which will have a positive economic impact on Detroit and Michigan generally.

**MICHIGAN STRATEGIC FUND
RESOLUTION**

2014-

REVISED PURE MICHIGAN VENTURE DEVELOPMENT FUND AWARD

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

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 provides administrative services for the Michigan Strategic Fund (“MSF”) for 21st Century Jobs Fund programs (“21CJF Programs”);

WHEREAS, at its June 27, 2012 meeting the MSF has approved the guidelines and process for the Pure Michigan Venture Development Fund (“PMVDF Program”), which included provisions required by MCL 125.2088k and established a competitive proposal process for making awards to qualified venture funds, and engaged Credit Suisse Asset Management LLC (“Credit Suisse”) to assist in the independent peer review of applications received under the PMVDF Program;

WHEREAS, at its January, 23 2013 meeting, the MSF Board authorized a second round of applications for the PMVDF Program;

WHEREAS, in the second round under the PMVDF Program, eight proposals were received and reviewed by Credit Suisse;

WHEREAS, the MSF Board selected Detroit Venture Partners as a recipient of a PMVDF award at its October 23, 2013 meeting;

WHEREAS, Detroit Venture Partners has recently informed MEDC Staff that it will exceed its initial target fund size of \$50 million and will likely have a final close that is closer to \$65 million;

WHEREAS, MEDC Staff recommends that the MSF Board authorize Detroit Venture Partners to raise funds in excess of its initial \$50 million target fund size; and

WHEREAS, the MSF Board wishes to authorize Detroit Venture Partners to raise funds in excess of its initial \$50 million target fund size.

NOW, THEREFORE, BE IT RESOLVED, the MSF Board authorizes Detroit Venture Partners to raise funds in excess of its initial \$50 million target fund size.

Ayes:

Nays:

Recused:

Lansing, Michigan
February 25, 2014



MEMORANDUM

To: Michigan Strategic Fund Board

From: Chris Cook, Capital Services Associate

Date: February 25, 2014

Subject: MBGF – Collateral Support Proposal
Kilbourn Produce, LLC/Kilbourn Farms, Inc./2246690 Ontario Inc. o/a Darpa Systems & Technology Inc. (and/or related borrower(s))

Request

Kilbourn Produce, LLC (“Kilbourn Produce”) is a new entity that is being formed in order to operate a new twelve acre greenhouse facility in Marshall. Kilbourn Produce will be a joint venture between two existing companies, Kilbourn Farms, Inc. (“Kilbourn”) and 2246690 Ontario Inc. o/a Darpa Systems & Technology (“Darpa”). The project is anticipated to cost \$11,930,000. Fifth Third Bank (“Bank”) has proposed an \$8,650,000 construction note in order to provide financing for the project, with the remainder of the cost be contributed as equity from Kilbourn and Darpa. Kilbourn Produce, Kilbourn, and Darpa will serve as co-borrowers for the proposed financing. The Bank is requesting that the MSF provide collateral support totaling up to \$4,316,350 in order to address an anticipated collateral shortfall for the project.

A. Bank Facility and MSF Support

Fifth Third Bank has proposed to provide the following credit facilities:

Draw to Term = Real Estate	\$8,650,000
Revolver = Working Capital	<u>\$1,000,000</u>
Total Loans Leveraged	\$9,650,000

In addition to the proposed financing, the borrowers for this project will be contributing \$3,280,000 in land and cash equity to the project. Given the above structure, the proposed MSF exposure is a maximum of:

Draw to Term = Real Estate	<u>\$4,316,350</u>
Total MSF Contribution	\$4,316,350

Under definitions provided by the US Department of Treasury related to the calculation of leverage, the reported leveraged lending as compared to MSF exposure is 3.00:1.

B. Confidentiality

As part of preparation for closing of the facility, there are numerous underwriting documents which contain financial and other proprietary information that are shared with Staff. The MSF

Act, (pursuant to MCL 125.2005(9)) provides the MSF the authority to acknowledge such information as confidential information (“Designated Information”). The Bank and the company seek confidentiality protection from the MSF as described on the attached summary of Designated Information.

Background

The proposed financing will be used to construct a 547,469 sq. ft. hydroponic greenhouse and acquire equipment related to its operation. The greenhouse will produce sweet bell peppers utilizing a highly efficient hydroponic watering system which will deliver the precise amount of nutrients to each plant. Plant maintenance and harvesting will be conducted on integrated trolley systems which will provide optimum plant access and a highly efficient system for picking, packing, and shipping. There is a similar hydroponic greenhouse operation located in Coldwater that is being used for the production of tomatoes. Bell peppers require a similar growing environment to tomatoes. The growing environment and automated processes have been proven to significantly reduce the risk of product contamination or pest infestation, as well as shortening the time from picking to retail display.

Kilbourn Produce has an agreement in place in order to sell 100% of product produced to Mastronardi Produce LTD (“Mastronardi”) during Kilbourn Produce’s first year of operations. Mastronardi was willing to enter into a longer agreement, however Kilbourn Produce wanted the ability to negotiate pricing on a yearly basis. Given the demand for locally grown produce, Kilbourn Produce anticipates a strong potential market for its products should it not reach an agreement to renew with Mastronardi. Mastronardi produces, markets, and sells greenhouse vegetables to grocers throughout North America. Mastronardi has existing marketing arrangements with growers operating over 2,000 acres of greenhouse production and owns and operates 100 acres of greenhouses in both the US and Canada.

Ownership of Kilbourn Produce will be split between Kilbourn (60% ownership) and Darpa (40% ownership). Kilbourn owns 550 acres of land which it leases for farm use, a portion of which will be contributed to the project. Kilbourn produces excess cash flow from an oil lease agreement with West Bay Exploration. Under the term of the lease, Kilbourn has the right to use any natural gas produced as a by-product from the oil wells for agricultural operations occurring on-site. The ownership of Kilbourn is divided among Mary Kilbourne (45.467% ownership), Franklin Kilbourne (37.867% ownership), Goldie Godden (8.333% ownership), and Shirley Kilbourne (8.333% ownership). None of these individuals will be involved with the operations of Kilbourn Produce. Nathan Kilbourne, who is Franklin’s son and Mary’s nephew, serves as CFO of Kilbourn and will serve as President and CEO of Kilbourn Produce.

Formed in 2010, Darpa is a Canadian company that specializes in consulting, construction, and manufacturing of glass and poly greenhouses utilizing state of the art fabrication and construction techniques. Its projects incorporate the latest technology, including fully automated heating, irrigation, and labor management systems. The principals of Darpa, Jacob and Peter Ketler, have served as Operations Manager and Head Grower for some of the largest and most technologically advanced vegetable greenhouse operations in the world, including several that are being operated by Mastronardi.

The project is anticipated to benefit from a number of competitive advantages. Kilbourn Produce will have the ability to utilize the natural gas produced from the drilling operation at Kilbourn, which is anticipated to provide an energy cost savings of \$350M annually. As 100% of the product to be produced has been pre-sold in the first year, Kilbourn Produce will not need to incur any marketing or advertising expense during that time. The fully enclosed facility will eliminate weather related crop risks. A feasibility study for this project was conducted by the Product Center for Business Innovation in Agriculture, Food and Natural Resources at Michigan State University. The assessment reports that “the project is feasible from an economic, marketing, and financial perspective and should be feasible from a technical and management perspective.” The report also states that “overall this project has a strong chance of success.”

The MSF has not previously provided any support to Kilbourn Produce or its affiliates.

Employment

Kilbourn Produce anticipates adding 22 employees within 6 months of completion of construction. The average annual salary for employees of the company is anticipated to be \$24,500.

Financial Overview

Proforma income statements provided by Kilbourn Produce anticipate gross revenue of \$3.82MM in its first year of operations with modest revenue growth in subsequent years. Resulting cash flow in the first year is anticipated to be \$1.87MM, again with modest increases anticipated in subsequent years. Based on the anticipated annual debt service for this project, the resulting proforma fixed charge coverage ratio would be 2.23:1 for the first year.

The equity contribution for this project will be provided to Kilbourn Produce in the form of intercompany debt from Kilbourn and Darpa, with Kilbourn providing \$1,860,000 and Darpa providing \$1,240,000. No principal or interest payments will be permitted for either loan for the first 24 months following closing. Following the stand-by period, payments on principal and interest will be permitted on a 144 month repayment schedule so long as the borrowers are in compliance with all financial covenants imposed by the Bank. Darpa will borrow the funding needed for its portion of the equity contribution from a group of its affiliate entities. Repayment of that debt will be governed by the same structure of subordination as the loans being made by Kilbourn and Darpa to Kilbourn Produce. Proforma fixed charge coverage for year 3 of the project, including debt service related to the equity contribution, would be 1.92:1.

The majority of the revenue generated by Kilbourn comes through its agreements for the oil and gas rights on its property. In 2013, revenue generated through this agreement totaled \$1.12MM. Net profit for 2013 was \$928M. Historically the majority of net profit generated by Kilbourn is taken as distributions by its owners for discretionary income. For 2013, ownership distributions totaled \$829M. In 2013, Darpa recorded gross revenue of \$3.34MM and net profit of \$592M. A proforma global cash flow analysis, including the income statement projections and anticipated debt service obligation for Kilbourn Produce during its first year of operation and the 2013 financial performance and existing debt service obligations for Kilbourn and Darpa, the resulting debt service coverage for the first year of operations is 2.69:1.

The proposed financing will include the unlimited personal guarantees of Nathan Kilbourne, Jacob Ketler, and Peter Ketler. The guaranty to be provided to the MSF will be subordinate to the guaranty provided to the Bank, with the subordination limited to the Bank's exposure at the time of closing of the proposed financing. As they will not have any ownership of or involvement in the operation of Kilbourn Produce, the principals of Kilbourn are not providing personal guarantees for the proposed financing. In lieu of personal guarantees from the ownership of Kilbourn, the Bank will be requiring a negative pledge on its oil and gas rights. The negative pledge will prohibit Kilbourn from selling those rights or pledging them as security for other financing.

The Bank is planning on including multiple covenants as a part of the proposed financing, including a fixed charge coverage covenant for the operation of Kilbourn Produce, a fixed charge coverage covenant for the combined operations of the three co-borrowers, a minimum tangible capital base, and a limitation on compensation for the officers of Kilbourn Produce. The fixed charge coverage covenant for Kilbourn Produce will require that Kilbourn Produce maintain a post distribution fixed charge coverage ratio of not less than 1.25:1 as measured by the Bank on a quarterly basis based on trailing twelve month financial performance subsequent to completion of construction. This covenant will remain in place on an ongoing basis. The fixed charge coverage covenant covering the operations of each of the borrowers on a combined basis will require the three borrowers to maintain a global fixed charge covenant of not less than 1.40:1 as measured by the Bank for each quarter of operations. This covenant is anticipated to remain in place through 12/31/2016. Should a default occur on either of these fixed charge coverage covenants, distributions made by each of the three entities would be limited to federal tax liability. Should the covenant specific to Kilbourn Produce default, an injection of cash or sub debt from Kilbourn and/or Darpa would be required to a level necessary to have the fixed charge coverage ratio reach 1:1. The minimum tangible capital base will require Kilbourn Produce to maintain a minimum tangible capital base of not less than \$3,000,000, with increases, as determined by the Bank, being required at maturity of the line of credit. The limitation on officer compensation will limit total combined compensation paid by Kilbourn Produce to Nathan Kilbourne, Jacob Ketler, and Peter Ketler to not more than \$100,000 during Kilbourn Produce's first 12 months of operation.

