

MICHIGAN STRATEGIC FUND BOARD
MEETING AGENDA
JULY 26, 2016
10:00 am

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

A. Consent Agenda

Proposed Meeting Minutes – June 28, 2016
Rivian Automotive – MBDP Amendment – Trevor Friedeberg
Thomson Reuters – MBDP Amendment – Trevor Friedeberg
618 South Main, LLC – MCRP Amendment – Mary Kramer
Liberty Way Hospitality, LLC – MCRP Amendment – Jim Davis
Arena Place Development, LLC – MCRP Amendment – Jim Davis
Lofts on Michigan, LLC – MCRP Amendment – Lynda Franke
Community College Skilled Trade Equipment Program Amendments – Mary Lynn Noah
GCM Grosvenor – 21st Century Investment Fund Agreement Amendment – Mark Morante
Biodiscovery, Inc. – Loan Settlement – Christin Armstrong
Tolera Therapeutics – Investment Write Off – Christin Armstrong
CytoPherx, Inc. – Loan Restructure – Christin Armstrong

B. Business Investment

1. Entrepreneurship

University of Michigan Life Sciences Hub – MTRAC Statewide Program – Denise Graves

2. Business Growth

Willow Run – 21st Century Investment – Eric Shreffler
C3 Ventures Flint, LLC – MBDP Loan – Jeremy Webb
FCA US, LLC – SESA Exemption – Marcia Gebarowski
Autosystems America, Inc. d/b/a Magna Lighting – MBDP Amendment – Mike Gietzen
Switch/Kent County – MSF Designated Renaissance Zone – Stacy Bowerman

C. Community Vitality

Ferndale Haus Lofts/City of Ferndale – Act 381 Work Plan – Nicol Brown/Stacy Esbrook
601 West, LLC/City of Grand Rapids – MCRP & Act 381 Work Plan – Ryan Kilpatrick

D. Informational

Flint Parallel Pipe – Project Briefing – Mark Morante
Quarterly Reports



STATE OF MICHIGAN
OFFICE OF THE CHIEF COMPLIANCE OFFICER
LANSING

RICK SNYDER
GOVERNOR

KEVIN FRAN CART, ESQ.
CHIEF COMPLIANCE OFFICER

MEMORANDUM

July 14, 2016

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

Steve Arwood
Chairperson
Michigan Strategic Fund Board

FROM: Kevin L. Francart
Chief Compliance Officer

RE: FY2016 Q3 Report of the Chief Compliance Officer.

The Chief Compliance Officer is required to report quarterly to the State Administrative Board and the Michigan Strategic Fund Board regarding compliance with internal policies and procedures and with applicable laws related to 21st century jobs fund programs. I am pleased to report that all compliance matters addressed during the third quarter of the 2016 fiscal year were either successfully resolved or are being appropriately addressed.

With respect to the Michigan Strategic Fund Board, the Michigan Strategic Fund Act requires the Chief Compliance Officer to review and evaluate compliance with internal policies and procedures along with applicable state and federal law. The Chief Compliance Officer assisted the MSF with BDP Grant Template drafting and review; MSF Board Process regarding timing of delivery of materials for board member review; michigan.org; CRP Program Updates; Board delegation; and, the American Center for Mobility (Willow Run) project. As reported last quarter, because of staffing changes the site visit guidelines were modified. Because of the staffing changes the site visit guidelines were changed to no longer require a minimum number of site visits. Site visits are being performed pursuant to the site visit guidelines.

The Chief Compliance Officer provided informal advice regarding various issues arising this quarter concerning such topics as background checks, conflict of interest issues, the breadth of delegated Board authority, authorized use of 21st century job fund funds, and compliance with established Board policy and limitations.

MICHIGAN STRATEGIC FUND

RESOLUTION 2016-

**APPROVAL OF JULY 2016 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, for each of which supporting documentation is attached to this Resolution.

Consent Agenda Items:

Proposed Meeting Minutes – June 28, 2016
Rivian Automotive – MBDP Amendment
Thomson Reuters – MBDP Amendment
618 South Main, LLC – MCRP Amendment
Liberty Way Hospitality, LLC – MCRP Amendment
Arena Place Development, LLC – MCRP Amendment
Lofts on Michigan, LLC – MCRP Amendment
Community College Skilled Trade Equipment Program – Grant Amendments
GCM Grosvenor – 21st Century Investment Fund Agreement Amendment
Biodiscovery, Inc. – Loan Settlement
Tolera Therapeutics – Investment Write off
CytoPherx, Inc. – Loan Restructure

Ayes:

Nays:

Recused:

Lansing, Michigan
July 26, 2016

**MICHIGAN STRATEGIC FUND
PROPOSED MEETING MINUTES
June 28, 2016**

Members Present

Steve Arwood
Dan Boge
Shelly Edgerton
Andrew Lockwood (on behalf of Treasurer Khouri)
Terri Jo Umlor
Jody DePree Vanderwel
Shaun Wilson
Wayne Wood

Members Absent

Paul Anderson
Larry Koops

Mr. Arwood called the meeting to order at 10:00 am.

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

Mr. Arwood recognized the following legislators in attendance: State Representative Tim Greimel, speaking in support of the FEV North America, Inc. project in Auburn Hills, under Business Growth on the agenda; Representative Robert Wittenberg, speaking in support of the Ashley Capital project in Hazel Park, under Business Growth on the agenda; Madelyn Day on behalf of Senator Vincent Gregory, speaking in support of the Ashley Capital project in Hazel Park (referenced letter of support for this project signed by Senators Gregory, Ananich, Horn, Kowall, Warrant & Representative Wittenberg, copy attached) under Business Growth on the agenda; Senator Dale Zorn, speaking in support of the Strongback Properties, LLC project in the City of Adrian, under Community Vitality on the agenda; Hannah Biniacki on behalf of Representative Nancy Jenkins, speaking in support of Strongback Properties, LLC project in the City of Adrian (letter of support attached).

Communications: Andrea Robach, MSF Administrator advised the Board that they have provided updated resolutions for FEV North America, Inc. and JR Automation Technologies, LLC, both under Business Growth on the agenda.

A. CONSENT AGENDA

Resolution 2016-077 Approval of Consent Agenda Items

Mr. Arwood asked if there were any questions from the Board regarding the items under the Consent Agenda. There being none, Jody DePree Vanderwel motioned for approval of the following:

Proposed Meeting Minutes – **May 24, 2016**

NanoBio Corporation – Loan Amendment – **2016-078**

Gema Diagnostics, Inc. – Loan Write Off Request – **2016-079**

Boasso America Corporation – Geographic RZ Time Extension Revocation – **2016-080**

ChemQuest, Inc. – Geographic RZ Time Extension Revocation – **2016-081**

United Engineered Tooling, Inc. – Tool & Die Recovery Zone Revocation – **2016-082**
Grid Logic, Inc. – Renewable Energy RZ Revocation – **2016-083**
Integrated Manufacturing & Assembly, LLC – MBDP Amendment – **2016-084**
NEAPCO Holdings – MBDP Amendment – **2016-085**
Thomson Reuters – MBDP Amendment – **2016-086**
Grand Rapids Downtown Market Holdings, LLC – MCRP Amendment – **2016-087**
Crescent Shores, LLC/City of Holland – MBT Amendment – **2016-088**
Crescent Shores, LLC/City of Holland – Brownfield TIF Amendment – **2016-089**
CDBG Application – Guide Recommendation – **2016-090**

Andrew Lockwood seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

B. ADMINISTRATIVE

Resolution 2016-091 MSF Designated Renaissance Zone – Policy Recommendation

Josh Hund, Vice President Business Development Projects, provided the Board with information regarding this action item. Following brief discussion, Dan Boge motioned for the approval of Resolution 2016-091. Shaun Wilson seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

Resolution 2016-092 CDBG Loan Program – Continuing Activity Exception

Greg West, Program Specialist, provided the Board with information regarding this action item. Following brief discussion, Dan Boge motioned for the approval of Resolution 2016-092. Jody DePree Vanderwel seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

Resolution 2016-093 Covisint Corporation – MBDP Forbearance Request

Christin Armstrong, Vice President Compliance, Contracts & Grants, provided the Board with information regarding this action item. Following brief discussion, Dan Boge motioned for the approval of Resolution 2016-093. Jody DePree Vanderwel seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

Resolution 2016-094 Next Michigan Development Corporation – Detroit Designation

Andrea Robach, MSF Administrator, provided the Board with information regarding this action item. Following brief discussion, Wayne Wood motioned for the approval of Resolution 2016-094. Shaun Wilson seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

D. BUSINESS INVESTMENT

D1. Entrepreneurship

Resolution 2016-095 Lawrence Technological University – Gatekeeper Grant Award

Fred Molnar, Vice President Entrepreneurship & Innovation, provided the Board with information regarding this action item. Following brief discussion, Andrew Lockwood motioned for approval of Resolution 2016-095. Shaun Wilson seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

Resolution 2016-096 Michigan State University Innovation Hub – MTRAC Statewide Program

Denise Graves, Director University Programs, provided the Board with information regarding this action item. Following brief discussion, Jody DePree Vanderwel motioned for the approval of Resolution 2016-096. Andrew Lockwood seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

D2. Business Growth

Resolution 2016-097 University of Michigan Transport Research Institute – Grant Amendment

Eric Shreffler, Director Automotive Programs, provided the Board with information regarding this action item. Following brief discussion, Dan Boge motioned for the approval of Resolution 2016-097. Andrew Lockwood seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

Resolution 2016-098 Flint Procurement Technical Assistance Center – Grant Award

Sean Carlson, Vice President Defense Programs, provided the Board with information regarding this action item. Following brief discussion, Wayne Wood motioned for approval of Resolution 2016-098. Shaun Wilson seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

Resolution 2016-099 FEV North America, Inc. – MBDP Grant

Marcia Gebarowski, Development Finance Manager, provided the Board with information regarding this action item. Following brief discussion, Dan Boge motioned for the approval of Resolution 2016-099. Shelly Edgerton seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

Resolution 2016-100 JR Automation Technologies, Inc. – MBDP Grant

Mike Gietzen, Development Finance Manager, provided the Board with information regarding this action item. Following brief discussion, Jody DePree Vanderwel motioned for the approval of Resolution 2016-100. Andrew Lockwood seconded the motion. **The motion carried; 8 ayes; 0 nays; 0 recused.**

Resolution 2016-101 Ashley Capital/City of Hazel Park – Act 381 Work Plan

Stacy Bowerman, Senior Project Manager, provided the Board with information regarding this action item. President Arwood reiterated to the company and community representatives that the jobs created must be new jobs to count toward the mutually approved terms and conditions. Following this discussion, Dan Boge motioned for the approval of Resolution 2016-101. Jody DePree Vanderwel seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

D3. Access to Capital

Resolution 2016-102 F.P. Horak Company/H & J Realty Co., LLC – Bond Inducement

Chris Cook, Director Capital Programs, provided the Board with information regarding this action item. Following brief discussion, Andrew Lockwood motioned for the approval of Resolution 2016-102. Jody DePree Vanderwel seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

E. COMMUNITY VITALITY

Resolutions 2016-103 & 2016-104 Rivers Edge Partners/City of Kalamazoo – MCRP & Act 381 Work Plan

Emily Petz, Community Assistance Team, provided the Board with information regarding these action items. Following brief discussion, Dan Boge motioned for the approval of Resolutions 2016-103 & 2016-104. Shelly Edgerton seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

Ryan Gajewski from the Marketing & Communications team shared a video recently produced which showcases the redevelopment downtown Kalamazoo has experienced, with projects supported by the Michigan Strategic Fund. Link to full video here: <https://www.youtube.com/watch?v=svAJ0ouTtHs>

Resolutions 2016-105 & 2016-106 Strongback Properties, LLC/City of Adrian –CDBG & Act 381 Work Plan

Joe Borgstrom, Regional Director Community Assistance Team, provided the Board with information regarding these action items. Following brief discussion, Wayne Wood motioned for the approval of

Resolutions 2016-107 & 2016-108. Shelly Edgerton seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

Resolution 2016-107 & 2016-108 River Parc Place II/City of Manistee – MCRP & Act 381 work Plan

Dan Leonard, Community Assistance Team, provided the Board with information regarding these action items. Following brief discussion, Shaun Wilson motioned for the approval of Resolutions 2016-107 & 2016-108. Andrew Lockwood seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

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

MICHIGAN LEGISLATURE



MICHIGAN SENATE
P.O. BOX 30036
LANSING, MICHIGAN 48909-7536
PHONE: (517) 373-2400

**MICHIGAN
HOUSE OF REPRESENTATIVES**
P.O. BOX 30014
LANSING, MICHIGAN 48909-7514
PHONE: (517) 373-6339

December 16, 2015

Steve Arwood
Michigan Economic Development Corporation
300 N Washington Square
Lansing, MI 48913

Re: Tri-County Commerce Center Brownfield Project in Hazel Park, MI

Dear Mr. Arwood,

We, the undersigned, want to voice our support for the MEDC through the Michigan Strategic Fund to approve a Tax Increment Financing Plan for a Brownfield Project located within the City of Hazel Park. The project site is located next to the iconic Hazel Park Raceway. Prior to the construction of the raceway, the site in question served as the Highland Park Dump. The developer, Ashley Capital, wishes to develop a 575,000 square foot light manufacturing and distribution center on a parking lot adjacent to the track that has been underutilized for 40 years. Due to the site's use as a landfill, a Brownfield Project is necessary because of elevated levels of dangerous chemicals, including methane. This redevelopment will take an unsightly and degraded parking lot on a prominent corner along a major corridor in Hazel Park and convert it to a productive, modern and functional commercial site.

The total anticipated investment for the project is approximately \$36 million; creating 200 to 300 full-time jobs. The project is also expected to spur ancillary spending and commercial development in Hazel Park, which will increase property values and Hazel Park's tax base. Moreover, the City of Hazel Park will see an immediate increased tax base because this plan will only capture up to 80% of the tax increment created by the project with the remaining 20% passing to the applicable taxing jurisdictions. It is our belief that the purpose of the Brownfield Redevelopment Financing Act is to create TIFs for these types of projects and remediate sites such as this. The MDEQ has already shown its support and even granted the City of Hazel Park a \$2 million CMI loan for the project. Therefore, we believe that the MEDC/Michigan Strategic Fund should support the TIF for this project, which will be one of the largest in Oakland County over the last several years. It is vital to the entire region and a win for Hazel Park, Ashley Capital and the State of Michigan.

Regards,


Vincent Gregory, State Senator, 11th District


Robert Wittenberg, State Representative, 27th District


Jim Ananich, State Senator, 27th District


Ken Horn, State Senator, 32nd District


Mike Kowall, State Senator, 15th District


Rebekah Warren, State Senator, 18th District

June 28, 2016

Mr. Steve Arwood, Director
Michigan Economic Development Corporation
300 N. Washington Sq.
Lansing, Michigan 48913

Dear Mr. Arwood:

I am writing today in support of the Strongback Properties, LLC/City of Adrian request for \$2,866,466 in Community Block Grant (CBDG) funds, as well as a request to capture \$392,375 in school and local taxes to support a project in downtown Adrian that will eliminate blight through historic preservation and rental rehabilitation. I apologize I am not able to be with you in person.

As the county seat of Lenawee County, the City of Adrian plays a vital part in our community. The downtown, which is filled with beautiful historic buildings, was devastated by the economic downturn of our state during the "lost decade." Many businesses moved from the downtown area leaving empty buildings in their wake.

Recently, there has grown an excitement among Adrian residents about the possibility of revitalizing our downtown. Several local residents have invested their own money in purchasing buildings in order to refurbish them and make the downtown beautiful again. The Strongback Properties, LLC Four Corners Redevelopment project is just one of those projects. As the name implies, the building is in the center of downtown Adrian at the main four corners. Redeveloping this building into both commercial space and residential units while historically preserving the property will be the impetus needed to bring Adrian's downtown back to what it once was. The CBDG funds and captured taxes, together with local investment of \$1.62 million will provide the funding necessary to get the job done.

Thank you for your consideration of Strongback Properties, LLC/City of Adrian request for CBDG funds, and school and local tax capture.

Sincerely,

A handwritten signature in black ink that reads "Nancy Jenkins". The signature is written in a cursive, flowing style.

Nancy Jenkins
State Representative
District 57



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

NICK A. KHOURI
STATE TREASURER

January 22, 2016

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

Dear Ms. Robach,

I hereby designate Andrew Lockwood to represent me at Michigan Strategic Fund Meetings 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

MEMORANDUM

Date: July 26, 2016

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

From: Trevor Friedeberg, Business Development Project Manager

Subject: Rivian Automotive, LLC (“Company” or “Applicant”)
Amendment to Approved Michigan Business Development Program Grant Agreement

Request

The Company intended to secure and expand their R&D facility in Dearborn, Michigan. While the Company was able to secure a lease in Dearborn, issues with the landlord has caused delays and required the Company to seek additional space in an alternate location to meet critical internal timelines. As a result, the Company has secured additional space at 35796 Veronica Street and 35687 Industrial Road, as well reconfigured to accommodate additional growth at 35803 Veronica Street, Livonia.

Due to this change in project location, the municipality supporting the project will now be the City of Livonia. The City has offered, among other services, a plan for advertising and marketing strategy to support the project

Background

On November 24, 2015 the Michigan Strategic Fund approved a \$1,770,000 award for Rivian Automotive, LLC under the Michigan Business Development Program (“MBDP”). The Company proposed to expand operations and establish a research and design and development center in the City of Dearborn, create 174 Qualified New Jobs and invest \$29.5 million in Michigan. The City of Dearborn offered a tax abatement on real property in support of this project.

To date, the Company has created over 70 new jobs in Livonia and is ready to submit for the first milestone, which is due July 30, 2016.

Recommendation

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

- a) Amend the November 24, 2016 approval for Rivian Automotive, LLC. To add the following locations to be included as part of the Project for the purposes of Base and Qualified New Job requirements:
 - 35803 Veronica Street
Livonia, MI 48150
 - 35796 Veronica Street
Livonia, MI 48150
 - 35687 Industrial Road
Livonia, MI 18150
- b) Amend the requirement of Milestone 1 in the MBDP Agreement to reflect the City of Livonia as providing a plan for advertising and marketing strategy as well as other relevant services to support the project
- c) All other aspects of the approval remain unchanged.

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

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

Date: 7/12/2016

Company Name: Rivian Automotive, LLC ("Company" or "Applicant")

Company Address: 35803 Veronica Street
Livonia, Michigan 48150

Project Address ("Project"): 15120 Commerce Drive North
Dearborn, MI 48120

MBDP Incentive Type: Performance Based Grant

Current Status of the MBDP Incentive, as set forth in the final MBDP Incentive Award Agreement ("Agreement"):

- **Maximum Amount of MBDP Incentive:** Up to \$1,770,000 ("MBDP Incentive Award")
- **Base Employment Level** 17
- **Total Qualified New Job Creation:** 174
(above Base Employment Level)
- **Company Investment:** \$29,486,000 in building renovations, annual lease costs, furniture and fixtures, computers, machinery and equipment, and other personal property or any combination thereof, for the Project.
- **Municipality supporting the Project:** City of Dearborn committed to provide a tax abatement on real and/or personal property.
- **Disbursement Milestones:** The terms and conditions of each of the disbursements of any portion of the MBDP Incentive Award are outlined in Exhibit B of the Agreement, and include:
 - **Disbursement Milestone 1:** Up to \$650,000 Upon demonstrated creation of 64 Qualified New Jobs above the Base Employment Level and verification of final approval of municipality support by no later than July 30, 2016.
 - **Disbursement Milestone 2:** Up to \$670,000 Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 66 additional Qualified New Jobs (for a total of 130 Qualified New Jobs) above the Base Employment Level, by no later than July 30, 2017.

o **Disbursement Milestone 3:** Up to \$450,000 Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, and upon demonstrated creation of 44 additional Qualified New Jobs (for a total of 174 Qualified New Jobs) above the Base Employment Level, by no later than July 30, 2018.

• **Term of Agreement:** Execution of Agreement to July 31, 2020

Proposed MBDP Incentive Amendment:

• **Project Address ("Project"):** 35803 Veronica Street
Livonia, MI 48150

35796 Veronica Street
Livonia, MI 48150

35687 Industrial Road
Livonia, MI 18150

• **Municipality supporting the Project:** The City of Livonia shall provide a plan for advertising and marketing strategy as well as other relevant services to support the Company's growth.

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

If the Company is interested in the MEDC pursuing a recommendation to the MSF for a possible MBDP Incentive Award Amendment for the Company along the above parameters, please sign and date this Term Sheet. If the MEDC does not receive the signed Term Sheet from the Company by July 15, 2016, the MEDC may not be able to proceed with any recommendation to the MSF.

Acknowledged as received by:

Rivian Automotive, LLC

Michigan Economic Development Corporation

By: [Signature]

By: [Signature]

Printed Name: R. J. S. [unclear]

Printed Name: Trevor Friedberg

Its: CEO

Its: Business Development Project Mgr.

