

**MICHIGAN STRATEGIC FUND BOARD
FINAL MEETING AGENDA
June 26, 2018
10:00 am**

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

Communications

A. Consent Agenda

Proposed Meeting Minutes – May 22, 2018
Evgia Systems, Inc. – Forbearance Extension – Dean Wade
Everist Genomics, Inc. – Forbearance – Dean Wade
MSDF Capital Conduit Program – Appointments to Grow Michigan Board – Chris Cook
National Carbon Technologies, LLC – Renaissance Zone Transfer Amendment – Amy Lum
SkyPoint Ventures, LLC and Flint Ferris Building, LLC – MCRP Amendment – Kelly Gram
Original and Only Thompson Block, LLC and 3mission Redevelopment Corporation – MCRP Re-Approval – Lynda Franke
Veridea Group, LLC – MCRP Refinance – Julius Edwards

B. Business Investment

a. Business Growth

Loc Performance Products, Inc. – MBDP Grant – Julia Veale
Stryker Corporation – MBDP Grant – Mike Gietzen

b. Capital Access

Cathedral of St. Augustine’s – Bond Inducement – Chris Cook
Detroit Renewable Energy LLC / Detroit Renewable Power LLC / Detroit Thermal LLC – Reissuance – Chris Cook
Hillcorp Properties, LLC – Request for Extension – Chris Cook

C. Community Vitality

Coolidge Park Limited Dividend Housing Association Limited Partnership and Communities First, Inc. – MCRP Grant – Charles Donaldson
400 Rose, LLC and Park@Cedar II, LLC – MCRP Loan Participation and Act 381 Work Plan – Emily Petz

**MICHIGAN STRATEGIC FUND
PROPOSED MEETING MINUTES
May 22, 2018**

Members Present

Roger Curtis
Paul Gentilozzi
Stephen Hicks
Larry Koops
Andrew Lockwood (on behalf of Treasurer Khouri)
Jeff Mason
Terrence J.L. Reeves
Shaun Wilson
Wayne Wood

Members joined by phone

Carl Camden
Terri Jo Umlor

Mr. Mason called the meeting to order at 10:02 am. He announced that Paul Anderson's term has expired and expressed appreciation for his service. He welcomed new Board member Carl Camden, retired President and CEO of Kelly Services.

Mr. Mason also recognized Jennifer Tebedo for her service to the Board and thanked her for a job well done. He introduced Rhonda Bishop, Compliance Specialist, as the new Board administrator.

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

Communications: Rhonda Bishop, Compliance Specialist, informed the Board that a revised memorandum and revised third party appraisal report for the Transformational Brownfield Plan project under Community Vitality on the agenda was provided to them at the table.

A. CONSENT AGENDA

Resolution 2018-062 Approval of Consent Agenda Items

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

Proposed Meeting Minutes – April 24, 2018
Port of Monroe – MSF Activity Amendment – **2018-063**
Bagley Forest Property LLC – MCRP Grant Re-approval and Equity Clarification – **2018-064**
618 South Main, LLC – MCRP Loan Amendment – **2018-065**
609 E. Kirby Lofts – MCRP Loan Participation Amendment – **2018-066**
Kroger Company of Michigan – MBDP Grant Amendment – **2018-067**
Ferrous CAL Co. – MBDP Other Economic Assistance Amendment – **2018-068**
CDBG Action Plan – 2018 Authorization – **2018-069**

Andrew Lockwood seconded the motion. **The motion carried: 11 ayes; 0 nays; 0 recused.**

B. BUSINESS INVESTMENT

B1. Business Growth

Resolution 2018-070 Wolverine Packing Co. Redevelopment – Act 381 Work Plan

Mike Gietzen, Senior Business Development Project Manager, provided the Board with information regarding this action item. Following brief discussion, Paul Gentilozzi motioned for the approval of Resolution 2018-070. Terrence J.L. Reeves seconded the motion. **The motion carried: 11 ayes; 0 nays; 0 recused.**

Resolution 2018-071 Amazon.com Services, LLC – MBDP Grant

Julia Veale, Business Development Project Manager, provided the Board with information regarding this action item. Following brief discussion, Larry Koops motioned for the approval of Resolution 2018-071. Roger Curtis seconded the motion. **The motion carried: 11 ayes; 0 nays; 0 recused.**

Gary Muentener, Legislative Aide, spoke in support of the Gerdau Macsteel, Inc. project on behalf of Senator Dale Zorn.

Resolution 2018-072 Gerdau Macsteel, Inc. – SESA Award

Trevor Friedeberg, Director Business Development Projects, provided the Board with information regarding this action item. Following brief discussion, Wayne Wood motioned for the approval of Resolution 2018-072. Paul Gentilozzi seconded the motion. **The motion carried: 11 ayes; 0 nays; 0 recused.**

B2. Access to Capital

Resolution 2018-073 Greenville Venture Partners, LLC – Bond Authorizing

Chris Cook, Director Capital Access, provided the Board with information regarding this action item. Following brief discussion, Shaun Wilson motioned for the approval of Resolution 2018-073. Larry Koops seconded the motion. **The motion carried: 11 ayes; 0 nays; 0 recused.**

ROLL CALL VOTE: Ayes: Carl Camden, Roger Curtis, Paul Gentilozzi, Stephen Hicks, Larry Koops, Andrew Lockwood (on behalf of Treasurer Khouri, designation attached), Jeff Mason, Terrence J.L. Reeves, Terri Jo Umlor, Shaun Wilson, Wayne Wood; Nays: None; Recused: None

Resolution 2018-074 Authorization of Amendments or Revisions to Bond Documents

Chris Cook, Director Capital Access, provided the Board with information regarding this action item. Following brief discussion, Wayne Wood motioned for the approval of Resolution 2018-074. Larry Koops seconded the motion. **The motion carried: 11 ayes; 0 nays; 0 recused.**

ROLL CALL VOTE: Ayes: Carl Camden, Roger Curtis, Paul Gentilozzi, Stephen Hicks, Larry Koops, Andrew Lockwood (on behalf of Treasurer Khouri, designation attached), Jeff Mason, Terrence J.L. Reeves, Terri Jo Umlor, Shaun Wilson, Wayne Wood; Nays: None; Recused: None

C. COMMUNITY VITALITY

Resolution 2018-075 Michigan Community Capital (MCC) – Attainable Housing Amendment

Julius Edwards, Commercial Real Estate Investment Manager, provided the Board with information regarding this action item. Following brief discussion, Larry Koops motioned for the approval of Resolution 2018-075. Paul Gentilozzi seconded the motion. **The motion carried: 11 ayes; 0 nays; 0 recused.**

Resolution 2018-076 Michigan Community Capital (MCC) – Small Developer Fund Amendment
Julius Edwards, Commercial Real Estate Investment Manager, provided the Board with information regarding this action item. Following brief discussion, Stephen Hicks motioned for the approval of Resolution 2018-076. Terrence J.L. Reeves seconded the motion. **The motion carried: 11 ayes; 0 nays; 0 recused.**

Resolution 2018-077 351 West Western LLC and Great Lakes Development Investments, Inc. – MCRP Other Economic Assistance Loan Participation Request
Lindsay Viviano, Community Assistance Team Specialist, provided the Board with information regarding this action item. Following brief discussion, Stephen Hicks motioned for the approval of Resolution 2018-077. Andrew Lockwood seconded the motion. **The motion carried: 11 ayes; 0 nays; 0 recused.**

Resolution 2018-078 1140 Broadway Street Redevelopment – Act 381 Work Plan
Paula Holtz, Community Assistance Team Specialist, provided the Board with information regarding this action item. Following brief discussion, Larry Koops motioned for the approval of Resolution 2018-078. Andrew Lockwood seconded the motion. **The motion carried: 11 ayes; 0 nays; 0 recused.**

Mr. Camden left the meeting at 11:45 a.m.

Resolution 2018-079 Hudson’s Block, Monroe Blocks, One Campus Martius Expansion and Book Building/Book Tower Redevelopment Projects – Transformational Brownfield Plan
Brittney Hoszkiw, Senior Community Assistance Team Specialist, provided the Board with information regarding this action item. Following brief discussion, Larry Koops motioned for the approval of Resolution 2018-079. Roger Curtis seconded the motion. **The motion carried: 10 ayes; 0 nays; 0 recused.**

D. ADMINISTRATIVE

Resolution 2018-080 MSF Background Review Policy
Mark Morante, MSF Fund Manager, provided the Board with information regarding this action item. Following brief discussion, Larry Koops motioned for the approval of Resolution 2018-080. Stephen Hicks seconded the motion. **The motion carried: 10 ayes; 0 nays; 0 recused.**

E. IMAGE/STATE BRANDING

Resolution 2018-081 Aviareps – Contract Extension
Michelle Grinnell, Director Public Relations, provided the Board with information regarding this action item. Following brief discussion, Larry Koops motioned for the approval of Resolution 2018-081. Roger Curtis seconded the motion. **The motion carried: 10 ayes; 0 nays; 0 recused.**

Mr. Mason adjourned the meeting at 12:25 pm.



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

NICK A. KHOURI
STATE TREASURER

January 18, 2018

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

Dear Ms. Tebedo:

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

Sincerely,

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

N.A. Khouri
State Treasurer

Cc: Andrew Lockwood

MICHIGAN STRATEGIC FUND

RESOLUTION 2018-

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

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

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

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

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

Consent Agenda Items:

Proposed Meeting Minutes – May 22, 2018
Evigia Systems, Inc. – Forbearance Extension
Everist Genomics, Inc. – Forbearance
MSDF Capital Conduit Program – Appointments to Grow Michigan Board
National Carbon Technologies, LLC – Renaissance Zone Transfer Amendment
SkyPoint Ventures, LLC and Flint Ferris Building, LLC – MCRP Amendment
Original and Only Thompson Block, LLC and 3mission Redevelopment Corporation – MCRP Re-Approval
Veridea Group, LLC – MCRP Refinance

Ayes:

Nays:

Recused:

Lansing, Michigan
June 26, 2018

MEMORANDUM

Date: June 26, 2018
To: MSF Board
From: Dean Wade, Compliance Specialist, Compliance and Contract Services
Subject: Evigia Systems, Inc. Forbearance Extension Request

Request

Evigia Systems, Inc. (“Evigia” or the “Company”) requests that the Michigan Strategic Fund (“MSF”) extend the forbearance period under the existing Forbearance Agreement from June 30, 2018 to December 31, 2018 (the “Request”).

Background

Evigia received a loan of \$1,736,300 from the Strategic Economic Investment and Commercialization (“SEIC”) Board¹ and the MSF on October 16, 2006. Evigia is an Ann Arbor-based company that develops and markets wireless RFID tags for military tracking and monitoring applications to detect temperature, humidity, mechanical shock, pressure, and chemical change in weapons and artillery supplies under harsh transport and storage conditions. The technology has a secondary application in the food supply chain and the Internet of Things markets. The Company received the following loan from the SEIC and MSF:

MSF Investment Summary (2006 21st Century Business Plan Competition):

Award Type:	Convertible Loan Agreement
Original Loan Amount:	\$1,736,300
Award Date:	October 16, 2006
Interest Rate:	9.25% (as amended)
Collateral:	Tangible personal property excluding inventory
Loan Balance (as of 5/30/18):	\$3,803,330.51
Equity:	Warrant to purchase \$433,304 capital stock (type and number of shares TBD by applicable of Financing Event, IPO or Liquidity Event)

The Loan was amended on December 13, 2010 to extend the grace period from February 16, 2010 to February 16, 2011 and issue of warrants to the MSF to purchase \$170,000 worth of the Company’s capital stock, the actual type and number determined by the applicable of Financing Event, IPO or Liquidity Event. The Loan was amended again on July 8, 2011 to extend the grace period from February 16, 2011 to February 16, 2012 and increase the interest rate from 8.25% to 9.25%. The Loan was amended again on March 26, 2014 to 1) extend the grace period from February 16, 2012 to June 30, 2014; 2) reduce the Venture Financing Conversion Trigger from \$3.5 million to \$2.5 million; and 3) issue warrants to the MSF to purchase \$263,304 worth of the Company’s capital stock, the actual type and number determined by the applicable of Financing Event, IPO or Liquidity Event. The Loan was amended again on November 25, 2015 to extend the grace period from June 30, 2014 to June 30, 2017 and impose additional loan covenants capping executive compensation and prohibiting Evigia from paying any bonuses to employees or dividends to shareholders until the MSF loan is paid in full. On October 16, 2017 the Company entered a Forbearance Agreement in which the MSF agreed to forbear from exercising its right to repayment under the Loan Agreement until June 30, 2018.

In March 2016, the Company underwent a corporate restructuring that consolidated all of the owners' businesses, including Evigia, into a holding company called Uptim Technologies, Inc. ("Uptim") As a result, Evigia is wholly owned by Uptim. The business of Evigia was not impacted by the restructuring and the ownership of Evigia only changed by adding a holding company between the shareholders and Evigia. Currently, Evigia has seven full time employees and seven part-time employees.

According to the Evigia's 2017 financial statements, other debt includes a loan from the majority owner in the amount of \$894,770 (the "Owner Loan") and a loan from the Bank of Ann Arbor (the "BOAA Loan") in the amount of \$234,606. The Company is unable to service the MSF loan and the Owner Loan at this time. The BOAA Loan is a line of credit secured with both the Company's collateral and personal collateral of the Owner. It takes priority in payment and collateral over all other debt, including the MSF loan. The BOAA Loan is currently Evigia's main source of additional capital and the Company would not be able to continue operations without it. Evigia is paying the BOAA loan as receivables are paid to the Company.

The Company is exploring exit opportunities, including the possibility of an asset or stock sale. The Company initiated this process in late 2017 and has determined it needs additional time for that process to conclude. The Company is requesting the additional time under the Forbearance Agreement to let this strategy play out, after which time it will become much clearer what alternatives are available to Evigia and the MSF. While the MSF could take action on the loan upon expiration of the current forbearance period, it is unlikely that the MSF would see any return due to its subordinated position to the BOAA Loan. Given the low likelihood of return if the MSF loan is called, MEDC Staff believes it is in the best interest of the MSF to allow the Company additional time to explore various exit opportunities that may in turn provide a substantial benefit to the MSF. MEDC Staff will be back before the MSF Board with a status update and a recommendation for next steps in late 2018 or early 2019.

Recommendation

MEDC Staff recommends approval of the Request.

MICHIGAN STRATEGIC FUND

RESOLUTION 2018-

EVIGIA SYSTEMS, INC. REQUEST TO EXTEND FORBEARANCE PERIOD

WHEREAS, Public Acts 215 and 225 of 2005 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, the Strategic Economic Investment and Commercialization (“SEIC”) Board, the MSF and Evigia Systems, Inc. (“Evigia” or “Company”), entered into a 21st Century Business Plan Competition Loan Agreement, dated February 16, 2007, whereby the SEIC Board and MSF agreed to loan up to \$1,736,300 to Evigia under the terms and conditions set forth in the Convertible Loan Agreement, Security Agreement and Promissory Note (the “Note”), each dated February 16, 2007 (the Loan Agreement, Security Agreement, and Note, collectively, “Loan Documents”);

WHEREAS, pursuant to Executive Order 2010-04, the SEIC Board was abolished and all powers, duties, and functions of the SEIC Board were transferred to the MSF;

WHEREAS, the Loan Documents were amended on December 13, 2010 to extend the grace period from February 16, 2010 to February 16, 2011 and issue of warrants to the MSF to purchase \$170,000 worth of the Company’s capital stock, the actual type and number determined by the applicable of Financing Event, IPO or Liquidity Event;

WHEREAS, the Loan Documents were amended on July 8, 2011 to extend the grace period from February 16, 2011 to February 16, 2012 and increase the interest rate from 8.25% to 9.25%;

WHEREAS, the Loan Documents were amended on March 26, 2014 to 1) extend the grace period from February 16, 2012 to June 30, 2014; 2) reduce the Venture Financing Conversion Trigger from \$3.5 million to \$2.5 million; and 3) issue warrants to the MSF to purchase \$263,304 worth of the Company’s capital stock, the actual type and number determined by the applicable of Financing Event, IPO or Liquidity Event;

WHEREAS, the Loan Documents were amended on November 25, 2015 to extend the grace period from June 30, 2014 to June 30, 2017 and impose additional loan covenants capping executive compensation and prohibiting Evigia from paying any bonuses to employees or dividends to shareholders until the MSF loan is paid in full;

WHEREAS, Evigia is in default of its obligations under Section 8.1(c) of the Convertible Loan Agreement for failure to pay an installment of principal or interest when due (the “Event of Default”);

WHEREAS, pursuant to Section 8.2 of the Convertible Loan Agreement, the MSF may terminate the Convertible Loan Agreement and demand immediate repayment of the full loan balance;

WHEREAS, on September 23, 2017, the MSF approved a forbearance with request to the Event of Default through June 30, 2018 (the “Forbearance Term”);

WHEREAS, Evigia has requested that the MSF extend the Forbearance Term to December 31, 2018 (the “Forbearance Extension Request”);

WHEREAS, the MEDC recommends that the MSF Board approve the Forbearance Extension Request; and

WHEREAS, the MSF wishes to approve the Forbearance Extension Request.