Source of Information

It is the role of Capital Services Team staff ("CST") to review for eligibility, completeness, and adherence to industry standards and practices, the information provided by the financial institution and to manage the MSF's structural risk. Explanatory and background information is supplied in summary form to provide context for the request and is drawn exclusively from material submitted by the lending institution and from third party research sources such as Dunn and Bradstreets FirstResearch database.

Recommendation

MEDC Staff recommends (the following, collectively, "Recommendation"):

- a. Acknowledgment by the MSF that the Designated Information set forth on the attached summary is confidential;
- b. Approval of the MBGF-CSP proposal contained herein and:

- c. Subject to available funding under the SSBCI-MBGF-CSP at the time of closing (“Available Funding”), completion of due diligence, the results of which are satisfactory to the MEDC (collectively, “Due Diligence”), finalization of a MBGF-CSP Cash Collateral Deposit Agreement, and further subject to the following terms and conditions:

Facility 1 – Kilbourn Produce, LLC/Kilbourn Farms, Inc./2246690 Ontario Inc. o/a Darpa Systems & Technology Inc. (and/or related borrower(s))

Borrower: Kilbourn Produce, LLC/Kilbourn Farms, Inc./2246690 Ontario Inc. o/a Darpa Systems & Technology Inc. (and/or related borrower(s))

Lender: Fifth Third Bank

Loan Amount: Up to \$8,650,000

MSF Cash Collateral: Up to \$4,316,350

Loan Type: Draw to term note featuring 18-month draw period followed by 5 year term/12 year amortization

Fees: Tier II: 2.25% at Closing
1.00% annually thereafter based on the MSF Share Balance

Other

- Commitment will remain valid for 90 days with approval for MSF Fund Manager to extend the commitment an additional 30 days.
- Unlimited, unsecured personal guaranty of Nathan Kilbourne, Jacob Ketler, and Peter Ketler. Guarantees are for the benefit of the MSF, subordinated to the senior lender and limited by senior lender’s exposure at time of closing, but the subordination of the guarantees to the MSF in favor of the senior lender may not exceed a principal balance of \$9,650,000 along with reasonable interest and fees.
- The proposed financing will be subject to a minimum fixed charge coverage ratio covenant, as calculated by the Bank. Minimum fixed charge coverage ratio will be set at a level acceptable to Bank and CST.
- The proposed financing will be subject to a minimum tangible capital base covenant, as calculated by the Bank. Required working capital will be set at a level acceptable to Bank and CST.
- The proposed financing will be subject to a limitation on officer compensation. The amount of officer compensation to be allowed will be set at a level acceptable to Bank and CST.

SUMMARY OF DESIGNATED INFORMATION

MICHIGAN STRATEGIC FUND CONFIDENTIALITY LOG

SSBCI-MBGF-CSP

Per MSF Approval of the Staff Recommendation dated February 25, 2014

Name of Applicant	Summary of Designated Information
Kilbourn Produce, LLC/Kilbourn Farms, Inc./2246690 Ontario Inc. o/a Darpa Systems & Technology Inc. and any related borrowers and guarantors; and Fifth Third Bank (collectively, "Interested Parties to the Proposed Transaction")	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, 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.

MICHIGAN STRATEGIC FUND

RESOLUTION 2014-

SSBCI MBGF-CSP APPROVAL OF COLLATERAL SUPPORT AGREEMENT FOR KILBOURN PRODUCE, LLC. AND RELATED BORROWERS

WHEREAS, under the State Small Business Credit Initiative Act of 2010 (title III of the Small Business Jobs Act of 2010, Public Law 111-240, 124 Stat. 2568, 2582 (the “SSBCI”), the United States Congress appropriated funds to the United States Department of Treasury (“US Treasury”) to be allocated and disbursed to states that have applied for and created programs in accordance with the SSBCI to increase the amount of capital made available by private lenders to small businesses (“SSBCI Programs”);

WHEREAS, At its May 25, 2011 meeting, the MSF Board approved: (i) the creation of the Michigan Business Growth Fund (the “MBGF”), an SSBCI Program created by the MSF to disburse SSBCI funds in accordance with the SSBCI, and (ii) as part of the MBGF, the creation of a collateral support program designed to enhance the collateral position of commercial borrowers to promote advancement of credit facilities from lenders (the “MBGF-CSP”), and (iii) the guidelines for the MBGF-CSP (“MBGF-CSP Guidelines”) and MBGF-CSP Cash Collateral Deposit Agreement (“MBGF-CSP Agreement”), each to be utilized for the operation of the MBGF-CSP, and (iv) the MSF Fund Manager or Chairperson to negotiate and sign the terms and conditions of the MBGF-CSP Agreement as authorized by the MSF Board;

WHEREAS, On June 21, 2011, the US Department of Treasury approved the State of Michigan, through the MSF, to receive and disburse SSBCI funds within the SSBCI Programs created by the MSF;

WHEREAS, the Michigan Economic Development Corporation (“MEDC”) provides administrative services for the Michigan Strategic Fund (“MSF”) for SSBCI Programs, including the MBGF-CSP.

WHEREAS, Fifth Third Bank (“Bank”) has proposed new credit facilities to Killbourn Produce, LLC/Kilbourn Farms, Inc./2246690 Ontario Inc. o/a Darpa Systems & Technology (doing business in Michigan as Darpa Systems & Technology, Inc.) and/or related borrowers (the “Proposed Borrowers”) of \$8,650,000 for equipment acquisition and construction purposes;

WHEREAS, Proposed Borrowers have requested collateral support from the MSF under the federally funded MBGF-CSP for in the amount not to exceed the lesser of: (i) \$4,316,350 or (ii) up to 49.9% of the total amount of the Bank loan (“MBGF-CSP Support”);

WHEREAS, the MEDC has reviewed the Bank’s current credit documents for the Proposed Borrowers, and recommends that the MSF Board approve the MBGF-CSP Support, subject to: (i) available funding, and final due diligence performed, to the satisfaction of the MEDC; and (ii) execution of the MBGF-CSP Agreement within 90 days of the date of this Resolution (“Time Period”), or the collateral support approvals under 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 30 days;

NOW, THEREFORE, BE IT RESOLVED, the MSF approves the MBGF-CSP Support subject to: (i) available funding, and final due diligence performed, to the satisfaction of the MEDC; and (ii) execution of the MBGF-CSP Agreements within 90 days of the date of this Resolution (“Time Period”), or the loan participation support approvals under 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 30 days; and

BE IT FURTHER RESOLVED, that the MSF Fund Manager is authorized to negotiate all final terms and conditions and to execute the MBGF-CSP Agreement on behalf of the MSF, so long as the final terms and conditions are not materially adverse to the MSF.

Ayes:

Nays:

Recused:

East Lansing, Michigan
February 25, 2014



MEMORANDUM

Date: February 25, 2014
To: Michigan Strategic Fund Board
From: Eric Hanna, Director Debt Capital Programs
Subject: *Rescind the Small Business Loan Program and authorize to operate the Loan Guarantee Program utilizing State Small Business Credit Initiative funding
Request a Public Hearing on Guidelines for the Michigan Loan Guarantee Program
Authorize the transfer of \$3,000,000 from the 21st Century Jobs and Investment Fund to the Michigan Supplier Diversification Fund*

Request

In September and October the MSF approved various components of a program called the “Small Business Loan Program” which was created for the purpose of expanding the access to capital for small businesses in Michigan both through a network of Community Development Financial Institutions (“CDFI’s”) and through qualifying partner banks and other lenders. Because the program will function as a loan guarantee program and because some elements of the prior program structure created challenges to effective deployment and reporting this procedure will rescind those prior approvals and provide for a restructuring of the program as follows:

- 1) Two programs were actually created under separate legal authority. One for use with State Small Business Credit Initiative (“SSBCI” or “Federal”) dollars and one for use with 21st Century Investment Fund (“21CJF” or “State”) dollars. Going forward:
 - a. The program using SSBCI funds will be called the “Loan Guarantee Program” and;
 - b. The program using 21CJF funds will be called the “Michigan Loan Guarantee Program” in keeping with the current structure of our Collateral Support and Loan Participation programs which also operate with both SSBCI and 21CJF funds along parallel tracks.
- 2) To clarify, the program will be providing loan guarantees between approximately 20% and 80% of the qualified loan issued to eligible borrowers by a qualified lender under the guidelines associated with the source of funding. In the case of applicants to the “Michigan Loan Guarantee Program, Regional Revolving Loan Fund’s and other qualified but unregulated non-profit and low-profit limited liability corporation lenders (L3C organized lenders) are also able to apply to have debt guaranteed.

- 3) The program will not provide “collateral” as the term is commonly understood and as was previously proposed. The program may or may not fund the guarantees prior to a default based on a staff recommendation and requirements of the guaranteed lender.
- 4) The guidelines of both programs are provided the exhibits to the accompanying resolutions.
- 5) The previously requested transfer of \$2.0M dollars from the 21st Century Jobs and Investment Fund to the Michigan Supplier Diversification Fund for use in the Small Business Loan Program is rescinded.
- 6) Three million dollars was budgeted for both Small Business and Micro Lending programs. Staff is requesting authorization to transfer \$3.0M from the 21st Century Jobs and Investment Fund to the Michigan Supplier Diversification Fund (“MSDF”) for use in the “Michigan Loan Guarantee Program” and other MSDF programs.
- 7) As with all SSBCI programs, repayment of SSBCI funds remain available on a demand driven basis for use only in any authorized and operating SSBCI program.
- 8) As with all MSDF programs, repayments are returned to and remain part of the MSDF program and become generally available on a demand driven basis for use in any authorized and operating MSDF program.
- 9) Both the delegation of authority to commit funds under these programs and the delegation of authority to negotiate and execute final agreements which are currently in place for all SSBCI programs and MSDF programs shall apply to the Loan Guarantee Program and the Michigan Loan Guarantee Program.

Background

Traditionally lending small loan sizes to business customers has either been relegated by for-profit financial institutions to non-profit lenders, has been compartmentalized into signature style personal loans or credit cards, or has required significant government intervention most commonly in the form of an SBA Guarantee or even the full provision of capital for the loans. These types of loans without such conditions are generally unprofitable. This represents inefficiency in the private markets which can be addressed using tools developed by the MEDC and the MSF.

Small businesses are important creators of jobs and are a critical component of effective Community Development. They participate in creating personal wealth, add economic diversity and density to neighborhoods and build strong decision making among owners and employees which produces multiple positive public and social outcomes.

For these reasons, staff has worked with participating lenders whose motivations lie outside the profit motive to establish the two contemplated programs which will operate in tandem just as

many of the MSF's Access to Capital tools operate. These programs will follow the three tenets the MEDC uses to evaluate effective programs in this space including:

- The identification of a market failure or inefficiency which is sustained and consistent.
- The use of a small amount of public capital to facilitate more significant levels of private lending or investing.
- The use of private party decision making with respect to the underwriting and evaluation process of the final business risks in the space.

Most of the participating lenders in this space tend to focus on providing technical assistance and education as a core part of the loan delivery system. They have determined that it is in their interest to surround the borrower with legal, financial, marketing, and operational support as well as the loan capital because those borrowers who respond to such support have a remarkably higher success rate and correlating repayment rate on the loans. This is technical support vertical is the highest value product these lenders provide. Recently, the MEDC has begun working with the foundation community to continue to enable this technical/educational work and staff anticipates future involvement in this aspect of the lending segment.