Dated: July 18, 2016

Dated: 7/18/2016

MICHIGAN STRATEGIC FUND

RESOLUTION 2016-

APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT TO RIVIAN AUTOMOTIVE, LLC

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

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

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

WHEREAS, on December 21, 2011, by Resolution 2011-184, the MSF (i) created the MBDP, 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, the MSF approved a \$1,770,000 Michigan Business Development Program Performance based grant on November 24, 2015 for the expansion of operations and establishment for a research and design and development center in Dearborn, Michigan (the “Project”);

WHEREAS, the Company has identified locations closer to its headquarters in Livonia and has chosen to not establish a research and design center in Dearborn;

WHEREAS, the Company requests that the Michigan Business Development Program performance based grant be amended and revised as follows: add the following locations to the project description for purposes of Base and Qualified New Jobs: 35803 Veronica Street, Livonia MI 48150; 35796 Veronica Street, Livonia, MI 48150; and 35687 Industrial Road, Livonia, MI 48150. Additionally, the requirement of Milestone 1 in the MBDP Agreement should reflect the City of Livonia as providing a plan for advertising and marketing strategy as well as other relevant services to support the Company’s growth at the Project. (“Amendment”);

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan
July 26, 2016

MEMORANDUM

Date: July 26, 2016

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

From: Trevor Friedeberg, Business Development Project Manager

Subject: Thomson Reuters (Tax&Accounting), Inc. (“Company” or “Applicant”)
Updated Amendment to Approved Michigan Business Development Program Grant
Agreement

Request

On June 28, 2016, the MSF Board approved an amendment to the Michigan Business Development Program Grant Agreement to modify the Base Employment Level to reflect the divestiture of multiple affiliated divisions of the company that previously were included in the accounting of the base employment, as well as to provide extensions on various milestones and the agreement term. At this time staff would like to further recommended the removal of the divested companies, Master Data Center, Inc., Micropatent LLC, and Thomson Reuters (Scientific) LLC, for purposes of Qualified New Jobs as well.

From the original incentive approval on October 28, 2014, the Company was required to create 60 Qualified New Jobs above the Base Employment level of 1,426 by December 31, 2015. While the Company is on schedule with their job creation at the project location, headcounts in other facilities caused by an impending divestiture of three company divisions, Master Data Center, Inc., Micropatent LLC, and Thomson Reuters (Scientific) LLC, have caused slowing of the net job growth of the company as required under the grant. These three divisions account for 195 employees statewide causing a large discrepancy in the required Base Employment Level and the Company’s ability to meet the Qualified New Job number. The MSF Board, on June 28, 2016, approved the removal of these divisions from the accounting of the Base Employment Level.

Additionally, the MSF Board on June 28, 2016, approved a request from the Company to extend the deadline to meet Milestone One to December 31, 2016 to allow the selling of the divested companies to be finalized and to extend all subsequent milestones accordingly, to allow for additional time to meet all job creation requirements set forth in the MDBP agreement. The term of the agreement was also extended by one year out to December 31, 2022.

In total, the company anticipates creating all 300 Required Qualified New Jobs at 6300 Interfirst Drive, Ann Arbor, MI.

Background

On October 28, 2014 the Michigan Strategic Fund approved a \$2.4 million award for Thomson Reuters (Tax Accounting), Inc. under the Michigan Business Development Program (“MBDP”). The Company proposed the consolidation of existing operations into one location which can support future expansion in order to accommodate anticipated growth in Pittsfield Charter Township. This project will result in the creation of 300 Qualified New Jobs and \$19.8 million in capital investment. Pittsfield Charter Township committed to provide a property tax abatement in support of the project.

Recommendation



MEDC Staff recommends the following (collectively, "Recommendation"): Amend the October 28, 2014 approval for Thomson Reuters (Tax & Accounting), Inc. to:

- a) Remove Master Data Center, Inc., Micropatent LLC, and Thomson Reuters (Scientific) LLC from the grant agreement for purposes of Qualified New Jobs creation;
- b) All other aspects of the approval remain unchanged unless previously amended.

MICHIGAN STRATEGIC FUND

RESOLUTION 2016-

APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT TO THOMSON REUTERS (TAX&ACCOUNTING), 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, the MSF Board approved a \$2.4 million Michigan Business Development Program Performance based grant on October 28, 2014 to consolidate operations and create jobs in Pittsfield Charter Township (the “Project”);

WHEREAS, the Company is going through a divestiture where the following three (3) company divisions are being sold, resulting in a reduction in the Company’s overall Base Employment Level: Master Data Center, Inc., MicroPatent, LLC, and Thomson Reuters (Scientific), LLC (the “Divested Divisions”);

WHEREAS, the MSF Board approved an amendment to the Transaction Documents on June 28, 2016 via MSF Resolution 2016-086 to modify the Base Employment Level to reflect the removal of the Divested Divisions, as well as to provide extensions on various milestones and to extend the agreement term out an additional year to December 31, 2022; and

WHEREAS, the MEDC recommends that the MSF approve an additional modification removing the Divested Divisions from the Transaction Documents for the purposes of being able to create Qualified New Jobs in accordance with the Term Sheet subject to: (i) available funding, (ii) final due diligence performed to the satisfaction of the MEDC; and (iii) execution of the Transaction Documents within 120 days of the date of this Resolution (“Time Period”), or this Resolution shall have no effect; provided however, at the sole discretion of the MSF Fund Manager, the Time Period may be extended for up to an additional 60 days (“MBDP Amendment Award Recommendation”).

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

Ayes:

Nays:

Recused:

Lansing, Michigan
July 26, 2016

MEMORANDUM

Date: July 26, 2016
To: Michigan Strategic Fund Board
From: Mary Kramer, MCRP and Brownfield Programs Specialist
Subject: 618 South Main, LLC
Michigan Community Revitalization Program
Request for Approval of a Loan Agreement Amendment

Request

618 South Main, LLC (“Company”) is requesting approval of an amendment to the Michigan Community Revitalization Program Loan Agreement (“Agreement”) and any related ancillary agreements. The amendment request dated June 17, 2016 includes a request to extend the Milestone Two due date from June 30, 2016 to August 31, 2016.

Background

The Michigan Strategic Fund Board approved a \$3,000,000 loan on November 28, 2012 to the Company for redevelopment of a contaminated property into a six story residential building specifically targeted to young professionals in the City of Ann Arbor. The building includes 164 loft-style apartments and two levels of underground parking plus two storage areas for bikes. The project was reauthorized on July 24, 2013.

An amendment to the project was approved on February 5, 2014 to amend the due date for evidence that certain transactions were closed as contemplated by the senior loan documents and a second amendment was approved on April 26, 2016 to extend the Milestone Two due date.

This amendment was requested so that the development team could resolve an open item with the footing drain disconnects, get a final certificate of occupancy and submit final documentation. The drain disconnects have since been completed and the final certificate of occupancy has been issued. The additional time is needed to allow the company to submit the final documentation necessary to meet this milestone.

Milestone One has been completed and the company is current with reporting requirements.

Recommendation

The MEDC staff recommends approval of an amendment to the MCRP Loan Agreement and any ancillary agreements to extend the Milestone Two due date from June 30, 2016 to August 31, 2016 per the Company’s request dated June 17, 2016.

MICHIGAN STRATEGIC FUND

RESOLUTION 2016 -

**APPROVAL OF AN AMENDMENT TO A MICHIGAN COMMUNITY
REVITALIZATION PROGRAM GRANT AWARD FOR
618 SOUTH MAIN, 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 2012-167 on November 28, 2012 the MSF Board awarded a CRP Loan Award to 618 South Main, LLC, in furtherance of the Project (“Applicant”) of up to \$3,000,000 (“Award”);

WHEREAS, by Resolution 2016-037 on April 26, 2016 the MSF Board approved a CRP amendment to extend the Milestone Two due date in the agreement and any related ancillary agreements to June 30, 2016;

WHEREAS, the MEDC is recommending that the MSF approve the amendment recommendation to extend the Milestone Two due date in the agreement and any related ancillary agreements to August 31, 2016, with all other requirements remaining in place from the original approval.

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

Ayes:

Nays:

Recused:

Lansing, Michigan
July 26, 2016

MEMORANDUM

Date: July 26, 2016

To: Michigan Strategic Fund Board

From: Jim Davis, Underwriting and Incentive Structuring Specialist

Subject: Liberty Way Hospitality, LLC
Michigan Community Revitalization Program
Request to Amend a \$4,100,000 in Other Economic Assistance Performance-Based Loan Participation Agreement

Request

Liberty Way Hospitality, LLC (“Company”) is requesting approval of an amendment to the Michigan Community Revitalization Program \$4,100,000 Other Economic Assistance Performance-Based Loan Participation Agreement and any related ancillary agreements (“Agreement”). The amendment request dated June 9, 2016 includes a request to extend the Milestone Two (2) deadline from June 1, 2016 to December 31, 2016 to allow for completion of the project and issuance of a Certificate of Occupancy. The reason for the extension request is a result of the project beginning construction later than anticipated. The Certificate of Occupancy for the project is anticipated to be issued by August or September 2016. The capital structure will remain the same and all other terms of the Agreement will remain intact.

Background

Liberty Way is a three phase 5 acre, high density, mixed use project that is located on a brownfield site in the heart of the City of Marquette at 855-857 West Washington Street. Formerly a blighted industrial baking facility, the Veridea Group acquired the abandoned property in 2011. Phase I of the redevelopment began in 2012 and was completed in December 2013. Upon completion of all three phases, it’s anticipated the overall project will consist of three buildings and over \$35 million of investment, with end uses including office, residential, restaurants and lodging. It is estimated that over 200 permanent jobs will be created by Liberty Way’s end users, as a total development. Phase 1 of the Liberty Way development was accomplished with the assistance of MCRP and an Act 381 Work Plan. The Act 381 Work Plan provides tax increment financing for all three phases of development.

The Michigan Strategic Fund Board approved a \$4,100,000 in Other Economic Assistance Performance-Based Loan Participation Agreement on February 24, 2015 for the Company for Phase II which consists of construction upon real property owned by the Company and located on 855 West Washington Street in the City of Marquette. Phase II consists of, without limitation, an approximately 88,000 square foot four-story building containing 108 unit Staybridge Suites Hotel with an approximate 140 stall underground parking facility on the premises..

An amendment to the Project was approved on May 26, 2015 to fix a clerical error, changing the MCRP Note 2 interest rate from 1% to 0%. All other terms of the original approval remained the same.

The company is current with reporting requirements.

Recommendation

The MEDC staff recommends approval of an amendment to the MCRP Agreement to extend the Milestone two (2) deadline from June 1, 2016 to December 31, 2016.

MICHIGAN STRATEGIC FUND

RESOLUTION 2016 -

**APPROVAL OF A SECOND AMENDMENT TO A MICHIGAN COMMUNITY
REVITALIZATION PROGRAM PERFORMANCE-BASED LOAN PARTICIPATION
AWARD TO LIBERTY WAY HOSPITALITY, LLC**

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

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

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

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 2015-013 on February 24, 2015 the MSF Board awarded a CRP Performance-Based Loan Participation Other Economic Assistance Award to Liberty Way Hospitality, LLC in furtherance of the Project of up to \$4,100,000 (“Award”);

WHEREAS, by Resolution 2015-054 on June 8, 2015 the MSF Board amended the interest rate on “MSF Note 2” of the CRP Performance-Based Loan Participation Other Economic Assistance Award to Liberty Way Hospitality, LLC from 1% to 0%.

WHEREAS, the MEDC is recommending that the MSF approve the amendment recommendation to extend the Milestone two (2) deadline from June 1, 2016 to December 31, 2016 to allow for completion of the project and issuance of a Certificate of Occupancy. All other requirements remain in place.

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

Ayes:

Nays:

Recused:

Lansing, Michigan
July 26, 2016

MEMORANDUM

Date: July 26, 2016

To: Michigan Strategic Fund Board

From: Jim Davis, Underwriting and Incentive Structuring Specialist

Subject: Arena Place Development, LLC and Mercantile Bank of Michigan Request for Approval of a Michigan Community Revitalization Program \$4,500,000 Other Economic Assistance Performance-Based Loan Participation Agreement Amendment

Request

Arena Place Development, LLC (“Company”) is requesting approval of an amendment to the Michigan Community Revitalization Program \$4,500,000 Other Economic Assistance Performance-Based Loan Participation Agreement (“Agreement”) and any related ancillary agreements. The amendment request dated May 28, 2016 includes a request to approve additional funds needed for finishing the project to cover cost overruns and additional tenant improvements. Of the \$5,000,000 in additional costs, the owners will be funding \$1,500,000 with equity, and the bank will be increasing its piece of the loan participation by \$3,500,000. The MSF’s investment in the project will remain unchanged at \$4,500,000.

In addition to the above, the borrower is requesting an additional three months for the interest only period (amortization to start in January 2017) and extend the amortization period from the previously approved 22.7 year amortization to a 25 years. Due to higher than projected rental rates and the proposed change to the amortization schedule the cash flow coverage will be virtually unchanged from the original underwriting meaning it is not anticipated the MSF’s ability to be repaid will be impacted. The project currently has two tenants in and operating (Miller Johnson and The Wheelhouse Restaurant). The remaining commercial and retail space will be turned over prior to year-end. On the apartment side, the first tenants on the 5th floor began moving in by June 10, 2016. The entire project is anticipated to be completed by July 31, 2016.

Background

The Michigan Strategic Fund Board or Delegates approved a \$4,500,000 Michigan Community Revitalization Program Performance-Based Award on March 25, 2014 to the Company for the purpose of constructing a mixed-use office, retail, and residential 11-story high rise building located in Downtown Grand Rapids South District adjacent to Van Andel Arena. The project site, formerly a city surface parking lot, is approximately one acre in size and is located at 158 Weston Street SW in the City of Grand Rapids, Michigan. The project when complete will include approximately 101 (one and two bedroom) market rate residential rental units, 16,000 square feet of flexible retail and restaurant space, four floors of parking, and seven floors of commercial office space at approximately 108,000 square feet.

Past Amendment Request

An amendment to the project was approved on September 3, 2014 to allow Mercantile Bank of Michigan (“Lender”) to amend its piece of the loans to reflect the Company’s decision to exercise its option to select a fixed interest rate. The Lender’s Note allowed for either a floating or a fixed rate at the option of the Company.

Milestone One has been completed, and there are no outstanding issues. The company is current with reporting requirements.

Recommendation

The MEDC staff recommends approval of an amendment to the MCRP Other Economic Assistance Performance-Based Loan Participation Agreement and any ancillary agreements to cover cost overruns due to additional tenant improvements. In addition, approval for an additional three months of interest only payments (amortization to start in January 2017), and extension of the previously approved 22.7 year amortization to a 25 year amortization period per the Company’s request dated May 28, 2016.

MICHIGAN STRATEGIC FUND

RESOLUTION 2016 -

**APPROVAL OF AN AMENDMENT TO A MICHIGAN COMMUNITY
REVITALIZATION PROGRAM OTHER ECONOMIC ASSISTANCE PERFORMANCE-
BASED LOAN PARTICIPATION AWARD FOR
ARENA PLACE DEVELOPMENT, 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 2014-036 on March 25, 2014 the MSF Board awarded a CRP Other Economic Assistance Performance-Based Loan Participation Award to Arena Place Development, LLC, in furtherance of the Project of up to \$4,500,000 (“Award”);

WHEREAS, on September 3, 2014 the MSF’s Fund Manager approved an amendment allowing Mercantile Bank (“Lender”) to change its portion of the loan to a fixed interest rate;

WHEREAS, the MEDC is recommending that the MSF approve an amendment request to allowing the Lender to increase its loan by \$3,500,000 to the project to cover cost overruns, extend the interest only period on the loans by 3 months and change the amortization period from 22.7 years to 25 years;

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

Ayes:

Nays:

Recused:

Lansing, Michigan
July 26, 2016

MEMORANDUM

Date: July 26, 2016

To: Michigan Strategic Fund Board

From: Lynda Franke, Underwriting and Incentive Structuring Specialist

Subject: Lofts on Michigan, LLC
Michigan Community Revitalization Program
Request for Approval of a MCRP Loan Participation and Servicing Agreement
Amendment

Request

Lofts on Michigan, LLC (“Company”) is requesting approval of an amendment to the Michigan Community Revitalization Program Loan Participation and Servicing Agreement (“Agreement”) and any related ancillary agreements. The amendment request dated June 30, 2016 requests an extension of the interest only period and Loan Conversion Conditions deadline by nine months from July 10, 2016 to April 10, 2017; extension of the Project Completion deadline in Milestone Two from September 18, 2016 to June 18, 2017; extension of the Certification of Loan Conversion deadline in the Final Milestone by three months from March 18, 2017 to June 18, 2017; and release of a \$500,000 letter of credit from Comerica Bank which supports the loans.

Background

The Michigan Strategic Fund Board approved a \$2,450,000 Other Economic Assistance-Loan Participation on August 26, 2014 to the Company for the purpose of constructing upon real property owned by Borrower, a project consisting of an approximately 68,000 square foot four-story building containing approximately 11,130 square feet of first floor commercial/retail space, an estimated 54 market rate residential rental units on floors two (2) through four (4), and an approximately 29,000 square foot underground parking structure.

Construction is substantially complete with only tenant build-outs remaining on the commercial spaces. The residential portion of the project is complete, with 40 out of 54 units leased. The residential absorption rate has been between 4 to 8 units/month and is acceptable for the project, however, there was some delay in construction completion resulting in a delay in the beginning of the residential lease-up timeline. In addition, talks with two of the planned retail tenants fell through, so expected cash flow from the commercial side is delayed. In the last 90 days, the Company has secured one retail lease and another Letter of Intent and it is anticipated that they will be able to lease up the remaining space under the proposed extensions under our agreements.

The request to release the Letter of Credit from Comerica Bank as collateral is a result of the guarantors of the project loans recently selling a significant asset, dramatically increasing the overall liquidity of the

guarantor group. This change has increased Mercantile Bank's comfort level with the project and created a willingness to release the Letter of Credit. The Company is current with CRP reporting requirements.

Recommendation

The MEDC staff recommends approval of an amendment to the MCRP Agreement and any related ancillary agreements for an extension of the interest only period and Loan Conversion Conditions deadline from July 10, 2016 to April 10, 2017; extension of the Project Completion deadline in Milestone Two from September 18, 2016 to June 18, 2017; extension of the Certification of Loan Conversion deadline in the Final Milestone by three months from March 18, 2017 to June 18, 2017; and release of a \$500,000 letter of credit from Comerica Bank which supports the loans.

MICHIGAN STRATEGIC FUND

RESOLUTION 2016 -

**APPROVAL OF AN AMENDMENT TO A MICHIGAN COMMUNITY
REVITALIZATION PROGRAM OTHER ECONOMIC ASSISTANCE AWARD FOR
LOFTS ON MICHIGAN, 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 2014-134 on April 22, 2014 the MSF Board awarded a CRP Other Economic Assistance Loan Participation Award to Lofts on Michigan, LLC, in furtherance of the Project of up to \$2,450,000 (“Award”);

WHEREAS, by Resolution 2014-133 on August 26, 2014 the MSF Board rescinded Resolution 2014-134 due to a change in the senior lender, and re-awarded a CRP Grant/Loan/Other Economic Assistance Award to Applicant, in furtherance of the Project of up to \$2,450,000 (“Award”);

WHEREAS, the MEDC is recommending that the MSF approve an amendment recommendation to extend the interest only period and Loan Conversion Conditions deadline from July 10, 2016 to April 10, 2017, the Project Completion deadline from September 18, 2016 to June 18, 2017, the Certification of Loan Conversion deadline from March 18, 2017 to June 18, 2017, and to allow the release of a \$500,000 letter of credit from Comerica Bank as collateral.

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

Ayes:

Nays:

Recused:

Lansing, Michigan
July 26, 2016



RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TALENT AND ECONOMIC DEVELOPMENT
LANSING

STEVE ARWOOD
DIRECTOR

MEMORANDUM

DATE: **July 26, 2016**

TO: Michigan Strategic Fund Board

FROM: 
Stephanie Comai, Director
Michigan Talent Investment Agency

SUBJECT: Community College Skilled Trades Equipment Program (CCSTEP) Awards

Request: TIA is requesting the MSF Board, at the July 26, 2016 meeting, consent to project changes for two community colleges as outlined below.

- Kirtland Community College requests the removal of their Composite Materials Technology equipment from the CCSTEP grant proposal. At this time, Kirtland is unable to secure the right faculty, students and employers to move forward with the program. Kirtland is requesting the funds be redistributed to purchase an anatomage table for the health sciences program, an additional sonography machine for the cardiac sonography program, and a skid-car for the criminal justice program. All of the items meet the 10-year useful life requirement.
- Oakland Community College requests the removal of three pieces of equipment (semi-trucks and trailers) from their Commercial Truck Driving program and requests the funds be redistributed to their in-demand Welding program. Recently it was communicated to the colleges that the CCSTEP funds used for reimbursement are bond proceeds and must be expended prior to April 1, 2018. Based on this information, Oakland Community College communicated to the Talent Investment Agency (TIA) their renovation timeline to house the semi-trucks and trailers would not meet the deadline. This change will allow for growth of Oakland Community College's Early College Career and Technical Education (CTE) program as well as accommodate the urgent need for welders. All of the welding items meet the 10-year useful life requirement.