NOW, THEREFORE, BE IT RESOLVED, the MSF approves the Forbearance Extension Request; and

BE IT FURTHER RESOLVED, that the MSF Fund Manager is authorized negotiate all final terms and conditions and execute all documents necessary to effectuate the Forbearance Extension Request.

Ayes:

Nays:

Recused:

Lansing, Michigan
June 26, 2018

MEMORANDUM

Date: June 26, 2018

To: MSF Board

From: Dean Wade, Compliance Specialist, Compliance and Contract Services

Subject: Everist Genomics, Inc. Forbearance Request

Request

Everist Genomics, Inc. f/k/a Genetics Squared, Inc. (“Everist” or “Company”) requests that the Michigan Strategic Fund (“MSF”) forbear on exercising its rights to repayment under its 21st Century Jobs Fund Loan until June 1, 2019 (the “Forbearance Request”). In consideration for the Forbearance Request, the Company has agreed to pay a forbearance fee equal to one percent of the original loan amount (\$15,700).

Background

Everist develops and commercializes medically unique diagnostics, prognostics and therapeutic selection technologies which help physicians improve medical outcomes and reduce the total cost of care. The Company received the following loan from the MSF:

21st Century Jobs Fund Business Plan Competition Loan

Award Type:	Convertible Loan
Original Loan Amount:	\$1,569,999
Award Date:	December 12, 2006
Interest Rate:	3.5% (as amended)
Loan Balance (as of 5/30/18):	\$2,007,017.61
Status:	In Compliance

The loan was amended on May 20, 2008 to revise the key milestones the Company was required to achieve in order to receive loan disbursements. The loan was amended again on July 21, 2012 to include an automatic conversion provision that would have converted the MSF loan upon the occurrence of an equity financing event of at least \$7,000,000 by September 30, 2012. The loan was amended again on October 15, 2012 to extend the automatic conversion deadline to March 31, 2013. The trigger event for the automatic conversion did not occur by March 31, 2013.

On December 1, 2014, the Company and the MSF entered into a Forbearance Agreement as a result of the Company’s failure to make payment when due on the loan. The Forbearance Period was from December 1, 2014 through September 30, 2015. Under the terms of the Forbearance Agreement the Company made an initial payment of \$38,000 and ten monthly payments of \$19,000 in forbearance fees to the MSF. Upon expiration of the Forbearance Period, Everist was to begin making regular principal and interest payments to the MSF under the terms of the loan documents, as amended. Everist failed to make payments upon expiration of the Forbearance Period and was issued a notice of default.

In May 2016 the MSF Fund Manager requested representation from the Office of the Attorney General to initiate collection proceedings against Everist and a complaint was filed in the Ingham County Circuit Court. The Company reached out shortly thereafter to negotiate a restructure of the loan. On August 23, 2016 the loan was restructured and the Company has been in compliance with the loan terms, including payments. As of May 30, 2018, Everist has repaid \$725,454.25 to the MSF.

The Company has been going through an FDA approval process for almost 12 months. FDA approval of their core technology – AngioDefender - is the key to opening up the US market, as well as the clinically-focused markets in Europe and Canada. Currently Everist is operating primarily in wellness markets in Europe and Canada. The Company anticipates that device sales will rise significantly once the approval is granted, especially with the pipelines being strong in Europe and partners already established in the US for commercialization.

Unfortunately, largely due to the nature of their unique technology, Everist had to follow a “De Novo” process to gain FDA approval. This is reserved for devices or technologies that do not have a predicate or anything similar in the marketplace. While this presents great opportunity it also is a lengthier process. The Company had several additional questions from the FDA on their submission and as such they do not expect to receive approval until late in 2018. The Company remains confident of receiving the approval.

Both the FDA approval process as well as preparations for a ramp-up in commercial sales have a significant impact on cashflow and budget. They are focused on marketing activities prior to FDA approval as well as ensuring sufficient plans are in place for manufacturing and customer support. They have removed all organizational activities that do not fall into those categories or into those of maintaining regulatory or IP status in an effort to reduce costs.

Payments to the MEDC for the remainder of 2018 total approximately \$90,000. If a forbearance is granted they could focus these funds on efforts to prepare for the significant revenue bump that is expected at the end of 2018 or beginning of 2019. This would be a boost to and ultimately add more confidence in hitting revenue expectations in late 2019. The goal is to become cash positive sometime in mid-to-late 2019, using investment funds to fill the gap prior to that point.

Allowing the Company to proceed through the FDA-approval process presents the best opportunity for the MSF to realize a significant return. The Company has been cooperative and proactive in working with MEDC Staff throughout this process and has repaid a significant amount of money to date. For these reasons, MEDC Staff recommends approval of the Request.

Recommendation

MEDC staff recommends that the MSF Board approve the Request.

MICHIGAN STRATEGIC FUND

RESOLUTION 2018-

EVERIST GENOMICS, INC. REQUEST TO EXTEND FORBEARANCE PERIOD

WHEREAS, Public Acts 215 and 225 of 2005 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, the Strategic Economic Investment and Commercialization (“SEIC”) Board, the MSF and Everist Genomics, Inc. f/k/a Genomics Squared, Inc. (“Everist” or “Company”), entered into a 21st Century Business Plan Competition Loan Agreement, dated December 12, 2006, whereby the SEIC Board and MSF agreed to loan up to \$1,569,999 to Everist under the terms and conditions set forth in the Convertible Loan Agreement (the “Loan Agreement”, Security Agreement and Promissory Note (the “Note”), each dated December 12, 2006 (the Loan Agreement, Security Agreement, and Note, collectively, “Loan Documents”);

WHEREAS, pursuant to Executive Order 2010-04, the SEIC Board was abolished and all powers, duties, and functions of the SEIC Board were transferred to the MSF;

WHEREAS, the Loan Documents were amended on May 20, 2008 to revise the key milestones the Company was required to achieve in order to receive loan disbursements;

WHEREAS, the Loan Documents were amended on July 21, 2012 to include an automatic conversion provision that would have converted the loan in shares of the Company’s stock upon the occurrence of an equity financing event of at least \$7,000,000 by September 30, 2012;

WHEREAS, the Loan Documents were amended on October 15, 2012 to extend the automatic conversion date to March 31, 2013;

WHEREAS, the Loan Documents were terminated on August 23, 2016 and replaced with a Loan Settlement and Sales Participation Agreement under which Everist is to pay the MSF the revised loan balance of \$1,569,999, bearing interest of 3.5%, in equal monthly installments over 10 years and the interest and fees of \$675,193.25 with 3% of the Company’s gross sales over \$1,000,000, also in monthly installments;

WHEREAS, Everist is currently in compliance with the terms and conditions of the Loan Settlement and Sales Participation Agreement;

WHEREAS, Everist has requested a forbearance on payments to the MSF until June 1, 2019 due to a lengthier and costlier review of its technology by the U.S. Food and Drug Administration (the “Forbearance Request”);

WHEREAS, in consideration for the Forbearance Request, the Company has agreed to pay a forbearance fee equal to 1% of the original loan amount (\$15,700);

WHEREAS, the MEDC recommends approval of the Forbearance Request; and

WHEREAS, the MSF wishes to approve the Forbearance Request.

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan
June 26, 2018

MEMORANDUM

TO: Michigan Strategic Fund Board

FROM: Chris Cook, Director - Capital Access

DATE: June 26, 2018

SUBJECT: Appointments to the Board of Managers of Grow Michigan, Inc.

REQUEST

This request is to appoint Mark Morante, Senior Advisor, MEDC, and Michigan Strategic Fund Manager, and Chris Cook, Director – Capital Access, MEDC, to the Board of Managers for Grow Michigan, Inc. The appointment of Mr. Morante will run through 2021 while the appointment of Mr. Cook will run through 2023.

BACKGROUND

On September 27, 2012 the Michigan Strategic Fund Board (“MSF”, “MSF Board”) appointed three individuals to represent its interests in Grow Michigan, Inc. (“GMI”). GMI is a privately managed mezzanine lending fund designed to provide capital to Michigan based commercial and industrial companies. In addition to the MSF, investors in the fund include 15 lending institutions operating in Michigan. The Board of Managers is comprised of nine members. The composition of the nine-member Board of Managers is as follows:

- Three members appointed from private investors
- Three members appointed by the management team
- Three members appointed by the Michigan Strategic Fund

The initial appointees by the MSF Board were:

- Doug Luciani, President and CEO of the Traverse City Chamber of Commerce; 1 Year
- David Zilko, CEO of Garden Fresh Gourmet Foods; 3 Years
- Rich Baird, CEO of MI Partners, LLC; 5 Years

Subsequent to the initial stated terms, Mr. Luciani and Mr. Zilko had their respective appointments extended for an additional term of five years. The appointment of Rich Baird has now expired and Mr. Baird does not wish for his appointment to be renewed. Mr. Zilko’s current term runs through 2021, however Mr. Zilko is seeking to resign his position on the Board of Managers. Staff is seeking approval to allow Mark Morante to take over the remaining term of Mr. Zilko and Chris Cook to replace Mr. Baird.

PROGRAM HISTORY

On January 25, 2012 the MSF approved an award to GMI to operate a loan fund designed to financing for growth, acquisition, and succession planning for Michigan based operating companies. The MSF awarded an investment of up to \$9.5 million in the form of an equity investment into the fund and \$500,000 in the

form of a loan to GMI to pay for expenses related to its establishment. To date GMI has invested \$51.1 million in transactions involving a total leveraged capital investment of \$353.2 million. On December 19, 2017 the MSF approved an extension of the investment period of the fund to the earlier of full commitment of the fund or December 27, 2019.

RECOMMENDATION

Staff recommends the appointment of Mark Morante and Chris Cook to the Grow Michigan, Inc. Board of Directors.

MICHIGAN STRATEGIC FUND

RESOLUTION 2018-

**APPOINTMENT OF BOARD OF MANAGERS MEMBERS FOR
GROW MICHIGAN – CAPITAL CONDUIT PROGRAM,
OPERATING COMPANY INITIATIVE AWARD RECIPIENT**

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, on December 21, 2011, the MSF approved the creation and operation of a Grow Michigan – Capital Conduit Program under the MSDF (“CCP”);

WHEREAS, on December 21, 2011, the MSF (1) approved the creation and operation of the Operating Company Initiative (“OCI”) under the CCP and (2) adopted guidelines for the OCI (“OCI Guidelines”);

WHEREAS, on January 25, 2012, the MSF approved an award to Grow Michigan, LLC (“Grow Michigan Award”) under the OCI;

WHEREAS, pursuant to the OCI Guidelines and the terms of the OCI Award, the MSF Board has the right to appoint three members to the Grow Michigan board of managers;

WHEREAS, on September 27, 2012, the MSF approved the appointment of Doug Luciani, David Zilko, and Rich Baird to the Grow Michigan board of managers;

WHEREAS, the MEDC recommends and the MSF Board desires to remove David Zilko, and appoint Mark Morante, Senior Advisor and Michigan Strategic Fund Manager, to the Grow Michigan board of managers for a term of three (3) years;

WHEREAS, the MEDC recommends and the MSF Board desires to remove Rich Baird, and appoint Chris Cook, Director – Capital Access, to the Grow Michigan board of managers for a term of five (5) years;

NOW, THEREFORE, BE IT RESOLVED, the MSF hereby approves the Grow Michigan Appointees.

Ayes:

Nays:

Recused:

Lansing, Michigan
June 26, 2018

Memorandum

Date: June 26, 2018

To: Michigan Strategic Fund Board

From: Amy Lum, Corporate Counsel

Subject: K.I. Sawyer Renaissance Zone
Transfer of Geographic Renaissance Zone Time Extension –National Carbon
Technologies, LLC - Amendment

Action

Michigan Economic Development Corporation (“MEDC”) Staff is requesting an extension on the conditioned approval of the transfer of a portion of the K.I. Sawyer Renaissance Zone from RNFL Acquisition, LLC to its successor entity, National Carbon Technologies, LLC (the “Company”), to allow for more time to execute a development agreement between the Company and the MSF.

Background

On February 28, 2017, the Michigan Strategic Fund (“MSF”) Board approved the transfer of a time-extended portion of the K.I. Sawyer Renaissance Zone from RNFL Acquisition, LLC to its successor entity, National Carbon Technologies, LLC (the “Company”), conditioned on the execution of a development agreement between Company and the MSF by May 27, 2018.

Due to administrative delays, the development agreement has not yet been executed between the parties.

Recommendation

MEDC Staff recommends that the MSF Board approve an amendment to its previous MSF Resolution 2018-020 amending the May 27, 2018 deadline to execute a development agreement between the MSF and the Company to December 30, 2018.

MICHIGAN STRATEGIC FUND

**RESOLUTION
2018-**

**RENAISSANCE ZONE TRANSFER – AMENDMENT
National Carbon Technologies, LLC**

WHEREAS, on November 25, 2008, by Resolution 2008-189 the Michigan Strategic Fund (“MSF”) Board approved the extension of a portion of the existing K.I. Sawyer Renaissance Zone for Renewafuel, LLC, as authorized in Section 4(7) of Public Act 376 of 1996, the amended Michigan Renaissance Zone Act (the "Act");

WHEREAS, on October 24, 2012, the MSF Board approved a transfer of a portion of the time extended renaissance zone (the “Zone”) from Renewafuel, LLC to its successor, RNFL Acquisition, LLC, for the remainder of the term of the Zone;

WHEREAS, on February 27, 2018, via MSF Board Resolution 2018-020, the MSF approved a transfer of the Zone to a subsequent successor entity, National Carbon Technologies, LLC (the “Company”), conditioned upon a development agreement being executed between the Company and the MSF by May 27, 2018;

WHEREAS, due to administrative delays, the development agreement between the MSF and the Company was not finalized by the deadline;

WHEREAS, the Michigan Economic Development Corporation (the "MEDC") administers the renaissance zone program; and

WHEREAS, the MEDC recommends the MSF Board approve an amendment to MSF Board Resolution 2018-020 to extend the deadline for execution of a development agreement between the Company and the MSF to December 30, 2018.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board amends MSF Resolution 2018-020 to extend the deadline for execution of a development agreement between the Company and the MSF to December 30, 2018; and

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

Ayes:

Nays:

Recused:

June 26, 2018
Lansing, Michigan

MEMORANDUM

Date: June 26, 2018

To: Michigan Strategic Fund Board

From: Kelly Gram, Brownfield and MCRP Specialist

Subject: SkyPoint Ventures, LLC and Flint Ferris Building, LLC
Michigan Community Revitalization Program
Request for Approval of a Grant Agreement Amendment

Request

SkyPoint Ventures, LLC and Flint Ferris Building, LLC (“Companies”) are requesting approval of an amendment to the Michigan Community Revitalization Program Grant Agreement (“Agreement”) and any related ancillary agreements. The amendment request dated June 11, 2018 includes a request to extend the Milestone One due date from December 31, 2017 to December 31, 2018.

