

**MICHIGAN STRATEGIC FUND BOARD
DRAFT MEETING AGENDA
SEPTEMBER 27, 2016
10:00 am**

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

A. Consent Agenda

Proposed Meeting Minutes – August 23, 2016

Zeeland Bio-Based Products, LLC – Loan Settlement – Christin Armstrong

Focus Mold & Machining, Inc. – Tool & Die Recovery Zone Revocation – Dan Parisian

CNC Precision Machining, LLC – Tool & Die Recovery Zone Revocation – Dan Parisian

Plas-Tech Mold & Design, Inc. – Tool & Die Recovery Zone Revocation – Dan Parisian

Downtown Albion Hotel/City of Albion – MCRP/Act 381 Work Plan Re-approval – Mary Kramer

618 South Main LLC/City of Ann Arbor – MCRP Amendment – Mary Kramer

River Parc Place II, LLC/City of Manistee – MCRP Amendment – Jennifer Schwanky

MSF/MSHDA/MEDC – MOU Amendment – Katharine Czarnecki

Carhartt, Inc. – MBDP Grant Amendment – Trevor Friedeberg

Suniva – MBDP Grant Amendment – Trevor Friedeberg

Inteva – MBDP Amendment – Trevor Friedeberg

FEV North America, Inc. – MBDP Grant Amendment – Marcia Gebarowski

Fund Allocations:

FY17 Allocation of Funds & Administrative Services MOU Renewal – Mark Morante

Michigan Translational Research and Commercialization - Allocation of Funds – Denise Graves

International Trade & STEP Grant – Allocation & Federal Grant Acceptance – Natalie Chmiko

Procurement Technical Assistance Center – FY17 Grant Allocations – Andrea Robach

B. Administrative

Tool & Die Recovery Zone Policy – Josh Hundt/Christin Armstrong

MBDP Program Guidelines Expansion – Josh Hundt

Next Michigan Development Corporation Policy Recommendations – Andrea Robach

Election of Officers – Mark Morante

C. Business Investment

a. Entrepreneurship

MidMichigan Innovation Center – Business Incubator Grant Assignment – Fred Molnar

University Early Stage “Proof of Concept” Fund – Request to Issue RFP – Fred Molnar

Angel Capital Development Fund – Request to Issue RFP – Fred Molnar

First Capital Fund – Request to Issue RFP – Fred Molnar

FY17 Grant Amendments – Fred Molnar

b. Business Growth

Cargill Inc./City of Owosso – Act 381 Work Plan – Jeremy Webb
Fiat Chrysler Automobiles – MBDP Grant – Marcia Gebarowski
Jackson National Life Insurance Company– MBDP Grant Amendment & CDBG Grant
Termination – Trevor Friedeberg

c. Access to Capital

Anderson House Office Building – Bond Refunding Authorization – Chris Cook
Holland Home – Bond Authorizing – Chris Cook
Canterbury Health Care, Inc. – Bond Authorizing – Chris Cook
YMCA of Greater Grand Rapids – Bond Inducement – Chris Cook
St. Mary’s Cement Inc. – Bond Inducement – Chris Cook
Flint Parallel Pipe – Jobs for Michigan Investment Fund Investment – Mark Morante

D. Community Vitality

Infrastructure Capacity Enhancement (ICE) – CDBG Grant Awards – Christine Whitz
SVRC Industries, Inc./City of Saginaw – MCRP – Nate Scramlin
Chamber Support Corporation/City of Owosso – MCRP/Act 381 Work Plan – James Espinoza
Diamond Place LLC/City of Grand Rapids – MCRP/Act 381 Work Plan – Ryan Kilpatrick
Third and Grand LLC/City of Detroit – MCRP/Act 381 Work Plan – Stacy Esbrook
Trident-Checker, LLC/City of Detroit – MCRP – Stacy Esbrook

MICHIGAN STRATEGIC FUND

RESOLUTION 2016-

**APPROVAL OF SEPTEMBER 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 – August 23, 2016
Zeeland Bio-Based Products, LLC – Loan Settlement
Focus Mold & Machining, Inc. – Tool & Die Recovery Zone Revocation
CNC Precision Machining, LLC – Tool & Die Recovery Zone Revocation
Plas-Tech Mold & Design, Inc. – Tool & Die Recovery Zone Revocation
Downtown Albion Hotel/City of Albion – MCRP/Act 381 Work Plan Re-approval
618 South Main LLC/City of Ann Arbor – MCRP Amendment
River Parc Place II, LLC/City of Manistee – MCRP Amendment
MSF/MSHDA/MEDC – MOU Amendment
Carhartt, Inc. – MBDP Grant Amendment
Suniva – MBDP Grant Amendment
Inteva – MBDP Amendment
FEV North America, Inc. – MBDP Grant Amendment
FY17 Allocation of Funds & Administrative Services MOU Renewal
Michigan Translational Research and Commercialization - Allocation of Funds
International Trade & STEP Grant – Allocation & Federal Grant Acceptance
Procurement Technical Assistance Center – FY17 Grant Allocations

Ayes:

Nays:

Recused:

Lansing, Michigan
September 27, 2016

**MICHIGAN STRATEGIC FUND
PROPOSED MEETING MINUTES
August 23, 2016**

Members Present

Steve Arwood
Dan Boge
Stephanie Comai (on behalf of Director 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 Andrea Robach for her service to the Board and thanked her for a job well done. He introduced Jennifer Tebedo as the new MSF Administrator.

Mr. Arwood recognized the following legislator and legislative staff in attendance: Senator Dale Zorn and Morgan Pickering on behalf of Representative Nancy Jenkins speaking in support of the Inteva project in Adrian under Business Growth on the agenda. Written comments and letter of support are attached.

Communications: Jennifer Tebedo, MSF Administrator, advised the Board of the following changes to the agenda: the Tool & Die Recovery Zone Policy item under Administrative has been withdrawn and will be considered at the September meeting; the American Center for Mobility item has been moved from the Consent Agenda to Administrative; and a FY 2017 MSF Budget Overview by the Chief Financial Officer has been added under Informational. An updated agenda was provided to the Board at the table.

Mr. Arwood congratulated and thanked staff for their continued work with the Michigan Department of Natural Resources on the Memorandum of Understanding (MOU), an item under the Consent Agenda.

A. CONSENT AGENDA

Resolution 2016-130 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, Dan Boge motioned for approval of the following:

Proposed Meeting Minutes – **July 26, 2016**

Pixel Velocity, Inc. – Loan Amendment – **2016-131**

Everist Genomics, Inc. – Loan Amendment – **2016-132**

Woodward Brown Associates, LLC – City of Birmingham – MCRP Amendment – **2016-133**

Lofts on Michigan, LLC – Grand Rapids – MCRP Amendment – **2016-134**

Mid Towne Hospitality, LLC – Grand Rapids – MCRP Amendment – **2016-135**

Marketing Memorandum of Understanding with DNR – MOU – **2016-136**
Niowave – MBDP Amendment – **2016-137**
Networks Northwest – PTAC Grant Amendment – **2016-138**

Terri Jo Umlor seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

Mr. Arwood recused from next item, leaves the room. Wayne Wood acted as Chairman during this time.

B. ADMINISTRATIVE

Resolution 2016-139 American Center for Mobility – Board of Directors Designees

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 2016-139. Stephanie Comai seconded the motion. **The motion carried: 7 ayes; 0 nays; 1 recused.**

Mr. Arwood rejoined the meeting.

C. BUSINESS INVESTMENT

C1. Entrepreneurship

Resolution 2016-140 University of Michigan Battery User Facility – 21st Century Grant

Eric Shreffler, Director Automotive Programs, provided the Board with information regarding this action item. Following brief discussion, Wayne Wood motioned for the approval of Resolution 2016-140. Andrew Lockwood seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

C2. Business Growth

Resolution 2016-141 Council of Great Lakes Governors – FY17 Contract Extension

Jeanne Broad, Director International Trade, provided the Board with information regarding this action item. Following brief discussion, Andrew Lockwood motioned for the approval of Resolution 2016-141. Shaun Wilson seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

Resolution 2016-142 Inteva Products LLC – MBDP Incentive

Trevor Friedeberg, Business Development Project Manager, provided the Board with information regarding this action item. Following brief discussion, Dan Boge motioned for the approval of Resolution 2016-142. Wayne Wood seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

C3. Access to Capital

Resolution 2016-143 Holland Home – 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 2016-143. Wayne Wood seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

Resolution 2016-144 F.P. Horak Company/H&J Realty– Bond Authorizing

Chris Cook, Director Capital Programs, provided the Board with information regarding this action item. Following brief discussion, Stephanie Comai motioned for the approval of Resolution 2016-144. Wayne Wood seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

ROLL CALL VOTE: Ayes: Steve Arwood, Dan Boge, Stephanie Comai (on behalf of Director Edgerton), Andrew Lockwood (on behalf of Treasurer Khouri), Terri Jo Umlor, Jody DePree Vanderwel, Shaun Wilson, Wayne Wood; Nays: None; Recused: None

D. COMMUNITY VITALITY

Resolution 2016-145 Market Avenue Place LLC/City of Grand Rapids – Act 381 Work Plan

Ryan Kilpatrick, Community Assistance Team, provided the Board with information regarding this action item. Following brief discussion, Stephanie Comai motioned for the approval of Resolution 2016-145. Dan Boge seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

Resolution 2016-146 Green Cane Property/City of Grand Rapids – Act 381 Work Plan

Ryan Kilpatrick, Community Assistance Team, provided the Board with information regarding this action item. Following brief discussion, Andrew Lockwood motioned for the approval of Resolution 2016-146. Stephanie Comai seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

E. IMAGE/STATE BRANDING

Resolution 2016-147 Public Relations RFP – Award Recommendation

Emily Guerrant, Vice President Marketing, Communications & Public Relations, provided the Board with information regarding this action item. Following brief discussion, Wayne Wood motioned for the approval of Resolution 2016-147. Andrew Lockwood seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

Resolution 2016-148 Business Marketing RFP – Award Recommendation

Emily Guerrant, Vice President Marketing, Communications & Public Relations, provided the Board with information regarding this action item. Following brief discussion, Dan Boge motioned for the approval of Resolution 2016-148. Wayne Wood seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

Resolution 2016-149 Travel Marketing RFP – Award Recommendation

Kelly Wolgamott, Director Travel Michigan, provided the Board with information regarding this action item. Following brief discussion, Wayne Wood motioned for the approval of Resolution 2016-149. Andrew Lockwood seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

F. INFORMATIONAL

FY 2017 Budget Overview

Amanda Bright McClanahan, Chief Financial Officer, provided the Board with an overview of the FY 2017 MSF Budget. The handout that was provided to the Board at the table is attached.

Mr. Arwood adjourned the meeting at 11:13 am.

Dale W. Zorn
Senator District 17
Michigan Strategic Fund Board Meeting
Inteva Expansion
August 22, 2016

Thank you for allowing me to testify at this hearing concerning a request from the Inteva Products LLC in Adrian, Lenawee County for a request for \$1.27 million from the Michigan Business Development Program incentive.

There is great economic growth happening throughout Southeast Michigan, the same holds true in Adrian. Downtown Adrian is seeing major investment in restoring and rehabilitating historic properties that will make the area a better place to live, work, and shop.

Public/private relationships have transformed the county into a place of new development and most importantly, jobs.

The unemployment rate in Lenawee County is at 4.1% the lowest since April of 2001.

Adrian has a long history of automotive manufacturing and the area has been home to this company in one form or another for many years.

From the old Fisher Body plant to the Inteva plant of today, Adrian automotive plants has contributed to the region, our state and our country's success.

Inteva is a leading global automotive supplier providing automakers with innovative, reliable, and environmentally friendly products that enhance vehicle quality, safety and performance.

It is global resource for O.E.M. products such as interior systems, electric motors, electronics, and roof systems.

Since 2008, the tier-one supplier has focused on achieving sustainable local and global growth.

It employs more than 11,000 people in 18 countries and is headquartered in Troy, Michigan.

Inteva has achieved great success in automotive innovation, and supplying automotive manufacturer's (O.E. M.) quality components.

That success has earned the Adrian plant the General Motors "2012 Platinum Supplier Status"; in 2016 they received top honors from CLEPA (European Association for Automotive Suppliers) for product innovation; and were recognized as one of Ohio's best employers in 2016.

This request comes as the result of new company contracts and is in support of a \$32 million expansion project that will support new automotive technologies, and have the potential to create up to 127 jobs. And that is what it's about JOBS!

The community and I are in full support of this project.

Again, thank you for this opportunity to speak on behalf of this project and the Lenawee community.



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MICHIGAN HOUSE OF REPRESENTATIVES

NANCY E. JENKINS

STATE REPRESENTATIVE
DEPUTY MAJORITY WHIP

APPROPRIATIONS
SUBCOMMITTEES:
STATE POLICE (VC)
MILITARY AND
VETERANS AFFAIRS (VC)
AGRICULTURE AND
RURAL DEVELOPMENT
JUDICIARY
TRANSPORTATION

August 23, 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 Inteva Products, LLC's request for a \$1.27 million Michigan Business Development Program incentive that will support an expansion project in the City of Adrian. I apologize I am not able to be with you in person.

Since 2008 when Inteva located a plant in Adrian, the company has been an important economic driver in Lenawee County. Although Lenawee was hit hard by the economic downturn of our state during the "lost decade," Inteva has remained one of our county's top employers. Records indicate that in 2012, Inteva employed nearly 200 people at its Adrian location, which manufactures automotive interior parts, particularly instrument panels for General Motors pickup trucks.

Inteva's request for a \$1.27 million Michigan Business Development Program incentive, along with the company's own planned investment of \$32 million will allow the Adrian plant to expand and create new programs as a result of newly awarded automotive contracts. Seventy-seven jobs are anticipated to be created, with the potential for up to 127 jobs. The investment and resulting job creation will help to improve the economic climate in Lenawee County.

Thank you for your consideration of Inteva Products, LLC's request for a \$1.27 million Michigan Business Development Program incentive. I encourage your support.

Sincerely,

Nancy Jenkins
State Representative
District 57

Michigan Strategic Fund
Summary of Spending -- FY2013 through FY2016 YTD

	FY2013		FY2014		FY2015		FY2016****	
	Total Authorized Budget	Total Committed Funding**	Total Authorized Budget	Total Committed Funding**	Total Authorized Budget	Total Committed Funding**	Total Authorized Budget	Total Committed Funding**
Administrative Services	\$2,976,600	\$2,976,600	\$3,058,700	\$3,058,700	\$3,131,700	\$3,031,736	\$5,692,500	\$2,583,453
Job Creation Services	\$16,993,200	\$14,874,206	\$22,344,000	\$20,378,544	\$17,932,800	\$15,925,565	\$17,080,500	\$13,855,148
Community College Skilled Trades Equipment Program	\$0	\$0	\$0	\$0	\$4,600,000	\$4,600,000	\$4,600,000	\$4,600,000
Business Attraction and Community Revitalization	\$100,000,000	\$99,621,940	\$120,000,000	\$119,052,952	\$127,800,000	\$127,244,266	\$114,000,000	\$66,483,509
Entrepreneurship Eco-System (Innovation and Entrepreneurship)	\$25,000,000	\$25,000,000	\$28,500,000	\$28,500,000	\$17,200,000	\$17,200,000	\$21,400,000	\$20,169,155
Community Development Block Grant*	\$47,000,000	\$16,771,987	\$47,000,000	\$24,761,560	\$47,000,000	\$33,144,420	\$47,000,000	\$16,767,550
Pure Michigan (Michigan Promotion Program)	\$25,000,000	\$24,885,877	\$29,000,000	\$28,999,169	\$29,000,000	\$28,866,781	\$33,000,000	\$32,116,945
Facility for Rare Isotope Beams	\$0	\$0	\$0	\$0	\$0	\$0	\$7,300,000	\$7,300,000
TOTAL	\$216,969,800	\$184,130,610	\$249,902,700	\$224,750,925	\$246,664,500	\$230,012,769	\$250,073,000	\$163,875,760
Federal	\$49,780,700	17,638,536.21	49,780,700.00	25,737,259.92	\$49,780,700	\$34,160,237	\$52,386,600	\$18,186,987
Other	\$293,100	\$105,514	255,500.00	\$136,114	\$255,500	\$211,084	\$307,800	\$212,929
21st Century Jobs Program	\$75,000,000	74,623,876.73	\$75,000,000	74,899,169.14	\$75,000,000	\$74,372,900	\$75,000,000	\$60,152,372
General Fund	\$91,896,000	91,762,682.76	124,866,500.00	123,978,382.63	\$121,628,300	\$121,268,548	\$122,378,600	\$85,323,472
Remaining Total Balance for Ongoing Projects***		\$2,538,358		\$3,201,847		\$6,383,666		\$86,197,240

Note: This summary includes all programs currently appropriated through the Michigan Strategic Fund and their historical funding levels. Any programs that have been transferred are not included.

* Community Development Block Grant authorization exceeds available revenue annually. The state fully expends its available federal funding for this purpose.

** Total committed funding includes all spending that has occurred in addition to anticipated spending that has been formally approved.

*** A portion of funding from 2013, 2014, and 2015 is available to support final spending for projects that were funding initially in those fiscal years.

**** Identified through July 31, 2016

***** Additional projections still pending approval will reduce many of these balances significantly before year-end.

MICHIGAN ECONOMIC
DEVELOPMENT CORPORATION

August 22, 2016

Ms. Jennifer Tebedo
Michigan Strategic Fund Administrator
Michigan Economic Development Corporation
300 N. Washington Square
Lansing, Michigan 48913

Dear Jennifer,

Please consider this communication as a letter of recusal for the American Center for Mobility (ACM) – Board of Directors Designees agenda item listed for the **Tuesday, August 23, 2016,** Michigan Strategic Fund board meeting.

I will be recusing myself because I am the individual the board will consider for appointment to the ACM Board of Directors.

Sincerely,



Steve Arwood
Chief Executive Officer

PURE MICHIGAN®



RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS
LANSING

SHELLY EDGERTON
DIRECTOR

DESIGNATION OF AUTHORITY

As Director of the Michigan Department of Licensing and Regulatory Affairs, I hereby designate Stephanie Comai to serve as the LARA representative at the August 23, 2016, meeting of the Michigan Strategic Fund Board.

A handwritten signature in cursive script that reads "Shelly Edgerton". The signature is written over a horizontal line.

Shelly Edgerton, Director
Department of Licensing and Regulatory Affairs

Dated: 8/10/2016



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 read "N.A. Khouri", with a long horizontal flourish extending to the right.

N.A. Khouri
State Treasurer

Cc: Andrew Lockwood

MEMORANDUM

Date: September 27, 2016

To: MSF Board

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

Subject: Zeeland Bio-Based Products, LLC – Loan Settlement Request

Request

Michigan Economic Development Corporation (“MEDC”) Staff requests that the MSF accept \$200,000 in full satisfaction of the debt owed by Zeeland Bio-Based Products, LLC (“Zeeland Bio-Based” or “Company”) described under the MSF Investment Summary below (the “Request”).

Background

Company Overview

Zeeland Bio-Based was formed to create value-added industrial products from soybean oil and meal. Zeeland Bio-Based received the following loan from the MSF:

21st Century Jobs Fund Business Plan Competition Award Summary

Award Type:	Convertible Loan
Original Loan Amount:	\$1,011,593 (only \$820,575 disbursed)
Award Date:	June 4, 2007
Interest Rate:	9.25%
Loan Balance (as of 9/1/16):	\$801,584.36
Equity:	Warrant to purchase \$254,670 in membership units, the number of which to be determined by a Financing Event, IPO or Liquidity Event.

The MSF loan to Zeeland Bio-Based was amended on June 24, 2014 to add additional milestones, increase the interest rate from 8.25% to 9.25%, extend the grace period from June 4, 2012 to June 4, 2015, and to issue a warrant for the MSF to purchase \$254,670 shares of membership units in the Company, the number and type of which to be determined by a Financing Event, IPO or Liquidity Event.

MEDC staff believes that accepting the \$200,000 in full satisfaction of the debt is the best option for the MSF at this time. The Company has been unable to successfully develop or commercialize the technology and, as a result, has insufficient funds to service the loan at this time. The loan could be amended to extend the grace period however it is unlikely that the Company will be in a position in the near or long term to remit payment on this loan. The Company’s founders have indicated that they can settle the loan for \$200,000. The MSF will maintain its existing warrant to purchase membership units in the Company which will allow it to seek an equity stake in Zeeland Bio-Based 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 Zeeland Bio-Based's assets.

Recommendation

MEDC staff recommends that the MSF Board approve the Request.