MICHIGAN STRATEGIC FUND

RESOLUTION

2016-

**COMMUNITY COLLEGE SKILLED TRADE EQUIPMENT PROGRAM
GRANT AMENDMENTS**

WHEREAS, Public Act 224 of 2014 (the “Act”) authorized the Michigan Strategic Fund (“MSF”) to award up to \$50,000,000 for the community colleges skilled trades equipment program for equipment and related investments that ensure that Michigan community colleges can deliver educational programs in high-wage, high-skill, and high-demand occupations, as identified by regional labor market conditions and that build and retain a talented workforce in Michigan (the “Community College Skilled Trades Equipment Program” or “CCSTEP”);

WHEREAS, at its February 24, 2015 meeting, the MSF made CCSTEP awards to 18 community colleges;

WHEREAS, the Michigan Economic Development Corporation (“MEDC”) and the Talent Investment Agency (“TIA”) administer the CCSTEP on behalf of the MSF;

WHEREAS, MEDC and TIA staff determined that it is necessary to amend the CCSTEP grants awarded to Kirtland Community College and Oakland Community College as detailed in the memo to the MSF Board dated July 26, 2016 (the “CCSTEP Grant Amendments”);

WHEREAS, MEDC and TIA staff recommend that the MSF Board approve the CCSTEP Grant Amendments.

NOW, THEREFORE, BE IT RESOLVED, the MSF Board approves the CCSTEP Grant Amendments; and

BE IT FURTHER RESOLVED, the MSF Board authorizes the MSF Fund Manager to execute all documents necessary to effectuate the CCSTEP Grant Amendments.

Ayes:

Nays:

Recused:

Lansing, Michigan
July 26, 2016

MEMORANDUM

Date: July 26, 2016

To: Michigan Strategic Fund

From: Mark Morante, Fund Manager, Michigan Strategic Fund

Subject: Amendment to Grosvenor Limited Partnership Agreement, dated as of July 27, 2006

Action

The Fund Manager requests that the MSF Board approve an amendment by and among GCM CFG Fund Partners II, L.P. (formerly known as, DLJ Fund Partners II, L.P.) (the “General Partner”), and the Michigan Strategic Fund (the “Limited Partner” or “MSF”) of Michigan 21st Century Investment Fund, L.P. (the “Partnership”) to a Limited Partnership Agreement, dated as of July 27, 2006 (the “Partnership Agreement”).

The amendment as drafted will accomplish the following: 1) confirm that the MSF will owe no additional management fees, 2) provide for a reserve to be used for remaining obligations of the MSF, 3) confirm MSF’s capital commitment is fully met, 4) continue distributions, subject to any reasonable and necessary future changes to the reserve amount, and 5) add a soft cap for future expenses owed by MSF. Broadly, the amendment will also provide for a snapshot of the present finances applicable to MSF as Limited Partner, setting up the expectation that material future changes will be subject to discussion and agreement among the parties (collectively, the “Amendment”).

Background

The MSF approved its participation in the Partnership, and the form of the Limited Partnership Agreement, on July 26, 2006. The purpose was to invest approximately \$120,000,000. MSF’s proportional obligation in the Partnership is 95%. Therefore, MSF’s commitment was \$114,000,000 that, along with the General Partner’s share, has been managed by the General Partner according to its MSF-approved investment strategy, with the expectation that MSF would earn a return on its investment. As part of MSF’s \$114,000,000 commitment, it was understood that management fees, expenses and other costs would be limited to MSF’s share of \$11,000,000 out of the \$120,000,000 commitment. Draw requests of the commitment were periodically approved by the MSF. Despite the legal entity named as the General Partner in the Agreement, the General Partner was more familiarly known as Credit Suisse.

On October 23, 2013 the MSF approved Grosvenor Capital Management, L.P. as successor General Partner to the Partnership.

It became apparent dealing with the successor General Partner that there were certain gaps in the Partnership Agreement with respect to, generally, the amount of money MSF had contributed in total, the identity of certain distributions paid to the MSF, the payment of management fees and expenses, the timing of distributions, and the maximum amount of funds the MSF might be obligated to contribute. Certain legal requirements unique to MSF conflicted with standard “marketplace” practice concerning the potential for certain payments received by the MSF to be recalled.

Despite believing the MSF’s legal position with respect to its reading of the Partnership Agreement was sound, the Fund Manager, MEDC Counsel and the Attorney General’s Office concluded it was prudent to negotiate an amendment with the successor General Partner, to eliminate the potential for opposing interpretations among the parties, especially should there be another successor general partner.

Negotiations have been taking place for several months, and the parties have now reached a tentative agreement, subject to MSF Board approval.

The net result of the Amendment will be an immediate approximate payment of \$2,600,000 to the MSF, with future distributions to the MSF as they are available. If additional reserve is needed, distributions will be at 90% of the actual until the adjusted reserve amount is reached.

Recommendation

MEDC Staff recommends that the MSF Board approve the Amendment, and a form of which agreement is attached to the resolution accompanying this memo.

**MICHIGAN STRATEGIC FUND
RESOLUTION**

2016-

AMENDMENT TO GROSVENOR LIMITED PARTNERSHIP AGREEMENT

WHEREAS, Section 88b(2) of the Public Act 270 of 1984 (the “Act”) provides, and in 2006 provided, that money transferred or appropriated by law to the fund shall be expended or invested by the fund for various purposes, including for 21st century investments;

WHEREAS, the MSF approved its participation with 21st Century funds as Limited Partner in a Partnership with DLJ Fund Partners II, L.P. (the “General Partner”), and the form of a Limited Partnership Agreement (the “Agreement”), on July 26, 2006;

WHEREAS, on July 26, 2016, the MSF also authorized the investment in the form of a capital commitment of up to \$120,000,000 in the Partnership;

WHEREAS, on July 27, 2016, the MSF entered into the Agreement with the General Partner.

WHEREAS, on October 23, 2013 the MSF approved Grosvenor Capital Management, L.P. (“Grosvenor” and, together with the MSF, the “Parties”) as successor General Partner to the Partnership;

WHEREAS, the Parties concluded it was prudent to negotiate an amendment to the Agreement with Grosvenor, to eliminate the potential for opposing interpretations of certain terms of the Agreement among the parties, especially should there be another successor general partner;

WHEREAS, negotiations have been taking place for several months, and the Parties have reached a tentative agreement, subject to MSF Board approval; and

WHEREAS, the amendment would, 1) confirm that the MSF will owe no additional management fees, 2) provide for a reserve to be used for remaining obligations of the MSF, 3) confirm MSF’s capital commitment is fully met, 4) continue distributions, subject to any reasonable and necessary future changes to the reserve amount, 5) add a soft cap for future expenses owed by MSF, and 6) provide for the immediate payment of approximately \$2,600,000 to the MSF. (collectively, the “Amendment”).

NOW, THEREFORE, BE IT RESOLVED, that the MSF approves the Amendment and the form of the Amendment Agreement attached to this resolution; and

BE IT FURTHER RESOLVED, that the MSF authorizes the MSF Fund Manager to negotiate the final terms and conditions of and to execute the Amendment Agreement and to take all other actions necessary to effectuate the Amendment.

Ayes:

Nays:

Recused:

Lansing, Michigan
July 26, 2016

AMENDMENT NO. 2 TO
LIMITED PARTNERSHIP AGREEMENT OF
MICHIGAN 21ST CENTURY INVESTMENT FUND, L.P.

AND TO
21ST CENTURY INVESTMENT FUND MANAGER AGREEMENT

THIS AMENDMENT NO. 2 (this “Amendment”) is made as of July __, 2016, by and among GCM CFGI Fund Partners II, L.P. (formerly known as, DLJ Fund Partners II, L.P.) (the “General Partner”), the Michigan Strategic Fund (the “Limited Partner” or “MSF”) of Michigan 21st Century Investment Fund, L.P. (the “Partnership”) that has executed a counterpart signature page hereto, and amends that certain Limited Partnership Agreement, dated as of July 27, 2006 (as amended, the “Partnership Agreement”). This Amendment is also made as of July __, 2016 by GCM Customized Fund Investment Group, L.P. (“GCM” or the “Fund Manager”) as successor to Credit Suisse Asset Management, LLC (the “Predecessor Manager”), that has executed a counterpart signature page hereto, and amends that certain 21st Century Investment Fund Manager Agreement, dated as of July 27, 2006 (as amended, the “Fund Manager Agreement” and, together with the Partnership Agreement, the “Agreements”). The General Partner and Limited Partner are collectively referred to herein as the “Parties” and each individually as a “Party.” Capitalized terms used but not otherwise defined herein shall have the meanings assigned to such terms in the Partnership Agreement.

WHEREAS, on October 23, 2013, the Michigan Strategic Fund Board adopted its Resolution 2013-190, authorizing a change in control of the General Partner and GCM as investment manager to the Partnership;

WHEREAS, each of the Parties is a Partner of the Partnership and, accordingly, is a party to the Partnership Agreement;

WHEREAS, pursuant to this Amendment, the Parties desire to amend the Partnership Agreement, in accordance with the Partnership Agreement;

WHEREAS, the Parties also desire to amend the Fund Manager Agreement and otherwise memorialize the provisions identified herein; and

WHEREAS, the Parties desire to, among other things 1) reduce the Limited Partner’s Available Capital to zero 2) satisfy in full all accrued but unpaid Management Fees, which, along with Partnership Expenses, are subject to the Expense Cap (as defined below) 3) acknowledge that no future Management Fees will accrue, 4) modify Section 2.5 of the Partnership Agreement as further described herein, and 5) provide for the commencement and ongoing payment of Distributions to the Limited Partner.

NOW THEREFORE, in consideration of the mutual agreements and covenants made herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound, hereby agree as follows:

1. Available Capital. As of June 30, 2016, the Partnership is holding approximately \$12.9 million of cash, of which the Limited Partner's share is approximately \$11.3 million. The General Partner will request from the Limited Partner a Capital Contribution in the amount of approximately \$7.5 million, which represents Limited Partner's Available Capital and is within the Limited Partner's approved Capital Commitment, and make a Distribution to the Limited Partner of approximately \$10.1 million concurrently from amounts held by the Partnership from cash proceeds from Portfolio Funds. The transaction will result in a net cash payment to MSF from the Partnership of approximately \$2.6 million and following such Capital Contribution by the Limited Partner, the Limited Partner's Available Capital shall be deemed to be zero.

2. Management Fees.

(a) The Limited Partner represents to the General Partner and GCM that the Limited Partner agreed with the Predecessor Manager that the maximum amount of the Limited Partner's Capital Commitment payable as Management Fees and Partnership Expenses will be \$11.0 million (the "Expense Cap").

(b) The Parties acknowledge that as a result of the Expense Cap, effective as of January 1, 2015, no further Management Fees (of the type and as described in Section 7.1 of the Partnership Agreement and Section 1.8 of the Fund Manager Agreement) shall be owed or payable by the Limited Partner in any capacity.

(c) Notwithstanding the Expense Cap, the Limited Partner shall continue to be subject to its *pro rata* share of Partnership Expenses (as described in Section 7.2 of the Partnership Agreement) up to and in excess of the Expense Cap, and GCM and the General Partner may only pay the Limited Partner's share such actual and identified Partnership Expenses from its share of the Reserve. .

(d) Total Partnership Expenses are not anticipated to exceed \$700,000. For the avoidance of doubt, this is an estimate based on past Partnership Expenses and is not to be treated as an expense cap.

3. Reserve and Distributions.

(a) Reserve.

(i) Pursuant to Section 2.5 of the Partnership Agreement, the General Partner may establish a Reserve ("Reserve") on behalf of the Partnership consisting of pro rata contributions from the Parties.

(ii) The Parties agree that the Limited Partner's share of the Reserve shall be used to meet the Limited Partner's Portfolio Fund Obligations and the Limited Partner's Partnership Expenses; provided that any draws from the Reserve shall also be on a pro rata basis among the Parties.

(iii) Notwithstanding Section 2.5 of the Partnership Agreement, the General Partner agrees that any Reserve established by the General Partner in respect of Portfolio Fund Obligations (including in respect of any distributions to the Partnership that are contractually recallable by such Portfolio Fund) shall be limited to the Partnership's remaining aggregate capital commitment to the Portfolio Funds. As of June 30, 2016, such amount is approximately \$8.4 million of which the Limited Partner's share is approximately \$8.0 million. The Parties further agree that the Partnership shall use the Limited Partner's pro rata share of the Reserve, plus the amount credited to the Limited Partner pursuant to the Capital Contribution in Section 1 herein (approximately \$7.5 million), solely for the Limited Partner's pro rata share of Portfolio Fund Obligations and Partnership Expenses.

(iv) Following the Capital Contribution set forth in Section 1 above, the Limited Partner's share of the amount held in Reserve will be approximately \$1.1 million. The Reserve shall be increased by MSF's share of cash received from Portfolio Funds and the General Partner's corresponding pro rata share after the date hereof and reduced to reflect any pro rata reductions for the Partnership's Portfolio Fund Obligations and Partnership Expenses.

(b) Distributions.

(i) Notwithstanding Section 2.5 of the Partnership Agreement, once the General Partner has retained sufficient amounts in Reserve such that MSF's share of the Reserve satisfies its share of the Partnership's Portfolio Fund Obligations and its share of actual and anticipated Partnership Expenses (as of June 30, 2016, anticipated to be approximately \$1.1 million), the General Partner will distribute to the Partners one hundred percent (100%) of all cash proceeds received from Portfolio Funds thereafter.

(ii) In the event that the General Partner reasonably believes that it may be unable to maintain a Reserve in an amount it reasonably believes sufficient to satisfy the current and anticipated liabilities of the Partnership and also satisfy the distribution obligations of this Section 3(b), the General Partner shall notify the Limited Partner thereof and the Parties shall discuss the need to increase the Reserve to an amount sufficient to satisfy such liabilities.

(iii) If an increased Reserve amount is needed, then once the Parties have agreed upon a revised or incremental Reserve amount, the General Partner will distribute to the Partners ninety percent (90%) of all cash received from Portfolio Funds thereafter until such time as the revised or incremental Reserve has been retained by the Partnership. Thereafter, the General Partner shall, subject to any additional revisions made in accordance with Section 3(b) hereof, distribute in accordance with Section 3(b)(i) hereof.

(iv) Notwithstanding anything to the contrary in the Partnership Agreement, the Fund Manager Agreement, or otherwise, Distributions paid to the Limited Partner do not increase the Limited Partner's Available Capital for any purpose.

(v) As Partnership Expenses and Portfolio Fund Obligations are met and decline over time, the General Partner agrees to reduce the amount of the Reserve proportionately, and to remit unused portions of the Reserve reductions to the Parties.

(vi) An accounting of the Reserve will be part of any intermittent reports to the Limited Partner.

4. Amendment Controls Conflict.

(a) This document amends the Agreements only as described herein. To the extent the above provisions conflict with existing provisions in the Agreements, or any other agreements or understandings of the Parties, the provisions herein supersede and control.

(b) The Agreements otherwise remain in full force and effect, with no other changes except those expressed in writing and signed by authorized signatories of the Parties.

5. Effectiveness. Pursuant to Section 13.2 of the Partnership Agreement and Section 3.12 of the Fund Manager Agreement, this Amendment shall be effective and binding upon the execution hereof by the General Partner, the Limited Partner, and the Fund Manager.

6. Miscellaneous.

(a) Counterparts. This Amendment may be executed in more than one counterpart by authorized signatories of the Parties with the same effect as if the Parties executing the several counterparts had all executed one counterpart.

(b) Successors. Pursuant to Section 13.7 of the Partnership Agreement, and as agreed by the Limited Partner and the Fund Manager as to the Fund Manager Agreement, this Amendment shall be binding on the legal representatives, successors and assigns of the Parties.

(c) Monthly Statements.

(i) Monthly statements and accountings in a form mutually agreed upon among the Parties and sufficient for the Limited Partner to account for uses of its Contributions and Distributions owed to it will continue.

(ii) Such statements will identify for the Limited Partner its share of the unfunded capital commitments with respect to each of the Portfolio Funds.

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IN WITNESS WHEREOF, the Parties hereto have caused this Amendment to the Partnership Agreement and Fund Manager Agreement to be executed as of July __, 2016.

GENERAL PARTNER:

GCM CFG FUND PARTNERS II, L.P.

By:

Its:

FUND MANAGER:

**GCM CUSOMIZED FUND INVESTMENT GROUP,
L.P.**

By:

Its:

IN ITS CAPACITY AS LIMITED PARTNER UNDER THE PARTNERSHIP AGREEMENT:

MICHIGAN STRATEGIC FUND

By:

Its:

MEMORANDUM

Date: July 26, 2016

To: MSF Board

From: Christin Armstrong, Associate General Counsel and V.P., Compliance and Contract Services

Subject: Biodiscovery, LLC – Loan Settlement Request

Request

Michigan Economic Development Corporation (“MEDC”) Staff requests that the MSF accept \$300,000 in full satisfaction of the debt owed by Biodiscovery, LLC (“Biodiscovery” or “Company”) described under the MSF Investment Summary below (the “Request”).

Background

Company Overview

Biodiscovery was founded in 2006 to manufacture oligonucleotide microarrays, with a focus on bringing the microarrays to new markets by developing self-contained devices and reader-free detection technologies. Biodiscovery received the following loan from the MSF:

21st Century Jobs Fund Business Plan Competition Award Summary

Award Type:	Convertible Loan
Original Loan Amount:	\$2,194,675
Award Date:	November 17, 2006
Interest Rate:	8.25%
Loan Balance (as of 7/1/16):	\$3,326,735.54
Equity:	Warrant to purchase \$320,000 in membership units, the number of which to be determined by a Financing Event, IPO or Liquidity Event.

The Company reports that since 2010 it has been surviving on a combination of federal grants and modest sales of new products (these products do not include the microarrays that were originally proposed). The federal grants and sales are just enough to cover Biodiscovery’s payroll and administrative expenses but do not provide sufficient cash to service the loan it owes to the MSF. In addition, the federal grant funds may not be used to pay the MSF debt. The Company was placed in default of the MSF loan in December 2015 for failure to pay. Immediately after receipt of the default notice, the Company’s President contacted MEDC Staff and offered \$300,000 from his personal retirement account in settlement of the MSF loan. MEDC Staff has been in discussions with the Company since that time.

MEDC staff believes that accepting the \$300,000 in full satisfaction of the debt is the best option for the MSF at this time. The Company’s sales have remained stagnant for the past few years and the Company

expects that trend to continue in the long term. This would result in repeated amendment requests over the next several years, thereby increasing the MSF's administrative burden on a loan with a very low likelihood of repayment. The MSF will maintain its existing warrant to purchase membership units in the Company which will allow it to seek an equity stake in Biodiscovery should it experiences a venture financing event, an IPO, or is acquired. While the MSF could pursue collection of the full loan balance as a result of the Company's default, it is unlikely that the MSF would realize any significant return upon liquidation of Biodiscovery's assets.

Recommendation

MEDC staff recommends that the MSF Board approve the Request.

MICHIGAN STRATEGIC FUND

**RESOLUTION
2016-**

BIODISCOVERY, LLC – LOAN SETTLEMENT

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 Biodiscovery, LLC (“Biodiscovery” or “Company”), entered into a 21st Century Business Plan Competition loan agreement, dated November 17, 2006, whereby the SEIC Board and MSF agreed to loan up to \$2,194,675 to Biodiscovery under the terms and conditions set forth in the Convertible Loan Agreement, Security Agreement and Promissory Note (the “Note”), each dated November 17, 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, in accordance with Section 125.2088k-3 of the Michigan Strategic Fund Compiled Resolutions, the Loan Documents were amended by Amendment One to the Convertible Loan Agreement on June 24, 2014 to extend the grace period on the Note to June 4, 2015 and issue a Warrant to Purchase Membership Units under which the MSF is entitled to purchase \$320,000 worth of membership units in Biodiscovery;

WHEREAS, as of July 1, 2016, the total amount owing under the Loan Documents is \$3,326,735.54 (the “Indebtedness”);

WHEREAS, Biodiscovery has requested that the MSF accept \$300,000 in full satisfaction of the Indebtedness (the “Loan Settlement Request”);

WHEREAS, the MEDC recommends that the MSF Board approve the Loan Settlement Request and that the MSF Board further authorize a complete write off of the balance of the Indebtedness; and

WHEREAS, the MSF wishes to approve the Loan Settlement Request and to authorize a complete write off of the balance of the Indebtedness.