Background

The Michigan Strategic Fund Board approved a \$1,000,000 performance based grant on March 28, 2017 to the Companies for the purpose of rehabilitating the vacant Ferris Building to provide seven floors of retail space, office space and an entrepreneurial hub in the heart of downtown Flint.

The amendment is needed because the Commercial Rehabilitation Act tax abatement approved by the City of Flint was not submitted to the Michigan Department of Treasury for State Tax Commission approval, which was an administrative oversight. Documentation has since been submitted to the Department of Treasury but final approval has not yet been received from the State Tax Commission. In addition, documentation of the City of Flint Downtown Development Authority local contribution to the project was received after the milestone due date. The Companies are current with reporting requirements.

Recommendation

The MEDC staff recommends approval of an amendment to the MCRP Grant Agreement and any related ancillary agreements to extend the Milestone One due date from December 31, 2017 to December 31, 2018 per the Company’s request dated June 11, 2018 and to provide administrative clarification regarding the documentation required to meet the local contribution milestone.

MICHIGAN STRATEGIC FUND

RESOLUTION 2018-

APPROVAL OF AN AMENDMENT TO A MICHIGAN COMMUNITY REVITALIZATION PROGRAM GRANT AWARD FOR SKY POINT VENTURES, LLC AND FLINT FERRIS BUILDING, LLC

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

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

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

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

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

WHEREAS, by Resolution 2017-042 on March 28, 2017 the MSF Board awarded a MCRP Grant Award to Skypoint Ventures, LLC and Flint Ferris Building, LLC, in furtherance of the Project of up to \$1,000,000 (“Award”);

WHEREAS, MEDC Staff recommends that the MSF approve an amendment to extend the Milestone One due date to December 31, 2018 and to provide administrative clarification regarding the local contribution with all other requirements remaining in place from the original approval (the “Amendment Recommendation”) and

WHEREAS, the MSF wishes to approve the Amendment Recommendation.

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan
June 26, 2018

MEMORANDUM

Date: June 26, 2018

To: Michigan Strategic Fund Board

From: Lynda Franke, Underwriting and Incentive Structuring Specialist

Subject: The Original and Only Thompson Block LLC and 3mission Redevelopment Corp. – Request for Re-Approval and Amendment of a Michigan Community Revitalization Program Award

Request

The Original and Only Thompson Block LLC and 3mission Redevelopment Corp. (the “Company”) are requesting re-approval and amendment of the Michigan Community Revitalization Program (MCRP) Award approved on December 19, 2017 by the Michigan Strategic Fund (MSF) Board in the amount of \$3,175,000 (the “Original MCRP Award”). The request is to change the senior lender, the senior lender loan amount and allow additional time to execute the final MSF Agreement (the “MCRP Award Request”).

Background

The MSF Board approved an Other Economic Assistance performance-based loan participation award on December 19, 2017 for the lesser of \$3,175,000 or up to 50% of eligible investment to the Company for the historic redevelopment of property located at 400 North River Street in the city of Ypsilanti. The property will become a mixed-use building with a restaurant (approximately 10,000 square feet) on the first floor and approximately 20 residential rental units on floors two and three (approximately 16,000 square feet). The property will include its own parking lot for the residential tenants.

The MCRP approval required that an agreement be entered into within 120 days of the date of the approval, but allowed for a 90-day extension with approval from the MSF Fund Manager.

After the approval of the Original MCRP Award, under further consideration, the senior lender decided against proceeding into a loan participation with the MSF. This unexpected decision left the Company in need of finding a new senior lender. The Company was able to attract interest from multiple financing institutions and has decided to move forward with TCF Bank as the senior lender.

Demolition, stabilization and construction activities are already underway on the property. Some costs have increased, which are being offset by increases in the senior lender loan amount and owner equity investment. No change is requested in the amount of the MCRP award. The senior loan amount has increased slightly, resulting in a projected DSCR below the MCRP parameter of 1.2:1. However, the residential rates in the pro forma are conservative compared to the appraiser’s projections. Also, only the base rate for the restaurant is included in MEDC’s calculation. The 12-year lease for the restaurant provides upside income tied to the restaurant’s sales. The restaurant tenants have an ownership interest in the project, and they have many successful brewpubs and restaurants in several cities across the state. The

MEDC staff is comfortable with the cash flow projections. Additionally, repayment to the MSF is contingent on achieving a minimum DSCR threshold. The changes to the structure are detailed in Appendix A with strikethrough and capitalized bolded font.

Due to recent tax reform legislation, there is no longer a tax advantage in having 3mission Redevelopment Corp. as a co-applicant, so they are no longer a co-applicant.

Recommendation

The MEDC staff recommends the following:

- a. Re-approval and amendment of the MCRP Award Request for the lesser of up to \$3,175,000 or 50% of eligible investment as detailed above.
- b. Waiver of the MCRP parameter that requires a minimum debt service coverage ratio of 1.2 to 1.00

APPENDIX A – MCRP Financial Structure

FINANCING OPPORTUNITY – MCRP LOAN PARTICIPATION

SUMMARY OF DEVELOPMENT SOURCES:

Bank Share	\$ 3,420,000	29%
	\$ 3,673,000	31%
MSF Share	\$ 3,175,000	27%
Historic Tax Credit Equity	\$ 2,534,183	21%
Deferred Developer Fee	\$ 800,000	7%
	\$ 327,000	3%
Developer Equity	\$ 1,850,431	16%
	\$ 2,190,699	18%
 TOTAL	 \$11,779,614	 100%
	\$11,899,882	

LOAN FACILITY

MSF Facility

MCRP Loan Participation

Borrower:

The Original and Only Thompson Block, LLC and ~~3mission Redevelopment Corporation~~, or Related Entity

Lender:

~~Bank of Ann Arbor~~ **ANTICIPATED TO BE TCF BANK, HOWEVER THE FUND MANAGER SHALL HAVE THE ABILITY TO APPROVE A NEW FEDERALLY INSURED LENDER IN THE EVENT TCF BANK IS UNABLE TO CLOSE THE TRANSACTION**

Total Amount of Loans:

Anticipated to be ~~\$6,595,000~~ **\$6,848,000**

Lender Share:

Anticipated to be ~~\$3,420,000~~ **\$3,673,000, BUT NO MORE THAN 4,000,000**

MSF Share:

Up to the lesser of 50% of Eligible Investment or \$3,175,000

Term:

To match that of the Lender, not to exceed 120 months

Amortization:

To match that of the Lender

Interest Rate:

1% per annum

Repayment Terms:

Up to 36 months interest only, followed by monthly principal and interest with balance due at maturity.

- Up to \$1,200,000 of the MSF Share of the loan to be forgiven following construction completion and achievement of other performance milestones.
- Payment to the MSF will be contingent on a minimum Debt Service Coverage Ratio (DSCR) yet to be determined.

Collateral:	To match that of the Lender, anticipated to be a 1st mortgage and assignment of rents and leases for 400 N River St., Ypsilanti, MI. MSF Interest to be subordinated to that of the Lender.
Guarantee:	To match that of the Lender, anticipated to be personal guarantees of Jon Carlson, Greg Lobdell, and Robert Eisman, LIZ MAREK, AND CHESTER CZAPLICKA . MSF Interest to be subordinated to that of the Lender.
Fee:	The MSF shall be paid a one-time fee equal to one percent of the MSF's award. The Lender may charge the borrower for this fee.
Funding:	The MSF will fund up to \$3,175,000 to be disbursed following closing of the Loan and achievement of other performance criteria.
Other Conditions:	<p>The MSF's investment will be contingent upon receipt and review of the following:</p> <ul style="list-style-type: none"> • Evidence of a minimum owner equity contribution of \$1,850,000 \$2,190,000 to the project • Lender commitment and underwriting documentation • Final Development Budget • Executed Guaranteed Maximum Price • A requirement for installation of a rooftop solar array will be detailed in the final Agreement • Receipt of affidavit from Fred Beal, Stewart Beal and Nora Wright that they do not and will not have a financial interest in the project until at least 2030

ORIGINAL APPROVAL

MICHIGAN ECONOMIC
DEVELOPMENT CORPORATION

MEMORANDUM

Date: December 19, 2017

To: Michigan Strategic Fund Board

From: Dominic Romano, Community Assistance Team Specialist
Lynda Franke, Commercial Real Estate Investment Specialist
Rob Garza, Brownfield and MCRP Senior Program Specialist

Subject: County of Washtenaw Brownfield Redevelopment Authority
Request for Approval of an Act 381 Work Plan
The Original and Only Thompson Block, LLC & 3mission Redevelopment Corporation - Request for Approval of a Michigan Community Revitalization Other Economic Assistance Award for the Thompson Block Redevelopment Project

Request

The proposed project will be undertaken by The Original and Only Thompson Block, LLC and 3mission Redevelopment Corporation. The project will redevelop three parcels of property located at 400 North River Street in the City of Ypsilanti. The project is located in a traditional commercial center and qualifies for a Michigan Community Revitalization Program (MCRP) award and Act 381 work plan because it is a historic resource, functionally obsolete, and adjacent & contiguous.

In order to alleviate Brownfield conditions and prepare the proposed project site for redevelopment, the County of Washtenaw Brownfield Redevelopment Authority is seeking approval of local and school tax capture for MSF eligible activities in the amount of \$1,265,799.

The Original and Only Thompson Block, LLC and 3mission Redevelopment Corporation (Co-Applicants) are also requesting approval of a MCRP incentive in the amount up to \$3,175,000, or 50% of eligible investment, whichever is less, in the form of a performance-based other economic assistance loan participation. The total eligible investment is projected to be \$9,525,214. This request seeks to utilize the third and final opportunity in 2017 for an MCRP incentive up to 50% of eligible investment.

The developer has maximized senior financing and is contributing nearly 16% equity into the project. The projected developer return is under 10%, and the proposed investment in this historic asset will create a robust and vibrant mixed-use development. Limited recent development, high construction costs and a small amount of market comparables are affecting the level of senior debt the project can attract which is

currently at 55% loan to appraised value. The support from MEDC will not only address the gap, but also support the feasibility of this higher-density, pedestrian friendly, energy efficient, historic preservation project. MCRP support will assist in covering some of the costs related to the construction and structural challenges of the project. Significant costs are also present on the site related to brownfield conditions.

The eligible activities will alleviate brownfield conditions across the site and make it suitable for redevelopment, and protect human health and the environment. Without brownfield tax increment reimbursement, the cost burden related to brownfield conditions would make the project financially unfeasible. A detailed structure for the MCRP investment is provided in **Appendix A**.

Additional sources of funding that will be used to cover redevelopment costs are an Obsolete Property Redevelopment Act abatement (valued at approximately \$795,000), Federal Historic Tax Credits, and State Historic Tax Credits that are anticipated to bring net proceeds of \$2,534,183 to the project.

The Applicant anticipates that the project will result in total capital investment in the amount of \$11,779,614, along with the creation of approximately 70 permanent full-time equivalent jobs with an average hourly wage of \$15.

Background

Renovation and reconstruction of this Civil War era structure will occur on three parcels and will include a mixed-use building containing three floors of residential and commercial space. The first floor will contain an approximately 10,182 square foot restaurant while the second and third floors will contain 20 residential rental units occupying approximately 15,883 square feet. The restaurant will be operated by the Co-Applicant 3mission Redevelopment Corporation, who currently owns and operates several successful restaurants in Traverse City, Royal Oak, and Ann Arbor.

Demolition activities will include select interior demolition and removal of the existing parking lot, curb and gutter, sidewalks, limited road pavement and unsuitable utilities. Site preparation activities will involve surveying, engineering, clearing, grubbing, unstable materials excavation, utilities replacement/relocation, fill, and some temporary activities for access, erosion control, site control, and traffic control. Infrastructure improvements to entrances, the right-of-way, and roads are necessary to support the new development. Interest costs will be reimbursed due to the interest costs on the loans that the developer will need to obtain in order to complete the eligible activities.

A project on this site was previously awarded both an Act 381 Work Plan by the MEGA Board on August 19, 2008, and Brownfield MBT Credit by the MSF Chairperson on October 10, 2008, respectively. The Washtenaw County Board of Commissioners terminated the brownfield plan associated with the previously approved work plan via resolution on June 7, 2017 and the current developer is not pursuing use of the MBT credit because of its statutory expiration date of October 10, 2018.

The Original and Only Thompson Block, LLC, 3mission Redevelopment Corporation, and its principals have not received funding support from the Michigan Strategic Fund (MSF) to date. The MEDC has completed civil and criminal background checks in accordance with the MSF Background Review Policy. No issues were identified.

Appendix B addresses the programmatic requirements and **Appendix C** includes a project map and renderings.

Recommendation

MEDC staff recommends approval of the following (the “Recommendation”):

- a) Local and school tax capture for the Act 381 eligible activities totaling \$1,265,799. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at \$555,501.
- b) A MCRP performance-based other economic assistance loan participation up to the lesser of 50% of Eligible Investment or \$3,175,000 for The Original and Only Thompson Block, LLC and 3 Mission Redevelopment Corporation.

**MICHIGAN STRATEGIC FUND
RESOLUTION 2018-**

**RE-APPROVAL OF A MICHIGAN COMMUNITY REVITALIZATION
PROGRAM OTHER ECONOMIC ASSISTANCE LOAN PARTICIPATION
AWARD TO THE ORIGINAL AND ONLY THOMPSON BLOCK, LLC OR
RELATED ENTITY**

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

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

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

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

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

WHEREAS, by Resolution 2017-216 on December 19, 2017 the MSF Board awarded a MCRP Other Economic Assistance Performance-Based Loan Participation award (“Award”) to The Original and Only Thompson Block, LLC and 3mission Redevelopment Corporation or such entities formed or to be formed in the furtherance of the Thompson Block Project (“Applicant”) of up to \$3,175,000;

WHEREAS, the Applicant has a new senior lender and is requesting re-approval and amendment of the Award along with other general terms and conditions which are outlined in the revised term sheet attached as Exhibit A (“Term Sheet”);

WHEREAS, the MEDC is recommending that the MSF re-approve and amend the Award, with all other requirements remaining in place from the original approval; and

WHEREAS, the MEDC has recommended that the MSF re-approve and amend the Applicant’s Award in accordance with the Term Sheet and Guidelines, 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 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 90 days (“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 is authorized to negotiate all final terms and conditions and execute all documents necessary to effectuate the MCRP Award Recommendation.

Ayes:

Nays:

Recused:

Lansing, Michigan
June 26, 2018

EXHIBIT A

“Term Sheet”

LOAN FACILITY

MSF Facility

MCRP Loan Participation

Borrower:	The Original and Only Thompson Block, LLC and 3mission Redevelopment Corporation , or Related Entity
Lender:	Bank of Ann Arbor ANTICIPATED TO BE TCF BANK, HOWEVER, THE FUND MANAGER SHALL HAVE THE ABILITY TO APPROVE A NEW FEDERALLY INSURED LENDER IN THE EVENT TCF BANK IS UNABLE TO CLOSE THE TRANSACTION
Total Amount of Loans:	Anticipated to be \$6,595,000 \$6,848,000
Lender Share:	Anticipated to be \$3,420,000 \$3,673,000, BUT NO MORE THAN \$4,000,000
MSF Share:	Up to the lesser of 50% of Eligible Investment or \$3,175,000
Term:	To match that of the Lender, not to exceed 120 months
Amortization:	To match that of the Lender
Interest Rate:	1% per annum
Repayment Terms:	Up to 36 months interest only, followed by monthly principal and interest with balance due at maturity. <ul style="list-style-type: none">• Up to \$1,200,000 of the MSF Share of the loan to be forgiven following construction completion and achievement of other performance milestones.• Payment to the MSF will be contingent on a minimum Debt Service Coverage Ratio (DSCR) yet to be determined.
Collateral:	To match that of the Lender, anticipated to be a 1st mortgage and assignment of rents and leases for 400 N River St., Ypsilanti, MI. MSF Interest to be subordinated to that of the Lender.
Guarantee:	To match that of the Lender, anticipated to be personal guarantees of Jon Carlson, Greg Lobdell, and Robert Eisman, LIZ MAREK, AND CHESTER CZAPLICKA . MSF Interest to be subordinated to that of the Lender.
Fee:	The MSF shall be paid a one-time fee equal to one percent of the MSF's award. The Lender may charge the borrower for this fee.