Recommendation

MEDC Staff makes the following recommendations with respect to the program(s):

SSBCI:

- Rescind Resolution 2013-156a which modified the Collateral Support Program, an SSBCI program,
- Approval of the Program Guidelines for the "Loan Guarantee Program" (subject to UST approval of the operation of this program under the existing Allocation Agreement), as presented in Exhibit A to the accompanying resolution.
- All delegations shall be consistent with delegations previously authorized by the MSF for SSBCI MBGF program.

MSDF:

- Rescind Resolution 2013-176 which established the Small Business Loan Program under the MSDF.
- Authorize a public hearing for the proposed Program Guidelines for the "Michigan Loan Guarantee Program which will incorporate the following;
 - Authorize that returns from the Michigan Loan Guarantee Program be returned to the MSDF for use in MSDF programs;
 - Authorize the Fund Manager or MSF Chair, as well as staff, to approve and further modify all documents necessary to implement and operate the program;
 - All delegations of authority shall be consistent with delegations previously authorized by the MSF for MSDF.

- Allocate \$3 million from the Jobs and Investment Fund to the Michigan Supplier Diversification Fund.

MICHIGAN STRATEGIC FUND

**RESOLUTION
2014-**

**APPROVAL OF THE STATE SMALL BUSINESS CREDIT INITIATIVE
LOAN GUARANTEE PROGRAM, DELEGATION OF AUTHORITY
AND FUNDING ALLOCATION**

WHEREAS, under the State Small Business Credit Initiative Act of 2010 (title III of the Small Business Jobs Act of 2010, Public Law 111-240, 124 Stat. 2568, 2582 (the “SSBCI”), the United States Congress appropriated funds to the United States Department of Treasury (“US Treasury”) to be allocated and disbursed to states that have applied for and created programs in accordance with the SSBCI to increase the amount of capital made available by private lenders to small businesses (“SSBCI Programs”);

WHEREAS, under the SSBCI, authorized programs may include the operation of other state credit support programs in accordance with SSBCI requirements;

WHEREAS, by letter dated March 31, 2011, Governor Snyder designated the Michigan Strategic Fund (“MSF”) to the U.S. Treasury as the state agency to apply for and receive funds under the SSBCI;

WHEREAS, pursuant to that SSBCI Allocation Agreement for Participating States dated, July 6, 2011, the MSF, on behalf of the State of Michigan, received SSBCI funding in the amount of \$79,157,742 to administer the SSBCI Programs;

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

WHEREAS, the MEDC recommends that the MSF Board (i) authorize the creation and operation of the Loan Guarantee Program (the “LGP” or “Program”) and (ii) approve the LGP Guidelines, as set forth in Exhibit A to this resolution, subject to approval by US Treasury;

WHEREAS, the MEDC recommends that the MSF Board delegate authority to make all decisions with respect to awards under the Program (the “Delegation of Authority”) as follows:

Level of Award	Delegates
Award less than or equal to an original amount of \$2,500,000	Any two (2) of the following required to act: a. MSF Fund Manager, or b. MSF Chairperson, or c. the directorship seat of the MSF Board held by the state treasurer (or as permitted, his or her designee from within the Department of Treasury (“MSF State Treasurer Director”))
Award in original amount of \$2,500,001 or more	MSF Board

WHEREAS, subject to approval by US Treasury, the MEDC recommends that the MSF Board allocate \$2,000,000 of SSBCI funds to the Program (the “Funding Allocation”).

NOW, THEREFORE, BE IT RESOLVED, the MSF Board (i) authorizes the creation and operation of the LGP, subject to approval by US Treasury; (ii) approves the LGP Guidelines as set forth in

Exhibit A to this resolution, subject to approval by US Treasury; (iii) approves the Delegation of Authority; and (iv) approves the Funding Allocation; and

BE IT FURTHER RESOLVED, the MSF Board authorizes the MSF Chairperson to negotiate and sign all documents necessary to effectuate US Treasury's approval of the LGP and the LGP Guidelines;

BE IT FURTHER RESOLVED, the MSF Board further authorize the MSF Fund Manager or the MSF Chairperson, with only one required to act, in consultation with MEDC Staff, to negotiate the terms and conditions of the awards under the Program and sign the final documents so long as the final terms and conditions of each comply with SSBCI and the LGP Guidelines;

BE IT FURTHER RESOLVED, Resolution 2013-156a is rescinded in its entirety.

Ayes:

Nays:

Recused:

East Lansing, Michigan
February 25, 2014

Exhibit A

**“Loan Guarantee Program” a part of the
State Small Business Credit Initiative**

- The program may guarantee up to 80% of a loan issued by a lender qualified under the SSBCI program which generally includes insured depository institutions (“IDI’s”), credit unions and Community Development Finance Institutions (“CDFI’s”).
- A guaranteed loan can be as large as \$20M.
- If the guaranteed loan is by an IDI, the program will rely on the IDI’s evaluation of the borrower which in the case of a CDFI borrower shall include its CARS rating and a written evaluation about the IDI’s acceptability of the loan and the due diligence which was or shall be performed by the IDI in arriving at a lending decision.
- The level of guarantee by the MSF will be determined on a case by case basis with loans serving borrowers in low to moderate income communities receiving consideration for higher levels of guarantee.
- The program shall determine on a case by case basis whether it shall fund the guarantee in advance to a holding account or whether it shall pay claims on the guarantee as claims arise.
- Applications shall be first come first serve and shall describe the community and economic development merits of the proposed transaction. The program shall evaluate those merits in balance with the financial risk of loss it is being asked to assume.
- Guaranteed loans shall carry all lender and borrower assurances and shall adhere to all SSBCI required reporting obligations for so long as they exist.
- When an IDI lends to a CDFI or other qualified lender, the underlying loans made by the original borrower may or may not be subject to SSBCI requirements. Such determination shall be made by the program as a part of its recommendations. Loans issued by a “borrower” in this case which are not subject to all SSBCI requirements are not eligible small businesses under the program and leverage outside of the underlying loan associated with the borrower or project may not be counted in SSBCI reporting.
- No borrower shall have more than 750 employees unless the borrower is acknowledged by the U. S. Department of Treasury as eligible.
- The program reserves the right to disqualify borrowers based on the nature of the business activity or use of proceeds should such nature or use be prohibited by the SSBCI program, the MSF Act or as otherwise determined by the program, including if in the view of the program the loan opportunity does not meet a public purpose such as facilitating planned job growth, capital investment or additional tax revenue.
- The program generally requires the IDI or CDFI (as the original lender) to obtain, but may waive on a case by case basis, personal and other guarantees of owners and affiliates of the final small

businesses receiving loan proceeds whether such proceeds are direct or pass through proceeds of a guaranteed loan.

- The program may charge a closing fee up to 3% of the guarantee amount and may charge additional annual fees in its sole determination depending on the risk and policy merits of the proposed transaction.
- The program shall comply with all laws, policies, regulations, guidelines, and rules as prescribed by the SSBCI program or other applicable law or regulatory body. Such requirements shall be documented and current as of the execution date of the Loan Guarantee Agreement.



MEMORANDUM

Date: February 25, 2014

To: Michigan Strategic Fund Board

From: Eric Hanna, Director, Debt Capital Programs
Diane Cranmer, Private Activity Bond Specialist

Subject: *Private Activity Bond – Bond Authorizing
Canton Renewables, LLC – Sauk Trail Hills Project
Solid Waste – Not to Exceed \$13,300,000 – New/Refinancing*

Request:

Canton Renewables, LLC (the “Company”) is seeking financing for the costs of construction relating to a renewable natural gas facility at the Sauk Trail Hills Landfill located at, or adjacent to, 5011 South Lilley Road, Charter Township of Canton, Wayne County. The Company indicates it will produce renewable natural gas that will be derived from the biogas extracted from the solid waste landfill that can be used as a renewable energy resource.

The project qualifies for private activity tax-exempt bond financing under the “solid waste facility” exemption.

The Company indicates that the project will result in 2-3 permanent jobs.

Background:

Canton Renewables, LLC is a Michigan limited liability company established in 2010. The Company advises it is an affiliate and wholly owned subsidiary of Mavrix, LLC (“Mavrix”), which is an affiliate and an indirect wholly owned subsidiary of Clean Energy Fuels Corporation (“Clean Energy”). Clean Energy owns 100% of the membership interest in Clean Energy Renewable Fuels, LLC which owns 100% of the membership interest in Mavrix.

Recommendation:

Based upon a determination by Lewis & Munday, A Professional Corporation, and the State of Michigan Attorney General’s office that the project complies with state and federal law requirements, for tax exempt financing, staff recommends the adoption of a Bond Authorizing Resolution in the amount of not to exceed \$13,300,000.



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RESOLUTION TO AUTHORIZE THE ISSUANCE OF THE MICHIGAN
STRATEGIC FUND SOLID WASTE FACILITY LIMITED OBLIGATION
REVENUE BONDS (CANTON RENEWABLES, LLC – SAUK TRAIL HILLS
PROJECT), SERIES 2014 (THE “BONDS”)

Resolution 2014-____

Background

A. The Michigan Strategic Fund (the “Fund”) is authorized by 1984 PA 270, as amended (the “Act”), to issue bonds and loan the proceeds of such bonds to finance and/or refinance a project (as defined in the Act).

B. Canton Renewables, LLC, a Michigan limited liability company (the “Company”), has requested a loan from the Fund to (i) finance or refinance a portion of the costs of the acquisition, construction, installation, improving, and/or equipping of certain landfill gas collection and processing facilities at the Sauk Trail Hills Landfill located in the Charter Township of Canton, Wayne County, Michigan (collectively the “Project”), (ii) fund a debt service reserve fund, and (iii) pay all or a portion of the costs of issuance for the Bonds. The Project is owned by the Company, and pursuant to a Management Services Agreement, between Mavrix, LLC (“Mavrix”) and the Company, Mavrix (or its parent company Clean Energy Renewable Fuels, LLC or one or more of its subsidiaries) will perform certain administrative, managerial, and telecommunication activities related to the operation of the Project.

C. The Company has requested the Fund to issue the Bonds in a principal amount not to exceed \$13,300,000 pursuant to this resolution (the “Resolution”) and a trust indenture (the “Indenture”), between the Fund and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), dated as of March 1, 2014, to obtain funds which will be loaned to the Company pursuant to a loan agreement, dated as of March 1, 2014, between the Fund and the Company (the “Loan Agreement”) for the purpose of financing or refinancing the Project, funding the debt service reserve fund and paying all or a portion of the costs of issuance for the Bonds.

D. The Bonds will be placed by First Southwest Company, as representative (the “Representative”) on behalf of itself and Westhoff, Cone & Holmstedt (together with the Representative, the “Placement Agents”) to investors pursuant to a Bond Placement Agreement by and among the Fund, the Placement Agents and the Company (the “Bond Placement Agreement”).

NOW, THEREFORE, Be It Resolved by the Board of the Fund:

SECTION 1. Issuance of Bonds; Limited Obligation. For the purpose of making the loan requested by the Company, the issuance of the Bonds is authorized.

The terms of the Bonds shall be substantially in the form contained in the Indenture, with the changes permitted or required by action of the Fund or the Indenture. The Bonds shall bear the manual or facsimile signature of a member of the Fund's Board of Directors (a "Member") or of a Fund employee authorized by Board Resolution to sign Bond documents on behalf of the Fund (an "Authorized Officer"), and the official seal of the Fund (or a facsimile of the seal) shall be impressed or imprinted on the Bonds.