NOW, THEREFORE, BE IT RESOLVED, the MSF approves the Loan Settlement Request and authorizes a complete write off of the balance of the Indebtedness; and

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

Ayes:

Nays:

Recused:

Lansing, Michigan
July 26, 2016

MEMORANDUM

Date: July 26, 2016
To: MSF Board
From: Christin Armstrong, Associate General Counsel and V.P., Compliance and Contract Services
Subject: Tolera Therapeutics, Inc. Investment Write-Off

Request

Michigan Economic Development Corporation (“MEDC”) Staff requests that the MSF authorize a full accounting write off of the MSF investment in Tolera Therapeutics, Inc. (“Tolera” or “Company”) described under the MSF Investment Summary below (the “Request”). A similar request is being presented to the MEDC for its investment in Tolera.

Background

Company Overview

Tolera was formed in 2005 to develop therapies and technologies for immune modulating in transplantation and auto-immune diseases. Tolera received the following loans and investments from the MSF and MEDC:

Investment Summary

21st Century Jobs Fund Business Plan Competition

Award Type: Convertible Loan
Original Loan Amount: \$2,000,000 (converted to equity June 30, 2010)
Award Date: January 9, 2009
Equity: 2,884,201 shares Series B-2 Preferred

MEDC Follow on Fund (Corporate)

Award Type: Convertible Loan
Original Loan Amount: \$500,000 (converted to equity June 27, 2013)
Award Date: November 30, 2010
Equity: 809,436 shares Series B-3 Preferred

Tolera’s board of directors and shareholders have voted to dissolve the company due to a lack of interest from investors and technology partners in the applications the Company identified for its technology.

Collateral and Disposition of Assets

The Company’s obligations exceed its cash and assets so there will be no proceeds from the liquidation of the company for all of Tolera’s creditors or shareholders. The little proceeds that the Company does expect through its liquidation plan will be applied to satisfy the senior debt owed to Silicon Valley Bank. According to the Company, Silicon Valley Bank also intends to foreclose on Tolera’s remaining intellectual property assets to further offset its unpaid balance. As such, there will be no proceeds distributed to either the MSF or MEDC as a result of this liquidation.

Recommendation

MEDC staff recommends that the MSF Board approve the Request.

MICHIGAN STRATEGIC FUND

**RESOLUTION
2016-**

TOLERA THERAPEUTICS, INC. – INVESTMENT WRITE-OFF

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

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

WHEREAS, the MSF issued a loan of up to \$2,000,000 to Tolera Therapeutics, Inc. (“Tolera” or “Company”) pursuant to a Convertible Loan Agreement, Promissory Note and Security Agreement, each dated January 9, 2009 (the “Tolera Loan”);

WHEREAS, on June 30, 2010 the MSF exercised its right to convert the existing balance of the Tolera Loan (\$2,076,625 as of June 30, 2010) into 2,884,201 shares of the Company’s Series B-2 Preferred Stock (the “Tolera Investment”);

WHEREAS, on June 16, 2016, Tolera notified the MEDC that Company’s board of directors had voted to dissolve Tolera due to a lack of interest from existing and potential investors to support further development of the Company’s technology and applications;

WHEREAS, the MEDC recommends that the MSF Board approve a complete accounting write-off of the Tolera Investment (collectively, the “Write-Off Request”); and

WHEREAS, the MSF Board wishes to approve the Write-Off Request.

NOW, THEREFORE, BE IT RESOLVED, the MSF approves the Write-Off Request; and

BE IT FURTHER RESOLVED, that the MSF Fund is authorized to take all necessary action to effectuate the Write-Off Request in accordance with the terms and conditions of this resolution.

Ayes:

Nays:

Recused:

Lansing, Michigan
July 26, 2016

MEMORANDUM

Date: July 26, 2016
To: MSF Board
From: Christin Armstrong, Associate General Counsel and V.P., Compliance and Contract Services
Subject: CytoPherx, Inc. – Loan Conversion Request

Request

Michigan Economic Development Corporation (“MEDC”) Staff requests that the MSF convert the outstanding indebtedness owed by CytoPherx, Inc. (“CytoPherx” or “Company”), with 75% of the loan balance being converted into Series C shares at \$0.84 per share and 25% of the loan balance being converted into Series D-1 shares at \$0.25 per share (the “Request”). The loan balance as of July 1, 2016 is \$2,648,726 which equates to 2,364,934 shares of Series C stock and 2,648,726 shares of Series D-1 stock.

Background

Company Overview

CytoPherx is a clinical stage medical device company focused on inflammation-based diseases and conditions with a proprietary selection cytopheresis system. The Company’s products are custom manufactured, patent-protected configurations of hollow fiber membranes that are used in a proprietary manner to sequester and deactivate white blood cells (leukocytes), which produce several toxic biochemical proteins that can lead to organ failure and death. The Company is focused on acute renal failure.

CytoPherx received the following loan from the MSF:

21st Century Jobs Fund Business Plan Competition Award Summary

Award Type:	Straight Loan
Original Loan Amount:	\$2,000,000
Award Date:	December 10, 2008
Interest Rate:	6%
Loan Balance (as of 7/1/16):	\$2,648,726.18
Equity:	Warrant to purchase 283,225 shares of Common Stock

In 2013 the Company was forced to stop its clinical study as it did not show the desired effects for the patients in the trials. After analyzing the data they did generate through that trial, it was discovered that the original study protocol was not measuring the correct endpoint (fatality data generated in 2004 as opposed to more current data). Using the 2004 data, the Company was measuring against a statistical baseline fatality of 50% in this patient population. There have been significant clinical improvements in treating renal disease and the current fatality rate as measured in 2011 is now 40%. Therefore, the 10% difference in improvement could not be attributed to the treatment of the new technology, but to general improvement

in overall treatment of this medical condition. In addition and at the time of these clinical trials, there was a shortage of free calcium, which is a drug used in the applicable dialysis system. As a result, the clinical sites were under-dosing patients in order to ration their short supply. The Company believes that if a new, correctly designed and properly executed clinical trial were conducted, the technology would show the intended benefits.

CytoPherx has been granted approval by the FDA to commence a new clinical trial. The Company has an executed term sheet for up to \$40 million to support the Company through FDA approval of its primary application. In connection with and as a requirement of that term sheet, the Company is requesting that the MSF convert the outstanding loan balance into to 2,364,934 shares of Series C stock and 2,648,726 shares of Series D-1 stock. Approval of this Request will allow CytoPherx to proceed with the term sheet and receive an infusion of much needed capital for the purpose of the new round of clinical trials. This conversion is beneficial to the State in that it positions the MSF to achieve significant returns through a high-value exit.

Recommendation

MEDC staff recommends that the MSF Board approve the Request.

MICHIGAN STRATEGIC FUND

**RESOLUTION
2016-**

CYTOPHERX, INC. LOAN CONVERSION REQUEST

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 CytoPherx, Inc. f/k/a Nephron, Inc. (“CytoPherx” or “Company”), entered into a 21st Century Business Plan Competition loan agreement, dated December 10, 2008, whereby the SEIC Board and MSF agreed to loan up to \$2,000,000 to CytoPherx under the terms and conditions set forth in the Loan Agreement, Security Agreement, Warrant to Purchase Common Shares and Promissory Note (the “Note”), each dated December 10, 2008 (the Loan Agreement, Security Agreement, Warrants 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 June 9, 2011 to extend the grace period to June 1, 2011, increase the interest rate from 4.5% to 6% and issue additional warrants to purchase stock to the MSF;

WHEREAS, the Loan Documents were amended on July 27, 2012 to revise the warrant agreements to account for the Company’s employee stock option plan;

WHEREAS, the Loan Documents were amended on June 30, 2015 to extend the grace period to October 1, 2015;

WHEREAS, the Loan Documents were amended on October 23, 2015 to extend the grace period to July 1, 2016;

WHEREAS, as of July 1, 2016, the total amount owing under the Loan Documents, as amended, is \$2,648,726.18 (the “Indebtedness”);

WHEREAS, CytoPherx has requested that the MSF convert 75% of the Indebtedness into shares of the Company’s Series C stock and 25% of the loan balance into the Company’s Series D-1 stock (the “Loan Conversion Request”);

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

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

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan
July 26, 2016

MEMORANDUM

Date: July 26, 2016

To: Michigan Strategic Fund

From: Denise Graves, University Relations, Entrepreneurship and Innovation

Subject: Support for the Michigan Translational Research and Commercialization (MTRAC) Statewide Program, Life Science Innovation Hub Application

Action

The MEDC requests that the MSF Board approve the request from University of Michigan Medical School Fast Forward Medical Innovation as a Life Science Innovation Hub within the MTRAC Statewide Program. The MEDC also requests the allocation of \$2,026,470 from the 21st Century Jobs Fund Entrepreneurship and Innovation 2016 MTRAC budget as funding for 1 year for this Innovation Hub.

Background

At its April 26, 2016 meeting, the MSF approved the creation of the MTRAC Statewide Program, \$3,500,000 from the 2016 21st Century Jobs Fund, Program Guidelines and Scoring Criteria for the support of translational research projects in five (5) Innovation Hubs in the following key areas Bio-Medical Sciences, Life Sciences, Advanced Transportation, Advanced Materials and Agriculture-Biology. The program supports the acceleration of technology transfer from Michigan's institutions of higher education, non-profit research centers and hospital systems for commercialization of competitive edge technologies in the 5 key areas.

The MEDC, program administrator, received one application for the Life Science Innovation Hub from the University of Michigan Medical School Fast Forward Medical Innovation. The application was reviewed and scored, based on the approved scoring criteria as attached. The University of Michigan meets the criteria for an Innovation Hub as outlined in the approved Program Guidelines.

In February of 2013, the MSF Board Awarded the University of Michigan a MTRAC award in the amount of \$2,415,000 for a 3 period for the technology transfer and commercialization of competitive edge technologies and bioeconomy technologies to the private sector focusing on Life Sciences to include the development of therapeutics, medical devices, medical diagnostics and digital health.

The current UM MTRAC Life Science Program reported the following metrics cumulative to date (6/2013-5/2016):

Metrics	Actual to Date through 5/31/16
Start-ups	7
Jobs Created	15
Follow on Funding	\$6.42M
Licenses to Industry	3
License Options	9
Proposals Reviewed by Oversight Committee	96
Projects Funded	34

With the work of the University of Michigan Medical School Fast Forward Medical Innovation team and the collaboration and success of MTRAC, two additional translational research funds have been created and are modeled after the MTRAC program; Massey Traumatic Brain Injury Fund \$1M and Mary Petrovich GI Fund \$1M. In addition to these two new translational research funds, a new seed fund was created and is closely watching the MTRAC projects with the desire to fund promising translational research; Monroe-Brown Fund \$3M initial for a potential of an additional \$30M.

Recommendation

MEDC Staff recommends that the MSF Board approve the following:

- 1) Approval of University of Michigan Medical School Fast Forward Medical Innovation Application for the Life Science Innovation Hub for the MTRAC Statewide Program;
- 2) Allocation of \$2,026,470 from the 2016 21st Century Jobs Fund MTRAC budget for the Life Science Innovation Hub for 1 year.

Application Evaluation Form MTRAC Statewide Program – Innovation Hub

Name of Applicant: University of Michigan - MTRAC Innovation Hub for Life Science

Criteria	Reviewer's Comments	Points
<p>Executive Summary: Following items are included:</p> <ul style="list-style-type: none"> • Name of the applicant organization • Amount of funds requested • Amount of cash matching funds • Term • Technology and/or market area of focus • The targeted numbers for: <ul style="list-style-type: none"> ○ Companies Created ○ Licenses to Michigan companies ○ Licenses to non-Michigan companies ○ Jobs created ○ Amount of follow-on funding 		Yes, Eligible
<p>Research Background and Past Experience: Does the description of the proposed technology and/or market area make sense? Does the applicant have the experience to do this? Is the team capable of doing it? Are the policies and processes conducive to commercialization? Please consider the following.</p> <ul style="list-style-type: none"> • The technology and/or market focus and the reasons for why this area has been chosen • The volume of federal, state, and other research funding in the proposed area • The applicant's experience and expertise in technology transfer in the proposed area • Key program personnel and their relevant experience (if available) • Technology transfer leadership and their experience • The applicant institution's leaders and their experience • Policies and processes being conducive to commercialization <ul style="list-style-type: none"> ○ Intellectual Property ○ Tenure promotion ○ Conflict of Interest Policy 		Max. Possible Points: 25 Score: <u>25</u>
<p>The university ecosystem and implementation of the MTRAC program: Do they have a reasonable plan for execution? Do they understand what they need to do to accomplish the goals? Does the applicant have the experience to do this? Please consider the following.</p> <ul style="list-style-type: none"> • Understanding of the MTRAC Process • How the Process will be implemented and how the relevant units (departments, centers and institutes) will be involved • Integration with the other commercialization programs • The applicant's commercialization expertise and experience in the proposed market and/or technology area • The university's commitment at all levels in terms of financial match, in-kind resources and willingness to support an Innovation Hub and collaborate with other institutions • Collaborative partners and their value • Technology Transfer leadership, their past track record and their commitment • Key program personnel and their value • Buy-in and support from the university leadership 		Max. Possible Points: 25 Score: <u>24</u>
<p>Milestones/Deliverables/Budget: Do they have a realistic plan and time line? Is the budget enough to support the necessary MTRAC activities and goals and bring the projects to an</p>		Max. Possible Points: 25 Score: <u>21.5</u>

<p>industry/investor-ready stage? Does the applicant fund the necessary personnel for the program?</p> <ul style="list-style-type: none"> • Reasonable milestones/deliverables • Achievable and leading to economic impact • The budget is appropriate in scale and scope to proposed technology and/or market area • Previous MTRAC program and accomplishment of milestones/deliverables and budget 		
<p>Economic Impact: Is the proposed impact reasonable given the proposed technology/market area and the local ecosystem?</p> <ul style="list-style-type: none"> • Potential for company creation per MEDC grant invested • Potential for licenses to industry per MEDC grant invested • Potential for generating local follow-on investment and/or drawing out-of-state investment into Michigan • Reasonable targeted metrics: <ul style="list-style-type: none"> ○ Companies Created ○ Licenses to Michigan companies ○ Licenses to non-Michigan companies ○ Jobs created ○ Amount of follow-on funding 		<p>Max. Possible Points: 25</p> <p>Score: <u>22.5</u></p>
<p>Total Score:</p>		<p>Max. Possible Points: 100</p> <p>Score: <u>93</u></p>

MICHIGAN STRATEGIC FUND

**RESOLUTION
2016-**

**APPROVAL OF MICHIGAN TRANSLATIONAL RESEARCH
AND COMMERCIALIZATION INNOVATION HUB AWARD**

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

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

WHEREAS, pursuant to Section 88o of the Act, the MSF shall create and operate a program to accelerate technology transfer from Michigan’s institutions of higher education to the private sector for commercialization of competitive edge technologies and bioeconomy technologies;

WHEREAS, on April 26, 2016, the MSF Board 1) created the Michigan Translational Research and Commercialization Program to award grants to Michigan institutions of higher education for the purpose of advancing of competitive edge technologies and bio economy technologies into commercial applications and increasing the number of startups, jobs, industry licenses and investment for Michigan (the “MTRAC Program”) and 2) adopted the MTRAC Program Guidelines;

WHEREAS, the University of Michigan (“UM”) has submitted a request to receive a grant of up to \$2,026,470 as the Innovation Hub for Life Science activities (the “Grant Request”);

WHEREAS, the MEDC has reviewed the Grant Request using scoring and evaluation criteria adopted by the MSF Board for the MTRAC Program and determined that UM meets the criteria for approval as an Innovation Hub for Life Science activities as described in the MTRAC Program Guidelines;

WHEREAS, the MEDC recommends that the MSF Board approve a grant award of up to \$2,026,470 to UM as an Innovation Hub for Life Science activities, with an initial grant term of two years (the “Grant Award”); and

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

NOW, THEREFORE, BE IT RESOLVED, the MSF Board approves the Grant Award and authorizes the MSF Fund Manager to take all action necessary to effectuate the Grant Award, consistent with the terms and conditions of this resolution.

Ayes:

Nays:

Recused:

Lansing, Michigan
July 26, 2016



MICHIGAN STRATEGIC FUND

MEMORANDUM

Date: July 26, 2016

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

From: Eric Shreffler, Managing Director, Automotive Office

Subject: Investment Fund Award to Willow Run Arsenal of Democracy Landholdings Limited Partnership and Grant Amendment

Request

This is a request for approval for up to \$17 million from the Investment Fund to the Willow Run Arsenal of Democracy Landholdings Limited Partnership (WRAD) to facilitate the final design, construction costs and operations for the completion of Phase 1 of the American Center for Mobility’s (ACM) Connected and Automated Vehicle (CAV) test facility at Willow Run. Return on investment is projected to primarily be generated from monthly payments by ACM. It is anticipated these returns will be paid over 30 years. The use of MSF funding and proposed return are set forth in more detail on the attached Exhibit A.

This request is also for approval to amend the existing MSF Grant award to WRAD (March 2016) to effectuate an additional \$800,000 from WRAD to ACM for certain short-term operational costs.

Background/Status

At the March 2016 meeting of the Board, approval was given to transfer \$3,000,000 from the MBD Program for a \$2,999,900 performance-based grant and \$100 equity investment to the then under formation, WRAD, for the purpose of commencing the process to purchase land at the former GM Willow Run plant site to ultimately build and operate a state-of-the-art CAV test facility. A portion of the grant was allocated to flow through WRAD to ACM, the proposed developer and operating entity for the project, for approximately 3 months’ of its start-up and operational costs. At the time of the initial Board request, it was anticipated that the intent was to return to the MSF Board to request an additional \$17,000,000 in funding to finalize the acquisition of the property, including all necessary due diligence, support ongoing operational costs, finalization of site design, and to support build out of Phase 1 of the project for high-speed testing. The proposed additional funding will be allocated in tranches, and disbursed based on the achievement of milestones, as outlined in the attached Exhibit A.

The following major developments have occurred since the March MSF Board meeting:

- 1) WRAD has engaged professional consultants, including its legal team, environmental team and survey team, and has begun necessary due diligence in preparation for the potential purchase of the land;



- 2) WRAD has been very actively engaged with the RACER Trust, MDEQ, MDOT, EPA, and ACM in preparation for the potential purchase of the land;
- 3) ACM has received over 30 letters of support for the project, including potential end-users of the site;
- 4) Design and professional services firms have been identified, interviewed, and/or contracted by ACM. ACM is actively seeking federal certification designation and federal agency investment opportunities;
- 5) ACM reports that it has positioned itself to attract federal funding to realize the full, multi-phase plan through discussions on specific programs it has had with following agencies for FY17 and beyond funding:
 - i. US Department of Transportation
 - ii. US Department of Energy
 - iii. US Department of Defense
 - iv. US Environmental Protection Agency
 - v. US Department of Commerce
- 6) MDOT has progressed with pre-design activities for surrounding roads, including US12, and coordination with Washtenaw and Wayne Counties, and local authorities; and
- 7) WRAD and Racer Properties LLC, wholly owned by the RACER Trust, formally signed the Purchase and Sale Agreement (“PSA”) toward permitting WRAD to access the land for necessary on-site due diligence and inspections and to continue to move toward acquiring the land.

MEDC Staff has reviewed WRAD’s pro-forma operational budget, as well as ACM’s pro-forma operational budget, initial site development plan, and repayment schedule. With approval of these requests, based on the above, and ACM’s input provided during weekly meetings, ACM has presented to MEDC Staff an acceptable operational and repayment plan.

Recommendation

MEDC Staff recommends:

- 1) Approval of the \$17 million funding under the Investment Fund;
- 2) Approval of the Investment Award to WRAD as outlined in Exhibit A; and
- 3) Approval to amend the MSF Grant as outlined in Exhibit A.



EXHIBIT A

- Awardee Name:** Willow Run Arsenal of Democracy Landholdings Limited Partnership
Lansing, Michigan (“LP”)
- General Partner:** Willow Run Land Management Services, a non-profit directorship-based entity; contributing management services to the LP (administrative service contracts with third parties shall be permitted)
- Limited Partner:** MSF as a senior, Class A limited partner, and/other limited partners as available and agreed upon
- Project:** The former Willow Run Powertrain Plant and surrounding areas and roads, Ypsilanti, Michigan
- Investment Award Amount:** Up to a total of an additional \$17 million equity investment in the LP (together with the previous MSF Grant of \$2,999,900, and the initial MSF equity investment of \$100, the total MSF commitment to the Project is up to a total of \$20 million)

Remaining MSF Grant funds anticipated to be used for:

- (1) LP disbursement requests for payment of fees, costs and expenses of the LP and its General Partner, including without limitation, toward purchase of the Real Estate, and to pay legal, environmental, consultant, and other Project related LP and GP contracts; and
- (2) to permit up to an additional \$800,000 from the MSF Grant to be provided by the LP to ACM for ACM’s Project related operations, costs and expenses to approximately September 2016.