Funding:

The MSF will fund up to \$3,175,000 to be disbursed following closing of the Loan and achievement of other performance criteria.

Other Conditions:

The MSF's investment will be contingent upon receipt and review of the following:

- Evidence of a minimum owner equity contribution of ~~\$1,850,000~~ **\$2,190,000** to the project
- Lender commitment and underwriting documentation
- Final Development Budget
- Executed Guaranteed Maximum Price
- A requirement for installation of a rooftop solar array will be detailed in the final Agreement
- Receipt of affidavit from Fred Beal, Stewart Beal and Nora Wright that they do not and will not have a financial interest in the project until at least 2030

MEMORANDUM

Date: June 26, 2018

To: Michigan Strategic Fund Board

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

Subject: Veridea Group, LLC Request for Approval of a Michigan Community Revitalization Program \$1,857,151 Other Economic Assistance-Performance-Based Loan Participation Agreement Amendment and Reauthorization

Request

Veridea Group, LLC (“Company”) is requesting approval of an amendment to the Michigan Community Revitalization Program Other Economic Assistance Performance-Based Loan Participation Agreement and any related ancillary agreements (“Agreement”). The Company is requesting to extend the maturity date of the Agreement 90 days. Additionally, beyond the extension, the Company is requesting reauthorization of the MCRP award upon maturity.

Background

The Michigan Strategic Fund Board at its November 28, 2012 meeting approved a \$1,857,131 Other Economic Assistance Loan Participation Award as part of a \$7,529,813 loan facility from Bank First fka First National Bank (“Lender”) for the demolition of an abandoned Sara Lee manufacturing facility, extensive site preparation work, infrastructure improvements, and the construction a new 30,900 square foot commercial building and a parking garage. The project was Phase I of a proposed three phase, high density, mixed-use development spread over an approximately 3.1 acre site located in the heart of the City of Marquette at 855-857 West Washington Street. The Veridea Group acquired the abandoned property in 2011. All three phases have been completed and successfully occupied, leading to over \$35 million of investment. End uses include office, residential, restaurants, lodging, a 204 stall underground parking garage, and linkage to the City’s walking/biking path. The combined phases of the project have a current taxable value of over \$10 million (at acquisition \$220,000 taxable value). Additionally, the overall development has been transformative to the area by bringing in a new national engineering firm, a new regional physical therapy rehabilitation center, improved restaurants, a new grocery store, and construction of a new health care facility that will house the new UP Health Systems Marquette Hospital.

The subject project completed construction in 2013 and is fully occupied. The building houses commercial tenants that include: mBank, Myefski Architects, United States Senator Gary Peters, Upper Peninsula Law, Petrucelli and Waara Law, and the Veridea Group headquarters.

The MCRP share of the financing has a remaining balance of \$1,500,000. As part of the original approval \$357,131 of the MCRP award was forgiven at construction completion and the project has been making interest only payments. Due to its successful performance the project is in a position to begin to

amortize the MCRP share of the financing. The development team is currently working with the Lender to refinance the Lender's share of the financing.

MEDC staff is requesting a 90 day extension of the agreement to allow time for the development team to execute on refinancing the Lender's share of the financing. Additionally, MEDC staff is requesting reauthorization of the MCRP award and authority for the MSF Fund Manager to negotiate the final terms of the MCRP award. The final terms are anticipated to include a security interest and interest rate (1.0%) consistent with the current MCRP Agreement, a term that matches that of the senior lender, and a 20 year amortization. It is anticipated that the reauthorized MCRP award will be in the form of a loan participation, but staff is requesting the ability to execute on a direct loan to the Company if necessary

The Company is current on all reporting requirements, and the current extension request will allow them to remain compliant with the MSF's Agreement.

Recommendation

The MEDC staff recommends approval of the following:

- A. Amendment of the MSF Agreement, extending the maturity date 90 days.
- B. Reauthorization of the MCRP award.
- C. Authorization for the MSF Fund Manager to negotiate the final terms of the reauthorized MCRP award.

**MICHIGAN STRATEGIC FUND
RESOLUTION 2018-**

**APPROVAL OF AN AMENDMENT AND REAUTHORIZATION OF
THE MICHIGAN COMMUNITY REVITALIZATION AWARD TO
VERIDEA GROUP, LLC**

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

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

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

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

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

WHEREAS, by Resolution 2012-168 on November 28, 2012 the MSF Board awarded a MCRP Other Economic Assistance – Performance-Based Loan Participation to Veridea Group, LLC (“Borrower”) of up to \$1,857,131 (the “MCRP Award”) in a \$7,529,813 loan facility from Bank First fka First National Bank (“Participating Lender”);

WHEREAS, the MEDC Staff recommends that the MSF Board approve 1) an amendment to the MCRP Award to allow for an extension of the maturity date of up to 90 days and 2) reauthorization of the MCRP Award, collectively the (“Amendment and Reauthorization Recommendation”); and

WHEREAS, the MSF Board wishes to approve the Amendment and Reauthorization Recommendation.

NOW THEREFORE, BE IT RESOLVED, the MSF Board approves the Amendment and Reauthorization Recommendation.

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

Ayes:

Nays:

Recused:

Lansing, Michigan
June 26, 2018

MEMORANDUM

Date: June 26, 2018

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

From: Julia Veale, Business Development Project Manager

Subject: Loc Performance Products, Inc. (“Company” or “Applicant”)
Michigan Business Development Program Performance-based Grant Request

Summary

This is a request from the Applicant for a \$7,000,000 performance based grant for the creation of 700 Qualified New Jobs and a capital investment of up to \$96,500,000 in Ingham County.

The Applicant has demonstrated a need for the funding. The Company has identified available sites that would meet its needs in Ohio and Pennsylvania. Both competing sites provide easier access to the Company's supply and customer base and would also provide significant savings in logistics costs. The alternative sites offer the infrastructure that Loc is looking for and have numerous large facilities that were previously utilized for heavy manufacturing. It is necessary for Michigan to close the financial gap that up-front construction costs will present versus the other sites which are move-in-ready.

Background

The Applicant is a full service provider of complex mechanical systems, fabricated structures and armor products for defense and commercial industries. From product design and development through production, the Company offers comprehensive services to produce the highest quality components at the volume required. The Company is currently headquartered in a manufacturing facility in Plymouth, Michigan. In June of 2017, the Company acquired the assets of Demmer Corporation in Lansing, Michigan.

The Applicant has received incentives from the MSF in the past. In December of 2014, the Company was approved for a \$600,000 MBDP grant for the creation of 95 jobs and \$12 million in investment. The Company met all Milestones in that agreement and has also added 203 employees to the base through the acquisition of Demmer Corp.

The Company is winning substantial defense contracts due to its manufacturing efficiencies and cost saving model. The recent acquisition of Demmer has allowed the Company to expand its manufacturing capabilities as well. The Applicant is also anticipating winning a \$412,000,000 contract along with a number of other large defense contracts. In order to achieve its growth strategy, the Company has begun identifying sites in the greater Lansing area where it can purchase or build to suit a state of the art facility to accompany its Plymouth based site. The Company plans on creating 700 new positions over the next five years and intends to continue operations in the Demmer facility until a site for a new facility is identified. The Demmer facility will require significant updates to accommodate the expansion.

The MEDC has completed civil and criminal background checks in accordance with the MSF Background Review Policy. No issues were identified.

Considerations

- a) The Applicant is a “Qualified Business”, as defined in MCL 125.2088r(7)(b), that is located and operates out of Michigan.
- b) The project will be located in Ingham County. Lansing Economic Area Partnership (LEAP) has offered a “staff, financial, or economic commitment to the project” in the form of a job fair to assist with talent acquisition. Since this project is primarily investing in machinery and equipment in addition to job creation, a tax abatement is not a suitable tool for this project. In lieu of a tax abatement, LEAP is prepared to assist the Company in finding candidates for the newly created positions.
- c) The Applicant has demonstrated a need for the funding. It is necessary for Michigan to close the financial gap that up front construction costs will present versus the other sites in Ohio and Pennsylvania which are move-in-ready.
- d) The Applicant plans to create 700 Qualified New Jobs above a statewide base employment level of 470.
- e) Pursuant to the program guidelines, the following was taken into consideration for the proposed project: project is not a retail project; project is not a retention project; involves out-of-state competition; has a net positive return to Michigan; level of investment; diversification; reuse of an existing facility; prospect of near-term job creation; wage level for new jobs; projected employer benefits and has 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
- c) Commitment will remain valid for 120 days with approval for the MSF Fund Manager to extend the commitment an additional 60 days.

MICHIGAN STRATEGIC FUND

RESOLUTION 2018-

**APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT TO
LOC PERFORMANCE PRODUCTS, 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, and (ii) adopted the guidelines for the MBDP (“Guidelines”);

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

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

WHEREAS, Loc Performance Products, Inc. (“Company”) has requested a performance based Michigan Business Development Program grant of up to \$7,000,000 (“Grant Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”); and

WHEREAS, the MEDC recommends 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”).

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan
June 26, 2018

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

The following is a summary of the highlights of the project and basic terms for which the Company desires grant support from the Michigan Strategic Fund ("MSF") under the Michigan Business Development Program ("MBDP").

Date: June 20, 2018

Company Name:	Loc Performance Products, Inc. and/or its affiliates and subsidiaries.
Project Location:	1600 North Larch Street Lansing, Michigan 48906 13505 Haggerty Road Plymouth, Michigan 48170 AND A location TBD in Ingham, Clinton or Eaton County
MBDP Incentive Type:	Performance Based Grant
Maximum Amount of MBDP Incentive:	Up to \$7,000,000
Base Employment Level:	At least 470
Qualified New Jobs:	At least 700 at the Project Site
Municipality Supporting Project:	LEAP has agreed to provide staff, financial or economic assistance in support of the project.
Start Date for Measurement of Creation of Qualified New Jobs:	Date Project Information submitted: March 19, 2018
Term of the Agreement:	April 30 , 2024
Milestone Based Incentive:	Disbursements will be made over a 5 year period and will be performance based on job creation as follows: *Milestone 1: \$1,680,000 for the creation of 140 jobs. Milestone 2: \$1,330,000 for the creation of 140 jobs. Milestone 3: \$1,330,000 for the creation of 140 jobs. Milestone 4: \$1,330,000 for the creation of 140 jobs. Milestone 5: \$1,330,000 for the creation of 140 jobs. *This project involves frontloading for the first Milestone.

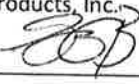
The detailed numbers, and statutorily required repayment and reporting provisions, will be reflected in the subsequent transaction documents.

MICHIGAN ECONOMIC
DEVELOPMENT CORPORATION

Acknowledged as received by:

Loc Performance Products, Inc.

By:



Printed Name:

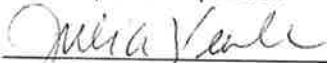
Lou Burr

Its:

CEO

Michigan Economic Development Corporation

By:



Printed Name:

Julia Veale

Its:

BDPM

MEMORANDUM

Date: June 26, 2018

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

From: Mike Gietzen, Senior Business Development Project Manager

Subject: Stryker Corporation (“Company” or “Applicant”)
Michigan Business Development Program Performance-based Grant Request

Summary

This is a request from Stryker Corporation for \$2,600,000 performance-based grant. This project involves the creation of 260 Qualified New Jobs and capital investment of up to \$109,785,357 in the City of Portage within Kalamazoo County.

The Applicant has demonstrated a need for the funding. The Applicant's Medical (Commercial & GQO divisions) continues to grow requiring the Company to evaluate expansion opportunities. The Company is evaluating operations worldwide for this growth including Michigan, Washington or Illinois as well as an existing operation in Canada that utilizes a contract manufacturer in Mexico. The Michigan location requires more upfront capital investment than the alternative locations. Incentive assistance is necessary to ensure the project proceed in Michigan.

Background

The Company, incorporated in Michigan in 1946, is a global leader in medical technology with products sold in over 100 countries. The Company offers innovative products and services in Orthopedics, Medical and Surgical, and Neurotechnology and Spine that help improve patient and hospital outcomes. The Applicant's products include implants used in joint replacement and trauma surgeries; surgical equipment and surgical navigation systems; endoscopic and communications systems; patient handling and emergency medical equipment; neurological, neurovascular and spinal devices; as well as other medical device products used in a variety of medical specialties.

The Applicant has received incentives from the MSF in the past. In December 2016 and February 2017, Stryker Corporation received a \$1,000,000 Michigan Business Development Program performance-based grant and an Act 381 Work plan for local and state Brownfield TIF capture of \$7,283,675 for the creation of 105 Qualified New Jobs and a capital investment of up to \$130,120,000 in the City of Portage within Kalamazoo County. The Applicant is in good standing with both incentives related to the project. The Applicant also received EDJT Workforce Training Fund dollars that it has successfully closed-out.

As a result of Stryker's Medical (Commercial & GQO divisions) continued growth, it finds itself with capacity issues at its existing locations. In order to accommodate this growth the Company plans to create 260 Qualified New Jobs by the end of 2025 and invest \$109 million by adding 253,000 square feet to an existing facility in the City of Portage.

The MEDC has completed civil and criminal background checks in accordance with the MSF Background Review Policy. No issues were identified.

Considerations

- a) The Applicant is a “Qualified Business”, as defined in MCL 125.2088r(7)(b), that is located and operates in Michigan.
- b) The project will be located in the City of Portage. The City of Portage has offered a “staff, financial, or economic commitment to the project” in the form of a tax abatement, which amounts to a reduction in property taxes of approximately 50%, which will help reduce the overall cost of doing the project in Michigan.
- c) The Applicant has demonstrated a need for the funding. As the Company evaluates options in Michigan it finds itself at a disadvantage compared to other potential locations. Should the Company choose to locate at a site outside of Michigan where it has options to lease it would require less upfront cost and would result in a quicker ramp up of the project. The Company is also evaluating the ability to outsource the needed resources, which would not require any additional square footage or investment in job creation. The final and most costly option is to expand at its current Portage facility.
- d) The Applicant plans to create 260 Qualified New Jobs above a statewide base employment level of 1,011.
- e) Pursuant to the program guidelines, the following was taken into consideration for the proposed project: involves out-of-state competition from other states that the Company has facilities located at, the project is shovel ready with the support of the MSF, the project diversifies Michigan economy, above average wages in Kalamazoo County, strong links to Michigan suppliers and customers, and is projected to result in a net positive return for the State of Michigan.

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

MICHIGAN STRATEGIC FUND

RESOLUTION 2018-

**APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT TO
STRYKER COPORATION**

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, and (ii) adopted the guidelines for the MBDP (“Guidelines”);

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

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

WHEREAS, Stryker Corporation (“Company”) has requested a performance based MBDP grant of up to \$2,600,000 (“Grant Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”); and

WHEREAS, the MEDC recommends 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”).