The Bonds and the interest and any premium on the Bonds are not a debt or obligation of the State of Michigan or a debt or general obligation of the Fund within the meaning of any constitutional or statutory provision or limitation and do not constitute a charge against the credit or taxing powers of the State of Michigan or the general funds or assets of the Fund (including funds relating to other Fund loans or activities), but shall be a limited obligation of the Fund payable solely from the revenues derived from the Loan Agreement and otherwise as provided in the Indenture.

SECTION 2. Approval, Execution, and Delivery of Documents. The forms of the following documents, on file with the staff of the Fund and which have been endorsed by the staff of the Fund the date of adoption of this Resolution, are approved:

- a. Loan Agreement
- b. Indenture
- c. Bond Placement Agreement

Any Member or Authorized Officer is authorized to execute and deliver the Loan Agreement, and the Indenture and any Member and an Authorized Officer are authorized to execute and deliver the Bond Placement Agreement, in substantially the forms approved, with such completions as are authorized by this Resolution and any changes as are considered necessary or desired by them, permitted by the Act or otherwise by law, and not materially adverse to the Fund.

SECTION 3. Completion of Document Terms. The following terms shall be as approved by the Member executing the Bond Placement Agreement:

- a. The interest rate applicable to the Bonds, which shall not be more than 9% per annum,
- b. The purchase price of the Bonds, which shall not be less than 96% of the face amount of the Bonds,

- c. The final maturity date on the Bonds which shall not be later than January 1, 2023, and
- d. The aggregate principal amount which shall not exceed \$13,300,000.

SECTION 4. Sale and Delivery of the Bonds. The Bonds shall be sold by the Placement Agents to investors in accordance with the terms of the Bond Placement Agreement. A Member or an Authorized Officer shall execute and seal the Bonds, if necessary, and deliver the Bonds upon receipt of the following documents and payment of the purchase price for the Bonds by the investors:

- a. an opinion of bond counsel to the Fund acceptable to the Fund and the Attorney General of the State of Michigan (the “Attorney General”),
- b. an opinion of special counsel to the Company and necessary certificates and representations of the Company acceptable to the Fund, the Attorney General, and bond counsel,
- c. an opinion of counsel, experienced in securities law, acceptable to the Fund and the Attorney General, or other evidence acceptable to the Fund and the Attorney General, that the Bonds are being sold in compliance with applicable laws and regulations relating to registration and sale of securities, and
- d. an approving opinion of the Attorney General.

Upon receipt, the Bond proceeds shall be paid over to the Trustee to be credited in accordance with the Indenture.

SECTION 5. Preliminary Limited Offering Memorandum and Limited Offering Memorandum. The use and distribution by the Placement Agents of a Preliminary Limited Offering Memorandum to solicit offers to purchase the Bonds, in substantially the form on file with the Fund and on which an Authorized Officer shall endorse the date of adoption of this Resolution, is ratified. The Placements Agents’ distribution of a Limited Offering Memorandum, in substantially the same form as the Preliminary Limited Offering Memorandum, is approved. Any Member or Authorized Officer may approve changes in the Limited Offering Memorandum as may be necessary or desirable, permitted by the Act or otherwise by law, and not materially adverse to the Fund.

SECTION 6. Designation of Certain Parties. The Bank of New York Mellon Trust Company, N.A.’s acceptance of its duties as Trustee shall be evidenced by its execution of the Indenture.

SECTION 7. Authorization of Filings and Other Documents. Any Member or Authorized Officer, as well as counsel to the Fund, is authorized to apply for or submit, execute, and deliver the other certificates, documents, opinions, and papers to any party or governmental agency as may be required by the Loan Agreement, the Indenture, or the Bond Placement Agreement or as may be necessary to effectuate the valid issuance, sale, and delivery of the Bonds as tax-exempt bonds or otherwise as contemplated by those documents and this Resolution.

SECTION 8. Conflict and Effectiveness. This Resolution shall become effective upon adoption. If the Indenture, the Bonds, the Loan Agreement and Bond Placement Agreement are not delivered on or before March 31, 2014, the authority granted by this Resolution shall lapse.

Adopted.

Ayes:

Nays:

February 25, 2014 Meeting
Lansing, Michigan

2013-0042494-A/MSF Canton Renewables LLC/Resolution



MEMORANDUM

Date: February 25, 2014

To: Michigan Strategic Fund Board

From: Eric Hanna, Director, Debt Capital Programs

Subject: *Private Activity Bond – Bond Authorizing Sisters, Servants of the Immaculate Heart of Mary, Monroe, Michigan, Inc. Non-Profit - \$25,000,000 – Refunding*

Request:

Sisters, Servants of the Immaculate Heart of Mary, Monroe, Michigan, Inc. (“IHM”) is requesting private activity bond financing to refund a taxable loan originally made by Allied Irish Banks (“AIB”) to IHM in 2000 for the construction, renovation and equipping of IHM’s Motherhouse, as described below. Construction began in 2000 and was complete in 2003. Currently, 165 Sisters work and reside in the Motherhouse. 243 additional persons are employed by IHM.

The proposed refinancing involves no new construction or acquisition. It will be treated for federal income tax purposes as a “refunding” of outstanding indebtedness, which obviates the need for “reimbursement” or “inducement” by the MSF Board.

The original “Project” financed with the AIB indebtedness included the complete renovation of the approximately 376,000 square foot Motherhouse, which includes IHM’s Medicare and Medicaid nursing and assisted living facilities. The construction involved the demolition of walls and stairwells, renovation and reconstruction, and the acquisition and installation of necessary fixtures, furniture and equipment.

Sustainable technologies and methods in the renovation were utilized including a geothermal heating and cooling system and greywater recycling system. The Motherhouse facility ranks as one of the midwest’s largest residential sustainable renovations registered with the U.S. Green Building Council. The project earned LEED-NC certification and ten local, regional and national awards, including two from the Environmental Protection Agency.

In 2010 the Motherhouse was again improved with the renovation of the Health Care Center and the licensure of 58 Medicare and Medicaid certified beds which are open to both the Sisters and lay residents.

Background:

Sisters, Servants of the Immaculate Heart of Mary, Monroe, Michigan, Inc. (“IHM”) is a 501(c)3 non-profit corporation founded in 1845. IHM is an independent religious institute of women whose ministries include teaching, pastoral care, justice advocacy, spiritual and psychological counseling, and direct

service to the poor in the United States and developing nations. The IHM Sisters serves primarily in Michigan, but also in several states, and overseas with ministries in Puerto Rico, Africa, and Mexico.

IHM's sponsored ministries include Marygrove College and Marian High School, and IHM also co-sponsors Detroit Cristo Rey High School.

Plan of Finance:

The proposed bonds will be purchased by FirstMerit Bank in a private placement handled by Ziegler Investment Banking/Senior Living. IHM is not currently rated by any national rating agency. IHM will realize a present value savings of approximately \$3.5 million through the issuance of tax-exempt bonds by the Michigan Strategic Fund.

Recommendation:

Based upon a determination by Clark Hill PLC and the State of Michigan Attorney General's office that the refunding complies with state and federal requirements, for tax exempt financing, staff recommends the adoption of a Bond Authorizing Resolution in the amount not to exceed \$25,000,000.



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RESOLUTION TO AUTHORIZE THE ISSUANCE OF THE MICHIGAN
STRATEGIC FUND LIMITED OBLIGATION REVENUE REFUNDING BONDS,
SERIES 2014 (SISTERS, SERVANTS OF THE IMMACULATE HEART OF MARY,
MONROE, MICHIGAN, INC. PROJECT)
(THE "BONDS")

Resolution 2014-__

Background

A. The Michigan Strategic Fund (the "Fund") is authorized by 1984 PA 270, as amended (the "Act"), to issue bonds for the purpose of making loans to pay the costs of a project (as defined in the Act).

B. Sisters, Servants of the Immaculate Heart of Mary, Monroe, Michigan, Inc. ("IHM"), a Michigan nonprofit corporation (the "Obligor"), has requested a loan from the Fund to assist the Obligor in refunding debt utilized in the renovation, reconstruction, furnishing and equipping of an existing approximately 376,000 square foot Motherhouse, including nursing and assisted living facilities, located at 610 West Elm Avenue, Monroe, Monroe County, Michigan (the "Project"). The Project was completed in 2003 and is owned and operated by the Obligor in furtherance of its charitable mission as an independent religious institute of women whose ministries include teaching, pastoral care, justice advocacy, spiritual and psychological counseling, and direct service to the poor. The bonds will be undertaken to restructure the debt that will permit FirstMerit Bank, N.A., as a sophisticated investor, to purchase and hold the bonds.

C. The Obligor has requested the Fund to issue the Bonds in one or more series in the aggregate principal amount of not to exceed \$25,000,000 pursuant to this resolution (the "Resolution") and an indenture (the "Indenture"), between the Fund and FirstMerit Bank, N.A. as depositary (the "Bank") relating to the Bonds to obtain funds which will be loaned to the Obligor pursuant a loan agreement between the Fund and the Obligor (the "Loan Agreement"), to refinance the indebtedness originally incurred to pay costs of the Project.

D. The Bonds will be issued as fully registered bonds in the denomination of \$100,000 and integral multiples of \$5,000 in excess thereof.

E. The Bonds will be purchased by the Bank pursuant to a bond purchase agreement among the Bank, the Fund, and the Obligor (the "Bond Purchase Agreement").

NOW, THEREFORE, Be It Resolved by the Board of the Fund:

SECTION 1. Issuance of Bonds; Limited Obligation. For the purpose of making the loan requested by the Obligor, the issuance of the Bonds is authorized.

The terms of the Bonds shall be substantially in the form contained in the Indenture, with the changes permitted or required by action of the Fund or the Indenture. The Bonds shall bear the manual or facsimile signature of a member of the Fund's Board of Directors (a "Member") or of a person authorized by Board Resolution to sign Bond documents on behalf of the Fund (an "Authorized Officer"), and the official seal of the Fund (or a facsimile of the seal) shall be impressed or imprinted on the Bonds. The Bonds and the interest and any premium on the Bonds are not a debt or obligation of the State of Michigan or a general obligation of the Fund within the meaning of any constitutional or statutory limitation and do not constitute a charge against the credit or taxing powers of the State of Michigan or the general funds or assets of the Fund (including funds relating to other Fund loans or activities), but shall be limited obligations of the Fund payable solely from the revenues derived from the Loan Agreement and otherwise as provided in the Indenture.

SECTION 2. Approval, Execution and Delivery of Documents. The forms of the following documents, on file with the staff of the Fund and on which have been endorsed by the staff of the Fund the date of adoption of this Resolution, are approved:

- a. Loan Agreement
- b. Indenture
- c. Bond Purchase Agreement

Any Member and Authorized Officer are authorized to execute and deliver the Bond Purchase Agreement and any Member or Authorized Officer is authorized to execute and deliver the remaining documents identified in this Section in substantially the forms approved, with any changes as are considered necessary or desired by him or her, permitted by the Act or otherwise by law, and not materially adverse to the Fund.

SECTION 3. Completion of Document Terms. Any Member may approve the initial interest rate applicable to the Bonds, which shall not be more than 10.0% per annum, and the principal amount of the Bonds, which shall not be greater than \$25,000,000. Approval of those terms shall be evidenced by the Member's execution of the Bond Purchase Agreement.