Investment Award funds, including the initial \$100 investment, anticipated be called by the LP and used for:

- (3) LP disbursement requests for payment of fees, costs and expenses of the LP and its General Partner, including without limitation, toward purchase of the Real Estate, and to pay legal, environmental, consultant, and other Project related LP and GP contracts; and
- (4) LP disbursement requests to fund LP advances to ACM upon achievement of performance based milestones, to include:
 - (a) Up to \$4.2 million, which may be made in one or more payments, from and after September 2016, comprised of:
 - i. up to \$1.81 million upon satisfactory evidence of one or more, or any combination of, ACM’s physical site plan design materials and/or intelligent transportation system (ITS) design materials and/or initial infrastructure design materials for the Project, including submission of contract(s), or cost estimates, or design plans, or actual invoices from the designers, contractors, or other third parties engaged or to be engaged to perform for such work;



ii. up to \$2.39 million upon satisfactory evidence of ACM's projected Project related operating costs and expenses from approximately September 2016 through approximately December 2017, including submission of a pro forma budget.

(b) Up to \$5 million, which may be made in one or more payments, upon submission of (i) an executed ground lease between ACM and the LP, or other document permitting ACM to lease or otherwise have possession of the Real Estate, and (ii) construction contract(s), or cost estimates or actual invoices from contractor(s) or other third parties engaged, or to be engaged, to perform any component of the construction of the high speed track for the Project;

(c) Up to \$5.2 million, which may be made in one or more payments, toward finalizing construction of the high speed track for the Project upon satisfactory evidence and submission of (i) a written certification from the contractor or other third party engaged in the high speed track construction phase of the Project that the high speed track is approximately 50% completed, and (ii) cost to completion estimates for the remaining construction phase of the high speed track for the Project, or actual invoices from contractor(s) or other third parties engaged, or to be engaged, to perform any component of the construction phase the high speed track for the Project;

(d) In addition to the above, and from time to time through the term of the LP, up to any remaining portion of the Investment Award that is not deemed necessary by the LP to maintain as a reserve, and is otherwise available and acceptable to the LP, upon submission of documentation or other evidence deemed necessary by the LP to support ACM's Project related operations, costs and expenses.

MSF Fund Manager:

The MSF Fund Manager is authorized to approve MSF Grant and Investment Award disbursements and to provide written approval to vary any component of the above performance based milestone requirements for the Project that the MSF Fund Manager deems necessary and appropriate from time to time to adapt to Project needs, so long as such variances permit disbursements only within the categories and disbursement caps set forth above.

Repayment Terms:

ACM shall repay the LP the total amount of up to \$20 million, based upon the amount of the MSF Grant and Investment Award actually disbursed by the MSF. The payments shall begin on January 1, 2020, in monthly installments over 30 years, with interest at 2.5% per annum. Payments are anticipated to be approximately \$79,000 per month (based upon the full \$20 million). Default terms shall be included. The MSF shall be entitled to distributions from the LP consistent with the MSF as a senior, Class A limited partner in the LP.

Other Matters to be included:

An amended MSF Grant and an amended LP Grant to effectuate the disbursement of up to the additional \$800,000 to ACM.

An Amended and Restated Limited Partnership Agreement to, among other things, memorialize the above permitted Investment Award capital calls from the LP to MSF, as well as to maintain the requirement of distributions from the LP to the MSF consistent with MSF as a senior, Class A limited partner.



A pre-closing investment agreement between the LP and ACM to memorialize, among other things, disbursements from the LP to ACM based upon the above permitted Investment Award calls by the LP to the MSF, for at least the amount set forth in 4(a) above, and the above repayment terms, as adjusted to require repayment by ACM of the MSF Grant and Investment Award amounts actually disbursed by the MSF.

On or about the LP's closing on the purchase of the Real Estate, a Ground Lease or other agreement between the LP and ACM to memorialize, among other things, ACM's possession, use, redevelopment and operation of the Project, the remainder of the disbursements from the LP to ACM based upon the above permitted Investment Award calls by the LP to the MSF, and the above repayment terms, as adjusted to require repayment by ACM of the MSF Grant and Investment Award amounts actually disbursed by the MSF.

Ancillary documents that may be required to effectuate the above and the Award Recommendation.

**MICHIGAN STRATEGIC FUND
RESOLUTION 2016-**

**APPROVAL OF FUNDING, INVESTMENT, AND GRANT AMENDMENTS
WILLOW RUN ARSENAL OF DEMOCRACY LANDHOLDINGS LIMITED PARTNERSHIP**

WHEREAS, the Michigan legislature enacted the Michigan Strategic Fund Act, MCL 125.2001 et. seq., to enable the Michigan Strategic Fund (“MSF”) to provide incentives in the form of grants, loans and other economic assistance for the development and improvement of Michigan’s economy;

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

WHEREAS, as part of the 21st Century Jobs Trust Fund initiative, and pursuant to MCL125.2088h(1), the Jobs for Michigan investment fund was created as a permanent fund authorized by the state constitution (“Investment Fund”);

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

WHEREAS, pursuant to MCL 125.2088(h)(3), the Investment Fund shall be invested as authorized under Chapter 8A for the purpose of creating incentives for activities arising out of retaining or creating jobs, or increasing capital investment activity, or increasing commercial lending activity or encouraging the development and commercialization of competitive edge technologies, or revitalizing Michigan communities;

WHEREAS, pursuant to Chapter 8A, specifically, MCL 125.2088(b)(2)(c), Investment Fund monies are authorized to be invested for programs or activities authorized under the MSF Act as long as the programs or activities provide for repayment for breach of the written agreement or the failure to meet measureable outcomes;

WHEREAS, pursuant to the MSF Act, specifically, MCL 125.2007(c), the MSF has, among other things, the power to make investments;

WHEREAS, on March 22, 2016, by Resolution 2016-026, the MSF approved the MSF’s participation as a senior Class A limited partner in the Willow Run Arsenal of Democracy Landholdings Limited Partnership (“LP”);

WHEREAS, the LP is pursuing the purchase of the former Willow Run Powertrain Plant real estate parcels in Ypsilanti, Michigan (“Real Estate”), with a view toward facilitating the ultimate re-development and operation of the Real Estate and surrounding area and roads and for connected and automated vehicle technology, research, validation and testing facilities (collectively, the “Project”);

WHEREAS, on March 22, 2016, by Resolution 2016-026, the MSF also approved (i) an MSF grant to the LP in the amount of up to \$2,999,900 (“MSF Grant”), of which \$645,000 was approved to be granted by the LP to the American Center for Mobility (“ACM”) (“LP Grant”), and (ii) an MSF equity investment in the LP of up to \$100; the MSF Grant and the LP Grant to be used toward the purchase of the Real Estate and for start-up costs and expenses of the LP and ACM;

WHEREAS, on April 8, 2016, (i) the MSF and the LP entered into a grant agreement memorializing the MSF Grant, and (ii) the LP and ACM entered into a grant agreement to memorialize the LP Grant;

WHEREAS, effective July 5, 2016, the LP has entered into an agreement with Racer Properties LLC to purchase the Real Estate;

WHEREAS, the LP has requested an additional equity investment by the MSF in the LP of up to an additional \$17 million from the Investment Fund (“Investment Award”), and to amend the MSF Grant to permit the LP to grant an additional \$800,000 from the existing MSF Grant to ACM for ACM’s Project related operations, expenses and costs (collectively, “Award Request”) along with other general terms and conditions outlined in the attached Exhibit A (“Term Sheet”);

WHEREAS, the MEDC recommends that the MSF approve funding of up to \$17 million from the Investment Fund to fund the Investment Award (“Funding”);

WHEREAS, the MEDC recommends that the MSF approve the Award Request in accordance with the Term Sheet, subject to: (i) available Funding and (ii) final due diligence performed to the satisfaction of the MEDC (“Award Recommendation”);

NOW THEREFORE, BE IT RESOLVED, the MSF Board approves the Funding;

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

BE IT FURTHER RESOLVED, the MSF Board approves the MSF Fund Manager or the MSF President to negotiate the terms and conditions of, and in consultation with the Department of Attorney General and the Chief Compliance Officer and further subject to the approval of the Department of Attorney General, to execute, all final documents necessary to effectuate the MSF’s additional participation in the LP through the Investment Award, the amendment of the MSF Grant and the LP Grant, and the Award Recommendation.

Ayes:

Nays:

Recused:

Lansing, Michigan
July 26, 2016

EXHIBIT A

- Awardee Name:** Willow Run Arsenal of Democracy Landholdings Limited Partnership
Lansing, Michigan
- General Partner:** Willow Run Land Management Services, a non-profit directorship-based entity; contributing management services to the LP (administrative service contracts with third parties shall be permitted)
- Limited Partner:** MSF as a senior, Class A limited partner, and/other limited partners as available and agreed upon
- Project:** The former Willow Run Powertrain Plant and surrounding areas and roads, Ypsilanti, Michigan
- Investment Award Amount:** Up to a total of an additional \$17 million equity investment in the LP (together with the previous MSF Grant of \$2,999,900, and the initial MSF equity investment of \$100, the total MSF commitment to the Project is up to a total of \$20 million)

Remaining MSF Grant funds anticipated to be used for:

- (1) LP disbursement requests for payment of fees, costs and expenses of the LP and its General Partner, including without limitation, toward purchase of the Real Estate, and to pay legal, environmental, consultant, and other Project related LP and GP contracts; and
- (2) to permit up to an additional \$800,000 from the MSF Grant to be provided by the LP to ACM for ACM's Project related operations, costs and expenses to approximately September 2016.

Investment Award funds, including the initial \$100 investment, anticipated be called by the LP and used for:

- (3) LP disbursement requests for payment of fees, costs and expenses of the LP and its General Partner, including without limitation, toward purchase of the Real Estate, and to pay legal, environmental, consultant, and other Project related LP and GP contracts; and
- (4) LP disbursement requests to fund LP advances to ACM upon achievement of performance based milestones, to include:
 - (a) Up to \$4.2 million, which may be made in one or more payments, from and after September 2016, comprised of:
 - i. up to \$1.81 million upon satisfactory evidence of one or more, or any combination of, ACM's physical site plan design materials and/or intelligent transportation system (ITS) design materials and/or initial infrastructure design materials for the Project, including submission of contract(s), or cost estimates, or design plans, or actual invoices from the designers, contractors, or other third parties engaged or to be engaged to perform for such work;
 - ii. up to \$2.39 million upon satisfactory evidence of ACM's projected Project related operating costs and expenses from approximately September 2016 through approximately December 2017, including submission of a pro forma budget.
 - (b) Up to \$5 million, which may be made in one or more payments, upon submission of (i) an executed ground lease between ACM and the LP, or other document permitting ACM to lease or otherwise have possession of the Real Estate, and (ii) construction contract(s), or cost estimates or actual invoices from contractor(s) or other third parties engaged, or to be engaged, to perform any component of the construction of the high speed track for the Project;

(c) Up to \$5.2 million, which may be made in one or more payments, toward finalizing construction of the high speed track for the Project upon satisfactory evidence and submission of (i) a written certification from the contractor or other third party engaged in the high speed track construction phase of the Project that the high speed track is approximately 50% completed, and (ii) cost to completion estimates for the remaining construction phase of the high speed track for the Project, or actual invoices from contractor(s) or other third parties engaged, or to be engaged, to perform any component of the construction phase the high speed track for the Project;

(d) In addition to the above, and from time to time through the term of the LP, up to any remaining portion of the Investment Award that is not deemed necessary by the LP to maintain as a reserve, and is otherwise available and acceptable to the LP, upon submission of documentation or other evidence deemed necessary by the LP to support ACM's Project related operations, costs and expenses.

MSF Fund Manager:

The MSF Fund Manager is authorized to approve MSF Grant and Investment Award disbursements and to provide written approval to vary any component of the above performance based milestone requirements for the Project that the MSF Fund Manager deems necessary and appropriate from time to time to adapt to Project needs, so long as such variances permit disbursements only within the categories and disbursement caps set forth above.

Repayment Terms:

ACM shall repay the LP the total amount of up to \$20 million, based upon the amount of the MSF Grant and Investment Award actually disbursed by the MSF. The payments shall begin on January 1, 2020, in monthly installments over 30 years, with interest at 2.5% per annum. Payments are anticipated to be approximately \$79,000 per month (based upon the full \$20 million). Default terms shall be included. The MSF shall be entitled to distributions from the LP consistent with the MSF as a senior, Class A limited partner in the LP.

Other Matters to be included:

An amended MSF Grant and an amended LP Grant to effectuate the disbursement of up to the additional \$800,000 to ACM.

An Amended and Restated Limited Partnership Agreement to, among other things, memorialize the above permitted Investment Award capital calls from the LP to MSF, as well as to maintain the requirement of distributions from the LP to the MSF consistent with MSF as a senior, Class A limited partner.

A pre-closing investment agreement between the LP and ACM to memorialize, among other things, disbursements from the LP to ACM based upon the above permitted Investment Award calls by the LP to the MSF, for at least the amount set forth in 4(a) above, and the above repayment terms, as adjusted to require repayment by ACM of the MSF Grant and Investment Award amounts actually disbursed by the MSF.

On or about the LP's closing on the purchase of the Real Estate, a Ground Lease or other agreement between the LP and ACM to memorialize, among other things, ACM's possession, use, redevelopment and operation of the Project, the remainder of the disbursements from the LP to ACM based upon the above permitted Investment Award calls by the LP to the MSF, and the above repayment terms, as adjusted to require repayment by ACM of the MSF Grant and Investment Award amounts actually disbursed by the MSF.

Ancillary documents that may be required to effectuate the above and the Award Recommendation.

MEMORANDUM

Date: July 26, 2016

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

From: Jeremy Webb, Business Development Project Manager

Subject: C3 Venture Flint, LLC (“Company” or “Applicant”)
Michigan Business Development Program Performance-based Loan Request

Summary

This is a request from the Applicant for a \$5,700,000 performance-based loan, with the ability to convert to a grant based on job creation milestones. This project involves the creation of 380 Qualified New Jobs and a capital investment of up to \$9,684,000 in the City of Flint, Genesee County.

The Applicant has demonstrated a need for funding. Two sister companies to the Applicant, CT Automotive and ChinaTool, are currently manufacturing in China and can continue to do so profitably. One of the Company’s larger customers wants them to bring their manufacturing operations back to the U.S. As a result, the Company is looking at Indiana, California, and Michigan as locations for their on-shoring project. Indiana has offered an incentive package that included free building space to attract this manufacturing project. California is being strongly considered due to the headquarter location of one of their key customers. The proposed incentive offer will help offset the increased costs of locating in Michigan, especially when compared to Indiana's incentive offers.

Background

The Company is a newly formed organization formed by experienced automotive and real estate veterans with the organizational backbone of its sister companies IMS LLC, Schaffer Development LLC and CT Automotive. The Company will recycle plastic into auto parts using the current contracts from IMS LLC and CT Automotive. C3 will further incubate several other job creation business lines in the fields of clean air, water, energy and soil with a focus on recycling and up cycling of industrial materials.

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

The Applicant plans to open a new manufacturing operation in the City of Flint, make investments and create jobs related to the manufacturing of plastic automotive components.

The MEDC legal unit has completed a civil and criminal background check for the entity and individuals related to this project.

Considerations

- a) The Applicant is a “Qualified Business”, as defined in MCL 125.2088r(9)(b), that will locate and operate in Michigan.

- b) The project will be located in the City of Flint. The Flint & Genesee Chamber of Commerce has offered a “staff, financial, or economic commitment to the project” in the form of staff time.
- c) The Applicant has demonstrated a need for the funding. The proposed incentive offer will help offset the increased costs of locating in Michigan, especially when compared to Indiana's incentive offers.
- d) The Applicant plans to create 380 Qualified New Jobs above a statewide base employment level of 17.
- e) Pursuant to the program guidelines, the following was taken into consideration for the proposed project: the project is not a retail project; involves out-of-state competition; has a net positive return to Michigan; is shovel-ready project with the support of the MSF; will reuse an existing facility; and is located in a distressed or targeted community.

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 MSF Fund Manager to extend the commitment an additional 60 days.

\$5.7 million performance-based loan structure for C3 Venture Flint, LLC

\$1.25 million disbursement upon verification of final approval of municipality support and receipt of an executed land contract for the property located at (collectively, the "Project"):

- 1611 James P Cole Boulevard, Flint, Michigan 48503
- 1719-1721 James P Cole Boulevard, Flint, Michigan 48503
- 1809 James P Cole Boulevard, Flint, Michigan 48503
- 1811 James P Cole Boulevard, Flint, Michigan 48503

\$1.25 million disbursement upon verification that at least \$1.25 million in eligible Qualified Investment (personal property at the Project) has been purchased through supporting transactional documentation.

\$1 million upon demonstrated creation of 150 Qualified New Jobs above the Base Employment Level at the Project.

\$1 million disbursement upon demonstrated creation of 150 additional Qualified New Jobs (for a total of 300 Qualified New Jobs) above the Base Employment Level at the Project.

The total amount of new jobs created at the Project by 12/31/2019, and maintained through 6/30/2020, will go towards the forgiveness of the loan as follows:

- \$15,000 per job for Flint residents
- \$7,000 per job for non-Flint residents

Should C3 Venture Flint, LLC exceed the \$4.5 million based on \$15,000 per job for Flint residents and \$7,000 per job for non-Flint residents at the time of coming in), the \$4.5 million loan previously disbursed will be waived and the excess paid based on the calculation of jobs created at that time.

Normal interest 1.5%
Default interest 7%

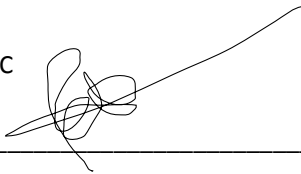
C3 Venture Flint, LLC would be required to create a minimum of 50 jobs at the Project in order to be eligible for loan forgiveness.

Beginning in 2020, the remaining loan amount will be paid at 1.5% interest for a period of five (5) years. *Additional details related to repayment schedule can be negotiated.*

Acknowledged as received by:

C3 Venture Flint, LLC

By:



Printed Name:

Robert Waun

Its:

Co-Manager

Dated:

7-12-16

Michigan Economic Development Corporation

By:



Printed Name:

Jeremy J. Webb

Its:

Business Development Project Manager

Dated:

07/12/2016

MICHIGAN STRATEGIC FUND

RESOLUTION 2016-

**APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM
PERFORMANCE-BASED LOAN TO C3 VENTURE FLINT, LLC**

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

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

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

WHEREAS, on December 21, 2011, by Resolution 2011-184, the MSF (i) created the MBDP, 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, C3 Venture Flint, LLC (“Company”) has requested a performance based MBDP performance-based loan of up to \$5,700,000 (“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.

Ayes:

Nays:

Recused:

Lansing, Michigan
July 26, 2016

MEMORANDUM

Date: July 26, 2016

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

From: Marcia Gebarowski, Senior Business Development Project Manager

Subject: *FCA US LLC (“Company” or “Applicant”)
Alternative State Essential Services Exemption Request*

Summary

This is a request from the Company for a 15 year Alternative State Essential Services Assessment Exemption. This project includes a capital investment of up to \$1,486,441,000 in the City of Sterling Heights, Macomb County.

The Company conducted multiple studies which analyzed future facility and product plans for plants in Michigan, Illinois and Ohio. The planned investment to re-tool and re-configure the existing assembly plant is so large, FCA US LLC could construct a new facility anywhere in the North American region at the same cost. Due to shifting consumer demand from cars to SUVs and trucks, the Sterling Heights facility has reduced production of the Chrysler 200 throughout 2016, which has resulted in the elimination of one shift and indefinite layoffs for about 1,300 employees. It is expected that production of the Chrysler 200 will cease at the end of 2016. If a new product is not committed at the Sterling Heights facility, the remaining shift would also face indefinite layoff. State and local incentives were provided on behalf of the Sterling Heights assembly location to ensure the proposed investment would be committed to Michigan.

Background

Headquartered in Auburn Hills, Michigan, FCA US is a North American automaker with a new name and a long history. The Company is a member of the Fiat Chrysler Automobiles N.V. (FCA) family of companies. The Company designs, engineers, manufactures and sells vehicles under the Chrysler, Jeep, Dodge, Ram, and Fiat brands as well as the SRT performance vehicle designation. FCA US is building upon the historic foundations of Chrysler, the innovative American automaker first established by Walter P. Chrysler in 1925; and Fiat, founded in Italy in 1899 by pioneering entrepreneurs, including Giovanni Agnelli.

FCA US has an existing retention MEGA credit through 2029 for up to 27,000 retained jobs in Michigan. They are currently in good standing with this credit. At its April 2016 meeting, the MSF approved a State Essential Services Assessment Exemption for the Company’s planned investment at its Trenton Engine plant valued at \$770,904 over five years.