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan
June 26, 2018

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

This document contains terms and definitions, which will be used to structure this incentive. While the MBDP is operated and funded through the MSF, recommendation for approval of a MBDP incentive award is presented by the Michigan Economic Development Corporation (“MEDC”) to the MSF. Exhibit A will be presented to the MSF for consideration.

Terms and Definitions:

Base Employment Level: The number of jobs currently maintained in Michigan by the Company based on data submitted by the Company to the MEDC reflecting the Company’s employment level in Michigan prior to the proposed project. The Base Employment Level, including identification of the Company data used to establish this level, shall be included in the final MBDP Incentive Award agreement (“Agreement”) between the MSF and the Company.

Qualified New Job Creation: The minimum number of total Qualified New Jobs the Company shall be required to create at the Project Location (above the Base Employment Level), in addition to satisfying other milestones if applicable, to be minimally eligible to receive the full amount of the MBDP Incentive Award. Each Qualified New Job must be performed for consideration by a Michigan resident (whose Michigan income taxes are withheld as required), and each Qualified New Job must be in excess of the Base Employment Level. The final terms and conditions of the requirements for the minimum number of Qualified New Jobs that must be created, including provisions addressing disbursements of portions of the MBDP Incentive Award, shall be included in the final Agreement.

Company Investment: The Company anticipates investment of up to \$109,785,357 for new construction, machinery and equipment and furniture and fixtures, *or any combination thereof, for the Project.*

Municipality Support: One of the conditions of execution of the final Agreement is the requirement that the municipality shall have committed to provide: a property tax abatement related to the Project. The final terms and conditions demonstrating this support shall be included in the final Agreement.

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

On November 30th of each year, the Company may request disbursement equal to \$10,000 for each Qualified New Job (up to 260 Qualified New Jobs and not to exceed the total amount of \$2,600,000) upon demonstration that the base employment level and any Qualified New Jobs for which disbursements have previously been made have been maintained, and provided that:

1. On November 30, 2019, the Company has created a minimum of at least 25 Qualified New Jobs and submits documentation verifying commitment of local support;
2. On November 30, 2020, the Company has created a minimum of 50 Qualified New Jobs above the Base Employment Level; and
3. On November 30, 2021, the Company has created a minimum of 75 Qualified New Jobs above the Base Employment Level; and
4. On November 30, 2022, the Company has created a minimum of 100 Qualified New Jobs above the Base Employment Level; and

5. On November 30, 2023, the Company has created a minimum of 125 Qualified New Jobs above the Base Employment Level; and
6. On November 30, 2024, the Company has created a minimum of 150 Qualified New Jobs above the Base Employment Level; and
7. On November 30, 2025, the Company has created a minimum of 175 Qualified New Jobs above the Base Employment Level; and
8. On November 30, 2026, the Company has created a minimum of 200 Qualified New Jobs above the Base Employment Level; and

The Company shall receive disbursement for each Qualified New Job only once. In any given year, should the Company not exceed the number of Qualified New Jobs for which disbursements have been previously made, the Company shall not receive disbursement that year.

Term of Grant: May 31, 2027. However, in the event the Company receives disbursement of the maximum amount of MBDP Award prior to November, the term of the Grant will be 6 months after the final disbursement

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.

Reporting Requirements: Periodic reporting will be required with this program. The detailed information needed from the Company will be included in the final Agreement, but will include Project reporting for such things as: amount of proposed incentive, amount of actual incentive received by Company; amount of proposed and actual investment made by Company for Project; the committed number of new jobs and the actual number of new jobs created as a result of the Project.

Public Announcements: The Company shall not make, or cause, any announcement of the proposed MBDP Incentive Award parameters outlined in this letter before the date of approval by the MSF of the MBDP Incentive Award, unless prior authorized and coordinated with the MEDC. At the request and expense of the MSF or the MEDC, the Company will cooperate with the MSF or the MEDC to promote the Project through one or more of the placement of a sign, plaque, media coverage or other public presentation at the Project or other location acceptable to the Parties.

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

The following is a summary of the highlights of the project and basic terms for which the Company desires grant support from the Michigan Strategic Fund (“MSF”) under the Michigan Business Development Program (“MBDP”).

Date: June 12, 2018

Company Name:	Stryker Corporation and/or its affiliates and subsidiaries.
Project Location:	3800 E Centre Ave Kalamazoo, Michigan 49002
MBDP Incentive Type:	Performance Based Grant
Maximum Amount of MBDP Incentive:	Up to \$2,600,000
Base Employment Level:	At least 1,011
Qualified New Jobs:	At least 260
Municipality Supporting Project:	City of Portage has agreed to provide staff, financial or economic assistance in support of the project.
Start Date for Measurement of Creation of Qualified New Jobs:	June 6, 2018
Term of the Agreement:	May 31, 2027. However, in the event the Company receives disbursement of the maximum amount of MBDP Award prior to November 30, 2026 the term of the Grant will be 6 months after the final disbursement.
Milestone Based Incentive:	Disbursements will be made over a 8 year period and will be performance based on job creation as follows: On November 30 th of each year, the Company may request disbursement equal to \$10,000 for each Qualified New Job (up to 260 Qualified New Jobs and not to exceed the total amount of \$2,600,000) upon demonstration that the base employment level and any Qualified New Jobs for which disbursements have previously been made have been maintained, and provided that: <ol style="list-style-type: none">i. On November 30, 2019, the Company has created a minimum of at least 25 Qualified New Jobs and submits documentation verifying commitment of local support;ii. On November 30, 2020, the Company has created a minimum of 50 Qualified New Jobs above the Base Employment Level; andiii. On November 30, 2021, the Company has created a minimum of 75 Qualified New Jobs above the Base Employment Level; and

MICHIGAN ECONOMIC
DEVELOPMENT CORPORATION

- iv. On November 30, 2022, the Company has created a minimum of 100 Qualified New Jobs above the Base Employment Level; and
- v. On November 30, 2023, the Company has created a minimum of 125 Qualified New Jobs above the Base Employment Level; and
- vi. On November 30, 2024, the Company has created a minimum of 150 Qualified New Jobs above the Base Employment Level; and
- vii. On November 30, 2025, the Company has created a minimum of 175 Qualified New Jobs above the Base Employment Level; and
- viii. On November 30, 2026, the Company has created a minimum of 200 Qualified New Jobs above the Base Employment Level.

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

Acknowledged as received by:

Stryker Corporation

By:



Printed Name:

CONOR KELLY

Its:

06/18/2018

Michigan Economic Development Corporation

By:



Printed Name:

Michael Gietzen

Its:

Sr. Business Development Project Manager



MEMORANDUM

Date: June 26, 2018

To: Michigan Strategic Fund Board

From: Christopher Cook, Director Capital Access

Subject: *Private Activity Bond – Bond Inducement
Cathedral of St. Augustine’s
Nonprofit - \$26,500,000 – New*

Request:

Cathedral of St. Augustine’s (“Borrower”), is requesting private activity bond financing to invest in the acquisition of and renovations and improvements to 30 existing cemeteries in Michigan (the “Project”).

Background:

Borrower is an existing ecclesiastical corporation that was incorporated on September 12, 2002 and is a 501(c)(3) tax-exempt organization. Borrower is associated with St. Augustine’s National Foundation, which provides the educational ministries of the Borrower.

Description of Project:

Borrower intends to purchase all of the assets of 30 existing cemeteries. All of the assets are currently owned by two independent and autonomous entities (“Seller”), one is a Michigan limited liability company that has only two members, and the other a Michigan Corporation. Neither of those members nor the Seller is related, directly or indirectly, to the Borrower. As a Michigan ecclesiastical corporation, Borrower is legally able to purchase, own and operate the cemeteries.

The purchase of all 30 Cemeteries from the Sellers will require approval by the Michigan Cemetery Commissioner. The purchase of “28 targeted Cemeteries” of the 30 Cemeteries will require additional approval by the US Federal Court Northern District Georgia that has jurisdiction over the Court-appointed Receiver for the minority member of the Seller

Following the purchase of the cemeteries, in addition to the current 180 employees, approximately 100 FTEs will be added.

Plans of Finance:

Fifth Third Securities has indicated an interest in providing underwriting services to support this bond issue for the proposed \$26,500,000 issued in Bonds.

If the project size remains at \$26,500,000, the MSF issuance fee will be \$40,000.00

Recommendation:

After reviewing the Private Activity Bond application for Borrower, staff recommends the adoption of an Inducement Resolution in the amount \$26,500,000.

CATHEDRAL OF ST. AUGUSTINE'S

MICHIGAN STRATEGIC FUND

INDUCEMENT RESOLUTION

2018 - _____

WHEREAS, Cathedral of St. Augustine's ("Borrower") a Michigan ecclesiastical corporation, is presently located 17520 W. Twelve Mile Road, Southfield, MI 48076;

WHEREAS, the Borrower desires to purchase all of the assets of 30 existing cemeteries (the "Project");

WHEREAS, the Borrower has applied to the Michigan Strategic Fund (the "MSF") for a loan (the "Loan") to finance the Project;

WHEREAS, the Borrower has advised the MSF that the cost of the Project will not exceed Twenty-Six Million Five-Hundred Thousand Dollars (\$26,500,000);

WHEREAS, the Act authorizes the MSF to loan moneys to business enterprises for the purpose of financing projects and to obtain the money 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 Borrower subject to the conditions of this Resolution.
2. The Loan shall be designated for the Project in accordance with the Borrower's Tax-exempt Application Form dated November 30, 2017, and the amended Application received May 23, 2018.
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 Twenty-Six Million Five-Hundred Thousand Dollars (\$26,500,000). The Borrower 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, 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 Borrower 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 Borrower 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 Borrower.
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 Borrower.
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:

June 26, 2018
Lansing, Michigan

MEMORANDUM

Date: June 26, 2018

To: Michigan Strategic Fund Board

From: Christopher Cook, Director, Capital Access

Subject: *Private Activity Bond -- Authorizing Amendments to Bond Documents relating to Limited Obligation Bonds (Detroit Renewable Power Project Issue) Series 2013, Series 2014 and Series 2016 And (Detroit Thermal Issue) Series 2013*

Request:

On July 25, 2013, the MSF issued its \$27,535,000 Limited Obligation Revenue Bonds (Detroit Renewable Power Project), Series 2013 (the “2013 DRP Bonds”) for the purpose of renovating, improving and equipping an approximately 3,300 ton per day waste-to-energy plant (the “Energy Facility”) and related facilities located at 5700 Russell Street, Detroit, Wayne County, Michigan. The MSF also issued its \$27,430,000 Limited Obligation Revenue Bonds (Detroit Thermal Project), Series 2013 (the “2013 DT Bonds”) to finance costs of constructing, reconstructing, renovating, improving, expanding, and equipping an existing approximately 39 mile steam distribution pipeline (the “Thermal Facilities”) and related facilities located in Detroit, Wayne County, Michigan, within an area bordered by the Detroit River on the south, the John C. Lodge Freeway (MI-10) on the west, the Davison Freeway (MI-8) on the north and Conant Street and Mount Elliot Street (to the Detroit River) on the east, including buildings located at the following addresses in Detroit, Wayne County, Michigan: 541 Madison Avenue, 475 Baltimore Street, 42 Willis West Street; 2401 Fourth Street; and 3575 East Palmer Street, to supply thermal energy for heating or cooling mainly to buildings in downtown and midtown Detroit. The 2013 DRP Bonds and the 2013 DT Bonds were issued pursuant to a Trust Indenture, dated as of July 1, 2013, as amended and restated by an Amended and Restated Trust Indenture, dated as of June 1, 2016 (the “Original Indenture”), each between the MSF and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”).

On December 31, 2014, the MSF issued its \$6,760,000 Limited Obligation Revenue Facility Bonds (Detroit Renewable Power Project), Series 2014 (the “2014 Bonds”) to finance costs of renovating, improving and equipping the Energy Facility. The 2014 Bonds were issued pursuant to the Original Indenture, as supplemented by a First Supplemental Trust Indenture, dated as of December 1, 2014 (the “First Supplemental Indenture”), as amended, each between the MSF and the Trustee.

On June 2, 2016, the MSF issued its \$13,275,000 Limited Obligation Revenue Bonds (Detroit Renewable Power Project), Series 2016 (the “2016 Bonds” together with the 2013 DRP Bonds, the 2013 DT Bonds and the 2014 Bonds, the “Bonds”) to finance costs of renovating, improving and equipping the Energy Facility. The 2016 Bonds were issued pursuant to the Original Indenture, as supplemented by a Second Supplemental Trust Indenture, dated as of June 1, 2016 (the “Second Supplemental Indenture”), each between the MSF and the Trustee. The Original Indenture as supplemented and amended by the First Supplemental Indenture and the Second Supplemental Indenture, are referred to as the “Indenture”).

The MSF loaned the proceeds of the Bonds to Detroit Renewable Energy LLC, a Delaware limited liability company; Detroit Renewable Power LLC, a Delaware limited liability company; Detroit Thermal LLC, an Ohio limited liability company; Resource Recovery Business Trust 1991-A, a Delaware business trust; and Resource Recovery Business Trust 1991-B, a Delaware business trust (collectively, the “Borrowers”).

Proceeds of the Bonds were loaned to the Borrowers pursuant to a Loan Agreement, dated as of July 1, 2013, as amended and restated by an Amended and Restated Loan Agreement, dated as of June 1, 2016, as supplemented by a First Supplemental Loan Agreement, dated as of December 1, 2014 (as amended by an Amendment to First Supplemental Loan Agreement, dated as of June 1, 2016), and by a Second Supplemental Loan Agreement, dated as of June 1, 2016 (the “Loan Agreement”), each between the MSF and the Borrowers.

The request is for authorization to execute documents amending the Indenture, the Loan Agreement, and the Bonds. The amendments to the Indenture and the Bonds will result in a reissuance for federal income tax purposes. It has been indicated that neither the Energy Facility nor the Thermal Facilities will be substantially changed in size or appearance as a result of the costs financed with the proceeds of the Bonds.

Under the Indenture, the Bonds are subject to tender for purchase in accordance with the terms and provisions of the Indenture, upon the occurrence of a Change of Control (as defined in the Loan Agreement). A Change of Control occurred in 2017 following the purchase of an equity interest in one of more of the entities comprising the Borrowers. A dispute, resulting in litigation, arose between the Borrowers and the holders of the Bonds as to whether each holder had given the Trustee its tender notice election and, as a result, the Bonds were subject to a mandatory tender to the Trustee.

The parties have agreed to settle the litigation by executing amendments to the Indenture, each series of Bonds and the Loan Agreement. The Indenture amendments will reduce the interest rate per annum by 150 basis points on each series of Bonds and provide for the deposit of a credit facility into the debt service reserve fund in lieu of cash to satisfy all or a portion of the debt service reserve fund requirement for a series of Bonds. The amendments to the Loan Agreement will modify certain financial covenants of the Borrowers and permit the Borrowers to incur indebtedness related to obtaining a line of credit for working capital and capital expenditure purposes that is senior in security and payment to each series of outstanding Bonds.

The holders of 100% of each series of Bonds have, or will have, consented by the closing date to the amendments to the Indenture, the Bonds and the Loan Agreement in accordance with section 8.02 of the Indenture and section 12.5 of the Loan Agreement.

Recommendation:

Based upon a determination by Lewis & Munday, a Professional Corporation and the State of Michigan Attorney General's office that the amendments to the Indenture and change in the terms of the Bonds will be made in accordance with section 8.02 of the Indenture, and the amendments to the Loan Agreement will be made in accordance with section 12.5 of the Loan Agreement, staff recommends the adoption of a resolution authorizing the execution of documents amending the Indenture, the Bonds and the Loan Agreement which will result in the reissuance the 2013 Bonds, the 2014 Bonds and the 2016 Bonds.