SECTION 4. Sale and Delivery of the Bonds. A Member or an Authorized Officer shall execute, seal, and deliver the Bonds upon receipt of the following documents and payment of the purchase price for the Bonds:

- a. an opinion of bond counsel to the Fund acceptable to the Fund and the Attorney General of the State of Michigan (the "Attorney General"),

b. an opinion of counsel to the Obligor and necessary certificates and representations of the Obligor acceptable to the Fund, the Attorney General, and bond counsel, and

c. an approving opinion of the Attorney General.

Upon receipt, the proceeds of the Bonds shall be paid over to the Bank to be credited in accordance with the Indenture.

SECTION 5. Designation of Certain Parties. The Bank's acceptance of duties as depositary shall be evidenced by its execution of the Indenture; provided however, that in the event of a Conversion Date or a Bank Purchase Mandatory Tender Date, as those terms are defined in the Indenture, a Trustee shall be appointed and shall accept the duties of such position in accordance with the requirements of the Indenture.

SECTION 6. Authorization of Filings, Submissions and Other Documents. Any Member or Authorized Officer, as well as counsel to the Fund, is authorized to apply for or submit, execute, and deliver the other certificates, documents, opinions, and papers to any party or governmental agency as may be required by the Indenture, the Loan Agreement, or the Bond Purchase Agreement, or as may be necessary to effectuate the valid issuance, sale and delivery of the Bonds as tax-exempt bonds and otherwise as contemplated by those documents.

SECTION 7. Conflict and Effectiveness. All resolutions or other proceedings of the Fund in conflict with this Resolution are repealed to the extent of the conflict. This Resolution shall become effective upon adoption. If the Bonds are not delivered to their original purchaser on or before March 21, 2014, the authority granted by this Resolution shall lapse.

Adopted.

Ayes:

Nays:

February 25, 2014 Meeting
Lansing, Michigan



MEMORANDUM

Date: February 25, 2014

To: Michigan Strategic Fund Board

From: Eric Hanna, Director, Debt Capital Programs

Subject: *Private Activity Bond – Bond Inducement
Lifecare, Inc. d/b/a Friendship Village
Non-Profit - \$14,000,000 – New*

Request:

Lifecare, Inc. d/b/a Friendship Village is requesting private activity bond financing for a project consisting of constructing, installing, equipping, acquiring, and furnishing the following:

- (1) Approximately 20,500 square feet of additions to its existing skilled nursing and assisted living facility located at 1400 North Drake Road, City of Kalamazoo, Kalamazoo County, Michigan (“Friendship Village Campus”) to house 16 private resident rooms and required support services, a fitness/wellness center, and a new entrance;
- (2) Renovations of and upgrades to the existing buildings at the Friendship Village Campus to house 61 private resident rooms, a 21-bed Alzheimer’s and dementia unit, additional and expanded support services for such rooms and units and for assisted living residents at the Friendship Village Campus requiring Alzheimer’s and dementia-related care; and
- (3) Renovations of, upgrades to, and expansions of interior and exterior common areas, facades, fire alarm and suppression systems, access drives, and parking areas at the Friendship Village Campus.

The project commenced in August 2013 and is anticipated to attain substantial completion by December 31, 2014. The project is estimated to create a total of approximately 16 new jobs at project completion. The current number of employees is 285.

Background:

Lifecare, Inc. d/b/a Friendship Village is a 501(c)3 non-profit continuing care retirement community established in 1971 in the State of Michigan. Lifecare, Inc. d/b/a Friendship Village is governed by a local volunteer Board of Directors.

Plan of Finance:

Fifth Third Bank has committed to purchase 100% of the bonds in a private placement/direct purchase. Lifecare, Inc. d/b/a Friendship Village will realize interest cost savings of approximately 20% by financing the project through tax-exempt bonds. If the bond issuance amount is \$14,000,000 at an initial fixed rate of 3.81% per annum, those savings would total approximately \$133,000 in the first year.

Recommendation:

After reviewing the Private Activity Bond application for Lifecare, Inc. d/b/a Friendship Village, staff recommends the adoption of an Inducement Resolution in the amount of \$14,000,000.



Google earth

feet
meters



MICHIGAN STRATEGIC FUND

INDUCEMENT RESOLUTION

2014-

Lifecare, Inc. d/b/a Friendship Village

WHEREAS, Lifecare, Inc. d/b/a Friendship Village (the "Company"), a Michigan non-profit corporation, is presently located at 1400 North Drake Road, Kalamazoo, Michigan;

WHEREAS, the Company desires to construct, install, equip, acquire, and furnish the following (the "Project"):

- (1) Approximately 20,500 square feet of additions to its existing skilled nursing and assisted living facility located at 1400 North Drake Road, City of Kalamazoo, Kalamazoo County, Michigan ("Friendship Village Campus"), to house 16 private resident rooms and required support services, a fitness/wellness center, and a new entrance;
- (2) Renovations of and upgrades to the existing buildings at the Friendship Village Campus to house 61 private resident rooms, a 21-bed Alzheimer's and dementia unit, additional expanded support services for such rooms and units and for assisted living residents at the Friendship Village Campus requiring Alzheimer's and dementia-related care; and
- (3) Renovations of, and upgrades to, and expansions of interior and exterior common areas, facades, fire alarm and suppression systems, access drives, and parking areas at the Friendship Village Campus.

WHEREAS, the Company has applied to the MSF for a loan (the "Loan") to finance the Project as defined in 1984 PA 270 (the "Act");

WHEREAS, the Company has advised the MSF that the cost of the Project will not exceed Fourteen Million Dollars (\$14,000,000);

WHEREAS, the Act authorizes the MSF to loan moneys to business enterprises for the purpose of financing projects and to obtain the moneys for such loans by the issuance of bonds pursuant to the Act; and

WHEREAS, this Resolution has the purpose of providing the necessary official intent of the MSF to meet the requirements of Sections 141 and 144 of the Internal Revenue Code of 1986, as amended (the "Code") and the regulations promulgated in connection therewith and, in particular, Section 1.150-2 of the Income Tax Regulations.

NOW, THEREFORE, BE IT RESOLVED, by the Michigan Strategic Fund that:

1. The MSF intends to provide the Loan to the Company subject to the conditions of this Resolution.
2. The Loan shall be designated for the Project in accordance with the Company's Tax-Exempt Application Form dated January 30, 2014.
3. The maximum principal amount of the bonds (the "Bonds") expected to be issued to provide the Loan to finance the Project shall not exceed Fourteen Million Dollars (\$14,000,000). The Company shall be obligated to make loan repayments in an amount sufficient to assure full repayment of the Bonds, establish appropriate reserves and pay costs and expenses relating to the issuance of the Bonds and the making of the Loan.
4. The MSF's obligation to issue the Bonds and make the Loan shall be conditioned upon a) the ability of the MSF to issue, sell and deliver the bonds under applicable federal and state laws; and b) any prioritization, fee schedules or other requirements or limitations implemented by the MSF or the State Treasurer.
5. The MSF's obligation to make the Loan and issue the Bonds contemplated by this Resolution shall expire two years after the date of this Resolution.
6. The Loan may be evidenced by a promissory note and secured by such instruments as are in form and substance satisfactory to the MSF, the Attorney General of the State of Michigan (the "Attorney General") and bond counsel to the MSF, including a loan agreement, indenture, first mortgage, security agreement and such additional security as may be required by the MSF or purchaser of the Bonds.

7. Subject to compliance with this Resolution, the MSF will authorize a bond resolution approving the issuance of the Bonds (the “Bond Resolution”) for the purpose of making the Loan and funding the reserves and costs associated with the issuance and administration of the Bonds, and enter into a loan agreement and related documents with the Company and a bond purchase agreement with a bond purchaser, which documents shall be subject to the approval of the Attorney General and bond counsel to the MSF.

8. The Bonds shall not be general obligations of the MSF but shall be payable as to principal and interest solely from the proceeds of the payments to be made by the Company to the MSF (or to a trustee appointed by the MSF pursuant to the Bond Resolution), as provided in the Bond Resolution. The agreements relating to the Loan and the issuance of the Bonds shall contain such provisions as will be necessary to make absolutely certain that under no circumstances will the Bonds or this Resolution be a debt or obligation of the State of Michigan or a general obligation of the Michigan Strategic Fund, nor will the State of Michigan be liable on the Bonds.

9. All costs and expenses involved in the authorization, issuance, sale, and delivery of the Bonds and in the making of the Loan shall be paid from the Bond proceeds or, if they are insufficient, by the Company.

10. The staff of the MSF is authorized and directed to initiate the proceedings described in this Resolution and to enter into negotiations, subject to the approval of the MSF, with a bond purchaser for the sale of the Bonds.

11. Bond counsel to the MSF and the Attorney General are authorized and directed to prepare and submit to the appropriate parties all proceedings, agreements and other documents as shall be necessary or appropriate in connection with the issuance of the Bonds and to make applications on behalf of the MSF to the United States Internal Revenue Service and to other governmental agencies for such income tax and other rulings and approvals as may be necessary in relation to the issuance of the Bonds. Any authorized signatory is authorized to execute such powers of attorney and other documents as may be appropriate in connection with the foregoing. All costs and expenses pertaining to the above matter shall be paid from the bond proceeds or by the Company.

12. A preliminary official statement or other offering materials may be used in connection with the sale of the Bonds; provided, however, that no preliminary official statement or other offering materials shall be circulated unless any description of the MSF, the Bonds and documents to which the MSF is a party shall have been approved by bond counsel to the MSF and the Attorney General.

13. All resolutions and parts of resolutions insofar as they conflict with this Resolution are rescinded.

ADOPTED

Ayes:

Nays:

Recused:

Lansing, Michigan



MEMORANDUM

Date: February 25, 2014

To: Michigan Strategic Fund Board

From: Eric Hanna, Director, Debt Capital Programs
Diane Cranmer, Private Activity Bond Specialist

Subject: *Private Activity Bond – Bond Inducement
Facility for Rare Isotope Beams (FRIB)
\$100,000,000 – New*

Request:

The State is seeking to support the community share of the construction of the Facility for Rare Isotope Beams (FRIB) to be built on the campus of Michigan State University (MSU). The construction of the FRIB project involves more than \$600 million in direct investment, mainly from the Federal Government, and the operation of the FRIB is expected to create new employment in research and development for the State. MSU indicates the proposed facility will be approximately 220,160 square feet of a newly constructed facility to adjoin the existing National Superconducting Cyclotron Laboratory (NSCL). The project site is bounded by Wilson Road to the south, Bogue Street to the east and Shaw Lane to the north of the NSCL. The facility will consist of above ground and below ground facilities. The total civil construction cost is estimated to be \$165,000,000. Utilities have been relocated and site preparation is complete.

MSU estimates that in the next 10 years, approximately 400 full-time jobs will be created. It is estimated that 180 jobs will be created at FRIB and 200 in related industries. At the present time approximately 95 new jobs have been created since the project started. The jobs created have been in the technical divisions, construction and management. MSU also estimates that when construction of the facility begins, more than 5,000 one year construction jobs will be created.

Background:

The FRIB facility will be a national user facility for nuclear science, funded by the U.S. Department of Energy Office of Science (DOE-SC), MSU and the State of Michigan. MSU indicates FRIB will enable scientists to make discoveries about the properties of rare isotopes in order to understand the physics of nuclei, nuclear astrophysics, fundamental interactions and to explore applications of rare isotopes beneficial for society. FRIB will be the world's leading rare isotope facility and serve an anticipated user community of approximately 1,500 scientists.