The Company plans to re-tool and renovate its plant in Sterling Heights in preparation for production of the next generation Ram 1500. Between 2010 and 2011, FCA US announced investments of over \$1 billion for a new paint shop and body shop at the plant to produce the Chrysler 200. The Company will use the \$1.48 billion for site preparation and building renovations as well as re-tooling and other personal property

investment to ready the Sterling Heights facility for production of a truck as compared to the mid-size car the facility has historically produced.

The MEDC will also recommend the approval of a MBDP performance-based grant for new jobs proposed by the Company at a later date.

The MEDC legal unit has completed a civil and criminal background check for the entity and individuals related to this project.

Considerations

- a) The Applicant is a “Qualified Business”, as defined in MCL 125.2088r(9)(b), that is located and operates in Michigan.
- b) The Applicant is an “Eligible Claimant”, as defined in Public Act 92 of 2014, which will claim an exemption for Eligible Personal Property.
- c) The project will be located in the city of Sterling Heights. The city has offered a “staff, financial, or economic commitment to the project” in the form of a property tax abatement, infrastructure assistance along with Macomb County and MDOT, and LDFA reimbursement on eligible infrastructure costs.
- d) The Applicant is eligible for a fifteen year Alternative State Essential Services Assessment Exemption based on the following:
 - a. The Project will result in Qualified Investments of more than \$100 Million in Eligible Personal Property.
- e) The Qualified Investments will be made after MSF approval and completed within three years of commencement of the Project.
- f) The Applicant agrees to pay a one-time administrative fee in the amount of \$10,000 payable to the MEDC upon completion of the first performance milestone
- g) The Applicant has demonstrated a need for the funding. The current product produced at the project facility will be phased-out which has already resulted in layoffs at the facility. The cost to renovate and re-tool the Sterling Heights facility is higher than if FCA were to construct a new production facility elsewhere in the NAFTA region. .
- h) Pursuant to the SESA program guidelines, the following was taken into consideration for the proposed project: The Company has indicated that this project has significant out-of-state competition, the project involves a substantially high amount of private investment, the project will have a very positive return to Michigan, this project will have a significant impact in maintain a local supply chain in the region, and the project involves the re-use of an existing building when the cost to build a new facility elsewhere would have a smaller price tag to the Company.

Exemption Value Breakdown

The 15 year Alternative State Essential Services Assessment Exemption is estimated to be worth approximately \$10 million. This estimate is based on \$900,000,000 in Minimum Qualified Investment, and

up to \$1,000,000,000 in Maximum Qualified Investment. The requested exemption breaks down as follows:

	Years 1 – 5 (2.4 mills)	Years 6 – 10 (1.25 mills)	Years 11-15 (0.9 mills)	Total
State ESA Exemption Amount	\$6,000,000	\$3,125,000	\$2,250,000	\$11,375,000

Recommendation

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

- a) Approval of the Alternative State Essential Services Assessment Exemption for up to 15 years for up to \$1 billion in Qualified Investments in Eligible Personal Property;
- b) Closing the Alternative State Essential Services Assessment Exemption, is subject to satisfactory completion of due diligence (collectively, “Due Diligence”) and finalization of all transaction documents; and
- c) Commitment of the Alternative State Essential Services Assessment Exemption will remain valid for 120 days with approval for MSF Fund Manager to extend the commitment an additional 60 days.

MICHIGAN STRATEGIC FUND

**RESOLUTION
2016-**

**FCA US LLC
STATE ESSENTIAL SERVICE ASSESSMENT EXEMPTION APPROVAL**

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

WHEREAS, the Michigan legislature passed legislation, 2014 PA 80, to revise the personal property tax system so as to allow individuals, small businesses and large businesses to thrive and create jobs in the State of Michigan, but which needed to be approved by the qualified electors of the State of Michigan;

WHEREAS, on August 5, 2014, the qualified electors of the State of Michigan approved the legislation to revise the personal property tax system. This revision shall take effect January 1, 2015. The approval also enacted 2014 PA 92 and 2014 PA 93, the State Essential Services Assessment Act (“SESA”) and the Alternative State Essential Services Assessment Act (“Alternative SESA”);

WHEREAS, the SESA and the Alternative SESA authorized the creation and operation of the SESA and Alternative SESA Exemption Program by the Michigan Strategic Fund (“MSF”) pursuant to MCL 211.1059;

WHEREAS, on October 28, 2014, the MSF Board approved the SESA and Alternative SESA Exemption Program Guidelines.

WHEREAS, FCA US LLC (the “Company”) has requested that the MSF Board approve an Alternative SESA exemption of up to fifteen years for a minimum qualifying investment of \$900,000,000, and a maximum qualifying investment of \$1,000,000,000 in eligible personal property, as defined in the SESA and Alternative SESA Exemption Program Guidelines, in the City of Sterling Heights (the “SESA Exemption Request”);

WHEREAS, the MEDC recommends that the MSF Board 1) approve Alternative SESA Exemption Request; 2) require a onetime administrative fee in the amount of \$10,000 payable to the MEDC upon completion of the first performance milestone; and 3) authorize the MSF Fund Manager to execute all final documents necessary to effectuate the Alternative SESA Exemption Request; and

WHEREAS, the MSF Board desires to 1) approve Alternative SESA Exemption Request; 2) require a onetime administrative fee in the amount of \$10,000 payable to the MEDC upon completion of the first performance milestone; and 3) authorize the MSF Fund Manager to execute all final documents necessary to effectuate the Alternative SESA Exemption Request.

NOW, THEREFORE, BE IT RESOLVED, the MSF Board 1) approves Alternative SESA Exemption Request; 2) requires a onetime administrative fee in the amount of \$10,000 payable to the MEDC upon completion of the first performance milestone; and 3) authorizes the MSF Fund Manager to execute all final documents necessary to effectuate the Alternative SESA Exemption Request.

Ayes:

Nays:

Recused:

Lansing, Michigan
July 26, 2016

MEMORANDUM

Date: July 26, 2016

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

From: Mike Gietzen, Business Development Project Manager

Subject: Autosystems America Inc. dba Magna Lighting
Amendment to the Michigan Business Development Program

Summary

The Company is requesting an amendment to its existing Michigan Business Development Program (MBDP) performance based grant Agreement to amend the structure of the grant and local support. (See attached term sheet)

Background

On October 28, 2014, the Michigan Strategic Fund approved a \$3,000,000 award for Autosystems America Inc. dba Magna Lighting under the MBDP. The Company proposed to purchase and renovate an existing facility in Plymouth Charter Township. At the time of the original approval the Company had secured a new contract to supply automotive lighting components and systems to a large OEM. This contract required a new manufacturing facility and consolidate all of its engineering, R&D, sales and marketing, and Corporate Headquarters functions into one location. The result would be the creation of 466 Qualified New Jobs and approximately \$59,227,000 in capital investment.

To date the Company has invested over \$45 million into the project and has created 97 Qualified New Jobs. The Company has suffered a loss of a major OEM contract which has adversely affected their hiring plan. Uncertainty regarding the geographic location of this contract has prevented the Company to meet original headcount expectations.

Recommendation

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

- a) Amend the MBDP Agreement by amending the Milestone requirement outlined in the attached term sheet.
- b) Amend local support requirement outlined in the attached term sheet.
- c) Amend the term of the grant from execution to March 31, 2019.
- d) All other aspects of the approval remain unchanged.

MICHIGAN BUSINESS DEVELOPMENT PROGRAM Performance Based Grant Amendment - Term Sheet

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

Date: 7/14/2016

Company Name: Autosystems America Inc. dba Magna Lighting ("Company" or "Applicant")

Company Address: 750 Tower Drive
Troy, Michigan 48098

Project Address: 46600 Port Street
Plymouth, Michigan 48170

MBDP Incentive Type: Performance Based Grant

Current Status of the MBDP Incentive, as set forth in the final MBDP Incentive Award Agreement ("Agreement"):

- **Maximum Amount of MBDP Incentive:** Up to \$3,000,000("MBDP Incentive Award")
- **Base Employment Level** 54
- **Total Qualified New Job Creation:** 466
(above Base Employment Level)
- **Company Investment:** Up to \$59,227,000 in purchase of an existing building, building renovations, machinery & equipment, furniture & fixtures, computer, pollution control equipment or any combination thereof, for the Project.
- **Municipality supporting the Project:** Plymouth Charter Township committed to provide a property tax abatement in support of the Project.
- **Disbursement Milestones:** The terms and conditions of each of the disbursements of any portion of the MBDP Incentive Award are outlined in Exhibit B of the Agreement, and include:
 - **Disbursement Milestone 1:** Up to \$1,500,000 Upon demonstrated creation of 233 Qualified New Jobs above the Base Employment Level and verification of final approval of municipality support by no later than December 31, 2015.

- **Disbursement Milestone 2:** Up to \$1,500,000 Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 233 additional Qualified New Jobs (for a total of 466 Qualified New Jobs) above the Base Employment Level, by no later than December 31, 2016.

- **Term of Agreement:** Execution of Agreement to December 31, 2018

Proposed MBDP Incentive Amendment:

- **Maximum Amount of MBDP Incentive:** Up to \$1,127,000 (“MBDP Incentive Award”)
- **Total Qualified New Job Creation:** 175
(above Base Employment Level)
- **Municipality supporting the Project:** Charter Township of Plymouth support with staff time and resources in support of the Project.
- **Disbursement Milestones:** The terms and conditions of each of the disbursements of any portion of the MBDP Incentive Award will be amended as follows:
 - **Disbursement Milestone 1:** Up to \$1,127,000 Upon demonstrated creation of 175 Qualified New Jobs above the Base Employment Level and verification of final approval of municipality support by no later than June 30, 2017.
- **Term of Agreement:** Execution of Agreement to June 30, 2019

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

If the Company is interested in the MEDC pursuing a recommendation to the MSF for a possible MBDP Incentive Award Amendment for the Company along the above parameters, please sign and date this Term Sheet. If the MEDC does not receive the signed Term Sheet from the Company by July 18, 2016, the MEDC may not be able to proceed with any recommendation to the MSF.

Acknowledged as received by:

Autosystems America Inc.

By: 

Printed Name: JEFF STEFFEN

Its: VIVE MUMUKSHU, MARINA KOLYAKOVA

Dated: 07/14/16

Michigan Economic Development Corporation

By: 

Printed Name: Michael Gietzen

Its: DFM

Dated: 7/14/2016

MICHIGAN STRATEGIC FUND

RESOLUTION 2016-

APPROVAL OF AN AMENDMENT TO MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT TO AUTOSYSTEMS AMERICA INC. DBA MAGNA LIGHTING

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, by Resolution 2014-180, the MSF approved a \$3,000,000 Michigan Business Development Program performance based grant on October 28, 2014 for the creation of 466 Qualified New Jobs and a capital investment of \$59.2 million. A MBDP Grant Agreement (“Grant Agreement”) was fully executed January 15, 2015; and the Company proposed to purchase and renovate an existing (the “Project”);

WHEREAS, the Company suffered the unfortunate loss of a major OEM contract which has adversely affected their hiring plan and uncertainty regarding the geographic location of this contract has prevented the Company from meeting the original headcount expectations;

WHEREAS, the Company requests that the Michigan Business Development Program performance based Grant Agreement be amended and revised as outlined in the term sheet attached as Exhibit A (“Term Sheet”); and

WHEREAS, the MEDC recommends that the MSF approve the Company’s Amendment request subject to: execution of the Grant Agreement Amendment within 120 days of the date of this Resolution (“Time Period”), or this Resolution shall have no effect; provided however, at the sole discretion of the MSF Fund Manager, the Time Period may be extended for up to an additional 60 days (“MBDP Amendment Award Recommendation”).

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

Ayes:

Nays:

Recused:

Lansing, Michigan
February 23, 2016

MEMORANDUM

Date: July 26, 2016

To: Michigan Strategic Fund (“MSF”) Board

From: Stacy Bowerman, Senior Project Manager

Subject: *Kent County (the “Applicant”) – Switch, Ltd. (the “Company”)
MSF Designated Renaissance Zone*

SUMMARY

This is a request from the Applicant for a MSF Designated Renaissance Zone for fifteen (15) years for the Switch, Ltd. Data Center located at the former Steelcase Inc. pyramid in Gaines Charter Township. The Company anticipates the project will result in private investment of \$151,190,000 and the creation of 103 jobs.

The Company has demonstrated a need for the funding. The Company evaluated several states in the eastern United States for this project including Ohio, New York and New Jersey. The states under consideration offered sales and use tax exemptions or abatements as well as personal property tax abatements for qualifying Data Center projects. The Company’s business model is to provide real estate, which includes space, power, and security for its clients (colocated tenants) to house and operate their data center equipment. In the data sector, equipment is typically refreshed every 48 months resulting in subsequent investment. It is anticipated the colocated tenants will invest hundreds of millions of dollars in new equipment over the next several years. As a result of this model and significant client investment required, it is critical the Company locate in a state that offers exemptions and/or abatements for sales and use and personal property taxes. In order to remain competitive Michigan passed legislation exempting sales and use tax for qualifying data centers. Additionally, the Company is seeking a Renaissance Zone designation to abate personal property taxes. Both actions combined allowed the Company to select Michigan for its new Data Center Campus.

COMPANY BACKGROUND

Founded in 2000, the Company is a privately held company headquartered in Las Vegas, Nevada. The Applicant operates and develops industry-leading carrier-neutral, multitenant data center properties that provide real estate for more than 1,000 customers. The Company’s customers include eBay, PayPal, Shutterfly, MGM, Intuit and Box. The Company has data centers located in Las Vegas, Nevada with additional facilities being added in Reno, Nevada and Gaines Township, Michigan.

PROJECT BACKGROUND

The Company evaluated locations on the East coast to open its eastern U.S. data center campus and selected the former Steelcase Inc. Pyramid in Gaines Charter Township. The campus, SUPERNAP Grand Rapids, will be the largest colocation data center campus in the eastern U.S. and will serve clients with geographic redundancy while attracting hundreds of new companies to its Michigan location.

In 1989, Steelcase Inc. opened the pyramid-shaped Steelcase Corporation Development Center. Steelcase vacated the building and it has remained vacant since 2010. The Company plans do a complete overhaul of mechanical infrastructure necessary to operate the most robust and secured colocation data center facility possible and supporting client office space. In addition to the work being done on the Pyramid, the Company will begin building the first phase of a large data center campus. The SUPERNAP campus will begin with the construction of a SUPERNAP data center, similar to the Company's Tier IV Gold facilities in Las Vegas, Nevada. They will also construct a 100MVA substation on the property to support future data center development. The SUPERNAP data centers and the upgrades to the facility will include large equipment purchases including generators, electrical systems, HVAC systems and proprietary data center equipment.

To support the first phase of the development of the SUPERNAP campus, the Company anticipates investing approximately \$151,190,000 and creating 103 over the next five years. In addition to direct investment made by the Company, it is anticipated the colocated tenants will invest hundreds of millions of dollars and create at least 100 new jobs as a result of this project.

PROPERTY DESCRIPTION

The Applicant has made application on behalf of Switch, Ltd. for a MSF Designated Renaissance Zone for a 15 year designation. The request is for 142 acres and will include property parcels: 41-22-01-101-002 and 41-22-01-126-001 and related personal property parcels. The MSF Designated Renaissance Zone would become effective on January 1, 2017, and end on December 31, 2029.

PROJECT EVALUATION

Job Creation

103 by December 31, 2021

Private Investment

\$151,190,000 by December 31, 2021

Number of Acres

142 acres

Tax Information

It is estimated that an average of \$1,100,000 will be abated annually in property taxes. Note: the estimate does not include taxes abated as a result of colocated tenant investment.

Period of Designation

15 year designation

ADDITIONAL INFORMATION

Payment in Lieu of Taxes

The Company has agreed to pay Kent County and Gaines Charter Township an amount equal to all real property taxes, as determined by an agreed upon assessment process for the duration of the designation. The State will not be correspondingly reimbursed.

Development Agreement

A development agreement will be entered into between Switch, Ltd., Norman Pyramid, LLC and the Michigan Strategic Fund.

Legislative Information

Senator: Tonya Schuitmaker - State Senate District 26

Representative: Ken Yonker - State House District 72

RECOMMENDATION

MEDC Staff recommends the following:

- 1) Approval of the requested renaissance zone for 15 years;
- 2) Approval of the requested Payments in Lieu of Taxes to Kent County and Gaines Township equal to all real property taxes for the duration of the designation;
- 3) Execution of a Development Agreement between Switch, Ltd., Norman Pyramid, LLC and the MSF which incorporates the terms and conditions set forth in the resolution (collectively, the "Request"). MEDC Staff further recommends that the MSF Fund Manager be authorized to execute all documents necessary to effectuate the Request; and
- 4) Commitment will remain valid for 120 days with approval for MSF Fund Manager to extend the commitment an additional 60 days.

MICHIGAN STRATEGIC FUND

**RESOLUTION
2016-**

**MSF-DESIGNATED RENAISSANCE ZONE
SWITCH, LTD.**

WHEREAS, Section 8a(2) of the Michigan Renaissance Zone Act (the “Act”), 1996 PA 376, as amended, authorizes the Michigan Strategic Fund (“MSF”) to designate up to 27 renaissance zones (a “Renaissance Zone”) in one or more cities, villages, or townships if consented by the local unit of government in which the zone is located;

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

WHEREAS, the MEDC received an application from Kent County (the “Application”) for renaissance zone designation within its jurisdiction in Gaines Charter Township under Section 8a(2) of the Act;

WHEREAS, Switch, Ltd. (the “Company”) wishes to locate its operations within the proposed renaissance zone to redevelop an existing facility as described in the Application (the “Project”);

WHEREAS, the Company has agreed to make a payment in lieu of taxes to Gaines Charter Township and Kent County for reimbursement of the real property taxes abated by the renaissance zone designation for their respective jurisdictions, but not correspondingly to the State of Michigan (the “PILOT”); and

WHEREAS, the MEDC recommends that the MSF Board approve the Application for the designation of an MSF-designated renaissance zone, for those property parcels described in the Application comprising approximately 142 acres, as well as the PILOT, provided that:

1. A development agreement consistent with the terms of this Resolution is executed between the Michigan Strategic Fund, the real property owner(s), and the Company within 120 days of this Resolution, or within 180 days should the MSF Fund Manager authorize an extension not exceeding 60 additional days; and
2. On or before July 26, 2017, the Company shall have commenced the project outlined in the Application for a by having started construction on the facility.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board approves the PILOT and designates an MSF-Designated Renaissance Zone in Gainesville Charter Township, as described in the Application, for the following property parcels together comprising approximately 142 acres for a term of fifteen (15) years: 41-22-01-101-002 and 41-22-01-126-001. The Renaissance Zone designation shall begin on December 31, 2016, for property tax purposes, and January 1, 2017 for all other purposes, provided that:

1. A development agreement consistent with the terms of this Resolution is executed between the Michigan Strategic Fund, the real property owner(s), and the Company within 120 days of this Resolution, or within 180 days should the MSF Fund Manager authorize an extension not exceeding 60 additional days; and

2. On or before July 26, 2017, the Company shall have commenced the project outlined in the Application for a by having started construction on the facility.

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

Ayes:

Nays:

Recused:

Lansing, Michigan
July 26, 2016

MEMORANDUM

Date: July 26, 2016

To: Michigan Strategic Fund Board

From: Nicol Brown, Community Assistance Team Specialist
Stacy Esbrook, Senior Community Assistance Team Specialist
Amy Korp, Brownfield Program Specialist

Subject: City of Ferndale Brownfield Redevelopment Authority
Request for Approval of an Act 381 Work Plan

Request

Ferndale Haus Lofts is a new, mixed-use development with integrated parking at the former Save-A-Lot site downtown. The proposed project will be undertaken by Ferndale9Living LLC. The project will redevelop 3 parcels/1.22 acres of property located at 430 West Nine Mile Road in the City of Ferndale. The project qualifies for Act 381 work because it is functionally obsolete.

In order to alleviate Brownfield conditions and prepare the proposed project site for redevelopment, the City of Ferndale Brownfield Redevelopment Authority is seeking approval of local and school tax capture for MSF eligible activities in the amount of \$2,241,384.

The project is incorporating a 10-year urban storm water management system and integrated parking into the development. Both of these project elements are critical in obtaining a dense, yet sustainable design in an existing urban space. Tax Increment Financing will assist to reimburse the extraordinary costs associated with the storm water system and integrated parking, making these investments financially feasible. 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.

The Applicant anticipates that the project will result in total capital investment in the amount of \$17,915,159, along with the creation of approximately 14 permanent full-time equivalent jobs with an average hourly wage of \$16.75.

Background

The projects includes the demolition of the current 23,490 square foot vacant, Save-A-Lot building and will construct a mixed-use residential and retail/office project. The new building will be approximately 105,000 square foot, will include approximately 90 market-rate apartments and will contain with approximately 10,800 square feet of retail/office space. The retail/office space will include two

storefronts and one garden level area anticipated for use as storage. The building will include public art installations, landscaping and seating areas to create a sense of place in the surrounding area.