MICHIGAN STRATEGIC FUND

**RESOLUTION
2016-**

ZEELAND BIO-BASED PRODUCTS, 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 Zeeland Bio-Based Products, LLC (“Zeeland Bio-Based” or “Company”), entered into a 21st Century Business Plan Competition loan agreement, dated June 4, 2007, whereby the SEIC Board and MSF agreed to loan up to \$1,011,593 to Zeeland Bio-Based under the terms and conditions set forth in the Convertible Loan Agreement, Security Agreement and Promissory Note (the “Note”), each dated June 4, 2007 (the Loan Agreement, Security Agreement, and Note, collectively, “Loan Documents”);

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

WHEREAS, the Loan Documents were amended on June 24, 2014 to add additional milestones, increase the interest rate from 8.25% to 9.25%, extend the grace period to June 4, 2015, and issue a warrant for the MSF to purchase \$254,670 in membership units, the number of which to be determined by a Financing Event, IPO or Liquidity Event;

WHEREAS, as of September 1, 2016, the total amount owing under the Loan Documents is \$801,584.36 (the “Indebtedness”);

WHEREAS, Zeeland Bio-Based has requested that the MSF accept \$200,000 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
September 27, 2016

Memorandum

Date: September 27, 2016
To: Michigan Strategic Fund Board
From: Dan Parisian, Compliance Specialist
Subject: Focus Mold and Machining, Inc.
Tool & Die Renaissance Recovery Zone - Revocation

Action

The Michigan Economic Development Corporation (“MEDC”) is recommending the revocation of the Tool & Die Renaissance Recovery Zone (“Zone”) for Focus Mold and Machining, Inc. (the “Company”) by the Michigan Strategic Fund (“MSF”) Board. The Company’s fifteen year Recovery Zone term is currently set to expire at the conclusion of 2022.

Background

The MSF Board originally designated a Recovery Zone for Focus Mold and Machining, Inc. located in the City of Walker, as a member of the Global Tooling Alliance (the “Collaborative”) on December 19, 2007.

The Company is no longer conducting business as a tool and die on the designated Recovery Zone property and has moved the business from the City of Walker site to the City of Grandville.

Under the Michigan Renaissance Zone Act, 1996 PA 376, as amended, the MSF Board has the authority to revoke the designation of a Recovery Zone for a qualified tool and die business if the qualified tool and die business fails or ceases to participate in or comply with a qualified collaborative agreement.

The Company’s President was notified that the MEDC would recommend revocation of the Recovery Zone.

Recommendation

MEDC Staff recommends the MSF Board revoke the Tool and Die Renaissance Recovery Zone designation for Focus Mold and Machining, Inc. effective on December 31, 2016 for property tax purposes and January 1, 2017 for all other purposes.

MICHIGAN STRATEGIC FUND

**RESOLUTION
2016-**

**REVOCATION OF AN EXISTING TOOL & DIE RENAISSANCE
RECOVERY ZONE DESIGNATION: Focus Mold and Machining, Inc.**

WHEREAS, the Michigan Renaissance Zone Act (the “Act”), 1996 PA 376, as amended, authorizes the Michigan Strategic Fund (“MSF”) Board to designate up to thirty-five (35) tool and die renaissance recovery zones (“Recovery Zone”) anywhere in the State of Michigan;

WHEREAS, on December 19, 2007, the MSF Board approved a Recovery Zone designation for Focus Mold and Machining, Inc. (the “Company”) as a member of the Global Tooling Alliance (the “Collaborative”) at its site in the City of Walker, Kent County located at 2141 B. Walker Avenue, Grand Rapids, MI 49544 (the “Property”) for a duration of fifteen years;

WHEREAS, Section 8d(3) of the Act permits the MSF Board to revoke the designation of all or a portion of a recovery zone with respect to one or more qualified tool and die businesses if those qualified tool and die businesses fail or cease to participate in or comply with a qualified collaborative agreement;

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

WHEREAS, the Company is no longer conducting business as a tool and die on the Property and has ceased participation with the Collaborative; and

WHEREAS, therefore, the MEDC recommends revocation of the Company’s Recovery Zone designation for the Property.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board revokes the Recovery Zone designation for Focus Mold and Machining, Inc. for the Property located in the City of Walker, Kent County located at 2141 B. Walker Avenue, Grand Rapids, MI 49544, effective on December 31, 2016 for property tax purposes and January 1, 2017 for all other purposes; and

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

Ayes:

Nays:

Recused:

Lansing, Michigan
September 27, 2016

Memorandum

Date: September 27, 2016
To: Michigan Strategic Fund Board
From: Dan Parisian, Compliance Specialist
Subject: CNC Precision Machining, LLC
Tool & Die Renaissance Recovery Zone - Revocation

Action

The Michigan Economic Development Corporation (“MEDC”) is recommending the revocation of the Tool & Die Renaissance Recovery Zone (“Zone”) for CNC Precision Machining, LLC (the “Company”) by the Michigan Strategic Fund (“MSF”) Board. The Company’s fifteen year Recovery Zone term is currently set to expire at the conclusion of 2019.

Background

The MSF Board originally designated a ten year Recovery Zone for CNC Precision Machining, LLC located in the Township of Alpine, as a member of the Precision Tooling Coalition (the “Collaborative”) on December 16, 2004. On May 24, 2006, an amendment was approved for a time extension of five years.

The local assessor informed MEDC staff that the Company is no longer conducting business as a tool and die on the designated Recovery Zone property and has ceased participation with the Collaborative. A follow-up conversation with the Collaborative president confirmed that the company moved out of the zone.

Under the Michigan Renaissance Zone Act, 1996 PA 376, as amended, the MSF Board has the authority to revoke the designation of a Recovery Zone for a qualified tool and die business if the qualified tool and die business fails or ceases to participate in or comply with a qualified collaborative agreement.

The Company’s President and resident agent were notified that the MEDC would recommend revocation of the Recovery Zone.

Recommendation

MEDC Staff recommends the MSF Board revoke the Tool and Die Renaissance Recovery Zone designation for CNC Precision Machining, LLC effective on December 31, 2016 for property tax purposes and January 1, 2017 for all other purposes.

MICHIGAN STRATEGIC FUND

**RESOLUTION
2016-**

**REVOCATION OF AN EXISTING TOOL & DIE RENAISSANCE
RECOVERY ZONE DESIGNATION: CNC Precision Machining, LLC**

WHEREAS, the Michigan Renaissance Zone Act (the “Act”), 1996 PA 376, as amended, authorizes the Michigan Strategic Fund (“MSF”) Board to designate up to thirty-five (35) tool and die renaissance recovery zones (“Recovery Zone”) anywhere in the State of Michigan;

WHEREAS, on December 16, 2004, the MSF Board approved a ten year Recovery Zone designation for CNC Precision Machining, LLC (the “Company”) as a member of the Precision Tooling Coalition (the “Collaborative”) at its site in the Township of Alpine, Kent County located at 5247 6 Mile Ct. NW, Comstock, MI 49321 (the “Property”);

WHEREAS, on May 24, 2006, the MSF Board approved the Company for a five year time extension bringing the total duration to fifteen years.

WHEREAS, Section 8d(3) of the Act permits the MSF Board to revoke the designation of all or a portion of a recovery zone with respect to one or more qualified tool and die businesses if those qualified tool and die businesses fail or cease to participate in or comply with a qualified collaborative agreement;

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

WHEREAS, the Company is no longer conducting business as a tool and die on the Property and has ceased participation with the Collaborative; and

WHEREAS, therefore, the MEDC recommends revocation of the Company’s Recovery Zone designation for the Property.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board revokes the Recovery Zone designation for CNC Precision Machining, LLC for the Property located at 5247 6 Mile Ct. NW, Comstock, MI 49321, effective on December 31, 2016 for property tax purposes and January 1, 2017 for all other purposes; and

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

Ayes:

Nays:

Recused:

Lansing, Michigan
September 27, 2016

Memorandum

Date: September 27, 2016
To: Michigan Strategic Fund Board
From: Dan Parisian, Compliance Specialist
Subject: Plas-Tech Mold & Design, Inc.
Tool & Die Renaissance Recovery Zone - Revocation

Action

The Michigan Economic Development Corporation (“MEDC”) is recommending the revocation of the Tool & Die Renaissance Recovery Zone (“Zone”) for Plas-Tech Mold & Design, Inc. (the “Company”) by the Michigan Strategic Fund (“MSF”) Board. The Company’s fifteen year Recovery Zone term is currently set to expire at the conclusion of 2020.

Background

The MSF Board originally designated a Recovery Zone for Plas-Tech Mold & Design, Inc. located in the City of Otsego, as a member of the Southwest Michigan Tooling Collaborative (the “Collaborative”) on December 21, 2005.

The Company is no longer conducting business as a tool and die on the designated Recovery Zone property and has moved the business from the City of Otsego site to Plainwell, MI.

Under the Michigan Renaissance Zone Act, 1996 PA 376, as amended, the MSF Board has the authority to revoke the designation of a Recovery Zone for a qualified tool and die business if the qualified tool and die business fails or ceases to participate in or comply with a qualified collaborative agreement.

The Company’s President was notified that the MEDC would recommend revocation of the Recovery Zone.

Recommendation

MEDC Staff recommends the MSF Board revoke the Tool and Die Renaissance Recovery Zone designation for Plas-Tech Mold & Design, Inc. effective on December 31, 2016 for property tax purposes and January 1, 2017 for all other purposes.

MICHIGAN STRATEGIC FUND

**RESOLUTION
2016-**

**REVOCATION OF AN EXISTING TOOL & DIE RENAISSANCE
RECOVERY ZONE DESIGNATION: Plas-Tech Mold & Design, Inc.**

WHEREAS, the Michigan Renaissance Zone Act (the “Act”), 1996 PA 376, as amended, authorizes the Michigan Strategic Fund (“MSF”) Board to designate up to thirty-five (35) tool and die renaissance recovery zones (“Recovery Zone”) anywhere in the State of Michigan;

WHEREAS, on December 21, 2005, the MSF Board approved a Recovery Zone designation for Plas-Tech Mold & Design, Inc. (the “Company”) as a member of the Southwest Michigan Tooling Collaborative (the “Collaborative”) at its site in the City of Otsego, Allegan County located at 409 Washington Street, Otsego, MI 49078 (the “Property”) for the duration of fifteen years;

WHEREAS, Section 8d(3) of the Act permits the MSF Board to revoke the designation of all or a portion of a recovery zone with respect to one or more qualified tool and die businesses if those qualified tool and die businesses fail or cease to participate in or comply with a qualified collaborative agreement;

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

WHEREAS, the Company is no longer conducting business as a tool and die on the Property and has ceased participation with the Collaborative; and

WHEREAS, therefore, the MEDC recommends revocation of the Company’s Recovery Zone designation for the Property.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board revokes the Recovery Zone designation for Plas-Tech Mold & Design, Inc. for the Property located at 409 Washington Street, Otsego, MI 49078, effective on December 31, 2016 for property tax purposes and January 1, 2017 for all other purposes; and

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

Ayes:

Nays:

Recused:

Lansing, Michigan
September 27, 2016

MEMORANDUM

Date: September 27, 2016

To: Michigan Strategic Fund Board

From: Mary Kramer, Brownfield and MCRP Program Specialist

Subject: Downtown Albion Hotel, LLC
Michigan Community Revitalization Program (MCRP)
Request for Re-Approval and Scope Revision of a Grant Award

City of Albion Brownfield Redevelopment Authority
Request for Approval of an Act 381 Work Plan Amendment

Request

Downtown Albion Hotel, LLC (“Company”) is requesting re-approval of its \$1,000,000 Michigan Community Revitalization Program (“MCRP”) Grant Award in order to execute a MCRP Agreement. In addition, the Company is requesting the addition of a Co-Applicant, Albion College, and the revision of the project’s scope of work. The City of Albion Brownfield Redevelopment Authority is also requesting an amendment to the Act 381 Work Plan approval to include the revisions to the project’s scope of work. No additional tax capture approval is being requested.

Background

On July 28, 2015, the Michigan Strategic Fund Board (“MSF”) approved a \$1,000,000 MCRP Grant award to the Company and an Act 381 Work Plan for the purpose of demolition of existing structures and construction of an approximately 67,000 square foot, four-story boutique hotel and conference center in downtown Albion on thirteen parcels of property that make up most of an entire city block. The 72 room hotel will offer a mix of standard rooms and extended stay suites. Approximately 3,000 square feet will be available for meetings, conferences, weddings, banquets and community events. The original approval is attached as Exhibit B.

The MCRP approval required that the Agreement be entered into within 180 days of the date of the approval, but allowed for a 180 day extension with approval from the MSF Fund Manager. On January 26, 2016, the MSF Fund Manager approved extending the expiration date to July 22, 2016, but all parties were unable to meet the Agreement deadline.

The requested changes to the scope of the project for both the MCRP and the Act 381 Work Plan includes the addition of the two remaining parcels on the city block which the Company was able to purchase allowing the project to be located on the entire block and construction of an approximately 58,000 square foot, three-story hotel with 75 rooms and approximately 1,300 square feet of meeting and/or conference space. For the MCRP award, the addition of a Co-Applicant, Albion College, is also requested. A guaranteed maximum price construction is required prior to closing on the MCRP award.

Due to changes in the local millage rates, the state to local tax capture proportionality has changed as follows: there are 65.0142 non-homestead mills available for capture, with school millage equaling 24 mill (36.92%) and local millage equaling 41.0142 mills (63.08%). Tax increment capture will begin in 2017 and is estimated to continue for eight years. The requested tax capture for eligible activities breaks down as follows:

School tax capture (36.92%)	\$ 355,693
Local tax capture (63.08%)	<u>\$ 607,723</u>
TOTAL	\$ 963,416

COST OF ELIGIBLE ACTIVITIES

Demolition	\$ 100,000
Lead or Asbestos Abatement	50,000
Infrastructure Improvements	148,766
Site Preparation	+ 401,234
Sub-Total	<u>\$ 700,000</u>
Contingency (15%)	+ 105,000
Sub-Total	<u>\$ 805,000</u>
Interest (5%)	+ 148,416
Sub-Total	<u>\$ 953,416</u>
Brownfield/Work Plan Preparation	+ 10,000
TOTAL	\$ 963,416

Recommendation

The MEDC staff recommends approval of the following:

1. Re-approval of the MSF's MCRP Grant Award in the amount of \$1,000,000 with the changes requested to the Scope of Work and the addition of a Co-Applicant, Albion College; and
2. Approval of the revised Scope of Work for the Act 381 Work Plan and updated proportionality between the state and local tax capture.

APPENDIX A – UPDATED MAP AND RENDERINGS



ORIGINAL APPROVAL

APPENDIX B – ORIGINAL APPROVAL



MEMORANDUM

Date: July 28, 2015

To: Michigan Strategic Fund Board

From: Julius L. Edwards, Capital Access
Dan Wells, Brownfield Program Senior Specialist
Rosalyn J. Jones, Community Assistance Team Specialist

Subject: Downtown Albion Hotel, LLC – City of Albion
Request for Approval of an Act 381 Work Plan and a Michigan Community Revitalization Program Performance-Based Grant

Request

The project requests to use both the Act 381 Brownfield Program and the Michigan Community Revitalization Program (MCRP) for construction of a new hotel and conference center, which would be located on 13 parcels of land that have been assembled at: 107, 111, 117, 119, and 121 West Center Street; 108, 112, 118, and 120 West Porter Street; and 208, 210, 212, and 216 South Superior Street in the City of Albion.

The City of Albion Brownfield Redevelopment Authority has submitted an Act 381 work plan (hereinafter work plan) request for the approval of local and school tax capture for eligible activities in the amount of \$963,416. Prior to construction, Brownfield conditions, including blighted buildings and contaminated soils and groundwater, will need to be alleviated. Eligible activities will include demolition, lead and asbestos abatement, site preparation, public infrastructure improvements, and brownfield and work plan preparation. These activities will alleviate Brownfield conditions across the site and make it suitable for redevelopment and protect human health and the environment.

Downtown Albion Hotel, LLC (Applicant) is requesting approval of a performance-based grant in the amount of \$1,000,000. The Applicant anticipates that the project will result in eligible investment of \$7,033,555 and total capital investment in the amount of \$8,428,136 in the City of Albion, the creation of 20 jobs, with an average hourly wage of \$16.82, and increase the taxable value of the property by over \$2.8 million.

The Downtown Albion Hotel project is considered to be a catalytic project transforming a vacant, blighted property located in the heart of downtown Albion into the only traditional hotel in the area. It is anticipated that the hotel will have a significant, positive economic impact by creating additional economic activity and synergy with Albion College, while improving public perception of downtown Albion. The development team is taking on significant market risk due to limited market information for a project of this type in the area.

The development team is in the process of securing approximately \$2.4 million in senior financing from Mercantile Bank. Albion College will be providing a loan in the amount of \$4 million, bringing the debt financing total to approximately \$6.4 million, or a Loan-to-Cost (LTC) of roughly 76%. The Loan-to-Cost ratio is above traditional debt financing levels of 65% for hospitality projects. This is a particularly high ratio considering the unproven nature of the Albion hospitality market. The development team will be contributing \$1 million in equity to the project (11.87% of total development cost). The remaining financing gap will be covered through a \$1 million MCRP performance-based grant. The grant will allow the development team to mitigate the traditional risks of operating a hotel, as well as the added risk

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ORIGINAL APPROVAL

associated with operating in an unproven market, and provide them with a reasonable return (between 12-15% assuming a fully stabilized project). Lastly, Albion College and the City of Albion are demonstrating their support of the project through over \$4.7 million in anticipated investment in the project.

Background

Downtown Albion Hotel, LLC is a single-purpose entity organized by SSP Associates, Inc. (SSP) to complete the project. Over the past five years, SSP has developed numerous Brownfield projects and has received a variety of incentives. SSP Associates is currently developing the UpTown at Rivers Edge Project in Bay City that was approved in 2011 for an Act 381 work plan (\$12m), three small Brownfield credits (\$1.25m, \$1.2m and \$1.2m, respectively) and a large Brownfield credit of \$5.1m. A Michigan Works project in Saginaw was approved for an Act 381 work plan in 2012 for \$778,140. A project located at 102 East Main Street in Midland received a \$4.7m MCRP loan and an \$8.3m Act 381 work plan approval in 2013.

The Applicant plans to demolish existing structures and construct a new 67,000 square foot, four story boutique hotel and conference center. The project will encompass nearly an entire city block and redevelop approximately 1.25 acres of property located on 13 parcels in downtown Albion. The 72 room hotel will offer a mix of standard rooms and extended stay suites. Approximately 3,000 square feet will be available for meetings, conferences, weddings, banquets, and community events.

Currently, the properties are owned by: the City of Albion, the Albion Building Authority (an entity incorporated by the City of Albion), Bishop Acquisitions, LLC (an entity owned and organized by the developer), and Proactis Development Strategies (a nonprofit corporation operated under the auspices of the Albion Economic Development Corporation).

Site demolition includes removal of old foundations and other obsolete site improvements and filling of those spaces with engineered fill. Building demolition includes three buildings deemed blighted which will also be subject to lead and asbestos abatement. Site preparation includes relocation of existing utilities, temporary facilities for construction, grading, and shoring to protect adjacent buildings. Infrastructure improvements include sidewalk, road, curb and gutter, landscaping and water, sewer and storm water utility improvements within the public right-of-way to service the hotel.

- a) The project is located within the boundaries of the City of Albion, which is a Qualified Local Governmental Unit, and has been deemed a facility as verified by the Michigan Department of Environmental Quality on June 17, 2015, and deemed blighted by the City of Albion December 15, 2014. The property is the subject of a Brownfield Plan, duly approved by the City of Albion on December 15, 2014.
- b) The project is located in a downtown and qualifies for a MCRP award because it is a facility and blighted.

The project's statutory requirements are addressed in Appendix A, a project map and renderings are provided in Appendix B, and the Summary of Terms is included in Appendix C.

ORIGINAL APPROVAL

Recommendation

Michigan Economic Development Corporation (MEDC) staff recommends the following:

- a) Approval of local and school tax capture for the Act 381 eligible activities totaling \$963,416 described above. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at \$375,154.
 - b) Approval of a MCRP performance-based grant in the amount of \$1,000,000 for Downtown Albion Hotel, LLC.
-

ORIGINAL APPROVAL

APPENDIX A

MCRP PROGRAM AND ITS GUIDELINES

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

SOURCE OF INFORMATION

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

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

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

Over the years, Albion has suffered from the loss of its industrial base and has struggled with high rates of unemployment. In addition, the City has lost local retail spending to other major regional centers. One of the stated goals in its Master Plan is to affirm downtown as the center of commerce and civic life.

Albion College is one of the City's major employers. In addition to its 455 employees, the college is home to nearly 1,400 students. U.S. News and World Report ranked Albion College among the top national liberal arts colleges. Despite this ranking, the college's future growth and its ability to recruit students, faculty, and staff is influenced by the health and perceptions of the community in which it is located. Both the City and Albion College realize that their destinies are intertwined. A partnership has been formed between the college and the community, in order to promote economic development and assemble the partners, capital, and expertise necessary to make development happen.

The proposed project will redevelop underutilized property, fill a local need for high-quality hotel and event space, draw people to downtown Albion, create jobs, and result in increased property tax revenue. In addition, it will improve the appearance and public perception of downtown Albion and increase opportunities for local tourism. Albion is a small town, located in a primarily rural area, and is not a suburb of a major city.