MSU indicates it receives financial assistance from the US Department of Energy (DOE) through a Cooperative Agreement to design and establish FRIB. The DOE and MSU together provide oversight

over the FRIB project. At the completion of the FRIB project, DOE will provide financial assistance to MSU to operate FRIB as a national user facility, where scientists can perform research free of charge as long as their requests for facility use time are positively reviewed and selected by an international peer advisory panel and as long as the scientists agree to publish their research.

Structure of the Bond Transaction:

One of the conditions of the federal funding for the project is a community or state “share” or contribution to the project. It is proposed that the MSF issue bonds for the community or state share of the project in the amount of approximately \$90,960,100, supported by an annual appropriation of approximately \$7.5 million or an amount sufficient to serve all payments on the bonds until they are fully paid.

It should be highlighted that unlike other revenue bonds, a reimbursement agreement between the MSF, the State Budget office and the Michigan Department of Treasury provides that:

- The State Budget Office will agree to request an annual appropriation of debt service each year that the bonds are outstanding; and
- The Michigan Department of Treasury agrees to apply such an appropriation strictly to the payment of the bonds.

No further contractual obligations exist between the project, the MSF and the State which relate to the payment of the bonds. A failure to appropriate debt service payments will result in the default of the MSF on its obligations, but the default will carry no legal remedy in a manner similar to other revenue bonds issued by the MSF. Bond buyers are assuming the “appropriation risk” when they purchase the bonds. Some impact to the State’s bond rating could also be expected in the event the state legislature fails to appropriate funds necessary to pay debt service on the bonds. According to Robert W. Baird, the financial advisor on the transaction, the largest component of debt benefiting the State of Michigan carries some form of appropriation risk. This risk being viewed collectively by rating agencies and bond buyers creates an incentive for the legislature to appropriate funds in order to protect the rating on that debt and preserve the ability to issue such debt at competitive rates in the future.

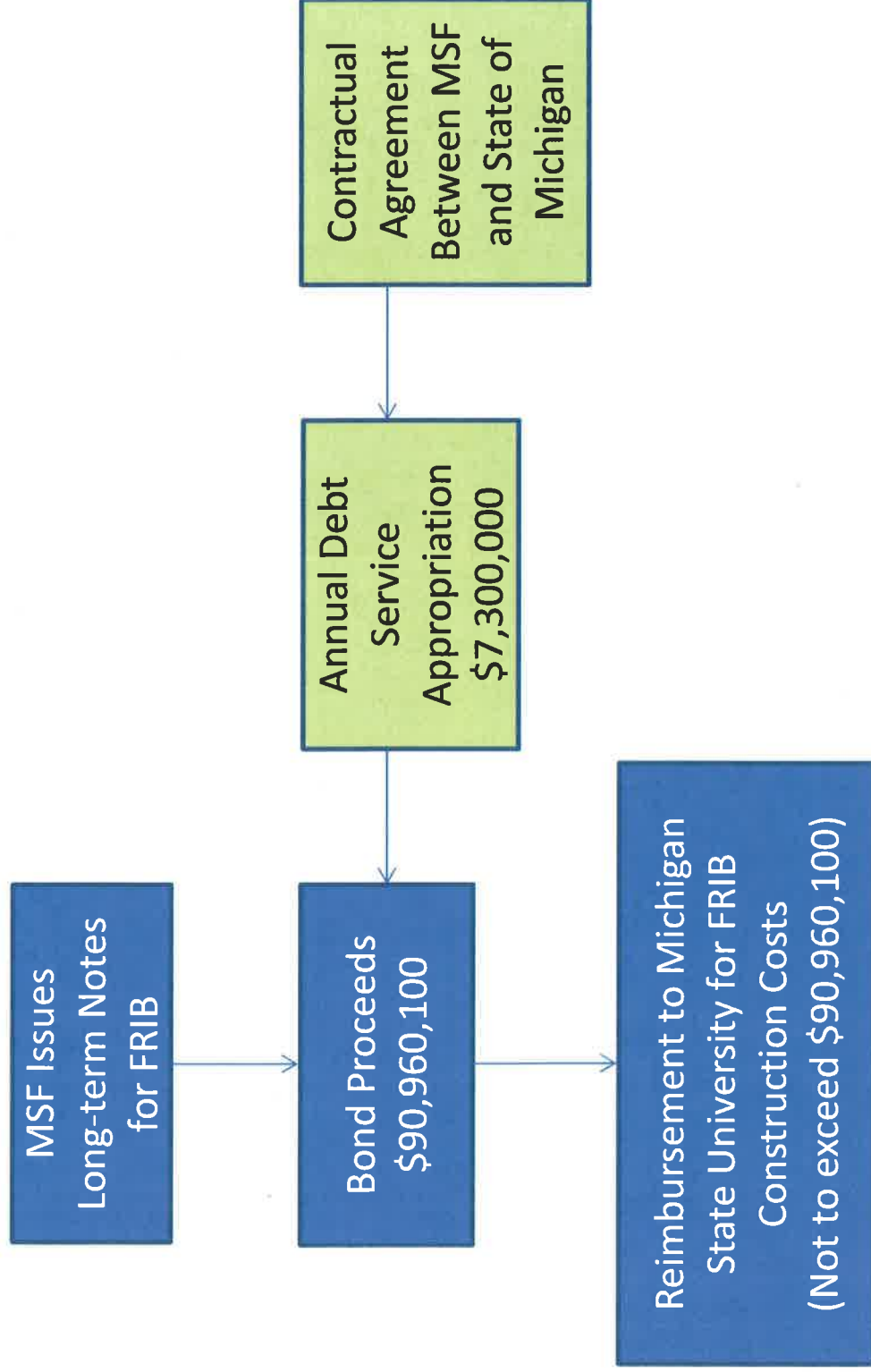
Pursuant to MCL 125.2023 (1)(a), the MSF can issue bonds and give the proceeds of those bonds to MSU pursuant to a grant or other agreement where MSU agrees to use the proceeds for the construction of the FRIB. The money will only be paid to MSU on a reimbursement basis in order to comply with the requirements of the appropriation act. The documentation will require that the FRIB facility be constructed in accordance with federal specifications.

Financial Advisor:	Robert W. Baird
Senior Managing Underwriter:	Citigroup Global Markets Inc.
Trustee:	U.S. Bank National Association
Underwriter’s Counsel:	Dickinson Wright PLLC
Bond Counsel:	Miller, Canfield, Paddock and Stone, P.L.C.
MSF Counsel:	Office of Attorney General

Recommendation:

After reviewing the proposed project, staff recommends the adoption of an Inducement Resolution in the amount of not to exceed \$100,000,000 for the FRIB project.

Michigan Strategic Fund (MSF) Support for Facility for Rare Isotope Beams (FRIB)



Facility for Rare Isotope Beams

Civil Construction



July 2013

FRIB Project Description

The Facility for Rare Isotope Beams (FRIB) will be a new national user facility for nuclear science, funded by the U.S. Department of Energy Office of Science (DOE-SC), Michigan State University (MSU), and the State of Michigan. Located on its campus, designed, established and operated by MSU, FRIB will enable scientists to make discoveries about the properties of rare isotopes in order to understand the physics of nuclei, nuclear astrophysics, fundamental interactions, and to explore applications of rare isotopes beneficial for society. FRIB will be the world's leading rare isotope facility and serve an anticipated user community of about 1,500 scientists.

FRIB Project

FRIB cost about \$730M to design and establish and is planned to be operational in May 2022. The Project is managing to an early completion date of November 2020. Housed within the FRIB building is one-of-a-kind technical equipment to make and study rare isotopes: a heavy-ion linear accelerator (linac), a fragment separator and experimental equipment. The FRIB linac is about one-thousand times more powerful than the K1200 cyclotron, which was completed in 1989 and is the work horse of MSU's National Superconducting Cyclotron Laboratory (NSCL). FRIB adjoins NSCL and FRIB will incorporate NSCL when the FRIB Project¹ is completed.

Civil Construction

The FRIB building will be approximately 220,160 gross square feet (gsf) of new space adjoining the existing National Superconducting Cyclotron Laboratory (NSCL) on the MSU campus in East Lansing, Michigan. The project site is bounded by Wilson Road to the south, Bogue Street to the east and Shaw Lane to the north of the NSCL. The building consists of above ground and below ground facilities. The exterior of the two-story above-ground building has been designed to complement surrounding buildings. The below-ground section has a 13'-0" clear height and a 61'-2 ½" width, and a floor elevation of 32'-6" below the slab-on-grade above. The FRIB building has been designed (SmithGroup JJR is the architect/engineering consultant) and Barton Malow Company is the construction manager and total construction cost is estimated to be \$165M. Utilities have been relocated and site preparation is complete.

FRIB's Relationship to DOE

Michigan State University receives financial assistance from the U.S. Department of Energy (DOE) through a Cooperative Agreement to design and establish FRIB. DOE and MSU provide oversight over the FRIB project. The FRIB Project is established under the regulations applicable to MSU (rather than under DOE regulations). For example, FRIB employees are MSU employees and civil construction follows the MSU Standards for Construction². Once the FRIB project is completed, DOE will provide financial assistance to MSU to operate FRIB as a national user facility, where scientists can perform research free of charge as long as their requests for facility use time are positively reviewed and selected by an international peer advisory panel and as long as the scientists agree to publish their research. In designing, establishing and later operating FRIB as a national user facility, Michigan State University

¹ www.frib.msu.edu

² ipf.msu.edu/resources/business-partners/standards-for-construction/

further the mission of the Office of Nuclear Physics in the DOE Office of Science established in Public Law 95-91, the U.S. Department of Energy Organization Act.

FRIB Economic Impact

- **Economic impact now (98% of construction workers are citizens of Michigan)**
 - MSU is ready to begin construction on FRIB
 - More than 5,000 one-year construction jobs
 - Michigan-based Construction Management company and Architect/Engineering firm
 - SmithGroup, Detroit, Michigan
 - Barton Malow Company, Southfield, Michigan

- **Economic impact for the future**
 - Hiring numbers for FRIB
 - » About 95 new hires since the project started; most in technical divisions, some construction, some management
 - » A dozen open positions currently (listed on frib.msu.edu/careers)
 - **Attracting top scientists from around the world**
 - » Hired top people in the U.S. from national laboratories and leading universities on both coasts

- **Major economic asset to Michigan within the next 10 years**
 - Estimated \$600 million in design, engineering and construction costs
 - 400 full-time jobs
 - » **180 at FRIB**
 - » **220 in related industries**
 - \$187 million in state tax revenues
 - \$1 billion in total economic activity

What if the Federal Government were to Cancel FRIB

Only two large DOE Office of Science Projects were ever cancelled after a performance baseline was established and approved by DOE. The Superconducting Supercollider was cancelled by Congress in 1993 and the National Compact Stellarator Experiment (NCSX) at the Princeton Plasma Physics Laboratory was cancelled by DOE in 2008. Both projects failed to meet budgetary constraints secondary to poor management. FRIB is receiving excellent management reviews from DOE. In the unlikely event that FRIB were not to be funded for operations, the building could easily be repurposed for use by the MSU College of Engineering, which is in need of laboratory space. For example, the 43,000 sf of basement could be repurposed to laboratory space for the Department of Civil Engineering or Material Sciences.