MICHIGAN STRATEGIC FUND

RESOLUTION

2018-

At a meeting of the Michigan Strategic Fund (the “MSF”) held on June 26, 2018, in Lansing, Michigan, the following motion was moved and supported:

WHEREAS, the MSF and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), executed and delivered a Trust Indenture, dated as of July 1, 2013, as amended and restated by an Amended and Restated Trust Indenture, dated as of June 1, 2016, as supplemented by a First Supplemental Trust Indenture, dated as of December 1, 2014, as amended, and a Second Supplemental Trust Indenture, dated as of June 1, 2016 (the “Indenture”) to provide for issuance by the MSF of its \$27,535,000 Limited Obligation Revenue Bonds (Detroit Renewable Power Project), Series 2013, its \$27,430,000 Limited Obligation Revenue Bonds (Detroit Thermal Project), Series 2013, its \$6,760,000 Limited Obligation Revenue Bonds (Detroit Renewable Power Project), Series 2014 and its \$13,275,000 Limited Obligation Revenue Bonds (Detroit Renewable Power Project), Series 2016 (collectively, the “Bonds”);

WHEREAS, the MSF loaned the proceeds of the Bonds to Detroit Renewable Energy LLC, a Delaware limited liability company; Detroit Renewable Power LLC, a Delaware limited liability company; Detroit Thermal LLC, an Ohio limited liability company; Resource Recovery Business Trust 1991-A, a Delaware business trust; and Resource Recovery Business Trust 1991-B, a Delaware business trust (collectively, the “Obligor”);

WHEREAS, the MSF and the Obligor executed and delivered a Loan Agreement, dated as of July 1, 2013, as amended and restated by an Amended and Restated Loan Agreement, dated as of June 1, 2016, as supplemented by a First Supplemental Loan Agreement, dated as of December 1, 2014, as amended, and by a Second Supplemental Loan Agreement, dated as of June 1, 2016 (the “Loan Agreement”) to provide for the loan of the proceeds of the Bonds to the Obligor;

WHEREAS, a dispute arose between the Obligor and the holders of the Bonds concerning the exercise of a tender notice election by the bondholders under the Indenture that resulted in litigation and the parties have agreed as a part of the litigation settlement to make certain amendments to the Indenture, the Bonds and the Loan Agreement;

WHEREAS, the holders of all the Bonds outstanding of each series have agreed, with the consent of the Obligor, to amend the Indenture to reduce the interest rate per annum on each series of Bonds by 150 basis points and to provide for the deposit of a credit facility into the debt service reserve fund in lieu of cash

to satisfy all or a portion of the debt service reserve fund requirement for any series of Bonds;

WHEREAS, the holders of all the Bonds outstanding of each series and the Obligor have agreed to amend the Loan Agreement to modify certain financial covenants of the Obligor and permit the Obligor to incur indebtedness related to obtaining a line of credit for working capital and capital expenditure purposes that is senior in security and payment to each series of outstanding Bonds;

WHEREAS, the amendment to the Indenture to reduce the interest rate per annum on each series of Bonds by 150 basis points will cause a “reissuance” of such Bonds, resulting in a refunding of the outstanding Bonds of each series for federal income tax purposes; and

WHEREAS, the amendments to the Indenture, including the bond form included in the Indenture, to reduce the interest rate per annum on each series of Bonds and to provide for the deposit of a credit facility into the debt service reserve fund and the amendments to the Loan Agreement to modify certain financial covenants and other provisions in the Loan Agreement require the execution by the parties of a Third Supplemental Trust Indenture (the “Indenture Amendments”) and a Third Supplemental Loan Agreement (the “Loan Agreement Amendments”), respectively.

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF THE MSF:

1. The MSF consents to the amendment of the Indenture and the Bonds in substantially the form of the Indenture Amendments on file with the MSF, subject to the condition that the Borrower and the holders of each series of the Bonds consent to the execution of the Indenture Amendments and the Indenture Amendments are made in compliance the requirements of section 8.02 of the Indenture.

2. The MSF consents to the amendment of the Loan Agreement in substantially the form of the Loan Agreement Amendment on file with the MSF, subject to the condition that the holders of each series of the Bonds consent to the execution of the Loan Agreement Amendments and the Loan Agreement Amendments are made in compliance the requirements of section 12.5 of the Loan Agreement.

3. Upon receipt by staff of the MSF of the documentation required by this resolution, any authorized officer is authorized to execute and deliver the Indenture Amendments, the Loan Agreement Amendments and any other documents as may be necessary or desirable to carry out the matters approved by this resolution.

4. This resolution shall become effective upon adoption. If the documents set forth in Section 3 above are not executed and delivered by August 24, 2018, together with all other documentation executed pursuant to this resolution, the authority granted by this resolution shall lapse.

Adopted.

Ayes:

Nays:

Recusals:

June 26, 2018 Meeting
Lansing, Michigan

MEMORANDUM

Date: June 26, 2018

To: Michigan Strategic Fund Board

From: Christopher Cook, Director, Capital Access

Subject: *Private Activity Bond – Bond Authorizing/Request for Extension
Hillcorp Properties, LLC - \$4,000,000
Taxable*

Request for Extension

Hillcorp Properties (“Hillcorp”), a State of Delaware limited liability company, was approved for not to exceed \$4,000,000 private activity taxable bond financing at the March 27, 2018, MSF Board meeting for the purpose of the acquisition and installation of energy efficiency improvements, including a new heating and air conditioning system, located within its Lansing facility located at 2703 Ena Drive, Eaton County. Hillcorp will lease the project in its entirety to Liquid Web, a Michigan limited liability company, which is related to Hillcorp through common ownership. The initial bond authorizing resolution appointed KeyBanc Capital Markets Inc. as the placement agent.

At the request of Hillcorp and the servicer/arranger Structured Finance Associates, on April 24, 2018 the MSF Board approved the substitution of Wells Fargo Bank, N.A., as the placement agent for the Bonds in replacement of KeyBanc Capital Markets Inc. and extended the bond authorizing resolution to June 30, 2018.

Following such April 24th approval Wells Fargo Bank, N.A. declined to serve as placement agent for the Bonds. Hillcorp and Structured Finance Associates have now requested that the MSF Board reappoint KeyBanc Capital Markets Inc. to serve as placement agent and extend the bond authorizing resolution to July 31, 2018.

Recommendation

Based upon a determination by Dickinson Wright PLLC and the State of Michigan Attorney General’s office that this transaction complies with state and federal law requirements for taxable financing, staff recommends the MSF Board approve the reappointment of KeyBanc Capital Markets Inc. as placement agent and the extension of the bond authorizing resolution to July 31, 2018.

SECOND RESOLUTION TO AMEND RESOLUTION 2018-048 REGARDING THE
ISSUANCE OF THE MICHIGAN STRATEGIC FUND LIMITED OBLIGATION
REVENUE BONDS (HILLCORP PROPERTIES, LLC PROJECT), SERIES 2018
(FEDERALLY TAXABLE) (THE "BONDS")

Resolution 2018-_____

At a meeting of the Michigan Strategic Fund (the "Fund") held on June 26, 2018, in Lansing, Michigan, the following motion was moved and supported:

A. The Fund approved a bond authorizing resolution, designated Resolution 2018-048, for the issuance of bonds on behalf of Hillcorp Properties, LLC, a Delaware limited liability company (the "Borrower"), in the aggregate principal amount not to exceed \$4,000,000 to assist the Borrower in financing (1) the acquisition, construction and equipping of Energy Efficiency Improvements to its commercial facilities located at 2703 Ena Drive, Charter Township of Delta, Eaton County, Michigan (the "Project") and (2) paying all or a portion of the costs of issuance related to the Bonds..

B. Resolution 2018-048 had an expiration date of April 30, 2018 and approved KeyBanc Capital Markets Inc. ("KeyBanc") as the Placement Agent.

C. The Borrower requested that the Fund amend Resolution 2018-048 to (1) extend the expiration date to June 30, 2018 and (2) replace KeyBanc with Wells Fargo Bank ("Wells Fargo") as the Placement Agent.

D. The Fund approved an amendment to Resolution 2018-048 (1) extending the expiration date to June 30, 2018 and (2) approving Wells Fargo as the replacement Placement Agent.

E. The Borrower requests that the Fund amend Resolution 2018-048 to (1) extend the expiration date to July 31, 2018 and (2) replace Wells Fargo with KeyBanc as the Placement Agent.

NOW, THEREFORE, Be It Resolved by the Board of the Fund:

1. Resolution 2018-048 is amended to change the expiration date from June 30, 2018 to July 31, 2018.
2. KeyBanc is approved as the replacement Placement Agent.
3. In all other respects, Resolution 2018-048 shall remain in full force and effect.
4. This resolution shall become effective upon adoption.

Adopted.

Ayes:

Nays:

June 26, 2018 Meeting
Lansing, Michigan

MEMORANDUM

Date: June 26, 2018

To: Michigan Strategic Fund Board

From: Charles Donaldson, Community Assistance Team Specialist
Emanuel Odom, Underwriting and Incentive Structuring Specialist
Lori LaPerriere, MCRP and Brownfield Program Specialist

Subject: Coolidge Park Limited Dividend Housing Association Limited Partnership and Communities First, Inc. – Request for Approval of a Michigan Community Revitalization Program Performance-Based Grant – Coolidge Park Apartments

Request

The proposed project will be undertaken by Coolidge Park Limited Dividend Housing Association Limited Partnership and Communities First, Inc. It will redevelop approximately five acres of property located at 3701 Van Buren Avenue in the City of Flint. The project is located near downtown and qualifies for a Michigan Community Revitalization Program (MCRP) award because it is a historic resource and a facility. The project has been awarded 9% Low Income Housing Tax Credits (LIHTC) from MSHDA.

Coolidge Park Limited Dividend Housing Association Limited Partnership and Communities First, Inc. (Applicants) are requesting approval of a MCRP award in the amount of \$1,000,000 in the form of a performance-based grant.

The total cost to complete the project is estimated at \$16.5 million. Low rental rates available in the area and the LIHTC targeted units limit the level of traditional debt the project can support and requires the project to secure other resources to ensure the success of the project. ELGA Credit Union is providing financing totaling \$830,000 for the first floor commercial and market rate units. The development team has secured Alliant Capital, LTD, that is providing a LIHTC equity investment of \$10,924,006, and a historic tax credit (HTC) equity investment of \$1,279,904. Additionally, the project is receiving support from the City of Flint in the form of HOME funds totaling \$766,581 and a PILOT for the LIHTC portion of the project. The development team is providing an equity contribution in the amount of \$906,609 and deferring approximately 54% of the Developer Fees. Traditionally, a majority of the upside for a developer of a LIHTC is obtained through developer fees, the significant deferral of the fees exemplifies the commitment of the development team to the project. To fill the remaining financing gap the development team is requesting consideration for a \$1,000,000 MCRP grant. The anticipated developer return is under 2.00%. MCRP detailed structure is provided in **Appendix A**.

The project deviates from parameters as staff is recommending a \$1,000,000 performance-based grant. The MCRP parameters generally limits grants to projects to \$750,000. Due to the depressed rental market in the City of Flint and the brownfield conditions that exist, the project would not be financially feasible without a grant of \$1,000,000.

Additionally, it is projected that the project's debt service coverage ratio will dip below the MCRP parameter requirement of 1.20 to 1.00 after year 14. MEDC staff is comfortable with this deviation due to the significant level of operating reserves that will escrowed as part of the transaction (estimated at \$300,000).

Lastly, the development team is only deferring a portion of their developer fees. Generally, staff requires that projects defer 100% of the developer fees on projects receiving a grant. MEDC staff is comfortable with this deviation due to the fact that a majority of the project is targeted at LIHTC eligible tenants. Usually, LIHTC developments generate a majority of returns available to developers through developer fees.

The Applicants anticipate that the project will result in total capital investment in the amount of \$16,515,679, along with the creation of approximately 12 permanent full-time equivalent jobs with an average hourly wage of \$21.25.

Background

The project is the transformation of the Calvin Coolidge Elementary School site from an abandoned school building (two stories and approximately 43,437 square feet) that is currently an attractive nuisance and formerly a financial drain on the Flint school to a vibrant and bustling mixed-use development. The existing school building has been closed since 2011.

Coolidge Park Apartments will be comprised of 54 apartment rental units. The unit mix includes 45 mixed-income affordable rental apartments for singles and families and 9 market rate rental units. This project will involve the rehabilitation of the former Calvin Coolidge Elementary School into 24 apartments and construction of a new 4-story, mixed-use building on the same property to include 30 apartments and approximately 9,882 square feet of commercial space. The total square footage of the buildings will be approximately 87,346. The residential units will be one, two and three bedrooms to accommodate a variety of family makeups. In addition, there will be an office for management staff, and dedicated community space where additional opportunities for residents such as enrichment classes or employment training will take place. It is anticipated that a commercial anchor, attractive to nearby hospital employees and patients and their families, will be included in the mixed-use building.

Coolidge Park Limited Dividend Housing Association Limited Partnership is the entity created for the project. Communities First, Inc. (CFI) is a Michigan nonprofit 501(c)(3) whose mission is to build healthy, vibrant communities through economic development, affordable housing and innovative programming. In Flint, CFI is co-developer of Oak Street Senior Apartments, a \$5.1 million project that provides 24 units of safe, affordable housing for low-income seniors in the downtown Flint area. This project is energy efficient, sustainable and is Enterprise Green Communities certified. Communities First, Inc. is also co-developer of Swayze Apartments in Flint, a vacant and blighted building that was

renovated into 36 apartments for people who are homeless, at risk of homelessness or who have special needs. This \$8.1 million project has been funded by the Michigan State Housing Development Authority, City of Flint and a Low Income Housing Tax Credits equity investment of \$6,643,893. CFI has not received previous incentives from the Michigan Strategic Fund (MSF). The MEDC has completed civil and criminal background checks in accordance with the MSF Background Review Policy. No issues were identified.

Appendix B addresses the programmatic requirements and **Appendix C** includes a project map and renderings.

Recommendation

MEDC staff recommends approval of the following (the “Recommendation”):

- a) A MCRP performance-based grant in the amount of \$1,000,000 for Coolidge Park Limited Dividend Housing Association Limited Partnership and Communities First, Inc.
- b) Approval of deviation from the MCRP Incentive Parameters which traditionally limits grant awards to \$750,000. Staff is requesting approval a \$1,000,000 performance-based grant award for the project.
- c) Approval of deviation from the MCRP Incentive Parameters which requires a DSCR of 1.20 to 1.0.
- d) Approval of deviation from the MCRP Incentive Parameters which requires projects receiving grants to defer 100% of developer fees.