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

The influx of people staying at or attending events at the hotel, would stimulate the local economy by making it attractive for other businesses to locate nearby and make additional investment in renovating, restoring, and redeveloping other buildings in downtown Albion. This is consistent with the City's desire to develop new opportunities for the downtown economy, direct economic development toward the retail sector, and increase the number of retail businesses in town.

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

The hotel project is being undertaken jointly by the private developer, the City and Albion College. Through the local portion of tax increment financing estimated at \$761,516 (including the environmental portion), the local community will make public infrastructure improvements that will directly benefit the project and the public-at-large.

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

The development team is in the process of securing approximately \$2.4 million in senior financing from Mercantile Bank. Albion College will be providing a loan in the amount of \$4 million, bringing the debt financing total to approximately \$6.4 million or a Loan-to-Cost (LTC) of roughly 76%. The Loan-to-Cost ratio is above traditional debt financing levels of 65% for hospitality projects. This is a particular high ratio considering the unproven nature of the Albion hospitality market. The development team will be contributing \$1 million in equity to the project (11.87% of total development cost). The remaining financing gap will be covered through a \$1 million MCRP performance-based grant. The grant will allow the development team to mitigate the traditional risks of operating a hotel, as well as the added risk associated with operating in an unproven market, and provide them with a reasonable return (between 12-15% assuming a fully stabilized project).

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

The project involves the redevelopment of 13 parcels of land. Eight of the 13 qualify as blighted property, i.e. 107, 111, 117, 119 and 121 West Center Street; 108 West Porter Street; and 212 and 216 South Superior Street. Three parcels have the "facility" designation, i.e. 208 South Superior Street and 118 and 120 West Porter Street. Two are considered adjacent and contiguous to a "facility" parcel, i.e. 112 West Porter Street and 210 South Superior Street.

There are three vacant buildings that will be demolished that are located within the City of Albion historic district but are not individual, contributing structures.

F. Creation of jobs:

The creation of approximately 20 full-time equivalent jobs is expected with an average hourly wage estimated at \$16.82. Jobs will be typical of those associated with the hospitality industry, i.e. management, hospitality services personnel, cleaning, and maintenance.

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

Albion College will provide a \$4,000,000 loan in support of the project. At the end of the fifth year, the College will have the option of converting the loan into an equity position or amortizing it over 18 years. It is anticipated that Chemical Bank will provide up to a \$2.4 million loan. The developer has committed \$1.0 million in private equity.

H. Whether the project is financially and economically sound:

Upon reaching stabilized operations it is anticipated that the project will produce enough cash flow to support its debt at a ratio of above 1.20:1.00. This is solid but below traditional debt service requirements for hospitality projects. To mitigate this risk, the financing provided by

ORIGINAL APPROVAL

Albion College will have flexible terms with an option to convert to equity if desired or necessitated. Also, the project will be operated and supported by a strong development team with adequate financial resources and a solid operating history.

The hotel project will be a relatively risky project for the development team given the unproven nature of the market and lack of any comparable projects in the area. This is mitigated by the experience of the development team, primarily the Veridea Group as the hotel operator, which has developed successful hotel projects in the Upper Peninsula of Michigan, and the inclusion of Albion College's investment.

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

The project is a four-story infill project on what currently is a largely vacant city block within Albion's most dense commercial corridor.

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

The hotel convention center would increase the number of people who work and visit downtown and is located in close proximity to the Bohm Theatre. The Bohm Theatre project was honored with a 2015 Governor's Award for Historic Preservation. It is a prime setting for a wide array of events — first-run and classic films, musical performances, theatrical performances, lectures, and seminars. As people travel between the hotel and the Theatre, undoubtedly, there would be an increase in the amount of foot-traffic along Superior Street.

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

The project does not involve any public buildings.

L. Whether the project promotes sustainable development:

The project does include sustainable elements. The hotel development will utilize energy efficient measures in all aspects of the project. Energy-saving cladding and wall assemblies, windows and doors will be used to reduce the energy consumption lost to the exterior envelope. All appliances, mechanical systems and equipment shall be Energy Star rated, and lighting will use LED technologies and have energy saving controls.

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

The project does not involve rehabilitation of a historic resource. The buildings to be demolished are located in the City of Albion historic district, but they are not individual, contributing structures.

N. Whether the project addresses area-wide redevelopment:

The hotel convention center would appeal to college affiliates as well as to other members of the community. It would allow the college the opportunity to expand its programming and offerings and generate new sources of revenue. It would also provide the community-at-large with a venue for hosting weddings, banquets, and other special events.

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O. Whether the project addresses underserved markets of commerce:

The project will respond to the demand for high-quality lodging (both short-term and extended stay) and event space in downtown Albion.

P. The level and extent of environmental contamination:

208 South Superior and 118 and 120 West Porter meet the definition of a “facility” as defined by Part 201 of NREPA, Michigan PA 451 of 1994. In January 2015, a Baseline Environmental Assessment (BEA) was conducted at 208 South Superior. Lead contamination was found in soil and groundwater at concentrations exceeding Michigan Department of Environmental Quality (MDEQ) Direct Contact Criteria (DCC) and Residential Drinking Water (DWC). A BEA prepared in February 2015 for 118 and 120 West Porter Street revealed that concentrations of benzo(a)pyrene, phenanthrene, and Michigan ten Metals exceed MDEQ Residential Cleanup Criteria (RCC) in soil and/or groundwater. Due care measures will be required for redevelopment of the property.

Two properties are considered adjacent and contiguous to a “facility” parcel - 210 South Superior Street is adjacent and contiguous to 208 South Superior Street and 112 West Porter Street is adjacent and contiguous to 118 West Porter Street.

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 involve rehabilitation of a historic resource.

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

The project will not compete with or affect existing Michigan businesses as downtown Albion is devoid of high-quality hotel and hospitality services.

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

No additional factors need to be considered for this project.

ADDITIONAL STATUTORY CRITERIA UNDER ACT 381:

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

The project involves the redevelopment of 13 parcels of land. Eight of the 13 qualify as blighted property, i.e. 107, 111, 117, 119 and 121 West Center Street; 108 West Porter Street; and 212 and 216 South Superior Street. None of the existing buildings on the site will be reused.

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

No alternative greenfield site was considered for the project. The Brownfield Tax Increment Financing is needed to alleviate Brownfield conditions on the site that total approximately \$815,000 in costs that would otherwise make the site too costly to redevelop.

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

No new Brownfields will be created by this project.

d) Other Factors Considered:

No additional factors need to be considered for this project.

Act 381 TIF: There are 61.6363 non-homestead mills available for capture, with school millage equaling 24 mills (38.94%) and local millage equaling 37.6363 mills (61.06%). Tax increment capture will begin in 2016 and is estimated to continue for eight years. The requested tax capture for eligible activities breaks down as follows:

School tax capture (38.94%)	\$ 375,154
Local tax capture (61.06%)	\$ <u>588,262</u>
TOTAL	\$ 963,416

COST OF ELIGIBLE ACTIVITIES

Demolition	\$ 100,000
Lead or Asbestos Abatement	50,000
Infrastructure Improvements	148,766
Site Preparation	+ <u>401,234</u>
Sub-Total	\$ 700,000
Contingency (15%)	+ <u>105,000</u>
Sub-Total	\$ 805,000
Interest (5%)	+ <u>148,416</u>
Sub-Total	\$ 953,416
Brownfield/Work Plan Preparation	+ <u>10,000</u>
TOTAL	\$ 963,416

ORIGINAL APPROVAL

APPENDIX B



VIEW FROM CORNER OF S. SUPERIOR ST. & W. PORTER ST.



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APPENDIX C

Summary of Terms

1. **Company Name:** Downtown Albion Hotel, LLC
 2. **Company Address:** 1100 S. Washington, Suite 3
Saginaw, Michigan 48601
 3. **MCRP Incentive Type:** Performance Based Grant
 4. **Maximum Amount of MCRP Incentive:** Lesser of 20% of the Eligible Investment, as defined below, or \$1,000,000 ("MCRP Incentive Award")
 5. **Project Description ("Project"):** The project includes demolition of three vacant functionally obsolete buildings and construction of a new 67,000 square foot 72 room hotel which will include approximately 3,000 square feet of conference/banquet space in Downtown Albion, Calhoun County, MI.
 6. **Anticipated Minimum Eligible Investment:** \$6,347,000
The minimum is based on 80% of the total Eligible Investment amount requested on the CRP incentive application. The Eligible Investment on the Project is anticipated to include:
 - Demolition
 - New Building Construction
 - Site Improvements
 - Addition of Machinery, Equipment or Fixtures to the Project
 - Professional Fees
 7. **Start Date for Measurement of Eligible Investment:** January 1, 2015
 8. **Project Qualifying As:**
 - Facility
 - Blighted Property
 9. **Progress and Milestones & Disbursement:** The final terms and conditions of each of the Progress Milestones shall be included in the final Agreement, including that before any disbursement is made to the Applicant, the Applicant must demonstrate timely completion of all Progress Milestones, as required, and otherwise be in full compliance with all terms and conditions of the final Agreement. The MSF Fund Manager, in coordination with MEDC Staff, is authorized to negotiate the final terms and conditions of the final Agreement to be used to memorialize MCRP awards on the MSF's behalf in accordance with the Guidelines and are anticipated to include:
 - a. Pre-improvement Progress Milestone: Copies of all executed loan documents, evidencing that the applicant has closed on financing in the minimum amount of \$7,728,000 (includes financing to bridge MCRP Grant); final construction documents.
-

ORIGINAL APPROVAL

- b. Completion of the Project Progress Milestone: Issuance of a certificate of occupancy on terms and conditions satisfactory to the MSF Fund Manager.
10. **Municipality supporting the Project (“Municipal Support”):** The City of Albion is supporting the project with Tax Increment Financing (TIF) from the City’s Brownfield Redevelopment Authority in the estimated amount of \$2.1 million in State and Local contributions.
 11. **Site Plan Approval:** A condition for execution of the final Agreement is that the local unit of government, or its’ designated planning body, has approved the final Site Plan for the Project, and that the form and substance of the Site Plan are acceptable to the MSF.
 12. **Term of Agreement:** From execution of the final Agreement until the date three (3) years after the completion of the final Progress Milestone.
 13. **Repayment and Penalty Terms:** Some repayment and penalty provisions are required by law. The repayment and penalty terms and conditions will be effective through the Term of the Agreement and shall be defined in the final Agreement, and may include any or all of the following: a penalty, reduction of all or a portion of the MCRP Incentive Award, repayment of any portion of any disbursement of the MCRP Incentive Award, or ineligibility of the Applicant and its sponsors for any support or economic assistance from the MSF, as the case may be, if the Applicant fails to comply with the Agreement, any reporting requirements defined in the final Agreement, or otherwise violates the MSF Act.
 14. **Final Terms and Conditions:** The MSF Fund Manager, in coordination with MEDC Staff, is authorized to negotiate the final terms and conditions of the final Agreement to be used to memorialize MCRP awards on the MSF’s behalf in accordance with the Guidelines and is anticipated to include the terms described above.
-

**MICHIGAN STRATEGIC FUND
RESOLUTION 2016-**

**RE-APPROVAL OF A MICHIGAN COMMUNITY REVITALIZATION PROGRAM GRANT
AWARD FOR DOWNTOWN ALBION HOTEL, 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 2015-100 on July 28, 2015 the MSF Board awarded a MCRP Grant to Downtown Albion Hotel, LLC (“Applicant”), in furtherance of the Project of up to \$1,000,000 (“Award”);

WHEREAS, by the terms of Resolution 2015-100 the MSF Fund Manager approved an extension of the Award to July 22, 2016 (“Original Expiration Date”);

WHEREAS, the Applicant was unable to execute the Transaction Documents by the Original Expiration Date and is requesting re-approval of the Award;

WHEREAS, the MEDC is recommending that the MSF approve the award amendment recommendation to add a Co-Applicant, Albion College, and revise the scope of work to add two parcels of property which allows the project to be located on the entire block and construction of an approximately 58,000 square foot, three-story hotel with 75 rooms and approximately 1,300 square feet of meeting and/or conference space, with all other requirements remaining in place from the original approval.

WHEREAS, the MEDC is recommending the MSF re-approve the Company’s Award Request subject to: (i) available funding, (ii) final due diligence performed to the satisfaction of the MEDC; and (iii) execution of the Transaction Documents within 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 (the foregoing, collectively, the “MCRP Award Recommendation”); and

NOW, THEREFORE, BE IT RESOLVED, the MSF Board approves re-approval of the MCRP Award Recommendation; and

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

ADOPTED

Ayes:

Nays:

Recused:

Lansing, Michigan
September 27, 2016

MICHIGAN STRATEGIC FUND

RESOLUTION 2016 -

**APPROVAL OF A BROWNFIELD ACT 381 WORK PLAN
CITY OF ALBION BROWNFIELD REDEVELOPMENT AUTHORITY
ALBION HOTEL - AMENDMENT #1**

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, the MSF Board approved a Work Plan request for Albion Hotel Project (the “Project”), by Resolution 2015-101 on July 28, 2015, authorizing the Authority to capture taxes levied for school operating purposes based on a maximum of \$963,416 in eligible activities;

WHEREAS, the qualified taxpayer wishes to amend the scope of the Project by adding two parcels of property which allows the project to be located on the entire block and construction of an approximately 58,000 square foot, three-story hotel with 75 rooms and approximately 1,300 square feet of meeting and/or conference space. There is no request for additional tax capture, however, due to changes in the local millage rates, the state to local proportionality is being updated;

WHEREAS, the City of Albion Brownfield Redevelopment Authority (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 amended 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 36.92% to 63.08% ratio currently existing between school and local taxes for non-homestead properties, to reimburse the cost of site preparation, demolition, lead and asbestos abatement and infrastructure improvements as presented in the revised Work Plan dated November 6, 2015. 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 \$805,000 for the principal activity costs of non-environmental activities and a contingency, a maximum of \$148,416 in interest, and a maximum of \$10,000 for Brownfield/Work Plan preparation, and with the capture of taxes levied for school operating purposes being limited to a maximum of \$355,693.

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 from the date of this resolution.

BE IT FURTHER RESOLVED, that the MSF Board is authorizing that capture of taxes levied for school operating purposes for the payment of interest, up to a maximum of \$148,416 related to the eligible activities for the Project.

BE IT FURTHER RESOLVED, that all other provisions of Resolution 2015-101 are reaffirmed and the MSF authorizes the MSF Fund Manager to implement the terms of this resolution.

Ayes:

Nays:

Recused:

Lansing, Michigan
September 27, 2016

MEMORANDUM

Date: September 27, 2016
To: Michigan Strategic Fund Board
From: Mary Kramer, Brownfield and MCRP Program 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 August 31, 2016 includes a request to extend the Milestone Two due date from August 31, 2016 to October 31, 2016 and amend the language in Exhibit G.

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.

The first 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 the second and third amendments were approved in April and July 2016, respectively, to extend the Milestone Two due date.

This amendment was requested because the Senior Lender’s legal counsel requested changes to the Exhibit G and has worked with MEDC legal staff to agree to the requested version (attached with changes noted). Because this document is required to be submitted under Milestone Two, the due date for this milestone needs to be extended to allow the additional time needed to allow the company to submit the final documentation necessary to meet this milestone. The project has been completed and received a certificate of occupancy on June 29, 2016.

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 August 31, 2016 to October 31, 2016 and to amend the language in Exhibit G to include the attached language.

EXHIBIT G

SENIOR LENDER CONFIRMATION

This Certificate is being furnished as of _____, __, 2016, by P/R Mortgage & Investment Corp. ("Lender") to the Michigan Strategic Fund, a public body corporate and politic within the Department of Treasury, State of Michigan ("MSF") in connection with that Loan Agreement dated as of December 19, 2013 (the "Loan Agreement"), by and among the MSF, and 618 South Main, LLC (the "Borrower").

All capitalized terms used herein shall have the meanings set forth in the Loan Agreement.

In accordance with the Milestone Disbursement Request, Lender hereby certifies to the MSF:

1. The Lender has provided to the MSF a fully executed true and correct copy of each of the Senior Loan Documents;

2. All of the conditions precedent to closing of the transactions contemplated by the Senior Loan Documents been satisfied, and none of the conditions precedent to closing of the transactions contemplated by the Senior Loan Documents have been waived without the express written consent of the MSF, excepting only (i) the requirement that the Improvements are completed within the time frame set forth in the Building Loan Agreement, (ii) that all change orders be processed in a timely manner, ~~and~~ (iii) that all subcontractors complete Davis-Bacon wage clearance prior to final endorsement of the Senior Note, and (iv) with regard to Senior Loan Documents to which Lender is a party, non-material changes that do not affect the priority or enforceability of the Senior Loan Documents; provided, however, with regard to Senior Loan Documents to which Lender is not a party (which are the Construction Contract and Regulatory Agreement only) such representation is made to the best of Lender's knowledge;

3. The Lender is in material compliance with all of its obligations and duties required of it under the Senior Loan Documents;

4. The Lender is not aware of any events or circumstances which have occurred and are continuing which with notice or passage of time, or either, would cause the Lender, the Borrower, and other party to the Senior Loan Documents to fail to be in material compliance with all of their respective obligations and duties thereunder required of them;

5. The Lender has not provided any notice of an event of default of the under the Senior Loan Documents with the exception of informal notice of the following defaults, none of which are continuing: (i) failure to complete the Improvements within the time frame set forth in the Building Loan Agreement, (ii) failure to make one monthly mortgage payment on its due date and (iii) to Lender's knowledge, the filing of mechanic's liens against the Premises.

IN WITNESS WHEREOF, the undersigned as executed this Certificate as of the ____
day of _____, 2016.

P/R MORTGAGE & INVESTMENT CORP.**s**

By: _____

MICHIGAN STRATEGIC FUND

RESOLUTION 2016 -

**APPROVAL OF AN AMENDMENT TO A MICHIGAN COMMUNITY
REVITALIZATION PROGRAM LOAN 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 MCRP amendment to extend the Milestone Two due date in the agreement and any related ancillary agreements to June 30, 2016;

WHEREAS, by Resolution 2016-112 on July 26, 2016 the MSF Board approved a MCRP amendment to extend the Milestone Two due date in the agreement and any related ancillary agreements to August 31, 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 October 31, 2016 and revise Exhibit G to include the attached language, 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
September 27, 2016

EXHIBIT G

SENIOR LENDER CONFIRMATION

This Certificate is being furnished as of _____, __, 2016, by P/R Mortgage & Investment Corp. ("Lender") to the Michigan Strategic Fund, a public body corporate and politic within the Department of Treasury, State of Michigan ("MSF") in connection with that Loan Agreement dated as of December 19, 2013 (the "Loan Agreement"), by and among the MSF, and 618 South Main, LLC (the "Borrower").

All capitalized terms used herein shall have the meanings set forth in the Loan Agreement.

In accordance with the Milestone Disbursement Request, Lender hereby certifies to the MSF:

1. The Lender has provided to the MSF a fully executed true and correct copy of each of the Senior Loan Documents;

2. All of the conditions precedent to closing of the transactions contemplated by the Senior Loan Documents been satisfied, and none of the conditions precedent to closing of the transactions contemplated by the Senior Loan Documents have been waived without the express written consent of the MSF, excepting only (i) the requirement that the Improvements are completed within the time frame set forth in the Building Loan Agreement, (ii) that all change orders be processed in a timely manner, ~~and~~ (iii) that all subcontractors complete Davis-Bacon wage clearance prior to final endorsement of the Senior Note, and (iv) with regard to Senior Loan Documents to which Lender is a party, non-material changes that do not affect the priority or enforceability of the Senior Loan Documents; provided, however, with regard to Senior Loan Documents to which Lender is not a party (which are the Construction Contract and Regulatory Agreement only) such representation is made to the best of Lender's knowledge;

3. The Lender is in material compliance with all of its obligations and duties required of it under the Senior Loan Documents;

4. The Lender is not aware of any events or circumstances which have occurred and are continuing which with notice or passage of time, or either, would cause the Lender, the Borrower, and other party to the Senior Loan Documents to fail to be in material compliance with all of their respective obligations and duties thereunder required of them;

5. The Lender has not provided any notice of an event of default of the under the Senior Loan Documents with the exception of informal notice of the following defaults, none of which are continuing: (i) failure to complete the Improvements within the time frame set forth in the Building Loan Agreement, (ii) failure to make one monthly mortgage payment on its due date and (iii) to Lender's knowledge, the filing of mechanic's liens against the Premises.

IN WITNESS WHEREOF, the undersigned as executed this Certificate as of the ____
day of _____, 2016.

P/R MORTGAGE & INVESTMENT CORP.^s

By: _____

MEMORANDUM

Date: September 27, 2016

To: Michigan Strategic Fund Board

From: Jennifer Schwanky, Brownfield and MCRP Program Specialist

Subject: River Parc Place II, LLC
Michigan Community Revitalization Program (MCRP)
Request for Approval of a Grant Award Amendment

Request

River Parc Place II, LLC (“Company”) is requesting approval of an amendment to a Michigan Community Revitalization Program Grant Award. The request includes a revision to Milestone One to replace West Shore Bank with Shelby State Bank as the primary lender for the project.