MICHIGAN STRATEGIC FUND

INDUCEMENT RESOLUTION

2014-

Facility for Rare Isotope Beams (FRIB)

WHEREAS, the Facility for Rare Isotope Beams ("FRIB"), will be located at the campus of Michigan State University in East Lansing, Michigan ("MSU");

WHEREAS, MSU intends to construct, install, equip, acquire, and furnish the Facility for Rare Isotope Beams, which is a new national user facility for nuclear science to be constructed on the campus of Michigan State University, funded primarily by the United States Department of Energy Science, Michigan State University and the State (the "Project"). The Project is an approximately 220,160 square feet newly constructed facility to adjoin the existing National Superconducting Cyclotron Laboratory (the "NSCL"). The Project site is bounded by Wilson Road to the south, Bogue Street to the east and Shaw Lane to the north of the NSCL;

WHEREAS, the State of Michigan has committed to provide the community share of the Project and 2013 PA 59 ("Act 59") provided certain conditions on MSF's issuance of bonds to reimburse MSU for Project costs in an amount not to exceed \$90,600,100, including entry into a reimbursement agreement among the Budget Office of the State of Michigan, the Michigan Department of Treasury, MSU and the Michigan Strategic Fund (the "MSF");

WHEREAS, Act 59 appropriated for the current fiscal year \$7,300,000 as a grant for debt service on bonds related to the Project;

WHEREAS, the State of Michigan has requested that MSF issue bonds and make a grant (the "Grant") from the proceeds of the Bonds to MSU to finance the community share of the Project, which is a "project" as defined in 1984 PA 270 (the "Act");

WHEREAS, the State of Michigan has advised the MSF that, as provided in Act 59, the community share of the Project will not exceed \$90,600,100 and the bonds to finance the Grant to pay for the community share of the Project will not exceed \$100,000,000;

WHEREAS, the Act authorizes the MSF to grant moneys for the purpose of financing projects and to obtain the moneys for such grants by the issuance of bonds pursuant to the Act; and

WHEREAS, this Resolution has the purpose of providing the necessary official intent of the MSF to meet the requirements of Sections 141 and 144 of the Internal Revenue Code of 1986, as amended (the "Code") and the regulations promulgated in connection therewith and, in particular, Section 1.150-2 of the Income Tax Regulations.

NOW, THEREFORE, BE IT RESOLVED, by the Michigan Strategic Fund that:

1. The MSF intends to provide the Grant to MSU subject to the conditions of this Resolution.
2. The Grant shall be designated for the Project.
3. The maximum principal amount of the bonds (the "Bonds") expected to be issued to provide the Grant to finance the community share of the Project shall not exceed One Hundred Million Dollars (\$100,000,000).
4. The MSF's obligation to issue the Bonds and make the Grant shall be conditioned upon a) the ability of the MSF to issue, sell and deliver the bonds under applicable federal and state laws; and b) any prioritization, fee schedules or other requirements or limitations implemented by the MSF or the State Treasurer.
5. The MSF's obligation to make the Grant and issue the Bonds contemplated by this Resolution shall expire two years after the date of this Resolution.
6. The Grant shall be made pursuant to a reimbursement agreement as required by Act 59 in form and substance

satisfactory to the MSF, the Attorney General of the State of Michigan (the “Attorney General”) and bond counsel to the MSF.

7. Subject to compliance with this Resolution, the MSF will authorize a bond resolution approving the issuance of the Bonds (the “Bond Resolution”) for the purpose of making the Grant and funding the reserves and costs associated with the issuance and administration of the Bonds, and enter into a reimbursement agreement and related documents with MSU, the Michigan Department of Treasury and the Budget Office of the State of Michigan and a bond purchase agreement with a bond purchaser, which documents shall be subject to the approval of the Attorney General and bond counsel to the MSF.

8. The Bonds shall not be general obligations of the MSF but shall be payable as to principal and interest solely from the proceeds of the payments to be made by appropriations made by the State of Michigan for repayment of the Bonds, as provided in the Bond Resolution. The agreements relating to the Grant and the issuance of the Bonds shall contain such provisions as will be necessary to make absolutely certain that under no circumstances will the Bonds or this Resolution constitute a debt or pledge of the general credit of the Issuer or the credit or taxing power of the State of Michigan.

9. All costs and expenses involved in the authorization, issuance, sale, and delivery of the Bonds and in the making of the Grant shall be paid from the Bond proceeds or, if they are insufficient, by the Michigan Department of Treasury subject to available appropriations.

10. The staff of the MSF is authorized and directed to initiate the proceedings described in this Resolution and to enter into negotiations, subject to the approval of the MSF, with a bond purchaser for the sale of the Bonds.

11. Bond counsel to the MSF and the Attorney General are authorized and directed to prepare and submit to the appropriate parties all proceedings, agreements and other documents as shall be necessary or appropriate in connection with the issuance of the Bonds and to make applications on behalf of the MSF to the United States Internal Revenue Service and to other governmental agencies for such income tax and other rulings and approvals as may be necessary in relation to the issuance of the Bonds. Any authorized signatory is authorized to execute such powers of attorney and other documents as may be appropriate in connection with the foregoing. All costs and expenses pertaining to the above matter shall be paid from the bond proceeds or by the Michigan Department of Treasury subject to available appropriations.

12. A preliminary official statement or other offering materials may be used in connection with the sale of the Bonds; provided, however, that no preliminary official statement or other offering materials shall be circulated unless any description of the MSF, the Bonds and documents to which the MSF is a party shall have been approved by bond counsel to the MSF and the Attorney General.

13. All resolutions and parts of resolutions insofar as they conflict with this Resolution are rescinded.

ADOPTED

Ayes:

Nays:

Recused:

Lansing, Michigan



STATE OF MICHIGAN
OFFICE OF THE CHIEF COMPLIANCE OFFICER
LANSING

RICK SNYDER
GOVERNOR

KEVIN FRAN CART, ESQ.
CHIEF COMPLIANCE OFFICER

MEMORANDUM

January 13, 2014

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

Michael A. Finney
Chairperson
Michigan Strategic Fund Board

FROM: Kevin L. Francart
Chief Compliance Officer

RE: FY2014 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 that were addressed during the first quarter of the 2014 fiscal year were successfully resolved or are being appropriately addressed.

The last quarterly report presented by the Chief Compliance Officer was for the third quarter of FY2011. The former Chief Compliance Officer, John Walter, retired on June 30, 2011, and the office of the Chief Compliance Officer was vacant until the current Chief Compliance Officer assume office on November 11, 2013. A review of major programs established in the fourth quarter of FY2011, FY2012, or FY2013, will be conducted by the Chief Compliance Officer and any compliance matters not satisfactorily resolved will be reported in future reports.

With respect to the Michigan Strategic Fund Board, work was done this quarter on the further implementation of an internal compliance program. A review of the policies and procedures was started and a complete survey of each program area will be conducted to ensure that staff is familiar with the Board's policies and that the policies and procedure are being complied with. Additionally, the Fund Manager, the Department of Attorney General, and the Chief Compliance Officer are reviewing and drafting updates to the bylaws, conflict of interest policy, and an ethics policy for presentment to the Board.

The Chief Compliance Officer issued an Opinion that an RFP process that includes the requirements of MCL 125.2088k(3)(a)-(k) is sufficient to comply with the requirement that the grants and loans be awarded through a competitive process and that issuing an RFP is not the

establishment of a program under MCL 125.2088k and does not trigger the notice requirements and public hearing requirement under subsection (8).

Finally, during this quarter, the Chief Compliance Officer coordinated with the appropriate legislative liaison to review and offer advice regarding legislation impacting compliance issues and the protection of state assets.

MEMORANDUM

DATE: January 28, 2013

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

FROM: Josh Hundt, Director, Development Finance
Joseph Martin, Manager, Brownfield and MCRP

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 4th quarter of the 2013 fiscal year.

Detailed information is now sent to all Board Members as they are approved. As such, the detailed informational sheet on each approval is not included in this memo. If you would like additional information on a project, please let us know.

MBDP APPROVALS

Project Name	Approval Date	Location	Incentive Approved	Jobs	Investment
Universal Marketing Group	10/1/2013	Ann Arbor	\$600,000	411	\$568,662
JCIM US, LLC	10/2/2013	Frenchtown Township	\$800,000	182	\$16,927,000
Triumph Gear Systems	10/7/2013	Macomb Township	\$250,000	60	\$15,180,000
Chi – Charter House Innovations	10/15/2013	Zeeland	\$200,000	60	\$3,052,000
Comprehensive Logistics	10/17/2013	Detroit	\$800,000	402	\$18,140,000
Navitas Advanced Solutions Group	10/17/2013	Ann Arbor	\$1,000,000	125	\$9,287,000
Pillar Technology Group	11/1/2013	Ann Arbor	\$350,000	45	\$1,425,000
Ventra Grand Rapids 5	11/5/2013	Kentwood	\$650,000	181	\$16,296,797
Cooper Standard Automotive	11/6/2013	Fairview	\$1,000,000	177	\$6,359,817
Fontijne Formitt, Inc.	11/14/2013	Niles	\$300,000	31	\$2,618,000
Lauren Plastics	11/15/2013	Spring Lake	\$300,000	71	\$7,063,000
Mahindra GenZe	11/25/2013	Ann Arbor	\$300,000	34	\$2,010,000
Industrial Services Group	12/4/2013	Vergennes Township	\$175,000	50	\$1,630,000
North American Lighting	12/10/2013	Farmington Hills	\$300,000	76	\$6,842,000
Circuit Controls	12/11/2013	Petoskey	\$180,000	36	\$21,722,000

Corporation					
Vectorform LLC	12/12/2013	Royal Oak	\$375,000	75	\$2,240,455
Medimpact Healthcare Systems, Inc.	12/19/2013	Van Buren Township	\$150,000	75	\$2,074,000

MCRP APPROVALS

Project Name	Approval Date	Location	Incentive Approved	Jobs	Investment
3411 E. Michigan, LLC	11/14/2013	Lansing	\$450,000	2	\$7,473,541
CWD 50 Louis LLC	11/6/2013	Grand Rapids	\$1,000,000	50	\$9,356,604
Hall Street Partners, LLC	10/9/2013	Grand Rapids	\$310,000	5	\$1,387,246



MEMORANDUM

Date: January 8, 2014
To: Michigan Strategic Fund Board
From: Christine Whitz, Manager, Community Development Block Grant
Subject: *Community Development Block Grant Program
 Quarterly Report of Delegated Approvals
 October 23, 2013- January 1, 2014*

On October 23, 2013, the MSF Board approved the Community Development Block Grant (CDBG) program delegated approval of projects that have incentives of one million dollars 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 let us know.