Asbestos abatement will be necessary prior to demolition activities in order to protect human health. Demolition activities will be necessary to remove the existing building and associated improvements on the site. Site preparation activities include land balancing and grading, temporary site control, and relocation of existing utilities. Infrastructure improvements including a 10-year urban stormwater management system and an integrated parking deck are necessary to support the new development.

Ferndale9Living LLC is a single purpose entity created specifically for this project. Arbor Investments Group is a Bloomfield, Michigan property development and holding company that oversees financial ventures including commercial and multi-family real estate and they are the sponsors of this project. Arbor Investments Group was founded in 1998 and has redeveloped and held ownership of many retail, mixed-use and multi-family properties across the country, many of which are located in Michigan. One of their recent projects is Arbor Lofts in Southfield, which is a \$10 million redevelopment from an office building to a four-story mixed use retail and residential loft-style apartment building. Ferndale9Living LLC and Arbor Investments Group have not received MSF incentives in the past.

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

Recommendation

MEDC staff recommends approval of the following:

- A) Local and school tax capture for the Act 381 eligible activities totaling \$2,241,384. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at \$937,401.

APPENDIX A – Programmatic Requirements & Screening Guidelines

Property Eligibility

The project is located within the boundaries of the City of Ferndale, which is a Qualified Local Governmental Unit, and has been deemed functionally obsolete as verified by a Michigan Master Assessing Officer (MMAO) assessor on January 26, 2016.

The property is the subject of a Brownfield Plan, duly approved by the City of Ferndale on May 23, 2016.

Key Statutory Criteria

Act 381 requires the following information to understand and explain the benefits of the project.

a) Overall Benefit to the Public:

This project will provide several benefits to the City of Ferndale. It will activate a vacant and underutilized site at the edge of downtown that currently is an eyesore. This project is going to increase the density of the downtown, provide new residential options for existing or future Ferndale residents and will contain the parking on the site, so it will not add to the parking challenges downtown. After the eligible activities are reimbursed to the developer, this project will also provide a significant increase in revenue to the Downtown Development Authority which will assist them in promoting and improving downtown.

b) Jobs Created (Excluding Construction and other Indirect Jobs):

This project is expected to create approximately 14 new, full-time jobs in the community.

c) Area of High Unemployment:

The City of Ferndale (Detroit/Warren/Livonia) unadjusted jobless rate was 4.9% in May 2016. This compares to the statewide unadjusted average of 4.5% in May 2016.

d) Level and Extent of Contamination Alleviated:

The project is not qualifying as a facility and the presence, or lack of, contamination has not been determined.

e) Reuse of Functionally Obsolete Buildings and/or Redevelopment of Blighted Property:

The former Save-A-Lot building is not going to be reused. It is not financially feasible to retrofit the existing functionally obsolete structure and by removing it and replacing it with a new facility, the development team is able to provide greater density, with better urban design and form.

f) Cost Gap that Exists between the Property and a Similar Greenfield Property:

The Brownfield TIF is needed to offset the extraordinary cost of the parking structure. Vertical parking is needed to support the new residential units and retail in the downtown, but is cost prohibitive without TIF reimbursement.

g) Whether Project will Create a New Brownfield Property in the State:

No new Brownfields will be created by this project.

h) Whether the Project is Financially and Economically Sound:

From the materials received, the MEDC infers that the project is financially and economically sound.

i) Other Factors Considered:

No additional factors need to be considered for this project.

Tax Capture Breakdown

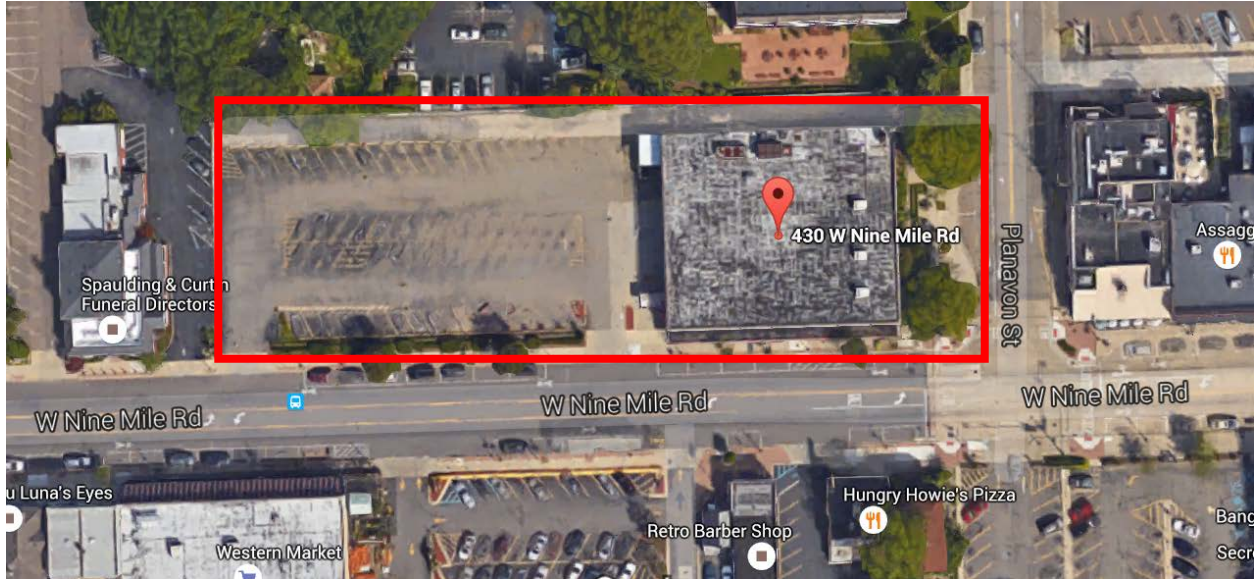
There are 57.3855 non-homestead mills available for capture, with school millage equaling 24 mills (41.82%) and local millage equaling 33.3855 mills (58.18%). Tax increment capture will begin in 2017 and is estimated to continue for 13 years. The requested tax capture for MSF eligible activities breaks down as follows:

School tax capture	(41.82%)	\$	937,401
Local tax capture	(58.18%)	\$	<u>1,303,983</u>
TOTAL		\$	2,241,384

Cost of MSF Eligible Activities

Demolition		\$	130,000
Lead or Asbestos Abatement			32,595
Infrastructure Improvements			1,475,000
Site Preparation		+	<u>301,000</u>
Sub-Total		\$	1,938,595
Contingency (15%)		+	<u>290,789</u>
Sub-Total		\$	2,229,384
Brownfield/Work Plan Preparation		+	<u>12,000</u>
TOTAL		\$	2,241,384

APPENDIX B – Project Map and Renderings



ferndalehaus lofts

at 430 W. Nine Mile Rd. Ferndale, MI



MICHIGAN STRATEGIC FUND

RESOLUTION 2016 -

**APPROVAL OF A BROWNFIELD ACT 381 WORK PLAN
CITY OF FERNDALE BROWNFIELD REDEVELOPMENT AUTHORITY
FERNDALE HAUS LOFTS**

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

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

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

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

WHEREAS, the City of Ferndale Brownfield Redevelopment Authority (the “Authority”) has submitted a work plan for property located at 430 West Nine Mile Road within the City of Ferndale, known as Ferndale Haus Lofts (the “Project”);

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

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

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

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board authorizes the Authority to capture taxes levied for school operating purposes in substantially the same proportion as the 58.18% to 41.82% ratio currently existing between local and school taxes for non-homestead properties, to reimburse the cost of asbestos abatement, demolition, infrastructure improvements and site preparation as presented in the revised Work Plan dated June 15, 2016. Any change in millage that increases the capture percentage of school operating taxes by more than 5 percentage points must be approved by the MSF Board. The authorization is based on the Authority capturing all available local operating mills for the term of the capture period. The authorization for the capture of taxes levied for school operating purposes is based on a maximum of \$925,401 for the principal activity costs of non-environmental activities and a contingency, and a maximum of

\$12,000 for Brownfield/Work Plan preparation, and with the capture of taxes levied for school operating purposes being limited to a maximum of \$937,401.

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. Eligible activities authorized by this resolution must be completed within three (3) years.

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

Ayes:

Nays:

Recused:

Lansing, Michigan
July 26, 2016

MEMORANDUM

Date: July 26, 2016

To: Michigan Strategic Fund Board

From: Ryan Kilpatrick, Community Assistance Team
Jim Davis, Underwriting and Incentives Structuring Specialist
Rob Garza, Brownfield, MCRP and SmartZone Program Specialist

Subject: City of Grand Rapids Brownfield Redevelopment Authority
Request for Approval of an Act 381 Work Plan
601 West LLC - Request for Approval Michigan Community Revitalization
Program Other Economic Assistance

Request

The proposed project will involve construction of two mixed used buildings on 0.75 acres of property in the City of Grand Rapids. The proposed project will be undertaken by 601 West LLC and will include ground floor commercial space, market rate apartments for lease and underground parking. The project is located immediately adjacent to downtown Grand Rapids and is within the West Side Corridor Improvement Authority 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 Grand Rapids Brownfield Redevelopment Authority is seeking approval of local and school tax capture for MSF eligible activities in the amount of \$3,674,190.

601 West LLC (Applicant) is requesting approval of a MCRP incentive in the amount of \$2,900,000 in the form of an Other Economic Assistance Performance-Based Loan Participation.

The proposed project involves urban infill on a difficult to develop site. The property straddles the traditional downtown and an adjacent neighborhood in transition. In order to satisfy the desires of the adjacent residential community, design considerations for underground parking and elevated setbacks were imposed which will help to maintain a sense of neighborhood character while adding significant density to a contaminated brownfield site however, the costs associated with site preparation include dewatering to accommodate the installation of underground parking on a site with a high water table near the Grand River. These extraordinary construction costs associated with dewatering, cleanup of the site and construction of the parking deck cannot be absorbed by current market demand. The development team has leveraged the maximum amount of traditional debt (\$13,625,000) which can be supported by the project. In addition to leveraged debt, the developer has secured an additional 13% in Owners' Equity, Deferred Developer and Management Fees. As core downtown market rate units are at near 100%

occupancy, and the market study is indicating the need for more market rate residential units, this property lends itself to the needed additional units as it's located on the Northwest fringe within close proximity to Grand Rapids core downtown. CRP detailed structure is provided in **Appendix A**.

The eligible activities will alleviate Brownfield conditions across the site and make it suitable for redevelopment, protect human health and the environment. Without Brownfield tax increment reimbursement, the cost burden related to Brownfield conditions would make the project financially unfeasible.

The Applicant anticipates that the project will result in total capital investment in the amount of \$19,040,500, along with the creation of approximately 15 permanent full-time equivalent jobs with an average hourly wage of \$17.00.

Background

The proposed project involves the complete redevelopment of a vacant brownfield site which straddles the boundaries of downtown Grand Rapids and the adjacent west side neighborhood at the intersection of Lake Michigan Drive and Seward Avenue. Located within a Corridor Improvement Authority, the project will involve the construction of a new 5 story, mixed-used building and an adjacent three-story mixed use building. The project will result in ground floor commercial space, market rate apartments for lease and underground parking on the site. Additional surface parking spaces will be available for guests of the retail establishments. This project was designed and approved with significant input from the local neighborhood association and the density and construction specifications have been altered to accommodate community preferences and stakeholder input. This project is located immediately adjacent to Grand Valley State University's downtown campus where there is significant pressure for additional residential units.

Lead and asbestos abatement will be necessary prior to demolition activities in order to protect human health. Demolition activities will be necessary to remove the existing vacant building and prepare the site for redevelopment. Site preparation activities include temporary fencing and security, clearing and grubbing, relocation of utilities, installation of an earth retention system, civil design and engineering. Infrastructure improvements including installation of underground parking and new sidewalks, curb and gutter, and upgraded sanitary and storm sewer lines are necessary to support the new development.

601 West LLC will be managed by Cherry Street Capital, a small real estate development and brokerage service corporation based in Grand Rapids, Michigan. Neither 601 West LLC or Cherry Street Capital have received previous incentives from the Michigan Strategic Fund (MSF).

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

Recommendation

MEDC staff recommends approval of the following:

- a) Local and school tax capture for the Act 381 eligible activities totaling \$3,674,190. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at \$1,890,003.
- b) A MCRP Other Economic Assistance Performance-Based Loan Participation in the amount of \$2,900,000 for 601 West LLC.

APPENDIX A – CRP Financial Structure

FINANCING OPPORTUNITY – MCRP INVESTMENT

SUMMARY OF DEVELOPMENT SOURCES:

Bank Share	\$13,625,000	72%
MSF Share	\$2,900,000	15%
Defer. Developer Fee	\$450,000	2%
Defer. Management Fee	\$150,000	1%
Developer Equity	\$1,915,500	10%
TOTAL	\$19,040,500	100%

LOAN FACILITY

MSF Facility

Borrower:	601 West LLC
Lender:	Chemical Bank
Total Amount of Loans:	Currently estimated at \$16,525,000
Lender Share:	Currently estimated at \$13,625,000
MSF Share:	Up to the lesser of 22% of “Eligible Investment” or \$2,900,000 <i>Note: This project was accepted for processing by MEDC staff prior to the adoption of the incentive structuring parameters therefore the staff is requesting a deviation from the 20% maximum.</i>
Term:	To match that of Lender, anticipated to be 10 year term
Amortization:	To match that of Lender, anticipated to be 25 year amortization
Interest Rate:	Fixed 5%
Repayment Terms:	Interest only for 36 months, followed by principal and interest, monthly payments.
Collateral:	To match that of Lender, currently anticipated being a mortgage lien on the property, assignment of leases and rents, and security interest in the TIF reimbursements. MSF share of collateral will be subordinated to that of the Lender.

Guarantee: To match that of Lender, currently anticipated to be the limited unsecured personal guarantees of the members of 601 West LLC. The MSF share of guarantees will be subordinated to the Lender.

Fee: 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 \$2,900,000 to be disbursed following closing of the loan and other performance criteria.

Other Conditions:

- Loan to be subordinated to the senior lender from a lienholder and payment standpoint.
- Payments will be restricted on this loan should the 1.25x debt service covenant be broken subject to final approval from MEDC.
- Submittal of a final Guaranteed Maximum Price (GMP) Construction Contract

APPENDIX B – Programmatic Requirements & Screening Guidelines

Property Eligibility

The project is located within the boundaries of the City of Grand Rapids, 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 March 3, 2015.

The property is the subject of a Brownfield Plan, duly approved by the City of Grand Rapids on December 16, 2014.

In addition, the project is requesting from the DEQ \$502,730 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 \$13,152,900.

Source of Information

It is the role of the Project Management staff (MEDC) 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 Project will provide urban-infill on a long vacant and contaminated site. The Project is expected to be a significant catalyst for the west side of Grand Rapids. The Project is expected to generate approximately 15 full-time equivalent jobs with an estimated average wage of \$17/hr. Total capital investment is estimated at \$19 million with approximately \$13.3 million of eligible investment. Local contribution will consist of Brownfield Tax Increment Financing.

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

The proposed significant investment on the west side of downtown will provide an anchor to the intersection of Lake Michigan Drive and Seward and provide urban-infill on a vacant lot in the downtown. The proposed Project will be a catalyst for other developments on the west side that will help transform the area.

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

A brownfield plan has been approved by the City of Grand Rapids for the Project which includes total eligible activities of approximately \$5.4 million. The proposed 381 Work Plan for the Project will include total eligible activities of approximately \$3.7 million (includes contingency) with the local portion currently estimated at approximately \$1.8 million.

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

The ownership group is contributing just over 10% in equity to the project and maximized the traditional debt available for the project. The MCRP loan participation of \$2,900,000 will allow the ownership team to achieve a reasonable return of around 10% for the project.

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

The proposed project site is qualifying as a facility with significant known environmental contaminants on site.

F. Creation of jobs:

The project is anticipated to create approximately 15 full-time equivalent jobs with an average hourly wage of \$17.

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

The project developer will be contributing \$1,865,500 in equity and has leveraged a loan in the amount of \$13,625,000 from Chemical Bank.

H. Whether the project is financially and economically sound:

Based on market information, the residential and commercial rental rates appear to be reasonable. With downtown apartments at essentially 100% occupied, projects on the fringe of the CBD are the next closest opportunity for downtown living. Additionally, the project has a strong advantage being located near GVSU, the YMCA, main Rapid bus line and easy access to US131. Upon reaching a stabilized occupancy it is anticipated the project will generate sufficient cash flow to cover its debt service requirements by a ratio of over 1.20 to 1.00. Additionally, the project will have the financial support of the development team and its investors and the payments on the MCRP loan will be contingent upon the project achieving a 1.25 to 1.00 debt service coverage ratio.

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

The project will convert an abandoned site into a mixed-use, multi-story development with approximately 63 market rate apartments on 0.75 acres, creating a density of approximately 84 units per acre.

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

The project will enhance the retail/commercial offerings in the neighborhood while providing a strong transition from the DDA to the adjacent neighborhood. Investments will be made to

dramatically improve the streetscape and sidewalk infrastructure to improve walkability connections between the neighborhood and downtown.

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

The project site has not been publicly owned in the recent past.

L. Whether the project promotes sustainable development:

The project will include significant urban infill on a contaminated brownfield site and will include green elements such as energy efficient windows, lighting, appliances and stormwater management.

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

The property is not occupied by a historic resource.

N. Whether the project addresses area-wide redevelopment:

The project is expected to be a catalyst for investment in the area-wide neighborhood.

O. Whether the project addresses underserved markets of commerce:

This portion of Grand Rapids is currently dominated by surface parking lots and single family homes in the adjacent neighborhood. This project will provide much needed multi-family housing and commercial services in the area.

P. The level and extent of environmental contamination:

Environmental contaminants on the site include polynuclear aromatic hydrocarbons (PAHs) and various metals at concentrations exceeding the MDEQ Part 201 Generic Residential Cleanup Criteria.

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 project does not include a historic resource.

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

The project is not expected to be significantly competitive with other projects in the same industry at this time.

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:

None.

Brownfield Act 381 Program Additional Project Information:

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

This project qualifies as a facility and is not qualifying as a functionally obsolete or blighted.

B. Cost gap that exists between the property and a similar greenfield property:

The Brownfield Tax Increment Financing is needed to reimburse significant expenses related to demolition, lead and asbestos abatement, site preparation and public infrastructure that would not be required on a greenfield property as well as costs associated with an underground parking structure.

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

No new Brownfields will be created by this project.