Background

The Michigan Strategic Fund Board approved a \$636,680 performance-based grant on June 28, 2016 to the Company for the purpose of redeveloping the vacant 22,000 square foot building into approximately 18 residential condominium units, as well as approximately two commercial spaces on the first floor. The project will include the elimination of existing blight conditions, new enclosed parking spaces, and parking for owner-occupied and rental units, as well as site improvements on the property.

The company needed bridge financing to begin the project, and decided to go with a different lender than originally detailed in the project approval. There is not yet a signed agreement between River Parc Place II, LLC and the Michigan Strategic Fund.

Recommendation

The MEDC staff recommends approval of an amendment to the MCRP grant award to revise Milestone One to replace West Shore Bank with Shelby State Bank as the primary lender.

MICHIGAN STRATEGIC FUND

RESOLUTION 2016 -

**APPROVAL OF AN AMENDMENT TO A MICHIGAN COMMUNITY
REVITALIZATION PROGRAM PERFORMANCE-BASED GRANT AWARD TO
RIVER PARC PLACE II, 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 2016-107 on June 28, 2016 the MSF Board awarded a MCRP Grant Award to River Parc Place II, LLC, in furtherance of the Project of up to \$636,680 (“Award”);

WHEREAS, the MEDC is recommending that the MSF approve the award amendment recommendation to change the Company’s lender, 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
September 27, 2016

MEMORANDUM

Date: September 27, 2016

To: Michigan Strategic Fund (MSF) Board

From: Katharine Czarnecki, VP, Community Development

Subject: Amendment to Memorandum of Understanding between the Michigan Strategic Fund, Michigan Economic Development Corporation and the Michigan State Housing Development Authority

Request

MEDC staff requests approval of the attached amendment to the Memorandum of Understanding (MOU) between the Michigan Strategic Fund, Michigan Economic Development Corporation and the Michigan State Housing Development Authority. The terms of this MOU began on January 19, 2016. Staff is requesting an amended end date of January 16, 2018. The original end date was September 30, 2016.

Background

The MSF, MEDC and MSHDA entered into an MOU dated January 16, 2016, to align the community development activities of the three entities under a new community development division of the MSF. In order to facilitate the community development programs, 27 MSHDA staff were placed on special assignment under MSF management from January 17, 2016, through the expiration of the MOU, September 30, 2016. Under the original MOU, the MSHDA staff were expected to become MSF employees by October 1, 2016. The purpose of this second amendment is to extend the deadline of the MOU through January 16, 2018, because the transfer of employees has not yet occurred. The agencies are exploring options for permanent transfer. The two programs that were transferred to the MSF in December will continue to be MSF programs and are in full operation. Those are the Michigan Main Street program and the Redevelopment Ready Communities® program.

In addition, on behalf of the MSF, the MSHDA will maintain the Agate grant management software until January 16, 2018, and the Liquid Web hosting service until March 21, 2017. The MSF will be responsible for the cost of the Agate grant management software maintenance, and the Liquid Web hosting services.

Finally, this second amendment transfers to the MSF from MSHDA the financial responsibility, if any, for repayments that may be required by HUD for Community Development Block Grants (“CDBG”) grantee or subgrantee non-compliance.

Recommendation

MEDC Staff recommends that the MSF authorize the MSF President to execute the attached amendment to the MOU between the MSHDA, MEDC and the MSF related to community development realignment.

MICHIGAN STRATEGIC FUND

**RESOLUTION
2016-**

**APPROVAL OF SECOND AMENDMENT TO MEMORANDUM OF UNDERSTANDING
RELATED TO COMMUNITY DEVELOPMENT ACTIVITIES**

WHEREAS, the Department of Talent and Economic Development (“TED”) was created by Executive Order 2014-12 (“EO 2014-12”), effective March 16, 2015 (the “Effective Date”);

WHEREAS, under EO 2014-12, the Michigan Strategic Fund (“MSF”) was transferred from the Department of Treasury to TED and the Michigan State Housing Development Authority (“MSHDA”) was transferred from the MSF to TED;

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

WHEREAS, the MSF entered into a Memorandum of Understanding (“MOU”) effective January 16, 2016 and as amended by the First Amendment to the MOU dated [DATEE], with the MSHDA and the MEDC to align various community development programs;

WHEREAS, the MOU will expire on September 30, 2016;

WHEREAS, the MSF, the MEDC and MSHDA desire to extend the term of the MOU to January 16, 2018; and

WHEREAS, it is the desire of the MSF Board to approve an extension to the MOU to January 16, 2018, as described in the Second Amendment to the MOU attached to this resolution (the “Second Amendment to the MOU”).

NOW, THEREFORE, BE IT RESOLVED, the MSF Board approves the Second Amendment to the MOU; and

BE IT FURTHER RESOLVED, the MSF Board authorizes the MSF Fund Manager to negotiate the final terms and conditions of the Second Amendment to the MOU and to execute the Second Amendment to the MOU on behalf of the MSF.

Ayes:

Nays:

Recused:

Lansing, Michigan
September 27, 2016

SECOND AMENDMENT TO THE MEMORANDUM OF UNDERSTANDING

Between

THE MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

And

THE MICHIGAN STRATEGIC FUND

And

THE MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

This Second Amendment to the Memorandum of Understanding ("Second Amendment") is made between the Michigan Economic Development Corporation ("MEDC"), the Michigan Strategic Fund ("MSF"), and the Michigan State Housing Development Authority ("MSHDA"), (collectively, "the Parties"), as of September 14, 2016.

WITNESSETH:

WHEREAS, the MEDC, the MSF, and MSHDA entered into a Memorandum of Understanding (the "MOU") signed January 14, 2016, by MSHDA and the MSF, and January 15, 2016, by the MEDC, and a First Amendment signed March 14, 2016 by MSHDA and March 17, 2016 by the MSF the MEDC (collectively, the "MOU"), to combine certain community development activities of the MEDC, the MSF and MSHDA; and

WHEREAS, the MOU will expire by September 30, 2016; and

WHEREAS, the MEDC, the MSF, and MSHDA desire to amend the terms of the MOU to extend the term of the MOU, to expire by January 16, 2018, except for those provisions that expressly survive the expiration or termination of this MOU.

NOW, THEREFORE, IT IS MUTUALLY AGREED by and between the Parties that Section II.B.1 OF THE MOU IS HEREBY AMENDED AND REPLACED IN ITS ENTIRETY WITH THE FOLLOWING:

B. In support of the Community Development Activities, MSHDA, as of the Effective Date, in addition to other support as described in this MOU, will contribute to the Community Development Activities as follows:

I. Civil Service staff positions, and the corresponding FTEs, related to the CDBG Program, and the Michigan Main Street Program as identified in Appendix A, will be assigned/transferred to the MSF in accordance with all applicable Civil Service rules and regulations implemented in a manner consistent with State and Federal law. The staff positions and corresponding FTEs identified in Appendix A will continue to be MSHDA employees, on assignment to the MSF effective January 17, 2016, but paid by MSHDA until such time that the employees/staff positions become permanent MSF employees, which is expected to occur by January 16, 2018. In the event that the transfer does not occur by January 16, 2018, the MSHDA employees identified in Appendix A will remain on assignment in a manner consistent with Civil Service rules and regulations implemented

in a manner consistent with State and Federal law and MSHDA policies, and as subsequently approved by the MSHDA Board.

IT IS FURTHER AGREED by and between the Parties that Section III.B. of the MOU IS HEREBY AMENDED TO ADD THE FOLLOWING SUBSECTION:

4. The MSF will be financially responsible for all CDBG grants, including but not limited to any non-compliance repayments required by HUD or to be required by HUD. The foregoing provision is intended to survive the expiration or termination of this MOU.

IT IS FURTHER AGREED by and between the Parties that Section III.C.2 of the MOU IS HEREBY AMENDED AND REPLACED IN ITS ENTIRETY WITH THE FOLLOWING:

2. MSHDA will transfer to the MSF the financial responsibility, the ownership, custody, maintenance, performance, and servicing of all existing CDBG Program grants/contracts/agreements in existence as of the Effective Date. The foregoing provision is intended to survive the expiration or termination of this MOU.

IT IS FURTHER AGREED by and between the Parties that Section III.C.3 of the MOU IS HEREBY DELETED IN ITS ENTIRETY.

IT IS FURTHER AGREED by and between the Parties that Section III.C.4 of the MOU IS HEREBY AMENDED AND REPLACED IN ITS ENTIRETY WITH THE FOLLOWING:

4. MSHDA will provide the Community Development Team access to the Agate grant management software for their management of the CDBG grants transferred to the MSF. MSHDA will retain administration responsibilities of the Agate grant management software to expire by January 16, 2018, or other date mutually agreed upon, in writing, by an authorized officer, after which the MEDC will provide the grant management information technology support for the CDBG grants.

IT IS FURTHER AGREED by and between the Parties that Section III.C.6 of the MOU IS HEREBY AMENDED AND REPLACED IN ITS ENTIRETY WITH THE FOLLOWING:

6. The MSF remains financially responsible for their activities that result in litigation or any other financial liability related to the CDGB Program. MSHDA is not responsible for the actions of the individuals listed in Appendix A. The MSF and/or MEDC are responsible for any changes they may make after the date of this Second Amendment to the provisions of the CDBG Program previously administered by MSHDA and any and all changes after the date of this Second Amendment to MSHDA's CDBG grant agreements or formal or informal policies and procedures. The foregoing provision is intended to survive the expiration or termination of this MOU.
- IT IS FURTHER AGREED by and between the Parties that Section III.C. of the MOU IS HEREBY AMENDED TO ADD THE FOLLOWING SUBSECTION:

7. MSHDA will maintain the Liquid Web hosting service for the benefit of the Michigan Main Street web site and the MIplace.org web site to expire by March 21, 2017, or other date mutually agreed upon, in writing, by an authorized officer, after which the MEDC will provide the hosting service for the Michigan Main Street web site and the MIplace.org web site.

IT IS FURTHER AGREED by and between the Parties that Section VIII.A.2.b of the MOU IS HEREBY AMENDED AND REPLACED IN ITS ENTIRETY WITH THE FOLLOWING:

b. The cost to MSHDA for servicing the Agate grant management software for the benefit of the CDBG Program will be subtracted from any grant by MSHDA, and the annual amount to be paid under any grant by MSHDA will be decreased to reflect any reductions in the Community Development Activities performed by the MSF.

IT IS FURTHER AGREED by and between the Parties that Section VIII.A.2 of the MOU IS HEREBY AMENDED TO ADD THE FOLLOWING SUBSECTION:

d. The cost to MSHDA for servicing the Liquid Web hosting service for the benefit of the Michigan Main Street web site and the MIplace.org web site will be subtracted from any grant by MSHDA.

IT IS FURTHER AGREED by and between the Parties that Section X.B.2. of the MOU IS HEREBY AMENDED AND REPLACED IN ITS ENTIRETY WITH THE FOLLOWING:

2. The MOU remains in effect until January 16, 2018 unless earlier terminated by (a) mutual consent of the Parties, (b) denial of the grant application described in Section VIII, (c) termination or non-renewal of the grant described in Section VIII, or (d) denial of any required approval set forth in Section X.A.

IT IS FURTHER AGREED by and between the Parties that Section X.B.3.a of the MOU IS HEREBY AMENDED AND REPLACED IN ITS ENTIRETY WITH THE FOLLOWING:

3. a. Staff (as outlined in appendix A) shall be permanently transferred to the MSF by January 16, 2018, subject to the MSHDA Board's approval of the grant described in Section VIII. If staff are not employees of MSF or the personnel financial liabilities associated with those staff are not the responsibility of MSF by January 16, 2018, MSHDA retains the right to terminate the MOU.

IT IS FURTHER AGREED by and between the Parties that Appendix A to the MOU IS HEREBY AMENDED AND REPLACED IN ITS ENTIRETY WITH THE APPENDIX A THAT IS ATTACHED TO AND MADE A PART OF THIS SECOND AMENDMENT.

In the event of a conflict or inconsistency between the terms of this Second Amendment, the First Amendment, and the original MOU, the terms of this Second Amendment shall control.

Except as modified by this Second Amendment, all other terms and provisions of the MOU shall remain unmodified and be in full force and effect.

- *Signature page follows* -

IN WITNESS WHEREOF, the Parties have caused this Second Amendment to be executed on _____.

MICHIGAN STATE HOUSING DEVELOPMENT
AUTHORITY, A public body corporate and politic

By: _____
Kevin Elsenheimer
Its: Executive Director

MICHIGAN STRATEGIC FUND, A public body
corporate and politic

By: _____
Mark Morante
Its: MSF Fund Manager

MICHIGAN ECONOMIC DEVELOPMENT
CORPORATION, A public body corporate

By: _____
Steven Arwood
Its: Chief Executive Officer

MSHDA Staff Assigned/Transferred to MSF

Vacant - State Office Administrator 17 (frozen)	Vacant - Departmental Specialist 13
Brown, Nicol	Neumann, Deborah
Cassidy, Sharon	Odom, Emanuel
Costello, Catherine	Petz, Emily
Davis, James	Schoenherr-Gram, Kelly
Devries, Susan	Jonathon Lukco - Accounting Technician 8
Vacant - Executive Secretary 10	Tischler, James
Edmonds, Lisa	Vacant - State Office Administrator 17 (frozen)
Espinoza, James	Hoszkiw, Brittney
Franke, Lynda	Krizov, Laura
Gardner, Julie	Laperriere, Lori
Haddad, Shawne	Michelle Audette-Bauman- Departmental Analyst 12
King, Tiffany	Vinson, Louis
###	Carolyn Cunningham

DRAFT

MEMORANDUM

Date: September 27, 2016

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

From: Trevor Friedeberg, Business Development Project Manager

Subject: Carhartt, Inc. (“Company” or “Applicant”)
Amendment to Approved Michigan Business Development Program Grant Agreement

Request

The Company is requesting to have the Michigan Business Development Program Grant reduced from \$1,350,000 to \$625,000 to reflect reduced job projections from 215 to 100 Qualified New Jobs.

Background

On September 22, 2015 the Michigan Strategic Fund approved a \$1,350,000 award for Carhartt, Inc. under the Michigan Business Development Program (“MBDP”). The Company proposed to expand its headquarter operations in the City of Dearborn which would result in the creation of 215 Qualified New Jobs and over \$18 million in capital investment.

The Company was required create 215 jobs over a three year period. At this time, the Company believes the job creation numbers over a three year period will be 100 jobs. There are three primary drivers of the decrease in hiring projections: warm weather in the winter of 2015/2016; the decrease in oil and gas industry production; and retail bankruptcies and consolidations have all contributed to the Company taking this more conservative approach.

This past winter, Carhartt’s revenue was greatly impacted with this being one of the warmest winters in decades. This, coupled with the continued decline of the oil and gas industry’s exploration and production activities, resulted in diminished consumer demand for personal protective equipment and flame resistant garments as well as cold weather insulated products. This was especially true for customers located in the Midwest and industrial business segment.

The Company has made significant investment in upgrading and expanding its Dearborn campus and remains very committed to bringing new jobs to Michigan.

Recommendation

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

- a) Amend the September 22, 2015 approval to reflect the changes as outlined in the attached Term Sheet;
- b) All other aspects of the approval remain unchanged.

MICHIGAN STRATEGIC FUND

RESOLUTION 2016-

APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT AMENDMENT TO CARHARTT, 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 approved a \$1,350,000 Michigan Business Development Program Performance based grant on September 22, 2015 to expand its headquarter operations in the City of Dearborn which would result in the creation of 215 Qualified New Jobs and over \$18 million in capital investment (the “Project”);

WHEREAS, the Company is reducing the project scope in the City of Dearborn, by reducing its total Qualified New Job projections;

WHEREAS, the Company requests that the Michigan Business Development Program performance based grant be amended and revised as follows: reduce the total grant award to \$625,000 to reflect reduced job projections from 215 to 100 Qualified New Jobs. The Term of Agreement will also be extended (“Amendment”);

WHEREAS, Carhartt, Inc. (“Company”) has requested an amendment to decrease its performance based MBDP grant by \$725,000 for a total grant amount of up to \$625,000 (“Grant Amendment 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 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
September 27, 2016

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: September 14, 2016

Company Name: Carhartt, Inc. ("Company" or "Applicant")

Company Address: 5750 Mercury Drive
Dearborn, MI 48126

Project Address ("Project"): 5750, 5800, and 5900 Mercury Drive
Dearborn, MI 48126

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 \$1,350,000 ("MBDP Incentive Award")
- **Base Employment Level** 462
- **Total Qualified New Job Creation:** 215
(above Base Employment Level)
- **Company Investment:** \$18,596,000 in leasehold improvements, annual lease costs, furniture and fixtures, computers and technology including hardware and software or any combination thereof, for the Project.
- **Municipality supporting the Project:** City of Dearborn committed to provide an 8 year 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 \$450,000 Upon demonstrated creation of 70 Qualified New Jobs above the Base Employment Level and verification of final approval of municipality support by no later than September 30, 2016.
 - **Disbursement Milestone 2:** Up to \$450,000 Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 70 additional Qualified New Jobs (for a total of 140 Qualified New Jobs) above the Base Employment Level, by no later than September 30, 2017.

- **Disbursement Milestone 3:** Up to \$450,000 Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, and upon demonstrated creation of 75 additional Qualified New Jobs (for a total of 215 Qualified New Jobs) above the Base Employment Level, by no later than September 30, 2018

- **Term of Agreement:** Execution of Agreement to September 30, 2020

Proposed MBDP Incentive Amendment:

- **Maximum Amount of MBDP Incentive:** Up to \$625,000 (“MBDP Incentive Award”)
- **Total Qualified New Job Creation:** 100 Increase the Qualified New Job Creation from
(above Base Employment Level) 215 to 100

- **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 \$156,250 Upon demonstrated creation of 25 Qualified New Jobs above the Base Employment Level and verification of final approval of municipality support by no later than September 30, 2016.

- **Disbursement Milestone 2:** Up to \$156,250 Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 25 additional Qualified New Jobs (for a total of 50 Qualified New Jobs) above the Base Employment Level, by no later than September 30, 2017.

- **Disbursement Milestone 3:** Up to \$156,250 Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, and upon demonstrated creation of 25 additional Qualified New Jobs (for a total of 75 Qualified New Jobs) above the Base Employment Level, by no later than September 30, 2018.

- **Disbursement Milestone 4:** Up to \$156,250 Upon completion of Disbursement Milestone 1 Disbursement Milestone 2, and Disbursement Milestone 3, and upon demonstrated creation of 25 additional Qualified New Jobs (for a total of 100 Qualified New Jobs) above the Base Employment Level, by no later than September 30, 2019.

- **Term of Agreement:** Execution of Agreement to September 30, 2021

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 to 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 Carhartt, Inc.

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 September 15, 2016 the MEDC may not be able to proceed with any recommendation to the MSF.

Acknowledged as received by:

Carhartt, Inc.

By:

Susan M. Telang

Printed Name:

Susan M. Telang

Its:

SVP and CFO

Dated:

9-15-16

Michigan Economic Development Corporation

By:

Trevor Friedberg

Printed Name:

Trevor Friedberg

Its:

Business Development Project Mgr.

Dated:

9/15/2016

MEMORANDUM

Date: September 27, 2016

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

From: Trevor Friedeberg, Business Development Project Manager

Subject: Suniva, Inc. (“Company” or “Applicant”)
Amendment to Approved Michigan Business Development Program Grant Agreement

Request

Extend the due dates of Disbursement Milestone 6 and Disbursement Milestone 7 from April 30, 2016 and April 30, 2017 to October 31, 2017 and October 31, 2018, respectively.

Background

On July 22, 2014 the Michigan Strategic Fund approved a \$2,500,000 award for Suniva, Inc. under the Michigan Business Development Program (“MBDP”). The Company proposed to open a new facility in the Saginaw Township which would result in the creation of 350 Qualified New Jobs and over \$12 million in capital investment. The Township committed to provide a property tax abatement in support of the project.

The Company has had some difficulty identifying a suitable workforce. The Company has turned over staff at a much higher rate than originally anticipated. Additionally, foreign competition of products is at the forefront of the solar industry and although the Company has plenty of demand for its USA product, prices continue to be driven down year over year. It is predicted these prices will continue to decrease at a higher rate than the Company originally anticipated, thus slowing the projected Company expansion.

The Company remains committed to Saginaw Township and has invested over \$17 million and created over 100 jobs to date.

Recommendation

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

- a) Amend the July 22, 2014 approval to reflect the changes as outlined in the attached Term Sheet;
- b) All other aspects of the approval remain unchanged.