Grantee	Approval Date	CDBG Funds	Brief Summary of Project
City of Manistique	11/8/13	\$57,267	The City of Manistique previously received a grant in the amount of \$231,170 for water and sewer replacement. Upon opening up the street for construction, the City became aware that a section of storm sewer thought to have been replaced in the 1990's, had not been done and was deteriorated and crumbling. Therefore, the City is asking for additional funding by this amendment request to address the unexpected costs. The increase of \$90,900 will be split with the City contributing 37% of the increased cost.
Charter Township of DeWitt	11/25/13	\$183,425	The Charter Township of DeWitt requested \$183,425 for acquisition and demolition needed at 16164 South US-27. The total project costs are anticipated at \$366,850 with a 50% local match from the community.
Village of Metamora	12/13/13	\$570,000	The Village of Metamora requested \$570,000 for rehabilitation of the Historic White Horse Inn located in Lapeer County, Michigan. The Village expects that this project will result in private investment of \$1,835,250 and the creation of 38 jobs. There is a local contribution of \$300,000 to the project.
Total CDBG Funds Approved		\$810,692	



**MSF DELEGATED AUTHORITY QUARTERLY UPDATE
MSDF AND SSBCI PROGRAMS
CAPITAL SERVICES TEAM
October 1 – December 31, 2013**

BACKGROUND

On May 20, 2009, the MSF Board approved the Michigan Loan Participation Program (“MLPP”) guidelines, and on June 24, 2009, the Michigan Collateral Support Program (“MCSP”). Both programs are housed under the Michigan Supplier Diversification Fund (“MSDF”), and are funded by the state’s 21CJF initiative. The MSF Board must approve MSDF requests over \$2.5 million, and as delegated by the MSF Board on March 28, 2012, requests for collateral support or loan participation of \$2.5 million or less may be approved by any two of the following: MSF Chairperson, or the MSF Fund Manager, or the MSF State Treasurer Director.

On May 25, 2011, the MSF Board approved the Michigan Business Growth Fund (“MBGF”), and its two programs, the Collateral Support Program (“MBGF-CSP”), and the Loan Participation Program (“MBGF-LPP”). The MBGF, and its programs were created under, and funded by, the federal government’s State Small Business Credit Initiative (“SSBCI”). The MSF Board must approve MBGF requests over \$2.5 million, and as delegated by the MSF Board on May 25, 2011, requests for collateral support or loan participation of \$2.5 million or less may be approved by any two of the following: MSF Chairperson, or the MSF Fund Manager, or the MSF State Treasurer Director.

APPROVALS BY AUTHORIZED DELEGATES

Between October 1, 2013 and December 31, 2013 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	MSF Support	Loan Amount	Action	Date Approved	Closed
National Nail Corp.	MBGF-CSP	\$ 2,500,000	\$ 20,000,000	Approved by Chair and Fund Manager	November 1, 2013	Y
Althaus Family Investors, LTD.	MBGF-CSP	\$ 1,000,000	\$ 2,932,937	Approved by Chair and Fund Manager	November 2, 2013	Y
Sterling Investment Properties L.L.C.	MBGF-CSP	\$ 160,000	\$ 600,000	Approved by Chair and Fund Manager	November 14, 2013	N
Total		\$ 3,660,000	\$ 23,532,937			

MSDF:						
Organization	Request Type	MSF Support	Loan Amount	Action	Date Approved	Closed
Innovative Composites, Inc.	MSDF-CSP	\$ 748,500	\$ 1,500,000	Approved by Chair and Fund Manager	October 25, 2013	Y
Full Spectrum Solutions, Inc.	MSDF-CSP	\$ 220,000	\$ 448,000	Approved by Chair and Fund Manager	November 1, 2013	Y
Total		\$ 968,500	\$ 1,948,000			



**MSF DELEGATED AUTHORITY QUARTERLY UPDATE
FOR 21CJF LOAN/GRANT PORTFOLIO**

Board Meeting January 28, 2014

FOR QUARTER ENDED 12/31/13

BACKGROUND

On January 25, 2012, the Michigan Strategic Fund (“MSF”) Board approved by resolution a delegation of authority for decisions with regard to awards under the (i) Company Formation and Growth Fund, (ii) 21st Century Jobs Fund 2006 and 2008 business plan competition rounds, as well as its predecessor programs, Michigan Technology Tri-Corridor 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 (“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 are reviewed by the MSF Investment 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.

In addition, under Executive Order No. 2010-8, the Governor abolished the Strategic Economic Investment and Commercialization (“SEIC”) Board and all powers, duties, and functions of the SEIC Board were transferred to the MSF. On October 27, 2010 the MSF Board delegated to the MSF Chairperson or the MSF State Treasurer Director the authority to approve final disbursements and no-cost amendments to grants and other contracts previously administered by the SEIC Board under the 21st Century Jobs Fund and its predecessor programs.

APPROVALS BY AUTHORIZED DELEGATE

Between October 1, 2013 and December 31, 2013 the following actions were approved by one of the authorized MSF Board members:

Organization	Action(s)	Award Amount (full award amount)	Disbursed Amount (actual amount disbursed)	Date
eFarms, LLC	Write Off Request	\$120,000	\$120,000	October 4, 2013
AureoGen Bioscience, Inc. 2003 Loan	Restructure	\$200,000	\$200,000	November 12, 2013
AureoGen Bioscience, Inc. 2004 Loan	Restructure	\$2,000,000	\$2,000,000	November 12, 2013
Michigan Technology Commercialization Corporation dba Michigan Research Institute	Grant Amendment and Final Disbursement	\$2,199,940	\$2,199,940	November 18, 2013

CytoPherx, Inc.	Conversion	\$2,000,000	\$2,000,000	November 18, 2013
CeeTox, Inc.	Settlement Request	\$150,000	\$150,000	December 6, 2013
Inventure Enterprises, Inc.	Restructure	\$50,000	\$50,000	December 11, 2013
BAC Technologies/ TSRL	Buyout Request	\$968,715	\$310,000	December 16, 2013
Biopolymer Innovations, LLC	Write Off Request	\$132,000	\$87,438.34	December 20, 2013
ProNAI Therapeutics, Inc.	Conversion	\$400,000	\$400,000	December 20, 2013

ABOUT THE COMPANIES

eFarms, LLC

eFarms, LLC in Holland was formed to develop technologies and products for on-farm ethanol and livestock feed production. eFarms' mission was to be a premier provider of affordable and scalable corn and/or crop or crop waste processing to address agricultural operations feed and fuel needs.

AureoGen Bioscience, Inc.

AureoGen Bioscience, Inc. is a Kalamazoo-based therapeutic company focused on the discovery and commercialization of anti-infection drugs. The Company's mission is to develop a novel genetic-engineering technology that will propel the company into a leading position in the discovery and production of cyclic peptide-based drugs. The business is based on a platform technology with a focus on anti-infection drug development.

Michigan Technology Commercialization Corporation

The Michigan Research Institute is a not for profit research corporation whose mission is to identify new technologies residing in Universities, Federal Labs and private corporations that can be further developed to meet critical national needs. Working in conjunction with partners in Federal and State Governments, Academia and the private sector, MRI manages technology development and demonstration projects which result in new products and industries.

CytoPherx, Inc.

CytoPherx, f/k/a Nephron, in Ann Arbor is a clinical stage medical device company addressing inflammation-based diseases and conditions with a proprietary selective cytopheresis system

CeeTox, Inc.

CeeTox, Inc. in Kalamazoo focuses on in-vitro toxicity screening for potential drug candidates and chemicals. The Company occupies space in the Southwest Michigan Innovation Center, an incubator for new biotech companies. CeeTox is a wholly owned subsidiary of North American Science Associates.

Inventure Enterprises, Inc

Inventure Enterprises, Inc. in East Lansing was formed to provide management consulting and technology services that help businesses and governments in achieving high-performance homeland security strategy.

BAC Technologies, LLC/TSRL

BAC Technologies' was a team of scientists that had broad experience in chemistry, molecular biology, biochemistry, analytical chemistry, in vivo animal model, PK/ADME, toxicology, and formulation R & D, under both GLP and non-GLP conditions. By combining customized problem-solving strategies with individually tailored delivery solutions, BAC's business model was to help clients develop valuable oral therapeutic strategies.

Biopolymer Innovations, LLC

Biopolymer Innovations, LLC attempted to create compounds to be used as excipients for ocular pharmaceuticals or as an OTC formula for dry eye syndrome.

ProNAI Therapeutics, Inc.

ProNAi Therapeutics, Incorporated, is an emerging biopharmaceutical company that is leveraging its novel and proprietary nucleic acid-based interfering technology, DNAi(r), to advance a next generation of therapies for patients with cancer and other complex genetic diseases.



**MSF DELEGATED AUTHORITY QUARTERLY UPDATE
FOR 21CJF PURE MICHIGAN VENTURE MATCH FUND
Board Meeting January 28, 2014**

FOR QUARTER ENDED 12/31/13

BACKGROUND

On March 28, 2012, the Michigan Strategic Fund (“MSF”) Board approved the creation and operation of the Pure Michigan Venture Match Fund (“PMVMF”). Pursuant to Section 88k of the MSF Act, the MSF must establish a competitive process to make awards under the PMVMF. All applications are reviewed externally by an independent peer review expert. The MSF Board delegated to the MSF Fund Manager the authority to approve PMVMF awards upon the recommendation of the independent peer review expert.

APPROVALS BY AUTHORIZED DELEGATE

Between December 31, 2012 and December 31, 2013, the following actions were approved by one of the authorized MSF Board members:

Organization	Action(s)	Award Amount (full award amount)	Disbursed Amount (actual amount disbursed)	Date
uRefer, Inc., d/b/a Amplifinity	Amend Progress Report Due Date	\$375,000	\$375,000	November 26, 2013
nanoRETE	Amend Progress Report Due Date	\$500,000	\$375,000	November 26, 2013
Knew Deal, Inc.	Amend Progress Report Due Date	\$499,999	\$499,999	November 26, 2013
Tissue Regeneration Systems, Inc.	Amend Progress Report Due Date	\$500,000	\$499,999	November 26, 2013
Gema Diagnostics, Inc.	Amend Progress Report Due Date	\$500,00	\$500,000	November 26, 2013

ABOUT THE COMPANIES

uRefer, Inc., d/b/a Amplifinity

Amplifinity is an Ann Arbor, Michigan-based, enterprise that assists companies create a network of “commission only” sales agents who drive referrals and create brand awareness through posting to social media sites. It provides businesses with a platform that includes the tools, technology, services and expertise to enable companies to motivate their customers, partners, employees, prospects and affiliates to deliver consistent and reliable leads.

nanoRETE, Inc.

nanoRETE, Inc. is an early stage Lansing, Michigan, based company that is developing technologies to provide real-time detection of pathogens and toxins using customized, proprietary nanoparticle biosensors. The company is developing a platform that has the ability to test for single or multiple pathogens/toxins using a simple-to-use handheld device.

Knew Deal, Inc.

Knew Deal, Inc., d/b/a Stik.com, a Detroit, Michigan-based company is using Facebook to bring the offline small business referral process online. Stik helps small businesses build reputations and positive word-of-mouth and help. Consumers discover businesses recommended by their friends who are known and authenticated. This trusted status makes these referrals enormously valuable and differentiates Stik.com from the other platforms with which it competes.

Tissue Regeneration Systems, Inc.

Tissue Regeneration Systems (TRS), an Ann Arbor, Michigan-based company, is a start-up medical device company commercializing a breakthrough skeletal reconstruction and bone regeneration technology platform licensed from the Universities of Michigan and Wisconsin. TRS will begin to commercialize products in the United States in two years. TRS was granted a Pure Michigan Venture Match Fund Award in late 2012 for commercialization and growth purposes as a match to a qualified venture-led investment.

Gema Diagnostics, Inc.

Gema Diagnostics is an Ann Arbor, Michigan based, venture-backed molecular diagnostics company founded in 2004. They develop applications to improve clinical outcomes in in vitro fertilization (IVF). As Gema enters the market with the company's first diagnostic test, it will establish its own laboratory in the State of Michigan.