Tax Capture Breakdown

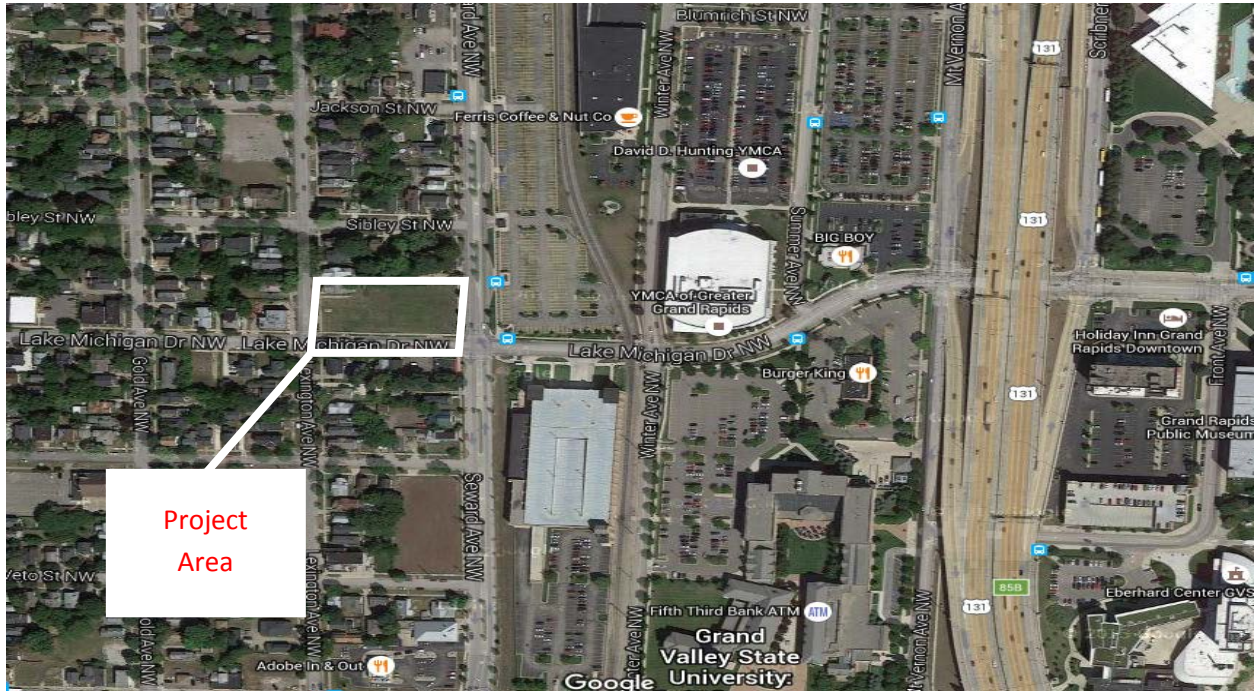
There are 46.6580 non-homestead mills available for capture, with school millage equaling 24 mills (51.44%) and local millage equaling 22.6580 mills (48.56%). Tax increment capture will begin in 2018 and is estimated to continue for 25 years. The requested tax capture for MSF eligible activities breaks down as follows:

School tax capture	(51.44%)	\$	1,890,003
Local tax capture	(48.56%)	\$	<u>1,784,187</u>
TOTAL		\$	3,674,190

Cost of MSF Eligible Activities

Demolition	\$	26,100
Lead or Asbestos Abatement		10,900
Infrastructure Improvements		2,340,600
Site Preparation	+	<u>813,000</u>
Sub-Total	\$	3,190,600
Contingency (15%)	+	478,590
Sub-Total	\$	3,669,190
Brownfield/Work Plan Preparation	+	<u>5,000</u>
TOTAL	\$	3,674,190

APPENDIX C – Project Map and Renderings



MICHIGAN STRATEGIC FUND

RESOLUTION 2016 -

**APPROVAL OF A MICHIGAN COMMUNITY REVITALIZATION PROGRAM
LOAN PARTICIPATION AWARD TO 601 WEST, 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, 601 West, LLC (“Company”) has requested a performance based loan participation of up to \$2,900,000 (“Award Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”)

WHEREAS, the MEDC has recommended that the MSF approve the Company’s Award Request in accordance with the Term Sheet, subject to: (i) available funding, (ii) final due diligence performed to the satisfaction of the MEDC; and (iii) execution of the Transaction Documents within 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 30 days (“MCRP Award Recommendation”); and

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

Ayes:

Nays:

Recused:

Lansing, Michigan
July 26, 2016

601 WEST, LLC

EXHIBIT A (“TERM SHEET”)

LOAN FACILITY

MSF Facility

Borrower:	601 West LLC
Lender:	Chemical Bank
Total Amount of Loans:	Currently estimated at \$16,525,000
Lender Share:	Currently estimated at \$13,625,000
MSF Share:	Up to the lesser of 22% of “Eligible Investment” or \$2,900,000 <i>Note: This project was accepted for processing by MEDC staff prior to the adoption of the incentive structuring parameters therefore the staff is requesting a deviation from the 20% maximum.</i>
Term:	To match that of Lender, anticipated to be 10 year term
Amortization:	To match that of Lender, anticipated to be 25 year amortization
Interest Rate:	Fixed 5%
Repayment Terms:	Interest only for 36 months, followed by principal and interest, monthly payments.
Collateral:	To match that of Lender, currently anticipated being a mortgage lien on the property, assignment of leases and rents, and security interest in the TIF reimbursements. MSF share of collateral will be subordinated to that of the Lender.
Guarantee:	To match that of Lender, currently anticipated to be the limited unsecured personal guarantees of the members of 601 West LLC. The MSF share of guarantees will be subordinated to the Lender.
Fee:	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 \$2,900,000 to be disbursed following closing of the loan and other performance criteria.

Other Conditions:

- Loan to be subordinated to the senior lender from a lienholder and payment standpoint.
- Payments will be restricted on this loan should the 1.25x debt service covenant be broken subject to final approval from MEDC.
- Submittal of a final Guaranteed Maximum Price (GMP) Construction Contract

MICHIGAN STRATEGIC FUND

RESOLUTION 2016 -

**APPROVAL OF A BROWNFIELD ACT 381 WORK PLAN
CITY OF GRAND RAPIDS BROWNFIELD REDEVELOPMENT AUTHORITY
601 WEST PROJECT**

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

WHEREAS, the City of Grand Rapids Brownfield Redevelopment Authority (the “Authority”) has submitted a work plan for property located at 601 Lake Michigan NW within the City of Grand Rapids, known as 601 West Project (the “Project”);

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

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

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

NOW, THEREFORE, BE IT RESOLVED, the MSF Board authorizes the Authority to capture taxes levied for school operating purposes in substantially the same proportion as 51.44% to 48.56% ratio currently existing between school and local taxes for non-homestead properties, to reimburse the cost of site preparation, demolition, lead and asbestos abatement and infrastructure improvements as presented in the revised Work Plan dated July 5, 2016. Any change in millage that increases the capture percentage of school operating taxes by more than 5 percentage points must be approved by the MSF Board. The authorization is based on the Authority capturing all available local operating mills for the term of the capture period. The authorization for the capture of taxes levied for school operating purposes is based on a maximum of \$3,669,190 for the principal

activity costs of non-environmental activities and a contingency and a maximum of \$5,000 for Brownfield/Work Plan preparation, and with the capture of taxes levied for school operating purposes being limited to a maximum of \$1,890,003.

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. Eligible activities authorized by this resolution must be completed within three (3) years.

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

Ayes:

Nays:

Recused:

Lansing, Michigan
July 26, 2016



MICHIGAN STRATEGIC FUND

MEMORANDUM

DATE: July 26, 2016

TO: MSF Board Members

FROM: Mark Morante

RE: Flint Parallel Pipe Project Financing

Summary

The City of Flint ("City") is seeking financial assistance of up to \$3 million to build a connector pipe for the KWA system to allow for simultaneous water delivery and testing, which was not anticipated when the KWA system was originally designed. Construction of the pipe will cost from \$5-7.2 million. The Michigan DEQ will be providing \$4.2 million in grants to the project, however, the MSF financing may be needed to bridge the gap. If additional assistance to finance the project is necessary, funds will come from the MSF's permanent fund (section 88h of the Act). Discussions between the City's counsel and the Michigan Department of Treasury pertaining to the potential financing structure is ongoing; if MSF assistance is sought, it is anticipated that a formal request will come before the Board at the August 2016 meeting.

Background

The City is required to treat raw lake water being provided to Flint by the Karegnondi Water Authority ("KWA"). Flint will be required to test operate its Water Treatment Plant ("WTP") for an undetermined period of time (likely three months or longer) to produce water of a quality acceptable to USEPA and MDEQ drinking water standards. When Flint returned to the Great Lakes Water Authority ("GLWA"), the line that would have provided Flint with raw water from the KWA was needed to supply Flint with treated water from the GLWA. As a result, a second parallel pipeline, of up to 5.5 miles in length (the "Project"), must be constructed to provide Flint's WTP with KWA's raw water at the same time the GLWA is providing Flint with treated water.

The project entails a design phase, pre-bid phase, bid phase, obtaining the necessary materials and rights-of-way, which includes, but is not limited to, a CSX railway crossing and a Flint River crossing. The timing of the Flint River crossing is important because construction of the crossing is easier when the river is lower. The cost of the Project is estimated at seven million two hundred thousand dollars (\$7,200,000.00); this cost is only an estimate based on historic project costs and not on a completed design.

The Michigan Department of Environmental Quality has stated that approximately four million two hundred thousand dollars (\$4,200,000.00) in grant money is available for this project. The GCDC has agreed at its cost, to design, prepare all pre-bid documents, and obtain all permits required so that the Project may be bid by Flint. The project is on an aggressive schedule to allow construction to be completed by the end of calendar year 2016.

MSF DELEGATED AUTHORITY QUARTERLY UPDATE
MSF CONFIDENTIALITY MEMOS
BOARD MEETING – JULY 26, 2016
FOR QUARTER ENDED JUNE 30, 2016

BACKGROUND

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

Via MCL 125.2005(9), as amended by Public Act 251 of 2011, information of a financial or proprietary nature considered by the applicant as confidential and acknowledged as confidential by the Michigan Strategic Fund Board or its designee is exempted from disclosure by the Michigan Freedom of Information Act (FOIA), Public Act 442 of 1976, as amended. Pursuant to Section 125.2005-1(3) of the Michigan Strategic Fund Compiled Resolutions, the MSF Fund Manager or the MSF President is authorized to acknowledge financial or proprietary information as confidential and not subject to disclosure under FOIA.

APPROVALS BY AUTHORIZED DELEGATE

During the period between April 1, 2016 and June 30, 2016, the following confidentiality memos were approved by the MSF Fund Manager:

Company Name and Location	Overview of Confidential Information
Vergennes Broadband, LLC 9769 Vergennes St. Lowell, MI 49331	Any portion of any documents or record of any kind containing any of the following business or personal information pertaining to any of the Interested Parties to the Proposed Transaction: Financial statements (including without limitation, income statements, balance sheets, statements of cash flow and profit and loss statements), ratio analysis, appraisals and other appraisal reporting, collateral analysis, accounts receivable aging reports, customer names and lists, tax returns, credit reports, social security or other tax identification numbers, and any analysis, report or record of any kind by or on behalf of any of the Interested Parties to the Proposed Transaction containing any of the foregoing information.
Midwest Rubber Company 3525 Range Rd. Deckerville, MI 48427	Any portion of any documents or record of any kind containing any of the following business or personal information pertaining to any of the Interested Parties to the Proposed Transaction: Financial statements (including without limitation, income statements, balance sheets, statements of cash flow and profit and loss statements), ratio analysis, appraisals and other appraisal reporting, collateral analysis, accounts receivable aging reports, customer names and lists, tax returns, credit reports, social security or other tax identification numbers, and any analysis, report or record

	of any kind by or on behalf of any of the Interested Parties to the Proposed Transaction containing any of the foregoing information.
Willow Run Arsenal of Democracy Landholdings Limited Partnership and its General Partner, Willow Run Land Management Services 3948 Hunters Ridge Drive #4 Lansing, MI 48911-1136	Restricted Appraisal Report as of June 1, 2013 for Willow Run, 2930 Ecorse Road, Ypsilanti Township, Michigan, RACER ID: 11991/11992; Restricted Appraisal Report as of December 31, 2014 for Willow Run, 2930 Ecorse Road, Ypsilanti Township, Michigan, RACER ID: 11991/11992; Restricted Appraisal Report as of December 31, 2015 for Willow Run, 2930 Ecorse Road, Ypsilanti Township, Michigan, RACER ID: 11991/11992
Revitalizing Auto Communities Environmental Response Trust and RACER Properties LLC. 500 Woodward Avenue Suite 2650 Detroit, MI 48226	Restricted Appraisal Report as of June 1, 2013 for Willow Run, 2930 Ecorse Road, Ypsilanti Township, Michigan, RACER ID: 11991/11992; Restricted Appraisal Report as of December 31, 2014 for Willow Run, 2930 Ecorse Road, Ypsilanti Township, Michigan, RACER ID: 11991/11992; Restricted Appraisal Report as of December 31, 2015 for Willow Run, 2930 Ecorse Road, Ypsilanti Township, Michigan, RACER ID: 11991/11992
Unique Instruments, Inc. 6688 Dixie Highway Bridgeport, MI 48722	2014 financial statements – “[Confidential]FINAL 2014 – Tulip US Holdings Financial Statements.pdf”; 2015 Draft Financial Statements – “[Confidential]Tulip US Holdings Financial Statements 2015-Draft.pdf”
Willow Run Arsenal of Democracy Landholdings Limited Partnership and its General Partner, Willow Run Land Management Services 3948 Hunters Ridge Drive #4 Lansing, MI 48911-1136	Miller, Canfield, Paddock and Stone, P.L.C. engagement letter with Willow Run Arsenal of Democracy Landholding Limited Partnership relative to the Development Project, and all invoices, reports, studies, checklists and any other ancillary documents resulting therefrom; Miller, Canfield, Paddock and Stone, P.L.C. engagement letter with NTH Consultants, Ltd, related in any way to the Development project and all invoices, reports, studies, checklists, and any other ancillary documents resulting therefrom; Miller, Canfield Paddock and Stone, P.L.C. engagement letter with David C. Adams and Son related in any way to the Development Project and all invoices, reports, studies, checklists and any other ancillary documents resulting therefrom; and Sentinel Law Group, P.C. engagement letter with the General Partner related in any way to the General Partner or the Development Project and all invoices, reports, studies, checklists and any other ancillary resulting therefrom.
Michigan Custom Machines, Inc. 22750 Heslip Dr. Novi, MI 48375	Any portion of any documents or record of any kind containing any of the following business or personal information pertaining to any of the Interested Parties to the Proposed Transaction: Financial statements (including without limitation, income statements, balance sheets, statements of cash flow and profit and loss statements), ratio analysis, appraisals and other appraisal reporting, collateral analysis, accounts receivable aging reports, customer names

MICHIGAN ECONOMIC
DEVELOPMENT CORPORATION

	and lists, tax returns, credit reports, social security or other tax identification numbers, and any analysis, report or record of any kind by or on behalf of any of the Interested Parties to the Proposed Transaction containing any of the foregoing information.
Friends of Capitol Theatre, LLC 519 S. Saginaw, Suite 200 Flint, MI 48502	Term Sheets, Letters of Intent, emails and/or any other document demonstrating financing amounts from the following: The Hagerman Foundation; Charles Stewart Mott Foundation
Daifuku North America Holding Company 34375 West Twelve Mile Road Farmington Hills, Michigan 48331	All Daifuku North America Holding Company financial statements for 2014, 2015 and 2016 including but not limited to, cash flow analysis, balance sheets, and auditors notes.

**MSF DELEGATED AUTHORITY QUARTERLY UPDATE
FOR 21CJF LOAN PORTFOLIO
BOARD MEETING – JULY 26, 2016**

FOR QUARTER ENDED JUNE 30, 2016

BACKGROUND

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

APPROVALS BY AUTHORIZED DELEGATE

Between April 1, 2016 and June 30, 2016 the following actions were approved pursuant to the Delegation of Authority:

Organization	Action(s)	Award Amount (full award amount)	Loan Balance (as of 7/1/16)	Date
Zoltan Laboratories, LLC	Restructure	\$200,000	\$227,776.39	June 9, 2016
Ultrasound Medical Devices, Inc. d/b/a/ Epsilon Imaging	Restructure	\$767,547	\$952,542.29	June 17, 2016

**MSF DELEGATED AUTHORITY QUARTERLY UPDATE
MSDF AND SSBCI PROGRAMS
CAPITAL ACCESS TEAM
April 1 – June 30, 2016**

APPROVALS BY AUTHORIZED DELEGATES

Between April 1 and June 30, 2016 the following actions were approved by the MSF Chairperson and MSF Fund Manager, subject to due diligence, and available funding:

SSBCI-MBGF						
Organization	Request Type	Loan Amount	MSF Support	Action	Date Approved	Closed
Trickl-Eez Irrigation, Inc.	MBGF-CSP	\$ 1,500,000	\$ 748,500	Approved by Chair and Fund Manager	May 31, 2016	Y
Trickl-Eez Irrigation, Inc.	MBGF-CSP	\$ 1,250,000	\$ 623,750	Approved by Chair and Fund Manager	May 31, 2016	Y
Vergennes Broadband LLC	MBGF-CSP	\$ 180,200	\$ 89,920	Approved by Chair and Fund Manager	June 9, 2016	Y
Vergennes Broadband LLC	MBGF-CSP	\$ 50,000	\$ 24,950	Approved by Chair and Fund Manager	June 9, 2016	Y
Midwest Rubber Company	MBGF-CSP	\$ 700,000	\$ 349,300	Approved by Chair and Fund Manager	June 9, 2016	N
Total		\$ 3,680,200	\$ 1,836,420			
MSDF						
Organization	Request Type	Loan Amount	MSF Support	Action	Date Approved	Closed
Technical Training, Inc.	MSDF-CSP	\$ 5,500,000	\$ 825,000	Approved by Chair and Fund Manager	June 9, 2016	N
Total		\$ 5,500,000	\$ 825,000			

MEMORANDUM

DATE: July 26, 2016

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

FROM: Josh Hundt, Vice President, Capital Markets & Business Incentives
Lisa Pung, Manager, Brownfield, MCRP and SmartZone Programs

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

On December 21, 2011, the MSF Board approved the Michigan Business Development Program (“MBDP”) and the Michigan Community Revitalization Program (“MCRP”). Both programs allow for delegated approval of projects that have incentives of \$1 million or less. Listed below is a synopsis of the delegated deals that were approved during the third quarter of the 2016 fiscal year.

Detailed information is now sent to all Board Members as they are approved. As such, the detailed informational sheet on each approval is not included in this memo. If you would like additional information on a project, please let us know.

MBDP APPROVALS

Project Name	Approval Date	Location	Incentive Approved	Jobs	Investment
Kraft Heinz	4/28/2016	Holland	\$500,000	50	\$17,200,000
DSM Engineering	4/28/2016	Troy	\$250,000	33	\$2,400,000
Spiech Farms	4/29/2016	Paw Paw	\$220,000	55	\$1,052,200
Schmitz Foam	4/29/2016	Coldwater	\$200,000	39	\$9,140,000
Eagle Film Extruders	5/3/2016	Grand Rapids	\$300,000	50	\$17,120,171
Kent Quality Foods	5/3/2016	Grand Rapids	\$750,000	140	\$34,870,000
Majestic Industries	5/3/2016	Macomb Township	\$210,000	25	\$2,110,000
Dornerworks	5/4/2016	Grand Rapids	\$200,000	25	\$710,000
Shipston Aluminum Technologies International	5/20/2016	Spring Lake Township	\$600,000	114	\$9,974,000

MBDP and MCRP Delegated Approvals

July 26, 2016

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Receptec Corp.	5/25/2016	Grand Blanc	\$550,000	60	\$14,403,000
TREMEC	5/25/2016	Wixom	\$731,500	133	\$53,737,500
Unique Instruments, dba Orchid Bridgeport	5/25/2016	Bridgeport	\$105,000	30	\$5,000,000
OptiMed	5/25/2016	Kalamazoo	\$500,000	77	\$1,228,750
Karma (Fisker Automotive, Inc.)	5/26/2016	Troy	\$450,000	150	\$3,644,800
Jervis B. Webb	6/6/2016	Novi	\$700,000	85	\$15,150,000
Denso Manufacturing Michigan, Inc.	6/8/2016	Battle Creek	\$687,500	125	\$37289,000
TecNiq	6/10/2016	Galesburg	\$540,000	110	\$5,930,819
Logos Logistics	6/21/2016	Romulus	\$300,000	91	\$8,615,000
Michell Plastics	6/28/2016	Troy	\$427,000	122	\$20,565,000
BorgWarner	6/30/2016	Auburn Hills	\$750,000	76	\$28,227,919

MCRP APPROVALS

Project Name	Approval Date	Location	Incentive Approved	Jobs	Investment
Uptown Housing LLC	4/12/2016	Grand Rapids	\$132,000	3	\$1,244,194
GS Entertainment, LLC	5/12/2016	Utica	\$287,000	0	\$1,813,000

MEMORANDUM

DATE: July 26, 2016
TO: Michigan Strategic Fund (“MSF”) Board Members
FROM: Lisa Pung, Manager, Brownfield, MCRP and SmartZone Programs
SUBJECT: Quarterly Report of Delegated Approvals on Act 381 Work Plans

On December 31, 2012, The Brownfield Redevelopment Financing Act (Act 381) was amended to allow the chairperson of the Michigan Strategic Fund delegated approval of work plans that consist of tax capture of less than \$500,000. Listed below is a synopsis of the delegated work plans that were approved during the third quarter of the 2016 fiscal year.

Detailed information is now sent to all Board Members as they are approved. As such, the detailed informational sheet on each approval is not included in this memo. If you would like additional information on a project, please let us know.

Project Name	Approval Date	Location	Approved TIF Amount	Jobs	Investment
Skypoint Ventures Redevelopment Project	5/5/2016	Fenton	\$323,663	25	\$4,980,000
		Total	\$323,663	25	\$4,980,000

MEMORANDUM

Date: July 26, 2016

To: Michigan Strategic Fund Board

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

Subject: *Community Development Block Grant Program
Quarterly Report of Delegated Approvals (April – June, 2016)*

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

Grantee	Approval Date	CDBG Funds	Brief Summary of Project
City of Davison	5/12/16	\$35,072	The City of Davison requested \$35,072 for additional structural costs regarding their Blight Elimination Façade Project. The City expects additional private investment of \$6,816 and additional local contribution of \$5,712. MSF approved original grant in the amount of \$153,556, October 27, 2015.
City of Escanaba	6/20/16	\$831,029	The City of Escanaba requested \$831,029 for façade improvement project consisting of six buildings in their downtown. The City expects that this project will result in private investment of \$293,301.
City of Escanaba	6/20/16	\$487,300	The City of Escanaba requested \$487,300 for the Escanaba Marketplace (Farmer’s Market). The City expects that this project will result in private investment of \$565,000.
Village of Port Austin	6/27/16	\$250,000	The Village of Port Austin requested \$250,000 for acquisition needed for the President Garfield’s Inn. The establishment will be a bed and breakfast with a fine dining restaurant. The Village expects that this project could result in private investment of \$285,000 and the creation of 25 jobs.
Total CDBG Funds for Quarter		\$1,603,401	