MICHIGAN STRATEGIC FUND

RESOLUTION 2016-

APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT AMENDMENT TO SUNIVA, 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 approved a \$2,500,000 Michigan Business Development Program Performance based grant on July 22, 2014 for the Company to locate in Saginaw Township and create 350 Qualified New Jobs and invest over \$12 million in Michigan (the “Project”);

WHEREAS, the Company requests that the Michigan Business Development Program performance based grant be amended and revised as follows: extend the due dates for Milestone 6 and Milestone 7 to October 31, 2017 and October 31, 2018, respectively. The Term of Agreement will also be extended as a result (“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
September 27, 2016

**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: 9/8/2016

Company Name: Suniva, Inc. ("Company" or "Applicant")

Company Address: 5675 Peachtree Industrial Blvd
Norcross, Georgia 30092

Project Address ("Project"): 3650 Schust Road
Saginaw Township, Michigan 48603

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 \$2,500,000 ("MBDP Incentive Award")
- **Base Employment Level** 0
- **Total Qualified New Job Creation:** 350
(above Base Employment Level)
- **Company Investment:** \$12,225,000 in annual lease costs, leasehold improvements, machinery and equipment, furniture and fixtures, computers. Special tooling, or any combination thereof, for the Project.
-
- **Municipality supporting the Project:** Saginaw Township committed to provide tax abatements 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 \$250,000 Upon demonstrated verification of a fully executed lease of not less than 5 years by no later than September 30, 2014.
 - **Disbursement Milestone 2:** Up to \$500,000 Upon completion of Disbursement Milestone 1, and upon demonstrated verification the Company has transferred equipment and placed it in operational use at their newly leased facility, described in Disbursement Milestone 1, in

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Michigan. To receive disbursement, the MEDC will require a first and senior lien on all equipment at the facility (subject to potential subordination to liens related to existing bank financing). The equipment must have a forced liquidation value of \$2.5 million, or more, as determined at the sole and absolute discretion of the Michigan Strategic Fund. The conditions of this Disbursement Milestone must be met by no later than December 31, 2014.

- **Disbursement Milestone 3:** Up to \$75,000 Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, and upon demonstrated creation of 25 Qualified New Jobs above the Base Employment Level, by no later than March 31, 2015.
- **Disbursement Milestone 4:** Up to \$75,000 Upon completion of Disbursement Milestone 1, Disbursement Milestone 2, and Disbursement Milestone 3, and upon demonstrated creation of 25 additional Qualified New Jobs (for a total of 50 Qualified New Jobs) above the Base Employment Level, by no later than June 30, 2015.
- **Disbursement Milestone 5:** Up to \$150,000 Upon completion of Disbursement Milestone 1, Disbursement Milestone 2, Disbursement Milestone 3, and Disbursement Milestone 4, and upon demonstrated creation of 50 additional Qualified New Jobs (for a total of 100 Qualified New Jobs) above the Base Employment Level, by no later than September 30, 2015.
- **Disbursement Milestone 6:** Up to \$700,000 Upon completion of Disbursement Milestone 1, Disbursement Milestone 2, Disbursement Milestone 3, Disbursement Milestone 4, and Disbursement Milestone 5, and upon demonstrated creation of 100 additional Qualified New Jobs (for a total of 200 Qualified New Jobs) above the Base Employment Level, by no later than April 30, 2016.
- **Disbursement Milestone 7:** Up to \$750,000 Upon completion of Disbursement Milestone 1, Disbursement Milestone 2, Disbursement Milestone 3, and Disbursement Milestone 4, Disbursement Milestone 5, and Disbursement Milestone 6, and upon demonstrated creation of 150 additional Qualified New Jobs (for a total of 350 Qualified New Jobs) above the Base Employment Level, by no later than April 30, 2017.

- **Term of Agreement:** Execution of Agreement to April 30, 2019

Proposed MBDP Incentive Amendment

- **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 \$250,000 Upon demonstrated verification of a fully executed lease of not less than 5 years by no later than September 30, 2014. (Completed)
- **Disbursement Milestone 2:** Up to \$500,000 Upon completion of Disbursement Milestone 1, and upon demonstrated verification the Company has transferred equipment and placed it in operational use at their newly leased facility, described in Disbursement Milestone 1, in Michigan. To receive disbursement, the MEDC will require a first and senior lien on all equipment at the facility (subject to potential subordination to liens related to existing bank financing). The equipment must have a forced liquidation value of \$2.5 million, or more, as determined at the sole and absolute discretion of the Michigan Strategic Fund. The conditions of this Disbursement Milestone must be met by no later than December 31, 2014. (Completed)
- **Disbursement Milestone 3:** Up to \$75,000 Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, and upon demonstrated creation of 25 Qualified New Jobs above the Base Employment Level, by no later than March 31, 2015. (Completed)
- **Disbursement Milestone 4:** Up to \$75,000 Upon completion of Disbursement Milestone 1, Disbursement Milestone 2, and Disbursement Milestone 3, and upon demonstrated creation of 25 additional Qualified New Jobs (for a total of 50 Qualified New Jobs) above the Base Employment Level, by no later than June 30, 2015. (Completed)
- **Disbursement Milestone 5:** Up to \$150,000 Upon completion of Disbursement Milestone 1, Disbursement Milestone 2, Disbursement Milestone 3, and Disbursement Milestone 4, and upon demonstrated creation of 50 additional Qualified New Jobs (for a total of 100 Qualified New Jobs) above the Base Employment Level, by no later than September 30, 2015. (Completed)
- **Disbursement Milestone 6:** Up to \$700,000 Upon completion of Disbursement Milestone 1, Disbursement Milestone 2, Disbursement Milestone 3, Disbursement Milestone 4, and Disbursement Milestone 5, and upon demonstrated creation of 100 additional Qualified New Jobs (for a total of 200 Qualified New Jobs) above the Base Employment Level, by no later than October 31, 2017.
- **Disbursement Milestone 7:** Up to \$750,000 Upon completion of Disbursement Milestone 1, Disbursement Milestone 2, Disbursement Milestone 3, and Disbursement Milestone 4, Disbursement Milestone 5, and Disbursement Milestone 6, and upon demonstrated creation of 150 additional Qualified New Jobs (for a total of 350 Qualified New Jobs) above the Base Employment Level, by no later than October 31, 2018.

• **Term of Agreement:**

Execution of Agreement to October 31, 2020.

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 to 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 September 14, 2016 the MEDC may not be able to proceed with any recommendation to the MSF.

Acknowledged as received by:

Suniva, Inc.

Michigan Economic Development Corporation

By:

By:

Printed Name:

Printed Name:

Its:

Its:

Dated:

Dated:



Suniva, Inc.

MEMORANDUM

Date: September 27, 2016

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

From: Trevor Friedeberg, Business Development Project Manager

Subject: Inteva Products, LLC (“Company” or “Applicant”)
Amendment to Approved Michigan Business Development Program Grant Approval

Request

Reapprove the Inteva Products, LLC project to reflect the updated Term Sheet (attached).

Background

On August 23, 2016 the Michigan Strategic Fund approved a \$1,270,000 award for Inteva Products, LLC under the Michigan Business Development Program (“MBDP”). Some of the terms listed in the Term Sheet were inconsistent and therefore, a new updated Term Sheet was executed to include slight corrections to the structure and timing of the annual payments, as well as the term of the grant. Approval by the MSF Board is required for the attached updated Term Sheet.

The project involves the creation of 77 Qualified New Jobs, with the potential for up to 127 total jobs as a result of the project, and a capital investment of up to \$23 million in the City of Adrian, Lenawee County.

Recommendation

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

- a) Amend the August 23, 2016 approval to reflect the changes as outlined in the attached updated Term Sheet;
- b) All other aspects of the approval remain unchanged.

MICHIGAN STRATEGIC FUND

RESOLUTION 2016-

APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT AMENDMENT TO INTEVA PRODUCTS, 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, on August 23, 2016, via MSF Resolution 2016-142, the MSF approved a \$1,270,000 Michigan Business Development Program Performance-Based Grant for Inteva Products, LLC for a project in the City of Adrian, Lenawee County that involves the creation of up to 127 Qualified New Jobs and investment of up to \$23 million (the “Original Grant Approval”);

WHEREAS, certain terms in the Original Grant Approval were inconsistent and such needed modifications are reflected in the attached updated Term Sheet;

WHEREAS, the MEDC recommends that the MSF approve the modifications to the Original Grant Approval in accordance with the attached updated 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
September 27, 2016

MICHIGAN ECONOMIC
DEVELOPMENT CORPORATION

**The MICHIGAN BUSINESS DEVELOPMENT PROGRAM
Performance Based Other Economic Assistance - Term Sheet**

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

Date: 9/14/2016

1. **Company Name:** Inteva Products, LLC. ("Company" or "Applicant")
2. **Company Address ("Project Address"):** 1450 E. Beecher
Adrian, Michigan 49221
3. **MBDP Incentive Type:** Performance Based Grant with Partial Repayment
4. **Maximum Amount of MBDP Incentive:** Up to \$1,270,000 ("MBDP Incentive Award")
5. **Base Employment Level** 805 The number of jobs currently maintained in Michigan by the Company based on data submitted by the Company to the MEDC reflecting the Company's statewide employment level in Michigan prior to the proposed project. The Base Employment Level, including identification of the Company data used to establish this level, shall be included in the final MBDP Incentive Award agreement ("Agreement") between the MSF and the Company.
6. **Total Qualified New Job Creation:** 77 The minimum number of total Qualified New Jobs the Company shall be required to create in Michigan (above the Base Employment Level), in addition to satisfying other milestones if applicable, to be minimally eligible to receive the full amount of the MBDP Incentive Award. Each Qualified New Job must be performed for consideration by a Michigan resident (whose Michigan income taxes are withheld as required), and each Qualified New Job must be in excess of the Base Employment Level. The final terms and conditions of the requirements for the minimum
(above Base Employment Level)

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number of Qualified New Jobs that must be created, including provisions addressing disbursements of portions of the MBDP Incentive Award, shall be included in the final Agreement.

- a. **Start Date for Measurement of Creation of Qualified New Jobs:** Date of Original Approval of MSF Award (August 23, 2016)

7. Company Investment: \$23,284,295 in Machinery and Equipment for the Project.

8. Municipality supporting the Project: Lenawee Now

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

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

- a. **Disbursement Milestone 1:** Up to \$500,000 Upon demonstrated execution of a CMS utility provider contract agreement for electrical service of not less than five years for the Project location by no later than January 31, 2018.
- b. **Disbursement Milestone 2:** Up to \$500,000 Upon demonstrated creation of 50 Qualified New Jobs above the Base Employment Level, by no later than April 30, 2019.
- c. **Disbursement Milestone 3:** Up to \$270,000 Upon completion of Disbursement Milestone 2 and upon demonstrated creation of 27 additional Qualified New Jobs (for a total of 77 Qualified New Jobs) above the Base Employment Level, by no later than January 31, 2020.

10. Term of Agreement: Execution of Agreement to until all indebtedness is paid in full. Provided however, certain terms of the Agreement may be effective though a different end date (discussed below) which shall be effective through the date the MSF has received repayment of funds paid by the MSF or the annual payments,

plus any applicable interest, fees and costs if such payments are not made in a timely manner.

11. Determination of Repayment Amount:

The total amount of new jobs created at the Project by January 31, 2020, or sooner as determined by the Company, and maintained for six months thereafter, will go towards the forgiveness of up to \$500,000 as follows:

- \$10,000 per job for Qualified New Jobs created above the minimum requirement of 77 jobs committed

12. Repayment Provisions:

Repayment provisions are required by law. The Repayment and conditions will be effective through the Terms of the Agreement and shall be defined in the final Agreement. The final repayment provisions may require repayment of some or all of the disbursements made by the MSF, including if the company moves 25% or more of their employees outside of Michigan, if the company fails to maintain the base employment level in Michigan, if the company fails to maintain the qualified new jobs incented under the award. In addition to these standard repayment items, this incentive will include additional payment provisions as outlined below:

- a. Additional Payments: The final agreement will include payment terms and conditions which will require the Company to make annual payments to the MSF beginning no later than October 31, 2020, and continue each October 31 through October 31, 2024. The annual payment terms will require five equal payments of principal and interest until \$500,000, as adjusted by the terms of Paragraph 11, plus one percent interest, is paid in full.
- b. Interest begins accruing October 31, 2020.
- c. Remaining balance plus any remaining interest and applicable fees will be due by no later than October 31, 2024.

13. Reporting Requirements:

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

14. Public Announcements:

The Company shall not make, or cause, any announcement of the proposed MBDP Incentive Award parameters outlined in this letter before the date of approval by the MSF of the MBDP Incentive Award, unless prior authorized and coordinated with the MEDC.

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

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

Acknowledged as received by:

Inteva Products, LLC

By:



Printed Name:

Michele McWeil

Its:

Exec Dir of Global Tps

Dated:

Sept 15, 2016

Michigan Economic Development Corporation

By:



Printed Name:

Trevor Feinberg

Its:

Business Development Project Mgr.

Dated:

9/15/2016

MEMORANDUM

Date: September 27, 2016

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

From: Marcia Gebarowski, Senior Business Development Project Manager

Subject: FEV North America Inc. (“Company” or “Applicant”)
Amendment to Approved Michigan Business Development Program Grant Agreement

Request

The Company is requesting to add a fourth disbursement milestone, and to extend their performance milestones by one year in their MBDP agreement.

Background

On June 28, 2016 the Michigan Strategic Fund approved a \$1,200,000 award for FEV North America, Inc. under the Michigan Business Development Program (“MBDP”). The Company proposed to construct a new engineering and technical center in the City of Auburn Hills which would result in the creation of 246 Qualified New Jobs and over \$27.3 million in capital investment.

The Company stated in their application that the project would be over a period of four years beginning in 2016 with jobs and investment completed in 2019. Now, the new jobs will not begin to be added until 2017 when the building is move-in ready and job creation will be completed by 2020. The building construction start time has shifted from 2016 to 2017, creating a delay in the new job ramp-up until the facility is move-in ready.

To ensure FEV’s ability to properly administer their grant agreement, the disbursement milestones will need to reflect this one year delay. The recommended disbursement schedule accurately represents FEV’s annual new job ramp-up between 2017-2020.

Recommendation

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

- a) Amend the June 28, 2016 approval to reflect the changes as outlined in the attached Term Sheet;
- b) All other aspects of the approval remain unchanged.

MICHIGAN STRATEGIC FUND

RESOLUTION 2016-

**APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT TO
FEV NORTH AMERICA INC**

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

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

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

WHEREAS, on December 21, 2011, by Resolution 2011-184, the MSF (i) created the MBDP, 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 an \$1,200,000 Michigan Business Development Program Performance based grant on June 28, 2016 for the construction of a new engineering and technical facility (the “Project”);

WHEREAS, the Company requests that the Michigan Business Development Program performance based grant be amended and revised as follows: to extend the due date of their disbursement milestones by one year and to add a fourth disbursement milestone (“Amendment”) which are outlined in the term sheet attached as Exhibit A (“Term Sheet”);

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
September 27, 2016



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

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

Date: 9/15/2016

1. **Company Name:** FEV North America, Inc. ("Company" or "Applicant")

2. **Company Address:** 4554 Glenmeade Lane
Auburn Hills, MI 48326

3. **Project Address ("Project"):** City of Auburn Hills
City of Rochester Hills

4. **MBDP Incentive Type:** Performance Based Grant

5. **Maximum Amount of MBDP Incentive:** Up to \$1,200,000 ("MBDP Incentive Award")

6. **Base Employment Level** 404 The number of jobs currently maintained in Michigan by the Company based on data submitted by the Company to the MEDC reflecting the Company's employment level in Michigan prior to the proposed project. The Base Employment Level, including identification of the Company data used to establish this level, shall be included in the final MBDP Incentive Award agreement ("Agreement") between the MSF and the Company.

7. **Total Qualified New Job Creation:** 246 The minimum number of total Qualified New Jobs the Company shall be required to create in Michigan (above the Base Employment Level), in addition to satisfying other milestones if applicable, to be minimally eligible to receive the full amount of the MBDP Incentive Award. Each Qualified New Job must be performed for consideration by a Michigan resident (whose Michigan income taxes are withheld as required), and each Qualified New Job must be in excess of
(above Base Employment Level)

the Base Employment Level. The final terms and conditions of the requirements for the minimum number of Qualified New Jobs that must be created, including provisions addressing disbursements of portions of the MBDP Incentive Award, shall be included in the final Agreement.

- a. **Start Date for Measurement of Creation of Qualified New Jobs:** Date of Approval of MSF Award

8. **Company Investment:** \$27,350,000 in land, building construction, furniture and fixtures, computers, machinery and equipment, pollution control equipment, office machinery, *or any combination thereof, for the Project.*

9. **Municipality supporting the Project:** City of Auburn Hills

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

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

- a. **Disbursement Milestone 1:** Up to \$240,000 Upon demonstrated creation of 50 Qualified New Jobs above the Base Employment Level and verification of final approval of municipality support by no later than November 1, 2017.
- b. **Disbursement Milestone 2:** Up to \$240,000 Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 50 additional Qualified New Jobs (for a total of 100 Qualified New Jobs) above the Base Employment Level, by no later than November 1, 2018.
- c. **Disbursement Milestone 3:** Up to \$340,000 Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, and upon demonstrated creation of 71 additional Qualified New Jobs (for a total of 171 Qualified New Jobs) above the Base

Employment Level, by no later than November 1, 2019.

d. Disbursement Milestone 4:	Up to \$380,000	Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, Milestone 3, and upon demonstrated creation of 75 additional Qualified New Jobs (for a total of 246 Qualified New Jobs) above the Base Employment Level, by no later than November 1, 2020.
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11. Term of Agreement: Execution of Agreement to May 1, 2021

12. Repayment Provisions:

Repayment provisions are required by law. The Repayment terms and conditions will be effective through the Term of the Agreement and shall be defined in the final Agreement. The final repayment provisions may require repayment of some or all of the disbursements made by the MSF, including if the Company moves 25% or more of their employees out of Michigan, if the Company fails to maintain the Base Employment Level in Michigan, if the Company fails to maintain the Qualified New Jobs incited by this Award.

13. Reporting Requirements:

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

14. Public Announcements:

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

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

If the Company is interested in the MEDC pursuing a recommendation to the MSF for a possible MBDP Incentive Award for the Company along the above parameters, please sign and date this Term Sheet. If the MEDC does not receive the

signed Term Sheet from the Company by September 15, 2016, the MEDC may not be able to proceed with any recommendation to the MSF.

Acknowledged as received by:

FEV North America, Inc.

By:



Printed Name:

Marcia Gabrowski

Its:

Senior DFM

Dated:

09/20/16

Michigan Economic Development Corporation

By:



Printed Name:

RICHARD APPELMAN

Its:

CEO + CFO

Dated:

09/20/2016

MEMORANDUM

DATE: September 16, 2016

TO: MSF Board Members

FROM: Mark Morante, MSF Fund Manager

RE: Annual Allocation of Appropriated Funds and Approval of the Annual MOU Between the MSF and MEDC for Administrative Services

Background and Summary of Request

Every year, the MSF Board is asked to accept and allocate funds appropriated by the Legislature to programs and activities of the MSF pursuant to the MSF Act and any boilerplate language contained within the Appropriations Act for the fiscal year. For this year, the gross allocation is just under \$169 million which is made up of tobacco settlement funds from 21st Century Jobs Trust Fund, funds from the general fund, federal Community Development Block Grant Funds and other federal funds. These funds are to be used for business attraction and community development programs and activities, the entrepreneurship ecosystem, and the Pure Michigan campaign as well as business marketing and administration.

This year, the attached resolution includes all the funds appropriated in an omnibus format. The board will still be approving requests for allocation from this omnibus budget for individual programs and activities as you act upon them, as well as making the annual allocation of 4% for administration of the 21st CJF efforts and 5% for business marketing efforts, which appears later on the agenda for this meeting.

Recommendation

Staff recommends the board adopt the following resolution, along with its attachment showing the allocation by category, approving the FY2017 Funding Allocations and requests the state treasurer to transfer \$168,899,900 from the 21st Century Jobs Trust Fund to the MSF, provided that no more than 60 percent of the funds are transferred before April 1, 2017.

Staff also recommends that the annual MOU between the MSF and MEDC for administrative services for 21st CJF be amended to extend the effective date of the MOU through September 30, 2017.