APPENDIX A - Summary of Terms

1. **Company Name:** Coolidge Park Limited Dividend Housing Association Limited Partnership and Community First, Inc.
2. **Company Address:** 415 West Court
Flint, Michigan 48503
3. **MCRP Award Type:** Performance Based Grant
4. **Maximum Amount of MCRP Incentive:** Lesser of 25% of the Eligible Investment, as defined by the Program Guidelines, or \$1,000,000 (“MCRP Award”)
5. **Project Description (“Project”):** The project will involve the rehabilitation of the former Calvin Coolidge Elementary school building as well as the construction of a new mixed-use building on the same property. The historic Calvin Coolidge School building will provide 24 apartments and the new mixed use building will consist of 30 apartments and approximately 9,882 square feet of commercial space.
6. **Minimum Eligible Investment:** \$3,382,000
The minimum is based on 80% of the total Eligible Investment amount requested on the MCRP application. The Eligible Investment on the Project is anticipated to include:
 - New Building Construction
 - Building Alteration/Rehabilitation/Improvement
 - Site Improvements
 - Addition of Machinery, Equipment or Fixtures to the Project
 - Professional Fees
7. **Start Date for Measurement of Eligible Investment:** January 1, 2018
8. **Project Qualifying As:**
 - Historic Resource
 - Facility
9. **Conditions to Close:** Prior to closing on the MCRP grant, the applicant must submit:
 - a. A guaranteed maximum price construction contract
 - b. Resolutions designating the person(s) authorized to execute the MCRP agreement
 - c. Financing commitments or other equivalent evidence from all other Financing sources including the Bridge Lender

- d. Final pay-in schedule from Tax Credit Investors
- e. Appraisal (As Complete)

10. Progress and Milestones & Disbursement: The final terms and conditions of each of the Progress Milestones shall be included in the final Agreement, including that before any disbursement is made to the Applicant, the Applicant must demonstrate timely completion of all Progress Milestones, as required, and otherwise be in full compliance with all terms and conditions of the final Agreement. The MSF Fund Manager, in coordination with Michigan Economic Development Corporation (MEDC) Staff, is authorized to negotiate the final terms and conditions of the final Agreement to be used to memorialize MCRP awards on the MSF's behalf in accordance with the Guidelines and are anticipated to include:

- a. Pre-improvement Progress Milestone 1: Written certification from the senior lender, ELGA Credit Union, or a copy of the executed loan agreement, note and mortgage, evidencing that the applicant has closed on financing in the minimum amount of \$830,000 or contributed additionally equity to cover the difference.
- b. Evidence of a minimum equity investment of \$906,609.
- c. Documentation of local site plan approval.
- d. Completion of the Project Progress Milestone: Issuance of a certificate of occupancy on terms and conditions satisfactory to the MSF Fund Manager.
- e. Evidence of Historic Part III approval from the National Park Service.

11. Municipality supporting the Project (“Municipal Support”): The City of Flint is supporting the project with commitments of HOME funds totaling \$611,733 and additionally \$154,848 is pending City Council and HUD approval of the 2018-2019 Action Plan to be completed by July 1, 2018. The City's total support of HOME funds is anticipated to be \$766,581. The City has also granted a PILOT of 4% of contract rents less utilities. The final terms and conditions evidencing this support shall be included in the final Agreement.

12. Site Plan Approval: A condition for execution of the final Agreement is that the local unit of government, or its' designated planning body, has approved the final Site Plan for the Project, and that the form and substance of the Site Plan are acceptable to the MSF.

13. Term of Agreement: From execution of the final Agreement until the date three (3) years after the completion of the final Progress Milestone.

14. Repayment and Penalty Terms: Some repayment and penalty provisions are required by law. The repayment and penalty terms and conditions will be effective through the Term of the Agreement and shall be defined in the final Agreement, and may include any or all of the following: a penalty, reduction of all or a portion of the MCRP Award, repayment of any portion of any disbursement of the MCRP Award, or ineligibility of the Applicant and its sponsors for any support or economic assistance from the MSF, as the case may be, if the Applicant fails to comply with the Agreement, any reporting requirements defined in the final Agreement, or otherwise violates the MSF Act.

15. Final Terms and Conditions: The MSF Fund Manager, in coordination with MEDC Staff, is authorized to negotiate the final terms and conditions of the final Agreement to be used to memorialize MCRP awards on the MSF's behalf in accordance with the Guidelines and is anticipated to include the terms described above.

APPENDIX B – Programmatic Requirements & Screening Guidelines

MCRP Program and its Guidelines

On December 21, 2011, the MSF Board approved the Michigan Community Revitalization Program (MCRP) and on September 22, 2015, the MSF Board approved its restated program guidelines. The primary intended objective of the MCRP is to provide incentives to persons that make eligible investments on eligible property in Michigan. The total eligible investment for this project is estimated to be \$4,226,437.

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 MCRP, the following statutory criteria is being considered by the MSF:

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

The City of Flint has identified the following objectives in its Master Plan: 1) eliminate blight and urban decay; 2) diversify the city's housing stock to allow anyone to make Flint their home; and 3) ensure responsible and sustainable housing development. Coolidge Park Apartments represents the achievement of all three of the above referenced objectives by transforming a blighted and deteriorating school building into housing units targeted at different income levels including market rate. Lastly, the project will be financed with several sources of funds and will be supported by several operating reserves to ensure long term success.

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

The development of Coolidge Park Apartments will provide a high quality, sustainable residential area for employees who desire to live within walking distance of where they work. The development will potentially bring new companies and visitors into this area, which will help make this area of the city an attractive and viable neighborhood. The project will also add new commercial and residential tenants to this area of downtown. These additions are expected to act as a catalyst for new development and growth. The addition of new people in the neighborhood just west of downtown is also expected to increase the economy of local businesses.

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

The City of Flint is supporting the project with \$766,581 in HOME funds as well as providing a PILOT for the project that will assist in the successful operation and financing of the project.

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

Low rental rates available in the area and the LIHTC targeted units limit the level of traditional debt the project can support and requires the project to secure other resources to ensure the success of the project. ELGA Credit Union is providing financing totaling \$830,000 for the first floor commercial and market rate units. The development team has secured Alliant Capital, LTD, that is providing a LIHTC equity investment of \$10,924,006, and a historic tax credit (HTC) equity investment of \$1,279,904. Additionally, the project is receiving support from the City of Flint in the form of HOME funds totaling \$766,581 and a PILOT for the LIHTC portion of the project. The development team is providing an equity contribution in the amount of \$906,609 and deferring approximately 54% of the Developer Fees. Traditionally, a majority of the upside for a developer of a LIHTC is obtained through developer fees, the significant deferral of the fees exemplifies the commitment of the development team to the project. To fill the remaining financing gap the development team is requesting consideration for a \$1,000,000 MCRP grant. The anticipated developer return is under 2.00%.

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

The Coolidge Park Apartments project will reuse and rehabilitate the historic Calvin Coolidge Elementary School building. The historic renovation will be consistent with the Secretary of the Interiors Standards for Historic Preservation. The building was built in 1928 and has architectural significance for its period, and the interiors have retained a high degree of integrity.

F. Creation of jobs:

The project is expected to create an estimated 12 permanent full-time equivalent jobs from retail and office tenants with an average hourly wage of \$21.25. These new jobs will provide new customers to multiple downtown businesses.

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

This project is a MSHDA “strategic investment” project selected by the Governor to start construction in 2018 as a response to the Flint water crisis. It is being completed by Communities First, Inc., a local Flint-based nonprofit development organization that is working to continue the revitalization of the city through brick and mortar projects as well as programming and partnerships. Sources of funding demonstrate the broad and deep efforts of Communities First, Inc. in bringing all possible funds into the project from philanthropic organizations, the City of Flint (HOME funds and PILOT), conventional debt, historic tax credit and LIHTC equity, developer equity, and the State of Michigan.

H. Whether the project is financially and economically sound:

The project’s residential units will be managed by Premier Management, an experienced affordable housing property management company. This project will meet the demand for affordable and market rate housing in the City of Flint, which has a large supply of older and under-capitalized housing stock. The City’s master plan notes that additional housing units are needed in the downtown area, traditional neighborhoods and mixed use locations. The rental rates

are deemed to be reasonable for housing and commercial space within the near downtown area. The anticipated stabilized vacancy rate after year 3 for housing is 5% and 15% for the commercial space after year 3. The Debt Service Coverage Ratio is projected to exceed the minimum requirement of 1.20 to 1.00 through year 14 within the 20 year period of projected cash flow. However an operating reserve of \$300,000 will support the project in the period year 15 to year 20 in which the Debt Service Coverage ratio is less than the minimum requirement.

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

The project will increase the density of the area by constructing a new four-story building along S. Ballenger Highway. The project will add 54 mixed-income rental apartment units and almost 10,000 square feet of commercial space to the site. The new residential units and commercial space will increase density and walkability of the area.

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

The project is adding new commercial and residential space to the near downtown neighborhood. It promotes walkable communities by rehabilitating historic buildings and filling in long-vacant space, which will drive additional foot-traffic to the area. The new building is zero-lot line developed, offers large retail windows on the first floor and is fronted by large, walkable sidewalks.

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

The site is currently owned by the Developer. The site was purchased from the Flint School District after being closed in 2011.

L. Whether the project promotes sustainable development:

The project is planned to achieve the Enterprise Green Communities Certification which includes the following elements: implementation of EPA Best Management Practices for Construction Site Stormwater Runoff Control (or local requirements, if more stringent); provide native plantings appropriate to the site's soil and microclimate; install water-conserving fixtures in units and common facilities; install energy star appliances; provide high-efficiency lighting controls for all permanently installed lighting fixtures in dwelling units, common spaces, and exteriors.

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

The Coolidge Park project includes the rehabilitation of the historic Calvin Coolidge Elementary School. The building will be historically renovated according to the Secretary of Interior's Standards for Historic Preservation. The project is also utilizing historic tax credits.

N. Whether the project addresses area-wide redevelopment:

The project addresses the community's area-wide redevelopment goals by providing additional commercial and residential development in the neighborhood just west of downtown. The project meets the goals of the Master Plan by creating development that is mixed use, has historic character, and is pedestrian friendly. The new residences will encourage more pedestrian use of the corridor, and provide much needed housing options.

O. Whether the project addresses underserved markets of commerce:

Coolidge Park Apartments will provide much needed affordable and market rate housing to Flint residents, which has a large supply of older and under-capitalized housing stock. The City's Master Plan notes that additional housing units are needed in both the downtown area, traditional neighborhoods, and mixed-use locations. The project will serve residents primarily who earn 60% of AMI or less while providing some units for those who can afford to pay market rates.

This project will bring new retail services where there is still a lack of economic activity and new investment as compared to the downtown area adjacent to this project where most of the recent development has occurred.

P. The level and extent of environmental contamination:

Funds have been budgeted to remediate expected encounters with lead based paint and asbestos containing materials given the age of the school building.

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 historic Calvin Coolidge Elementary School will be renovated according to the Secretary of Interior's Standards for Historic Preservation. The project is receiving historic tax credits, and requires approval from the State Historic Preservation Office (SHPO).

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

The commercial anchor has not been identified.

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 criteria needs to be considered.

APPENDIX C – Project Map and Renderings





MICHIGAN STRATEGIC FUND

RESOLUTION 2018 -

**APPROVAL OF A MICHIGAN COMMUNITY REVITALIZATION PROGRAM
PERFORMANCE BASED GRANT AWARD TO
COMMUNITIES FIRST, INC. AND
COOLIDGE PARK LIMITED DIVIDEND HOUSING ASSOCIATION LIMITED PARTNERSHIP**

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

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

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

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

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

WHEREAS, Communities First, Inc. and Coolidge Park Limited Dividend Housing Association Limited Partnership (“Company”) has requested a performance based grant of up to \$1,000,000 (“Award Request”), along with other general terms and conditions; and

WHEREAS, the MEDC has recommended that the MSF approve the Company’s Award Request subject to: (i) available funding, (ii) final due diligence performed to the satisfaction of the MEDC; and (iii) execution of the Transaction Documents 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 90 days (“MCRP Award Recommendation”).

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan
June 26, 2018

MEMORANDUM

Date: June 26, 2018

To: Michigan Strategic Fund Board

From: Emily Petz, Community Assistance Team Specialist
Lisa Edmonds, MCRP and Brownfield Program Specialist
Julius L. Edwards, Underwriting and Incentive Structuring Manager

Subject: City of Kalamazoo Brownfield Redevelopment Authority
Request for Approval of an Act 381 Work Plan
400 Rose St. Development

400 Rose, LLC and Park@Cedar II, LLC- Request for Approval of a Michigan Community Revitalization Program Other Economic Assistance Award

Request

The proposed project will be undertaken by 400 Rose, LLC, an entity of the Hinman Company and Park@Cedar II, LLC, an entity of AVB Construction, both experienced developers. The project will redevelop an approximately 2.15 acre site consisting of an existing surface parking lot and vacant land located at 400 S. Rose Street in the City of Kalamazoo into a newly constructed four story mixed-use building. The site is located in a downtown and qualifies for a Michigan Community Revitalization Program (MCRP) award and Act 381 work plan because it is a facility.

In order to alleviate Brownfield conditions and prepare the proposed project site for redevelopment, the City of Kalamazoo Brownfield Redevelopment Authority is seeking approval of local and school tax capture for MSF eligible activities in the amount of \$3,632,517.

400 Rose, LLC and Park@Cedar II, LLC (“Applicants”) are requesting approval of a MCRP award in the amount of \$4,400,000 in the form of an Other Economic Assistance Performance-Based Loan Participation with 1st Source Bank (“Lender”).

Due to moderate residential rental rates, the brownfield conditions associated with the site and the proposed undergrounding parking, the project requires public financial support to be economically feasible. The development team has maximized the available traditional debt, which is approximately 68% of the total development cost or \$17,500,000. Additionally, they have been able to raise \$2.7 million in private equity (10.6% of total development costs) and are deferring 100% of developer fees. The project is also leveraging Brownfield Tax Increment Financing and a Neighborhood Enterprise Zone. The development team is requesting a \$4,400,000 MCRP award to fill the remaining financing gap. It is

anticipated that the investors will be able to achieve just under a 9% return. The MCRP detailed loan structure is provided in **Appendix A**.

The project deviates from the MCRP parameters as the pro forma debt service coverage ratio is 1.15 to 1.00 in early years based on the committed financing for the project. Staff is comfortable with this deviation due to the financial strength of the development team and the potential upside of residential rental rates available in downtown Kalamazoo. Additionally, the average projected for the project is above 1.25 to 1.00.

Additionally, MEDC staff is requesting an MCRP award of above 20% of “Eligible Investment”. The parameters prefer non-historic MCRP investments to be less than or equal to 20% of “Eligible Investment”.

The Applicants anticipate that the project will result in a total capital investment in the amount of \$25,558,576, along with the creation of approximately 7.5 permanent full-time equivalent jobs with an average hourly wage of \$15.00.

Background

It is anticipated that the proposed approximately 132,153 square foot four-story, mixed-use, new construction infill project in downtown Kalamazoo will add approximately 35,346 square feet of parking with 185 spaces, 135 apartments and approximately 7,371 square feet of commercial space to downtown Kalamazoo. A portion of the residential units will be targeted to middle income tenants (approximately 14 units). The project will convert an existing 2.15 acre brownfield parking lot and vacant land in downtown Kalamazoo to a vibrant multi-story development. As an infill project, the design and approach mesh well with the existing uses to the north, east and south of the project site. In addition, the project meets several important strategic goals of the Imagine Kalamazoo 2025 master plan. The units will vary in size and include mostly market rate units with ten percent at affordable rates as requested by the City of Kalamazoo. It will also be LEED certified to help the residents and management company save money on energy bills.

Demolition activities will be necessary to remove a surface parking lot. Site preparation activities include grading and compaction, cut and fill, surveying staking, site preparation engineering and clearing and grubbing. Infrastructure improvements including curb and gutter, sidewalks, underground parking, a storm water management system and water and sewer improvements are necessary to support the new development.

The Hinman Company is based out of Portage, Michigan and has been involved in the development and investment of over 10 million square feet of commercial space over the last 40 years. It has been involved with several successful projects with governmental support including: Battle Creek Tower Renaissance Zone, K2 Office Building that is receiving an OPRA, and Terrace Plaza Muskegon that received a NEZ, and MCRP Grant. The MEDC has completed civil and criminal background checks in accordance with the MSF Background Review Policy. No issues were identified.

Appendix B addresses the programmatic requirements and **Appendix C** includes a project map and renderings.

Recommendation

MEDC staff recommends approval of the following (the “Recommendation”):

- A) Local and school tax capture for the Act 381 eligible activities totaling \$3,632,517. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at \$1,390,528.
- B) A MCRP other economic assistance performance-based loan participation in the amount of \$4,400,000 for 400 Rose, LLC and Park@Cedar II, LLC.
- C) Deviation from MCRP parameters that require a 1.20 to 1.00 debt service coverage ratio for the project.
- D) Deviation from MCRP parameters that prefer MCRP investments in non-historic projects to be limited to 20% of “Eligible Investment”.