MICHIGAN STRATEGIC FUND

RESOLUTION 2016-

ALLOCATION OF FUNDING FOR FISCAL YEAR 2017

WHEREAS, the Michigan legislature passed legislation establishing the 21st Century Jobs Trust Fund initiative;

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

WHEREAS, 2016 PA 268 appropriated \$75,000,000 from the 21st Century Jobs Trust Fund and \$93,899,900 from the State General Fund for business attraction and community development, the entrepreneurship ecosystem, and the Pure Michigan campaign for the 2016-2017 fiscal year;

WHEREAS, 2011 PA 252 places funds appropriated for business attraction and community development in the 21st Century Jobs Trust Fund;

WHEREAS, MCL 12.258 provides that the state treasurer shall transfer to the MSF appropriated funds from the 21st Century Jobs Trust Fund upon the request of the MSF Board in the amounts designated by the MSF Board to fund disbursements or reserves for programs or activities under Chapter 8A and Chapter 8C of the MSF Act, MCL 125.2088 et. seq.;

WHEREAS, the MSF received \$28,815,600 from the U.S Department of Housing and Urban Development (“HUD”) for the federal Community Development Block Grant (“CDBG”) Program for fiscal year 2017;

WHEREAS, the MSF received \$820,000 from the U.S. Small Business Administration (“SBA”) for the State Trade Expansion Program (“STEP”) for fiscal year 2017;

WHEREAS, the MEDC recommends that the MSF allocate funding from the 21st Century Jobs Trust Fund, the CDBG Program and STEP to the programs and activities for fiscal year 2017 as described in Exhibit A to this resolution (the “FY2017 Funding Allocations”); and

WHEREAS, after consideration of that recommendation, the MSF Board desires approve the FY2017 Funding Allocations.

NOW, THEREFORE, BE IT RESOLVED, the MSF Board approves the FY2017 Funding Allocations and requests the state treasurer to transfer \$168,899,900 from the 21st Century Jobs Trust Fund to the MSF, provided that no more than 60 percent of the funds are transferred before April 1, 2017; and

BE IT FURTHER RESOLVED, the MSF Board approves the FY2017 Funding Allocations.

Ayes:

Nays:

Recused:

Lansing, Michigan
September 27, 2016

Exhibit A

Allocations for Approval	21st Century Jobs Trust Fund Allocation	Other Funding Sources	Total Allocations
Administration Allocation - 4% of Appropriated Funds	\$6,755,996		\$6,755,996
Business Development and Marketing Allocation - 5% of Appropriated Funds	\$8,444,995		\$8,444,995
Business and Community Development Programs and Activities	\$85,104,909		\$85,104,909
Community Revitalization Program	\$20,000,000		\$20,000,000
Entrepreneurial Programs and Grants	\$17,654,000		\$17,654,000
Pure Michigan	\$30,940,000		\$30,940,000
Federal-Community Development Block Grants		\$28,815,600	\$28,815,600
Federal- Export Services grant		\$850,000	\$850,000
TOTAL ALLOCATIONS BY FUNDING SOURCE	\$168,899,900	\$29,665,600	\$198,565,500
* Allocations do not include any prior year funding.			

**MICHIGAN STRATEGIC FUND BOARD
RESOLUTION 2016-**

**RENEWAL OF MEMORANDUM OF UNDERSTANDING BETWEEN THE MICHIGAN
STRATEGIC FUND AND THE MICHIGAN ECONOMIC DEVELOPMENT CORPORATION**

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

WHEREAS, at its January 25, 2006 meeting, the Michigan Strategic Fund (the “MSF”) Board approved the Memorandum of Understanding (subsequently amended at its July 13, 2006, September 26, 2007, September 24, 2008, September 30, 2009, September 22, 2010, September 21, 2011, September 27, 2012, October 23, 2013, September 17, 2014, and September 22, 2015 meetings) between the MSF and the Michigan Economic Development Corporation (the “MEDC”) describing the administrative services associated with the 21st Century Jobs Trust Fund programs to be provided by the MEDC to the MSF (the “MOU”);

WHEREAS, consistent with the terms of the MOU, the MEDC and MSF desire to extend the effective date of the MOU through September 30, 2017; and

WHEREAS, to appropriately and fully fund such administrative expenses, the MSF Board believes it is reasonable to exercise its discretion pursuant to MCL 125.2088b(3), and as otherwise may be provided under the MSF Act, MCL 125.2001 et. seq., as may be amended from time to time (the “MSF Act”) to authorize an expenditure of four percent (4%) of the annual appropriation from the 21st Century Jobs Trust Fund for administrative expenses for fiscal year 2016-2017.

NOW, THEREFORE, BE IT RESOLVED, subject to the control and direction of the MSF Board, the MEDC shall provide administrative services through September 30, 2017 for all 21st Century Jobs Trust Fund programs, and other MSF programs and activities, authorized by the MSF Board and included and described in the Michigan Strategic Fund Act;

BE IT FURTHER RESOLVED, that the MSF Fund Manager is authorized to sign an amendment to the MOU extending the effectiveness of the MOU from October 1, 2016 through September 30, 2017; and

BE IT FURTHER RESOLVED, that the MSF Board, acting pursuant to the MSF Act, authorizes four percent (4%) of the annual appropriation from the 21st Century Jobs Trust Fund to be incurred for administrative costs related to the administration of programs and activities authorized under the MSF Act for fiscal year 2016-2017.

Ayes:

Nays:

Recused:

Lansing, Michigan
September 27, 2016

MEMORANDUM

Date: September 27th, 2016

To: MSF Board

From: Denise Graves, University Relations, Entrepreneurship and Innovation

Subject: Request for reallocation of funds for the Michigan Translational Research and Commercialization (MTRAC) Program

ACTION

MEDC Staff recommends the MSF Board approve the reallocation of remaining funds from two completed programs for the 2016 Michigan Translational Research and Commercialization (MTRAC) Program.

BACKGROUND

Under the authorities created by the Michigan Strategic Fund Act (“Act”), MCL 125.2088o the fund 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.

At its September 27, 2012 meeting, the MSF approved the creation of the MTRAC program for the translation of university research to support Michigan-based startups, facilitate investment and license technology to Michigan companies. At its April 26, 2016 board meeting the MSF approved the establishment of a MTRAC Statewide Program, supporting the translation of competitive edge research into commercial applications at all Michigan based institutions of higher education, hospital systems and nonprofit research centers.

MEDC staff request the reallocation of funds to the MTRAC program as detailed below.

1. Allocation of \$1,525,000 from the FY2017 Entrepreneurship and Innovation Budget
2. \$452,000 from the 2012 MTRAC Incentive Fund (resolution 2013-027 case 57009)
3. \$50,000 from a 2006 life science program (PO 085/06/8000/55/66/6300)

RECOMMENDATION

MEDC Staff recommends the MSF Board approve this reallocation. The funding would be administered under future grant agreements within the MTRAC program.

MICHIGAN STRATEGIC FUND

**RESOLUTION
2016-**

**ALLOCATION OF FUNDING TO MICHIGAN TRANSLATIONAL RESEARCH
AND COMMERCIALIZATION PROGRAM**

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 880 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, MEDC Staff recommends that the MSF Board allocate \$1,525,000 from the FY2017 allocation for Entrepreneurial Programs and Grants and \$502,000 from funds previously appropriated from the 21st Century Jobs Trust Fund for entrepreneurial activities to the MTRAC Program (the “MTRAC Funding Allocation”);

WHEREAS, the MSF Board wishes to approve the MTRAC Funding Allocation.

NOW, THEREFORE, BE IT RESOLVED, the MSF Board approves the MTRAC Funding Allocation.

Ayes:

Nays:

Recused:

Lansing, Michigan
September 27, 2016

MEMORANDUM

Date: September 27, 2016
To: Michigan Strategic Fund Board
From: Natalie Chmiko, Operations Manager, International Trade
Subject: *MEDC International Trade Program – FY17 Program Allocation & Small Business Administration (SBA) State Trade Expansion Program (STEP) Program Award Acceptance*

Request

The Michigan Economic Development Corporation (MEDC) staff requests the MSF Board acceptance of the award of \$820,000 from SBA for funding through the State Trade Expansion Program (STEP) and authorization of \$273,333 in required match funds; authorization of the proposed MI-STEP eligibility and application guidelines and grant template; authorization of the FY17 International Trade Program allocation in the amount of \$714,067 to support the continuation of the program.

Background

The International Trade program assists Michigan-based companies by linking them to the resources and opportunities to sell and expand their exports to international markets. The program focus is on small and medium-sized enterprises that meet the United States Small Business Administration's definition of a small business, but various program components are available to assist larger companies if the assistance will have a clear and identifiable economic impact. Through its strategic statewide network of export partners, the International Trade program is able to assist companies located anywhere in Michigan and ensure they are connected with the resources to evaluate export opportunities, access existing export resources, and increase global competitiveness.

The SBA's State Trade Expansion Program (formerly State Trade Export Promotion) (STEP) helps Small and Medium-Sized Enterprises (SMEs) export to international markets and increase the value of their exports. STEP began as a pilot-program to support President Obama's 2010 initiative to double U.S. exports in five years. In February 2016, legislation was enacted that established STEP as a permanent program. The State of Michigan has received SBA STEP funding in each of the four years that funds have been available. In FY16, Michigan received the highest award of any state at \$750,000, out of an award pool of \$17.4 million. The SBA requires a 25% match and allows only state entities to apply. An award pool of \$18 million has been established to allow up to 40 awards for FY17.

Michigan submitted an application for FY17 funding in March, and on August 23, 2016, the MEDC was notified that it has qualified for an award of \$820,000. To accept the award, MSF must commit to a 25% match of \$273,333 that would bring the STEP program budget to \$1,093,333.

The State of Michigan's proposal for this year named the Michigan Strategic Fund ("MSF") as the applicant. On March 10, 2016, Governor Rick Snyder by letter endorsed and designated the MSF as the State of Michigan's official applicant for the STEP Program.

Proposal Summary

STEP- Incentives		\$ 1,537,400
STEP funding (federal)	\$707,400	
21 st C Funds (federal match)	\$273,333	
21 st C Funds	\$556,667	
Small Business Export Support Services		\$ 270,000
MI-STEP funding (federal)	\$ 112,600	
MI 21 st C Funds	\$ 157,400	
Federal SBA Award & MSF Match:	\$1,093,333	
FY17 Program Allocation (MI 21st C Funds)	\$ 714,067	

The STEP program allows states to incentivize SMEs to begin to export, or to expand their current exports to support allowable export development activities. The Michigan International Trade program provides financial assistance awards to SMEs, reimbursing up to 50% of expenses for eligible export related activities for a maximum of \$12,000 per eligible small business per award year. Eligible export activities include: participation in foreign trade missions; subscription to services provided by U.S. Department of Commerce; international website development; design of marketing media; trade show exhibition; participation in export training workshops; reverse trade missions; procurement of consultancy services; or other export activities approved by SBA. In addition to Michigan's financial assistance awards, the International Trade program contracts with Michigan service providers to provide export development support services.

For FY17, Michigan has proposed using federal funds in the amount of \$707,400 for direct grant reimbursements to SMEs. With the combined \$273,333 MSF match, FY17 STEP grant incentives result in a total of \$980,733. The remaining request of \$556,667 supports a State-funded STEP grant program which mirrors federal STEP eligibility guidelines. With the total \$1,537,400 in funding, the International Trade program anticipates awarding approximately 425 financial assistance awards to SMEs. This allocation of funding aligns closely with the \$1,580,000 awarded for MI-STEP in FY16. Funds for FY16 are expected to be fully expended by year end.

In addition, Michigan has proposed using the remaining federal funds in the amount of \$112,600 for contracted small business export support services, including \$90,000 for international search engine optimization services (SEO) by the Michigan Small Business Development Center (SBDC) and \$22,600 for export training seminars offered by Foster Swift Collins and Smith P.C. MEDC also contracts with Michigan State University's International Business Center and IBT Partners to provide services to enhance the export readiness and capabilities of Michigan companies. In FY17, these services will include market research, international web site localization, and training on designated export topics. The requested \$157,400 will support the extension of the FY16 contracts to these service providers.

Over the last five years, MEDC's International Trade Program has assisted over 1,110 small businesses, which have reported over \$1.1 billion in export sales resulting from an activities facilitated by the MEDC International Trade Program. In FY16, total facilitated sales are expected to exceed \$500 million. The International Trade team is targeting further growth in FY17 through a multi-faceted strategy to promote export and connect companies to the resources and opportunities to grow their exports.

Recommendations

MEDC Staff recommends that the MSF Board: (1) Approve the award from the SBA for STEP Program funding and authorize required match funding (2) Approve eligibility and application guidelines and grant template, as updated to comply with current SBA requirements; (3) Authorize the International Trade Program continuation allocation.

MICHIGAN STRATEGIC FUND

RESOLUTION 2016-

**INTERNATIONAL TRADE PROGRAM FUNDING ALLOCATION
STATE TRADE EXPANSION PROGRAM SBA AWARD AUTHORIZATION AND GUIDELINE
ADOPTION**

WHEREAS, the Michigan Strategic Fund (“MSF”) desires to assist eligible Michigan-based small businesses, increase the number of small businesses that are exporting, increase the value of exports for those small businesses that are currently exporting, and to expand their customer base through a variety of international trade services that lead to international market expansion (“International Trade Program”);

WHEREAS, under the Michigan Strategic Fund Act, MCL 125.2001 et seq. (“Act”), the MSF has the power to make grants, loans and investments, which includes business development and business marketing, creating or retaining jobs, and increasing capital investment activity;

WHEREAS, Section 2 of the Act provides that the purposes of the Act and of the MSF is to, among other things, foster export activity and promote and develop export markets and export activities;

WHEREAS, the federal Small Business Administration (“SBA”) State Trade Expansion Program has offered an award of \$820,000 for FY 2017 to the MSF for the Michigan State Trade Expansion Program (MI-STEP) (the “SBA Award”), provided the MSF commits to a funding match of \$273,333 (the “SBA Match”);

WHEREAS, the Michigan Economic Development Corporation (“MEDC”) provides administrative services to the MSF for a variety of programs overseen by the MSF;

WHEREAS, the MEDC recommends the ratification of the MI-STEP application to the SBA, the acceptance of the SBA Award, and the authorization of the SBA Match; and

WHEREAS, the MEDC recommends the MSF authorize \$714,067 from the FY 2017 MSF Spending Allocation to support the continuation of the International Trade Program, which includes \$556,667 for additional MI-STEP funding and \$157,400 to support small business export services (the “International Trade Program Continuation Allocation”); and

WHEREAS, the MEDC further recommends the approval of the updated guidelines and application for the MI-STEP Program, as attached, to be utilized for the operation of the MI-STEP Program (the “MI-STEP Program Guidelines and Application”);

NOW, THEREFORE, BE IT RESOLVED, that the MSF hereby approves the SBA Award, approves the MI-STEP Program Guidelines and Application, authorizes the SBA Match, and authorizes the International Trade Program Continuation Allocation.

Ayes:

Nays:

Recused:

Lansing, Michigan
September 27, 2016

Michigan Economic Development Corporation (MEDC)
Michigan - State Trade Expansion Program (MI-STEP) Grant
Application and Agreement with
[Insert Full Company Name]
[Insert Full Company Address]

A complete application includes:

- Exporting Strategic Plan
- Export Activity Summary
- Projected Impacts of Activity
- Budget for the Export Activity
- SBA Self Representation as an “Eligible Small Business Concern” Form
- Debarment Certification Form
- MI-STEP Grant Agreement

Program Purpose

MI-STEP is designed to spur job creation by empowering Michigan eligible small business concerns (ESBCs) to export their products. Eligible companies may qualify for up to \$12,000 in assistance to offset a portion of their export marketing-related costs. New-to-export companies (NTEs) with established domestic sales (Tier 2s) are eligible for up to \$7,000 in matching grants. Market expansion companies (MEs) with established international sales (Tier 3s) are eligible for up to \$12,000 in matching grants.



Funded in part through a Cooperative Agreement with the U.S. Small Business Administration

Eligibility

Michigan companies must meet the following eligibility criteria to qualify for MI-STEP funds:

1. Be in accordance with Small Business Administration (SBA) guidelines and size standards.
<https://www.sba.gov/content/small-business-size-standards>
2. Has demonstrated understanding of the costs associated with exporting and doing business with foreign purchasers, including the costs of freight forwarding, customs brokers, packing and shipping, per SBA guidelines.
3. Have two years of domestic sales.
4. Demonstrate potential for export success and positive impact on the regional economy.
5. Provide an EIN number linked to a Michigan address.
6. Be in good standing with the Michigan Department of Treasury and other regulatory agencies.

This application and agreement shall remain fully contingent until executed by the Michigan Strategic Fund (MSF).

Allowable Uses of MI-STEP Funds

MI-STEP funds can be approved for allowable export marketing-related activities and must be approved in advance. The funds may support, but are not limited to, marketing-related activities such as:

- Participation in foreign trade missions;
- Subscription to services provided by the Department of Commerce;

- Payment of website fees (specifically, translation to foreign languages, localization to foreign markets, and search engine optimization);
- Design of marketing media;
- International trade show exhibition or an International Buyer Program domestic trade show, as specified at this link: <http://export.gov/ibp/>;
- Participation in export training workshops;
- Reverse trade mission which brings foreign buyers to the United States to meet with potential suppliers of U.S.-manufactured goods and services. Payment of any costs associated with travel (transportation, lodging, etc.) of foreign buyers is not allowed;
- Procurement of consultancy services (after consultation with the Department of Commerce to avoid duplication of services);
- Other export initiatives (including international sales trips) subject to approval from SBA.

Expenses/Reimbursement Limitations

- Meals, entertainment, cell phone charges and personal expenses are ineligible
- Passport and visa fees are ineligible
- Travel reimbursement is limited to two (2) travelers
- Fees for shipping products to be sold in market are ineligible
- Fees for shipping sample products cannot exceed \$2,000 per award year
- Expenses related to compliance testing of an existing product for entry into an export market cannot exceed \$2,000 per award year
- Export research tool subscriptions cannot exceed \$1,000 per award year
- Website development services cannot exceed \$3,000 per award year
- Travel expenses for distributors or sales representatives not employed by the Michigan company are ineligible

Grant Terms and Conditions

1. Funds for this program are limited and subject to availability.
2. Eligible expenses must be approved in advance by the MI-STEP International Trade Manager (ITM). Funding received from other government sources (grants or subsidies from any level of government) does not satisfy the matching requirements for this program.
3. Company must submit the MI-STEP Grant Application to the ITM 30 days prior to the event/activity for which funding is sought.
4. Funds will be approved for eligible, specific and measurable export initiatives that require financial support. Eligible reimbursements are those in which the company invests at least 50 percent of the cost of the event or activity.
5. This agreement is subject to the terms and conditions of the U.S. SBA Notice of Award, SBA OIT-STEP-2016-01.
6. Companies receiving funding must submit all itemized receipts and proof of payment documents associated with the event/activity within 45 days* of event/activity completion, unless otherwise notified by MSF/MEDC representative. Itemized receipts are to be currency converted into USD at the exchange rate on the date of transaction. **Activities taking place after the 15th of August through September 30th will have a shortened window of submission due to end of fiscal year processing. All activities that take place during this time must have all itemized receipts and proofs of payment associated with the event/activity submitted by the close of business September 30th.*
7. Company agrees to provide quarterly MI-STEP Progress Reports for two years following completion of the funded activity, providing information about facilitated export sales by market. All reporting will be submitted electronically through the online customer portal.

8. This agreement may be terminated by giving thirty calendar days prior written notice to the company. In the event that the Legislature of the State of Michigan (the “State”), the State Government, or any State official, commission, authority, body, or employee or the federal government (a) takes any legislative or administrative action which fails to provide, terminates or reduces the funding necessary for this agreement, or (b) takes any legislative or administrative action, which is unrelated to the source of funding for the agreement, but which affects the MEDC’s ability to fund and administer this agreement, provided, however, that in the event such action results in an immediate absence or termination of funding, cancellation may be made effective immediately upon delivery of notice to the company.
9. The company shall indemnify, defend and hold harmless the MEDC, its corporate board of directors, executive committee members including its participants, its officers, agents, and employees from any damages that it may sustain through the negligence of the company pertaining to the performance of this agreement.
10. The company shall not assign, transfer, convey, subcontract, or otherwise dispose of any duties or rights under this agreement.
11. The company and MEDC hereby agree that the electronic signatures of the parties to this agreement shall be as binding and enforceable as original signatures; and that this agreement may be executed in multiple counterparts with the counterparts together being deemed to constitute the complete agreement of the parties. Copies (whether photostatic, facsimile or otherwise) of this agreement may be made and relied upon to the same extent as though such copy was an original.
12. This application is subject to final approval by the MSF/MEDC and SBA, and does not constitute an agreement until final written authorization has been received from these entities.

Export Summary

Exporting Strategic Plan:

Please address each of the following bulleted items with a brief paragraph summarizing your strategic plan:

- Industry focus and product or service to be exported
- Target international market(s) and reasons for market choice (expected competitive advantage)
- Cultural compatibility of product or service to target market
- Plan for developing target market(s)
- Expected timeframe for achieving results
- Financial capabilities, production capacity and business development/marketing to support export
- Experience with international trade procedures in prospective markets (U.S. export requirements, foreign market import market requirements, logistics, export financing, etc.)

Title of Export Activity: (for example “Trade Mission to Canada” or “Market Research”):

Description of Export Activity: In one or two paragraphs please describe the export activity to which you would apply the MI-STEP funding (Note: Export activity must be completed by 9/30/2017 or the grant expiration date – whichever comes first). Explain the role this activity plays in your Exporting Strategic Plan.

Projected Impacts: Describe or list the anticipated and intended economic outcomes you expect to achieve as a direct, measurable result of this export activity (value of sales growth, new markets, number of jobs created, etc.):

Budgeting and Justification

Travel Budget

Item	Description & Calculations	Amount (USD)
Activity Name:		
Activity Dates:		
Names and Title of Traveler(s) (2 travelers max):		
	Name of Airline:	
	(subject to Fly America Act/ Open Skies Agreements)	
Airfare:	For guidelines regarding airfare, please see: http://www.gsa.gov/portal/content/103191 Include a general flight itinerary with airport of departure, any transfer airports, a final destination and the names of any airlines used. Reimbursement based on Economy class only: no upgrades.	\$\$\$
	Number of persons multiplied by the number of nights at the regional Federal Per-diem Lodging Rate per city.	
Hotel:	Per-Diem Lodging Rates can be found at: http://aoprals.state.gov/web920/per_diem.asp <i>Example: 1 person x 6 nights x \$365 per diem rate for Dubai</i>	\$\$\$
Ground Transportation:	Taxis, busses, trains, parking, etc.	\$\$\$

Miscellaneous (\$500 max):	\$\$\$
Travel Budget Total:	\$\$\$

***Please note that meals and entertainment are not eligible reimbursement expenses.**

Non-Travel Budget

Item	Description & Calculations	Amount (USD)
Activity Name:		
Activity Dates:		
Market Entry Strategy (\$2,000 max per award year):	Briefly justify vendor/contractor choice.	\$\$\$
Market Research (\$2,000 max per award year):	Briefly justify vendor/contractor choice.	\$\$\$
Printing:	Specify the quantity to the best of your knowledge. (Number of pages per brochure, the number of brochures, etc.)	\$\$\$
Development of Marketing Materials:	Name the marketing service provider, public relations firm, advertising agency, etc. Briefly justify vendor/contractor choice.	\$\$\$
Translation:	Briefly justify vendor/contractor choice.	\$\$\$
International Website Development (\$3,000 max reimbursement per award year):	Briefly justify vendor/contractor choice.	\$\$\$
Trade Show/Trade Mission:	Trade show / trade mission participations fee, booth shipping (include shipping carrier), booth set-up, electricity, etc.	\$\$\$
US Commercial Services:		\$\$\$
Miscellaneous (\$500 max):		\$\$\$
Non-Travel Budget Total:		\$\$\$
GRAND TOTAL	(of both Travel & Non-Travel Budgets)	\$\$\$

****ALSO: You must designate a company representative/contact who will assist in matters including but not limited to providing receipts, processing reimbursements, using the portal etc. as administrative support:**

Name: _____
Title: _____
Phone Number: _____
Email Address: _____

Authorization

I confirm that I am authorized by my company to execute this application and agreement, and agree that the company and its representatives will adhere to all of the terms and conditions set forth in this application and agreement. These include, but are not limited to, providing the MEDC with all results from approved activities for documentation and success tracking purposes. I certify on behalf of the company that all of the documents submitted and information contained in this application and accompanying documents are true and accurate.

Authorized Company Representative/Title Date

Authorized MEDC International Trade Representative/Title Date

Grant Approval Date MEDC Initial Grant Application #

Effective Date Expiration Date

Authorized MSF Certifying Official Date



What happens when Michigan meets FOREIGN MARKETS

Michigan's State Trade Expansion Program (MI-STEP) *program eligibility and application guidelines (FY17)*

SECTION 1

General information on the MI-STEP program

The MI-STEP program provides direct reimbursements to qualified small and medium-sized export companies to develop or expand export-related activities. Interested applicants should review these guidelines prior to completing the application form.

A. Program purpose

The MI-STEP program is designed to spur job creation by empowering Michigan small and medium-sized enterprises (SMEs) to export their products. The program has three primary objectives:

- Increase export sales by Michigan companies
- Increase number of new-to-export companies
- Increase entry into new markets by companies already exporting

B. Eligibility

Eligible companies may qualify for up to \$12,000 (\$7,000 Tier 2; \$12,000 Tier 3) in assistance to offset 50 percent of their export marketing-related costs. Michigan companies must meet the following eligibility criteria to qualify for MI-STEP program funds:

1. Be in accordance with Small Business Administration (SBA) guidelines and size standards.
www.sba.gov/content/small-business-size-standards
2. Has demonstrated understanding of the costs associated with exporting and doing business with foreign purchasers, including the costs of freight forwarding, customs brokers, packing and shipping, per SBA guidelines.
3. Have two years of domestic sales.
4. Demonstrate potential for export success and positive impact on the regional economy.
5. Provide an EIN number linked to a Michigan address.
6. Be in good standing with the Michigan Department of Treasury and other regulatory agencies.

C. Grant allocation and limitation

1. Funds will be approved for specific and measurable export initiatives.
2. Applicants agree to provide quarterly MI-STEP progress reports for two years following completion of the funded activity, providing information about facilitated export sales by market. All reporting will be submitted electronically through the online customer portal.

3. Companies are reimbursed for 50 percent of pre-approved expenses (up to the program year maximum).
4. The Michigan Strategic Fund (MSF) retains final authority in the allocation of MI-STEP program funds.
5. Funds for the MI-STEP program are subject to availability.

D. Allowable uses of MI-STEP program funds

MI-STEP program funds may be approved for export marketing-related activities including, but not limited to:

1. Participation in foreign trade missions
2. U.S. Department of Commerce services
3. Website fees (translation to foreign languages, localization to foreign markets, SEO)
4. Design of marketing media
5. International trade show participation
6. Limited domestic trade show participation (**only** approved international buyer program shows: <http://export.gov/ibp/>)
7. Participation in export training workshops
8. Reverse trade missions
9. Procurement of consultancy services
10. Other export initiatives (subject to approval from SBA)

E. Expense/reimbursement limitations

1. Meals, entertainment, cell phone charges and personal expenses are ineligible
2. Travel reimbursement is limited to two (2) travelers
3. Travel expenses for distributors or sales representatives not employed by the Michigan company are ineligible
4. Passport and visa fees are ineligible
5. Fees for shipping products to be sold in market are ineligible
6. Fees for shipping sample products cannot exceed \$2,000 per award year
7. Expenses related to compliance testing of an existing product for entry into an export market cannot exceed \$2,000 per award year
8. Export research tool subscriptions cannot exceed \$1,000 per award year
9. Website development services cannot exceed \$3,000 per award year



SECTION 2

Application process

The following is a summary of the application and approval process for the Pure Michigan International Trade Program:

1. New companies complete and submit the online intake form at <http://medc.force.com/exportassistance>. Existing clients contact your regional international trade manager.
2. MEDC staff will review intake forms:
 - Qualified companies will be contacted regarding next steps.
 - Companies that do not qualify will be contacted with rationale for decision.
3. Tier 1 companies will be referred to SBDC for training and market research to enhance their readiness.
4. Tier 2 and Tier 3 companies will be contacted by an MEDC export representative to review:
 - Information needed for the MI-STEP program application and required forms
 - Export assistance resources
5. Companies seeking export incentives will complete and submit the MI-STEP Program application.
6. Upon receipt and review of the MI-STEP program application, the MEDC export team will make a recommendation to the MSF fund manager
 - Approve application and contact company for next steps, or
 - Deny application with explanation (*note: denied applicants may be given feedback on how to revise and resubmit*)

Program guidelines

1. Eligible expenses must be approved in advance by the international trade manager (ITM).
2. Companies must submit the MI-STEP program grant application to the ITM 30 days prior to the event/activity for which funding is sought.
3. Funding received from other government sources (grants or subsidies from any level of government) does not satisfy the company's matching requirements for this program.
4. Companies receiving funding must submit all itemized receipts and proof of payment documents associated with the event/activity within 45 days of event/activity completion, unless otherwise notified by MSF/MEDC representative.
5. Companies are required to complete MEDC's quarterly sales survey for two years following the most recent activity to track export activity results.

Documentation

Expense documentation is to be submitted to the MEDC for audit, review, and approval. Upon review and final approval, payment will be made by the State of Michigan to the company.

Notes

1. "Export ready" is defined as a company that has the commitment and ability to export products to foreign markets.
2. Tier 1 is defined as a company that may be less than two years old and/or has not established strong domestic sales. They will be offered consultation and training to advance to Tier 2.
3. Tier 2 is defined as a company that has established strong domestic sales and has not yet become a proactive exporter. They may be new to exporting or have exported reactively.
4. Tier 3 is defined as a company that has strategically exported and is ready to expand into new foreign markets.

Questions may be sent to export@michigan.org.



Funded in part through a Cooperative Agreement with the U.S. Small Business Administration

MEMORANDUM

Date: September 27, 2016

To: Michigan Strategic Fund Board

From: Andrea Robach, Contract Manager, Business Development / Sales & Service Operations

Subject: Procurement Technical Assistance Center (PTAC) Program
-FY17 Grant Allocations

Request

The Michigan Economic Development Corporation (MEDC) Staff requests the MSF Board allocate grant funds to each of the ten Procurement Technical Assistance Center (PTAC) Programs for fiscal year 2017.

Individual Contract Extensions Include:

Networks Northwest	\$180,000
Northeast Michigan Consortium	\$75,000
Muskegon Area First	\$130,000
Saginaw Future	\$114,000
Flint & Genesee Chamber of Commerce	\$130,000
W.E. Upjohn Institute	\$120,000
Jackson Enterprise Group	\$60,000
Schoolcraft College	\$150,000
Macomb Community College	\$150,000
University of Michigan	\$75,000

Background

Each of the ten host organizations currently providing PTAC services for Michigan businesses have executed their contractual obligations in the past and continue to do so. The PTAC Program assists in successfully winning federal contracts, with a strong emphasis on United States Departments of Defense (DoD) and Homeland Security (DHS) contracts, as well as state and local contracts.

The Michigan Defense Center (MDC) was created within the Michigan Strategic Fund pursuant to 2006 PA 317 in order to leverage business development opportunities associated with DOD and DHS contracts. The MDC works to discover, identify, and prioritize defense and homeland security federal opportunities for Michigan businesses; captures, categorizes, and communicates Michigan capabilities; builds and cultivates strategic

partnerships; and executes statewide initiatives. The MDC is also responsible for administering the PTAC Program in Michigan.

The Department of Defense's PTAC Program was established by Congress in 1985 to help create jobs and to improve the local economy by assisting business firms in obtaining and performing under federal, state, and local government contracts. The U.S. Defense Logistics Agency (DLA), the MDC/MEDC, and local economic partners fund Michigan PTACs.

The Michigan PTAC Program generates an enormous economic impact. In fiscal year 2015, the PTACs teamed with Michigan companies to secure \$1 billion in government contracts resulting in thousands of jobs created or retained within the state. Collectively, hundreds of PTAC clients were successful in winning contracts and many more receiving valuable assistance towards their first contract win.

Recommendations

MEDC Staff recommends that the MSF Board allocate grant funds for the ten qualified host organizations to manage PTAC Programs.

Individual Allocations Include:

Networks Northwest	\$180,000
Northeast Michigan Consortium	\$75,000
Muskegon Area First	\$130,000
Saginaw Future	\$114,000
Flint & Genesee Chamber of Commerce	\$130,000
W.E. Upjohn Institute	\$120,000
Jackson Enterprise Group	\$60,000
Schoolcraft College	\$150,000
Macomb Community College	\$150,000
University of Michigan	\$75,000

MICHIGAN STRATEGIC FUND

RESOLUTION

2016-

**GRANT ALLOCATIONS TO PROCUREMENT TECHNICAL ASSISTANCE CENTERS
FOR FISCAL YEAR 2016-2017**

WHEREAS, Public Act 315 and 225 of 2006, as amended, created the Michigan Defense Center (“MDC”) within the Michigan Strategic Fund (“MSF”);

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

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

WHEREAS, Section 88b(2)(c) of the Act provides that money transferred or appropriated to the MSF may be expended for programs or activities authorized under any chapter of the Act;

WHEREAS, Section 7(c) of the Act provides that the MSF shall have the power to make grants;

WHEREAS, the MEDC recommends that the MSF Board allocate funding from the 21st Century Jobs Trust Fund to the Procurement Technical Assistance Centers (“PTACs”) for FY2017, as described in Exhibit A to this resolution (the “PTAC Grant Allocations”); and

WHEREAS, the MSF Board wishes to approve the PTAC Grant Allocations.

NOW, THEREFORE, BE IT RESOLVED, the MSF Board approves the PTAC Grant Allocations; and

BE IT FURTHER RESOLVED, the MSF Board authorizes the MSF Fund Manager to take all steps necessary to effectuate the PTAC Grant Allocations and to execute a grant agreement with each of the PTACs identified in Exhibit A, consistent with the terms of this resolution.

Ayes:

Nays:

Recused:

Lansing, Michigan
September 27, 2016

Exhibit A

Networks Northwest	\$180,000
Northeast Michigan Consortium	\$75,000
Muskegon Area First	\$130,000
Saginaw Future	\$114,000
Flint & Genesee Chamber of Commerce	\$130,000
W.E. Upjohn Institute	\$120,000
Jackson Enterprise Group	\$60,000
Schoolcraft College	\$150,000
Macomb Community College	\$150,000
University of Michigan	\$75,000

MEMORANDUM

Date: September 27, 2016

To: MSF Board

From: Josh Hundt, V.P., Business Development Projects
Christin Armstrong, Associate General Counsel & V.P., Compliance & Contract Services

Subject: Tool & Die Renaissance Recovery Zone Policy

Request

Michigan Economic Development Corporation (“MEDC”) recommends that the Michigan Strategic Fund (“MSF”) Board adopt the Tool & Die Renaissance Recovery Zone Policy set forth in Exhibit A to the proposed resolution.

Background

Tool and Die Renaissance Recovery Zones (“T&D Recovery Zones”) were implemented under the Renaissance Zone Act, PA 376 of 1996. This incentive abates the same taxes as other Renaissance Zones but requires that companies form collaborative groups that work toward the development of standardized practices, development of tooling standards, and other synergies to enhance the industry’s ability to maintain their competitive edge in a global market.

T&D Recovery Zones also differ from Renaissance Zones with respect to the requirement for development agreements. Under the Renaissance Zone Act, a development agreement is only required for companies that have 75 or more full-time employees. Companies in T&D Recovery Zones are required to enter into Collaborative Agreements with other companies, but not with the MSF. All T&D Recovery Zone companies must operate under specific North American Industrial Classification System (“NAICS”) codes related to the Tool and Die industry.

As of August 1, 2016, 473 companies have been designated by the MSF to receive Renaissance Zone benefits. Of these, 339 have been T&D Recovery Zone designations. Of the T&D Recovery Zone designations, 41 have entered into a development agreement and 339 Collaborative Agreements have been created. There are currently 246 active T&D Recovery Zones.

Since the implementation of the Renaissance Zone program, Michigan’s business tax structure has changed from the Michigan Business Tax (“MBT”) to the Corporate Income Tax (“CIT”), which is an advantage to many of the estimated 10,000 Tool and Die companies operating in Michigan, as many of these companies will not have any business tax liability. In addition, with elimination of the personal property tax in Michigan, the need for the Recovery Zones is further diminished.

T&D Recovery Zones were created to assist a challenged industry. Today, with Michigan’s continuing economic recovery, as well as the change in Michigan’s business tax structure, the value of the incentive has diminished. While the MEDC will continue to monitor and administer the companies that have already received a T&D Recovery Zone designation, it recommends that the MSF Board adopt the policy attached as Exhibit A to the proposed resolution and which includes the following provisions:

- No new T&D Recovery Zone designations.
- No amendments to existing T&D Recovery Zones that would extend or expand the benefit of the designation.
- Transfers of an existing T&D Recovery Zone designation may be permitted only in those instances where an existing T&D Recovery Zone company sells its business and the following conditions are met: 1) the new owner continues to operate the company under the statutory requirements of the T&D Recovery Zone program; 2) the new owner assumes all the obligations of the existing development agreement, as applicable; and 3) the local unit of government approves a resolution evidencing its support of the project.

Recommendation

MEDC Staff recommends that the MSF Board adopt the Tool & Die Renaissance Recovery Zone Policy set forth in Exhibit A to the proposed resolution.

MICHIGAN STRATEGIC FUND

**RESOLUTION
2016-**

TOOL & DIE RENAISSANCE RECOVERY ZONE POLICY

WHEREAS, Public Act 376 of 1996, MCL 125.2681-125.2696, as amended, created the Michigan Renaissance Zone Act (the “Act”) to foster economic opportunities in the State of Michigan; to facilitate economic development; to stimulate industrial, commercial, and residential improvements; to prevent physical and infrastructure deterioration of geographic areas in this State; and to provide exemptions and credits from certain taxes;

WHEREAS, Section 8d of the Act, MCL 125.2688d, authorizes the MSF to designate no more than 35 tool and die renaissance recovery zones within the state;

WHEREAS, the Michigan Economic Development Corporation (“MEDC”) provides administrative services to the MSF for the Renaissance Zone program, including tool and die renaissance recovery zones;

WHEREAS, the MEDC recommends that the MSF Board adopt the Tool & Die Renaissance Recovery Zone Policy attached as Exhibit A to this resolution; and

WHEREAS, the MSF Board wishes to adopt the Tool & Die Renaissance Recovery Zone Policy attached as Exhibit A to this resolution.

NOW, THEREFORE, BE IT RESOLVED, the MSF Board adopts the Tool & Die Renaissance Recovery Zone Policy.

Ayes:

Nays:

Recused:

Lansing, Michigan
September 27, 2016

TOOL & DIE RENAISSANCE RECOVERY ZONE (TDRRZ) POLICY GUIDELINES

Effective Date: October 1, 2016

SECTION I. OVERVIEW

Tool and Die Renaissance Recovery Zones (TDRRZ) were implemented under the Renaissance Zone Act, PA 376 of 1996. This incentive abates the same taxes as other Renaissance Zones but requires that companies form collaborative groups that work toward the development of standardized practices, development of tooling standards, and other synergies to enhance the industry's ability to maintain their competitive edge in a global market.

Companies are required to enter into Collaborative Agreements with other companies, but not with the Michigan Strategic Fund (MSF) unless the company has 75 or more full-time employees. All Recovery Zone companies must operate under specific North American Industrial Classification System codes related to the Tool and Die industry.

TDRRZ's were created to assist a challenged industry, but with Michigan's continuing economic recovery, as well as the change in Michigan's business tax structure, the value of the incentive has diminished due to the elimination of the personal property tax.

SECTION II. POLICY

The Michigan Economic Development Corporation (MEDC) will continue to administer and monitor the companies that continue to receive the benefits through 2024. MEDC staff will **NOT** recommend the following to the Michigan Strategic Fund:

- Approval of new TDRRZ's
- Amendments to existing TDRRZ's that would extend or expand the benefit of the designation.
- Transfers to a new location

The MEDC will recommend transfers of an existing TDRRZ designation may be permitted only in those instances where an existing TDRRZ company sells its business and the following conditions are met: 1) the new owner continues to operate the company under the statutory requirements of the T&D Recovery Zone program; 2) the new owner assumes all the obligations of the existing development agreement, as applicable; 3) the new owner enters into a collaboration agreement; and 4) the local unit of government approves a resolution evidencing its support of the project.

SECTION III. APPROVAL

All transfer requests and recommendations that meet the requirements of this policy will be presented to the MSF Board for approval.

Disclaimer: This document is solely intended as general guidance and is not legal advice. The MSF and MEDC retain full authority to revise and amend this document and policies at any time.

MEMORANDUM

Date: September 27, 2016

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

From: Joshua Hundt, Vice President – Business Development Projects

Subject: *Expansion of Michigan Business Development Program (“MBDP”) Guidelines*

Summary

MEDC Staff is requesting approval of the proposed expansion of the MBDP Program Guidelines to provide grants, loans, and other economic assistance funding to certain Strategic Business Growth Projects that plan to create fewer jobs than required by the MBDP Program Guidelines approved on December 21, 2011.

Background

MEDC staff and the Customer Experience Group of the Collaborative Development Council have collaborated on the development of an expansion of the Michigan Business Development Program Guidelines that can be used for strategic business growth projects that will grow Michigan’s future economy, but that do not meet the job creation requirements of the MBDP Program Guidelines. It is intended for this expansion of the MBDP Program Guidelines to fill the gap between the MEDC entrepreneurial programs and current business incentive programs as Michigan strives to keep and attract next generation technologies and companies.

The Michigan Business Development Program (“MBDP”) was created pursuant to Section 88r of the Michigan Strategic Fund Act, MCL 125.2088r to provide grants, loans, and other economic assistance to qualified businesses that make qualified investments in Michigan or provide qualified new jobs in Michigan.

On December 21, 2011 the Michigan Strategic Fund Board (“MSF”) approved Program Guidelines for the MBDP, including considerations for support, defining a qualified business, defining qualified investment, defining qualified news jobs, and establishing requirements for the number of qualified new jobs to be created in order for a company to qualify for MSF support under the MBDP.