APPENDIX A – MCRP Financial Structure

FINANCING OPPORTUNITY – MCRP LOAN PARTICIPATION

The project is seeking Michigan Strategic Fund (MSF) participation in coordination with 1st Source Bank (“Lender”) as the senior lender. The Lender, along with the Borrower, has requested the MSF participate in up to \$4,400,000 of a total of \$21,900,000 in construction to permanent loan financing. The MSF would be pari passu in terms of payments on its share of the loan. The MSF would allow the collateral to apply first to the Lender’s share in an event of liquidation. It is anticipated that disbursements to the project on the loan will be made on a pro-rata basis. Below outlines a summary of the development sources and the proposed structure of the loan participation.

SUMMARY OF DEVELOPMENT SOURCES:

1 st Source Bank Share	\$ 17,500,000	68.5%
MSF Share	\$ 4,400,000	17.2%
Owner Equity	\$ 2,703,576	10.6%
Deferred Fees	\$ 955,000	3.7%
TOTAL	\$ 25,558,576	100.0%

LOAN FACILITY

MSF Facility	MCRP Loan Participation and Servicing Agreement Under “Other Economic Assistance”
Borrower:	400 Rose, LLC and Park@Cedar II, LLC
Lender:	1 st Source Bank
Total Financing Amount:	Currently estimated at \$21,900,000
Lender Share:	Currently estimated at \$17,500,000
MSF Share:	Up to the lesser of 25% of “Eligible Investment” or \$4,400,000
Term:	To match that of the Lender, not to exceed 150 months.
Amortization:	To match that of the Lender, not to exceed 360 months following an interest only period.
Interest Rate:	On the MSF share anticipated to be 1.00% per annum.

Repayment Terms: Up to 30 months of monthly interest only payments followed by monthly principal and interest payments. Principal balance due at maturity.

Limited Subordination of Payments

During the amortization period, payments on the MSF Share will be set periodically at a level to assist the project in maintaining a debt service coverage ratio of 1.20 to 1.00.

Collateral: To match that of the Lender, currently anticipated being a mortgage lien on the property, assignment of leases and rents, and a security interest in the TIF reimbursements. MSF share of collateral will be subordinated to that of the Lender.

Guarantee: To match that of the Lender, currently anticipated to be the unsecured personal guarantees of the owners. MSF share of guarantees will be subordinated to that of the Lender.

MSF Fees: The MSF shall be paid a one-time fee equal to one percent of the MSF's share of the loan. The Lender may charge the borrower for this fee.

Funding: The MSF will fund up to \$4,400,000 to be disbursed following closing of the financing and other performance criteria.

Other Conditions: The MSF's investment will be contingent upon the following:

- A minimum owner equity contribution of \$2,700,000 to the project.
- Receipt of a "Guaranteed Maximum Price" construction contract.
- Receipt of Final Project Budget
- Receipt of executed Development Agreement with the City of Kalamazoo

APPENDIX B – Programmatic Requirements & Screening Guidelines

Property Eligibility

The project is located within the boundaries of the City of Kalamazoo, which is a Qualified Local Governmental Unit, and has been determined to be a facility as verified by Michigan Department of Environmental Quality (DEQ) on May 11, 2018.

The property is the subject of a Brownfield Plan, duly approved by the City of Kalamazoo on May 21, 2018.

In addition, the project is requesting from the MDEQ \$52,500 in TIF to assist with environmental eligible activities.

MCRP Program and its Guidelines

On December 21, 2011, the MSF Board approved the Michigan Community Revitalization Program (MCRP) and on September 22, 2015, the MSF Board approved its restated program guidelines. The primary intended objective of the MCRP is to provide incentives to persons that make eligible investments on eligible property in Michigan. The total eligible investment for this project is estimated to be \$19,151,112.

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 MCRP, the following statutory criteria is being considered by the MSF:

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

The City of Kalamazoo supports this project as it meets many of the goals in their newly updated master plan. This project will increase the value of a site that was once vacant, give residents a place to live downtown and spur more investment in the City.

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

The project will encourage more activity in the area.

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

The City of Kalamazoo has contributed through Brownfield Tax Increment Financing of \$2,241,989 and by establishing a Neighborhood Enterprise Zone to assist the project.

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

Due to moderate residential rental rates, the brownfield conditions associated with the site and the proposed undergrounding parking, the project requires public financial support to complete the project. The development team has maximized the available traditional debt, which is approximately 68% of the total development cost or \$17,500,000. Additionally, they have been able to raise \$2.7 million in private equity (10.6% of total development costs) and are deferring 100% of developer fees. The project is also leveraging Brownfield Tax Increment Financing and a Neighborhood Enterprise Zone. The development team is requesting a \$4,400,000 MCRP award to fill the remaining financing gap. It is anticipated that the investors will be able to achieve just under a 9% return.

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

This is an infill project and there are no structures for reuse.

F. Creation of jobs:

Eight new jobs will be created. The average hourly wage is estimated to be \$15.00.

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

The project cost is \$25,558,576. The bank loan is at just under 69% of the project costs. The developer is contributing 10.5% in equity and deferring 100% of developer fees. There will be local Brownfield TIF and a NEZ.

H. Whether the project is financially and economically sound:

Upon reaching stabilized occupancy it is anticipated that the project will be achieve a debt service coverage ratio of greater than 1.20 to 1.00. Additionally, the project will be supported by the development expertise of the Hinman Company and the AVB Construction, along with the unsecured personal guarantees of the owners.

The development is projecting an initial average residential rental rate of just over \$1.61, including the units targeted at middle income tenants. This rate is consistent with other projects in downtown Kalamazoo. Additionally, residential vacancy rates for the area are below 4%. The project will contain a relatively small amount of retail space that should be very attractive to tenants considering the location.

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

The project will increase density by adding a four story building to the site that will include 135 apartments and approximately 7,371 square feet of commercial space. The current parcels include a parking lot and vacant land in downtown Kalamazoo.

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

The site is located in walking distance to the Downtown Kalamazoo mall, breweries, office spaces, festivals and events.

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

The project will not convert an abandoned public building to private use.

L. Whether the project promotes sustainable development:

The building will include green/live roofs, stormwater storage under the surface parking, low or no VOC paints and adhesives, and the development plans to receive LEED certification.

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

The project does not include the rehabilitation of a historic resource as the parcels are currently vacant or contain parking.

N. Whether the project addresses area-wide redevelopment:

The project is close to other MCRP funded projects including but not limited to the Exchange building, Peregrine PNC, 216-220 W. Michigan, and DTW Depot.

O. Whether the project addresses underserved markets of commerce:

The project has 135 units, 14 of these units will be targeted at middle income tenants.

P. The level and extent of environmental contamination:

Arsenic was found on site in high levels in excess of select Generic Residential Cleanup Criteria (GRCC).

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):

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

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

The retail tenants have not yet been identified.

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 site.

Brownfield Act 381 Program Additional Project Information:

A. Reuse of functionally obsolete buildings and/or redevelopment of blighted property:

This is an infill site and not a functionally obsolete or blighted property.

B. Whether project will create a new brownfield property in the State:

No new Brownfields will be created by this project.

Tax Capture Breakdown

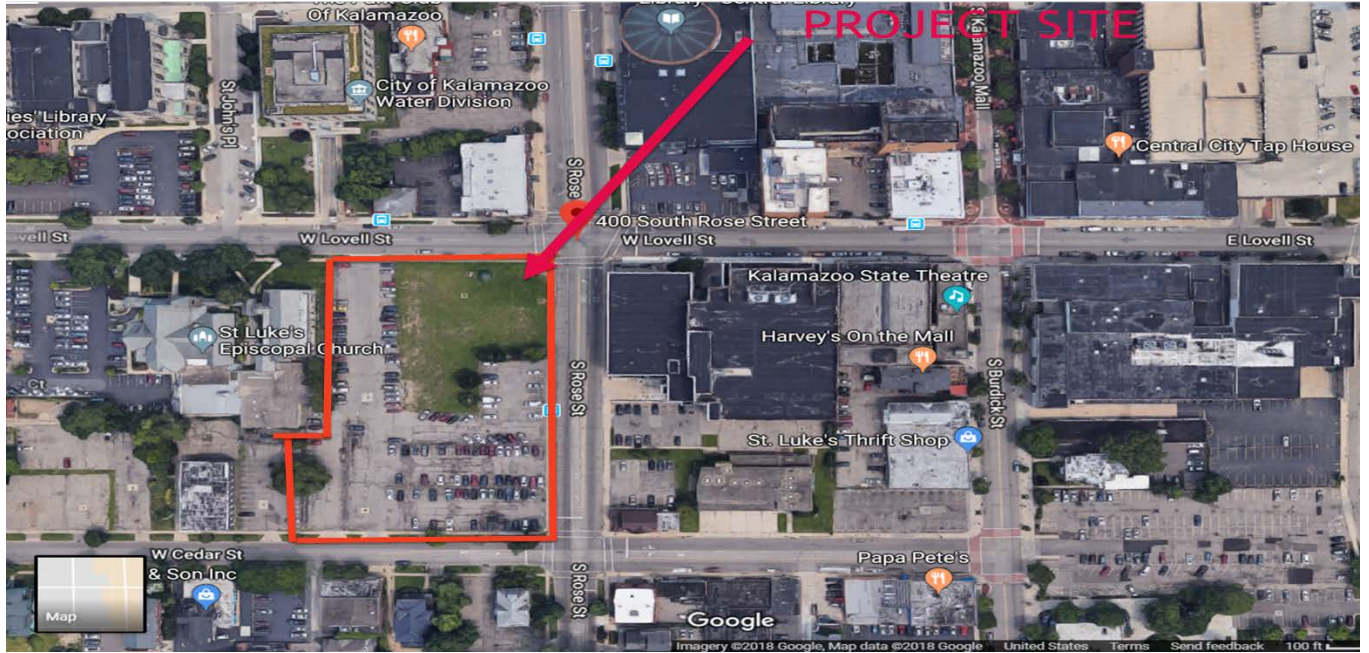
There are 59.7211 non-homestead mills available for capture, with school millage equaling 23.8704 mills and local millage equaling 35.8507 mills. There is a Neighborhood Enterprise Zone tax abatement on the property for the first 12 years, which makes the blended ratio 38.28% to 61.72%, school to local, respectively. Tax increment capture will begin in 2019 and is estimated to continue for 21 years. The requested tax capture for MSF eligible activities breaks down as follows:

School tax capture	(38.28%)	\$	1,390,528
Local tax capture	(61.72%)	\$	<u>2,241,989</u>
TOTAL		\$	<u>3,632,517</u>

Cost of MSF Eligible Activities

Demolition	\$	46,280
Infrastructure Improvements		3,195,710
Site Preparation	+	<u>121,979</u>
Sub-Total	\$	3,363,969
Contingency (7.5%)	+	<u>252,298</u>
Sub-Total	\$	3,616,267
Brownfield/Work Plan Preparation	+	<u>16,250</u>
TOTAL	\$	<u>3,632,517</u>

APPENDIX C – Project Map and Renderings



**MICHIGAN STRATEGIC FUND
RESOLUTION 2018-**

**APPROVAL OF A MICHIGAN COMMUNITY REVITALIZATION PROGRAM OTHER
ECONOMIC ASSISTANCE LOAN PARTICIPATION AWARD TO
400 ROSE, LLC AND PARK@CEDAR II, LLC
(400 ROSE 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) to enable the Michigan Strategic Fund (“MSF”) to create and operate the Michigan Community Revitalization Program (“MCRP”) to provide incentives in the form of grants, loans and other economic assistance for redevelopment of communities in Michigan;

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

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

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

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

WHEREAS, 1st Source Bank (“Lender”) will be providing financing to 400 Rose, LLC and Park@Cedar II, LLC (“Proposed Borrowers”) of approximately \$21,900,000 toward the development activities and site improvements to real property (“Project”);

WHEREAS, the Lender and the Proposed Borrowers have requested an Other Economic Assistance Performance Based Loan Participation award from the MSF under the MCRP for the Project in an amount not to exceed \$4,400,000 (“Award Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”); and

WHEREAS, the MEDC has recommended that the MSF approve the Award Request in accordance with the Term Sheet and Guidelines, 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 Award Request 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 90 days (“MCRP Award Recommendation”).

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan
June 26, 2018

Exhibit A

“Term Sheet”

LOAN FACILITY

MSF Facility	MCRP Loan Participation and Servicing Agreement Under “Other Economic Assistance”
Borrower:	400 Rose, LLC and Park@Cedar II, LLC
Lender:	1 st Source Bank
Total Financing Amount:	Currently estimated at \$21,900,000
Lender Share:	Currently estimated at \$17,500,000
MSF Share:	Up to the lesser of 25% of “Eligible Investment” or \$4,400,000
Term:	To match that of the Lender, not to exceed 150 months.
Amortization:	To match that of the Lender, not to exceed 360 months following an interest only period.
Interest Rate:	On the MSF share anticipated to be 1.00% per annum.
Repayment Terms:	Up to 30 months of monthly interest only payments followed by monthly principal and interest payments. Principal balance due at maturity.
	Limited Subordination of Payments During the amortization period, payments on the MSF Share will be set periodically at a level to assist the project in maintaining a debt service coverage ratio of 1.20 to 1.00.
Collateral:	To match that of the Lender, currently anticipated being a mortgage lien on the property, assignment of leases and rents, and a security interest in the TIF reimbursements. MSF share of collateral will be subordinated to that of the Lender.
Guarantee:	To match that of the Lender, currently anticipated to be the unsecured personal guarantees of the owners. MSF share of guarantees will be subordinated to that of the Lender.
MSF Fees:	The MSF shall be paid a one-time fee equal to one percent of the MSF’s share of the loan. The Lender may charge the borrower for this fee.
Funding:	The MSF will fund up to \$4,400,000 to be disbursed following closing of the financing and other performance criteria.
Other Conditions:	The MSF’s investment will be contingent upon the following: <ul style="list-style-type: none">• A minimum owner equity contribution of \$2,700,000 to the project.• Receipt of a “Guaranteed Maximum Price” construction contract.

- Receipt of Final Project Budget
- Receipt of executed Development Agreement with the City of Kalamazoo

MICHIGAN STRATEGIC FUND

RESOLUTION 2018 -

**APPROVAL OF A BROWNFIELD ACT 381 WORK PLAN
CITY OF KALAMAZOO BROWNFIELD REDEVELOPMENT AUTHORITY
400 ROSE ST. DEVELOPMENT**

WHEREAS, the 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, asbestos, or mold abatement, and for demolition and site preparation that are not response activities under the Natural Resources and Environmental Protection Act, 1994 PA 451;

WHEREAS, the City of Kalamazoo Brownfield Redevelopment Authority (the “Authority”) has submitted a work plan for property located at 400 S. Rose Street within the City of Kalamazoo , known as 400 Rose St. Development (the “Project”);

WHEREAS, the City of Kalamazoo is a “qualified local governmental unit” and is eligible to provide for a) demolition; b) lead, asbestos, or mold abatement; c) public infrastructure improvements; d) site preparation; e) brownfield and work plan preparation; f) brownfield and work plan implementation and g) 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, the MSF Board authorizes the Authority to capture taxes levied for school operating purposes in substantially the same proportion as 38.28% to 61.72% ratio currently existing between school and local taxes for non-homestead properties, to reimburse the cost of site preparation, demolition, and infrastructure improvements as presented in the Work Plan dated June 7, 2018. Any change in millage that increases the capture percentage of school taxes in the ratio above 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 costs of MSF eligible activities with a maximum of \$3,616,267 for the

principal activity costs of non-environmental activities and a contingency, and a maximum of \$16,250 for Brownfield/Work Plan preparation, and with the capture of taxes levied for school operating purposes being limited to a maximum of \$1,390,528.

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, 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.

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:

Lansing, Michigan
June 26, 2018