The Program Guidelines required the creation of 25 qualified new jobs for projects located in a rural county and high technology activity projects, otherwise the guidelines required the creation of 50 qualified new jobs in order to qualify for support under the MBDP.

Recommendation

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

- a) Approval of the attached expansion of the Michigan Business Development Program Guidelines.

MICHIGAN STRATEGIC FUND

RESOLUTION 2016-

Expansion of the Michigan Business Development Program Guidelines

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

WHEREAS, the MEDC recommends that the MSF adopt the expansion of the MBDP Program Guidelines attached as Exhibit A to this resolution; and

WHEREAS, the MSF Board wishes to adopt the expansion of the MBDP Program Guidelines.

NOW, THEREFORE, BE IT RESOLVED, the MSF Board approves the expansion of the MBDP Guidelines.

Ayes:

Nays:

Recused:

Lansing, Michigan
September 27, 2016

MICHIGAN BUSINESS DEVELOPMENT PROGRAM
EXPANSION OF PROGRAM GUIDELINES FOR STRATEGIC BUSINESS GROWTH PROJECTS

IN GENERAL

- The Michigan Business Development Program (“MBDP”) was created pursuant to Section 88r of the Michigan Strategic Fund Act, MCL 125.2088r to provide grants, loans, and other economic assistance to qualified businesses that make qualified investments in Michigan or provide qualified new jobs in Michigan.
- On December 21, 2011 the Michigan Strategic Fund Board (“MSF”) approved Program Guidelines for the MBDP, including considerations for support, defining a qualified business, defining qualified investment, defining qualified new jobs, and establishing requirements for the number of qualified new jobs to be created in order for a company to qualify for MSF support under the MBDP.
- The Minimum Number of Qualified New Jobs (including in rural counties or high technology activity projects) was defined as follows: “If the qualified business is seeking to qualify for MSF Support on the basis of creation of qualified new jobs: (a) in the event the project is located in a rural county, or is a high technology activity project, the creation of a minimum of 25 qualified new jobs shall be required, otherwise (b) the creation of a minimum of 50 qualified new jobs shall be required. A rural county is a Michigan county with a population of 90,000 or less based on the 2010 census. High technology activity means as defined in Section 3(l) of the Michigan Economic Growth Authority Act, 1995 PA 24, MCL 207.803(l), as may be amended from time to time.”
- In furtherance of the objectives of the program, the Michigan Strategic Fund (“MSF”) wishes to provide grants, loans, and other economic assistance funding to certain Strategic Business Growth Projects that plan to create fewer jobs than required by the MBDP Program Guidelines approved on December 21, 2011.

ELIGIBILITY REQUIREMENTS OF STRATEGIC BUSINESS GROWTH PROJECTS

In order to be designated as a Strategic Business Growth Project, and to receive funding from the MSF under the MBDP, an applicant must meet all of the following criteria:

- Meet all MBDP Program Guidelines as approved by the MSF on December 21, 2011, with the exception of the Minimum Qualified New Jobs requirement;
- When considering a project for MSF Support the MSF may include the following and any other considerations satisfactory to the MSF in terms of company profile:
 - Company is well established and funded; and
 - Company invests heavily in their employees; and
 - Company with a demonstrated market opportunity and established customers; and
 - Company serves a target industry of the MEDC or local partner
- When considering a project for MSF support the MSF and any other considerations satisfactory to the MSF in terms of company presence in Michigan:
 - Second stage companies currently located in Michigan; or
 - Large companies with a limited, but growing, presence in Michigan: or

- Company considering locating in Michigan for the first time;
- In addition to the project considerations outlined in the MBDP Program Guidelines approved December 21, 2011 when considering a project for MSF support, consideration may include the following and any other considerations satisfactory to the MSF:
 - significant out of state competition;
 - Projects represents significant growth for the company;
 - Financing in place;
 - Creation of more and better jobs for Michigan;
 - Significant community impact;

ADDITIONAL PROGRAM DETAILS

- The MEDC shall provide administrative services to the MSF for the MBDP, including conducting due diligence and compliance processes, and coordinating pre-closing background checks as may be required by the Chief Compliance Officer.
- All MSF Support shall be memorialized by final written grant, loan or other economic assistance agreements, with terms and conditions in accordance with these guidelines and otherwise satisfactory to the MSF, including without limitation, requiring performance based milestones which shall govern disbursements; and requiring periodic reporting of data, financial information, and any other information required to facilitate reporting to the MSF Board and the Michigan legislature, including periodic reporting after completion of a project.
- Total MBDP Support for projects of this type are capped at \$5,000,000 per fiscal year.



MICHIGAN STRATEGIC FUND

MEMORANDUM

DATE: September 27, 2016

TO: Members of the Michigan Strategic Fund Board

FROM: Andrea Robach, Contract Manager

RE: Next Michigan Business Certification Policy

Summary

The Michigan Renaissance Zone Act (Act 376 of 1996) gives the Board of the Michigan Strategic Fund (MSF) the authority to designate next Michigan renaissance zones for eligible next Michigan businesses within the boundaries of a next Michigan development district. The Act defines the general industry and activity which qualifies a business to be considered for certification as an “eligible next Michigan business”, however, leaves further program guidelines to be defined by the MSF. In order to ensure that the intent of the legislation is fully realized, and that the benefits are granted in line with the economic development priorities of the state, staff has determined that further parameters to guide the program are necessary. Therefore, the attached policy recommendation provides guidance regarding key terms and conditions in accordance with statutory requirements, and consistent with those of other incentive programs under the authority of the Strategic Fund, as administered by the Michigan Economic Development Corporation (MEDC).

Background

The role of a Next Michigan Development Corporation (NMDC) is to seek to attract eligible Next Michigan businesses to its district by utilizing the authority of the MSF to grant the state tax benefits, most notably renaissance zone status. The program focuses on incenting business activities which utilize multimodal commerce, supporting Michigan’s logistics and supply chain environment.

While the statute defines the authority of the MSF Board to approve the renaissance zone boundaries, the number of years for which the business shall receive benefits, and the certification of a company as an eligible next Michigan business, it leaves room to argue the definition of terms such as “material expansion”, what qualifies a “full time job”, and other components critical to determining appropriate company and project eligibility. As such, the attached policy proposes guidelines which enhance those provided in the legislation and definitions which are consistent with existing business development incentives.

Staff Recommendation

In order to ensure consistency across state incentives, and to implement the Next Michigan Development Corporation and Michigan Renaissance Zone Acts as intended by Michigan legislation, MEDC staff recommends the MSF Board adopt the proposed Next Michigan Renaissance Zone Policy Guidelines and Development Agreement template.

MICHIGAN STRATEGIC FUND

**RESOLUTION
2016-**

**NEXT MICHIGAN RENAISSANCE ZONE
PROGRAM POLICY GUIDELINES AND AGREEMENT TEMPLATE ADOPTION**

WHEREAS, in December 2010, the Michigan legislature passed legislation, 2010 PA 277 (the “Amendment”), which further amended the Michigan Renaissance Zone Act (the “Act”), 1996 PA 376, and created Next Michigan Renaissance Zones;

WHEREAS, the Amendment provides for Next Michigan Renaissance Zones within which qualified eligible next Michigan businesses may apply to be certified to enjoy certain tax benefits;

WHEREAS, Section 8h(8) of the Act requires the MSF to enter in to a development agreement with an eligible next Michigan business and the next Michigan development corporation prior to approving the certification of the qualified eligible next Michigan business (the “Agreement”);

WHEREAS, staff has developed the Next Michigan Renaissance Zone and Next Michigan Business Certification Policy Guidelines attached to this resolution (the “Guidelines”) and a template for the Agreement also attached to this resolution (the “Agreement Template”);

WHEREAS, the MEDC recommends the MSF Board adopt the Guidelines and approve the Agreement Template;

NOW, THEREFORE, BE IT RESOLVED, the MSF Board approves the Guidelines and the Agreement Template, as attached to this resolution;

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

Ayes:

Nays:

Recused:

Lansing, Michigan
September 27, 2016

**RENAISSANCE ZONE DEVELOPMENT AGREEMENT:
NEXT MICHIGAN BUSINESS**

This Development Agreement (this “Agreement”), effective as of **MONTH XX, 20XX**, is by and between the Michigan Strategic Fund (“MSF”), a public body corporate and politic within the Department of Talent and Economic Development of the State of Michigan, **[NMDC]**, a next Michigan development corporation (the “NMDC”), **[if applicable, Owner, a Delaware/Michigan corporation/limited liability company (“the Owner”)]**, and **[COMPANY]**, a Delaware/Michigan corporation/limited liability company (the “Company”). Collectively, the MSF, **[the Owner, if applicable]**, the NMDC, and the Company are referred to in this Agreement collectively as the “Parties,” and each a “Party.”

RECITALS

- A) Section 8h of the Michigan Renaissance Zone Act (the “Act”), 1996 PA 376, as amended, authorizes the Michigan Strategic Fund to certify up to twenty-five (25) eligible next Michigan businesses to become a qualified eligible next Michigan business capable of receiving benefits of a next Michigan renaissance zone in the State of Michigan (the “State”);
- B) On **MONTH ##, YEAR**, the MSF designated **XXXXXXX** as an next Michigan development corporation and approved ;
- C) The MSF received an application from the NMDC on behalf of the Company requesting certification of the Company as a qualified eligible next Michigan business (the “Application”) to support the project outlined in the Application (the “Project”) proposed to be located within the geographical boundaries of the jurisdictions of the component government units comprising the NMDC (the “NMDC District”);
- D) The Company is an eligible next Michigan business because it is a **[ONE OF THE FOLLOWING: 1) business engaged in the shipment of tangible personal property via multimodal commerce; 2) supply chain business providing a majority of its services to businesses engaged in the shipment of tangible personal property, including inventory; 3) A manufacturing or assembly facility receiving a majority of its production components or shipping a majority of its products via multimodal commerce; 4) light manufacturing or assembly facility that packages, kits, labels, or customizes products and ships those products via multimodal commerce]**; and
- E) As required under Section 8h(8) of the Act, the MSF, the NMDC, and the Company shall enter into this Agreement regarding the Zone, defined herein, as a condition of the MSF certifying the Company as a qualified eligible next Michigan business on or near **[EXPECTED MSF BOARD APPROVAL DATE]** (the “Board Approval Date”).

In consideration of the recitals and promises in this Agreement, the Parties agree as follows:

ARTICLE I

DEFINITIONS AND CONDITION PRECEDENT

Section 1.1 Condition Precedent. This Agreement is binding only if the MSF certifies the Company as a qualified eligible next Michigan business on or near the Board Approval Date.

Section 1.2 Defined Terms. All capitalized terms in this Agreement shall have the respective meanings set forth in the Agreement.

Section 1.3 Construction of Certain Terms. Unless the context of this Agreement otherwise requires: (i) words of any gender include each other gender; and (ii) words using the singular or plural number also include the plural or singular number.

ARTICLE II

THE ZONE AND CERTIFICATION

Section 2.1 Zone Benefits. Subject to the terms and conditions of this Agreement, the Company [and the Owner] shall receive the exemptions, deductions, credits and other benefits of a renaissance zone described in MCL 125.2689 then available (together, the “Credits”) for its business activities within the Zone beginning on January 1, [YEAR, year following MSF Board Approval] and ending on December 31, [YEAR of expiration of Zone], and for property tax purposes, beginning on December 31, [YEAR, year of the MSF Board Approval] and ending December 30, [YEAR of expiration of Zone], unless otherwise terminated as provided for in this Agreement. The Company [and the Owner] acknowledges that the benefits provided under MCL 125.2689 do not include relief from the payment of certain property taxes relating to bonds, school sinking fund obligations, and special assessments described in MCL 211.7ff, as well as the Michigan Corporate Income Tax and the Michigan Sales or Use Taxes.

Section 2.2 Size and Location of Zone. The “Zone” is defined as property within a next Michigan renaissance comprised of XX acres on the following real property parcels: XXX-XXX-XXXX

Section 2.3 Term of the Agreement. The term of this Agreement shall begin on the Board Approval Date and end on December 31, [YEAR of expiration of Zone] (the “Term”), unless otherwise terminated as provided for in this Agreement.

Section 2.4 Contract Manager. The MSF Fund Manager shall designate a Contract Manager to administer this Agreement and monitor the performance of the Company under this Agreement. The Contract Manager may be changed at the discretion of the MSF Fund Manager. The MSF Fund Manager shall give the Company notice of the designated Contract Manager.

Section 2.5 Conditions of the Certification. As a condition of being certified as a qualified eligible next Michigan business, the Company shall complete all of the following:

- a) **Project:** The Company shall construct the project described in the Application at the Zone (the “Project”);
- b) **Capital Investment:** invest at least \$XX Million for [INSERT WHAT INVESTMENT SHALL BE SPENT ON] at the Zone by MONTH XX, YEAR;
- c) **Job Creation:** create [###] New Full-Time Jobs at the Zone (the “Job Creation Minimum”) by MONTH XX, YEAR (the “Job Creation Due Date”). The Company shall subsequently maintain at least the Job Creation Minimum at the Project from the Job Creation Due Date through the Term;
 - i. Under this Agreement, a “New Full-Time Job” is defined as a job created by the Company, on or after [Board Approval Date, unless otherwise negotiated], above the Base, and performed for at least an average of thirty-five (35) hours a week for the Company for consideration by an individual who is a resident of Michigan and whose Michigan income taxes are withheld by the Company (or, to the satisfaction of the MSF, an employee leasing company or a professional employer organization on

behalf of the Company). Provided that any employee who works in a salaried position shall be considered a Full-Time Job. In no event shall any job transferred (or otherwise eliminated and rehired) from another location in the State operated by the Company or an affiliate of the Company in the State to the Zone be considered a Full-Time Job. Jobs performed from time-to-time periodically for less than an average of thirty-five (35) hours a week may, at the discretion of the Contract Manager, be considered for calculating full-time equivalents, if the jobs would otherwise meet the definition of a New Full-Time Job.

- ii. The Base is defined as the XX jobs maintained by the Company [if applicable to the deal: on a statewide basis] in the State.
- d) **Project Commencement:** commence construction or renovation of the Project within one (1) year following the Board Approval Date;
 - e) **Operation Commencement:** commence business operations within two (2) years following the Board Approval Date;
 - f) **Other:**
 - i. maintain the Zone property in good condition, including, but not limited to, buildings, equipment, landscaping, yards, fencing, parking lots and all fixtures;
 - ii. provide all documentation requested by the MSF, the Michigan Economic Development Corporation (“MEDC”), or the Contract Manager to verify achievement of the requirements of Section 2.5 and compliance with this Agreement and the Act, including, without limitation, employee payroll records, W-2s, unemployment insurance agency reports, and invoices or purchase orders with proof of payment (the “Supporting Documentation”).

Section 2.6 Reports. The Company shall provide a written report to the MSF by January 31, [YEAR FOLLOWING BOARD APPROVAL], and annually each January 31 thereafter through [YEAR AFTER ZONE EXPIRATION] that includes the following information:

- a) the progress of the Project;
- b) the amount of capital investment, including, but not limited to, real and personal property investment, at the Project or in connection with the Zone;
- c) the number of individuals employed at the Zone at the beginning and the end of the reporting period, as well as the number of individuals transferred to the Zone from another entity owned by the Company or its affiliate;
- d) new jobs, including Full-Time Jobs, created at the Zone and the average weekly wage of these new jobs;
- e) employee headcounts at each location in the state;
- f) the status of the Company’s business operations;
- g) the most recent State Equalized Value (SEV) and taxable value of the real and personal property within the Zone and the SEV and taxable value of the real and personal property located at the Zone that existed prior to the Effective Date;
- h) value of taxes abated by the Zone; and
- i) any other information reasonably requested by the MSF or the Contract Manager regarding the Zone.

ARTICLE III

REPRESENTATIONS AND COVENANTS OF THE COMPANY

Section 3.1 Property and Company Eligibility. The Company is [choose one of the following: opening a new location in the State OR materially expanding its business in the State]. The Company does, and through

the Term, shall continue to own or lease the Zone, and the Company [and the Owner] is and shall remain through the Term an eligible next Michigan business, as defined in the Act or statutes referenced within the Act. Further, the Company certifies that it will not at any time during the Term transfer into the NMDC District a number of jobs or employees equal to fifteen percent (15%) or greater of the number of jobs proposed to be located in the NMDC District, as described in the Application, from another facility or location owned by the Company or its affiliates outside of the NMDC District (the "Job Transfer Restriction"). The Company shall notify the MSF within thirty (30) days should it violate the Job Transfer Restriction at any time during the term of the Agreement.

Section 3.2 Full Disclosure. Neither this Agreement, the Application, nor any written statements or certificates furnished by the Company to the MEDC or the MSF in connection with the certification of the Company as a qualified eligible next Michigan Business and this Agreement, contain any untrue statement of material fact, or to the best of the Company's knowledge, omit any material fact necessary to make the statements true. There are no undisclosed facts, which materially adversely affect or, to the best of the Company's knowledge, are reasonably likely to materially adversely affect the properties, business, or condition (financial or otherwise) of the Company or the ability of the Company to perform its obligations under this Agreement.

Section 3.3 Litigation or Other Proceedings. Except as has been disclosed in writing to the MSF, to the knowledge of the Company and its officers and directors, if other than corporation also include: managers, and members there are no suits or proceedings pending or, to the knowledge of the Company and its officers and directors, if other than corporation also include: managers, and members, threatened by or before any court, governmental commission, board, bureau, or other administrative agency or tribunal, which, if resolved against the Company, would have a material adverse effect on the financial condition or business of the Company or impair the Company's ability to perform its obligations under the Agreement.

Section 3.4 Compliance with Laws. To its knowledge, the Company is not and will not during the Term be in material violation of any laws, ordinances, regulations, rules, orders, judgments, decrees or other requirements imposed by any governmental authority to which it is subject and will not knowingly fail to obtain any licenses, permits or other governmental authorizations necessary to the ownership of its properties or to the conduct of its business, which violation or failure to obtain are reasonably likely to materially and adversely affect its business, profits, properties or condition (financial or otherwise).

Section 3.5 Criminal or Civil Matters. The Company affirms that to the best of its knowledge that it or its Affiliates, subsidiaries, officers, directors, managerial employees, and any person who, directly or indirectly, holds a pecuniary interest in the Company of twenty percent (20%) or more: (i) do not have any criminal convictions incident to the application for or performance of a state contract or subcontract; and (ii) do not have any criminal convictions or have not been held liable in a civil proceeding, that negatively reflects on the person's business integrity, based on a finding of embezzlement, theft, forgery, bribery, falsification or destruction of records, receiving stolen property, or violation of state or federal antitrust statutes.

Section 3.6 Discharge of Obligations. Unless contested in good faith and discharged by appropriate proceedings, the Company shall promptly pay and discharge all taxes, assessments, and governmental charges lawfully levied or imposed upon it (in each case before they become delinquent and before penalties accrue).

Section 3.7 Change of Legal Status. The Company shall (a) give the MSF written notice of any change in its name, its state organizational identification number, if it has one, its type of organization, its jurisdiction of organization, its federal employer identification number ("EIN"), and (b) not make any change in its legal structure that would, as a matter of law, affect its surviving obligations under this Agreement, without the prior written consent of the MSF, which consent shall not be unreasonably withheld.

ARTICLE IV

REPRESENTATIONS AND COVENANTS OF THE MSF

The MSF represents and warrants to the Company:

Section 4.1 Organization. The MSF is a public body corporate and politic within the Department of Talent and Economic Development of the State of Michigan created under the Michigan Strategic Fund Act. The MSF has the power and authority to enter into and perform its obligations under this Agreement.

Section 4.2 Consent. Except as disclosed in writing to the Company or as otherwise provided by law, no consent or approval is necessary from any governmental authority as a condition to the execution and delivery of this Agreement by the MSF or the performance of any of its obligations under this Agreement. This Agreement is valid, binding, and enforceable in accordance with its terms, except as limited by applicable bankruptcy, insolvency, moratorium, reorganization or other laws or principles of equity affecting the enforcement of creditors' rights generally or by general principles of equity.

ARTICLE V

DEFAULT, SUSPENSION AND TERMINATION, AND REPAYMENT PROVISIONS

Section 5.1 Event of Default. Under this Agreement, the following shall constitute an "Event of Default": (i) the Company's failure to satisfy any of the conditions as set forth in Section 2.5 of the Agreement to the satisfaction of the MSF; (ii) the Company's failure to comply materially with any term or condition of this Agreement, as determined in the MSF's sole discretion; (iii) the Company's failure to comply materially with all federal, state and local laws; (iv) the Company ceases operations at the Project; (v) any material representation or warranty made by the Company herein, or in any certificate or other writing delivered pursuant hereto, including, but not limited to, the Supporting Documentation, was incorrect or untrue at the time such representation or warranty was made; (vi) the Company relocates twenty-five percent (25%) or more of the jobs proposed in the Application to be located within the NMDC District outside of the NMDC District within two (2) years following the expiration of the Term; (vii) the Company is in default, violation, breach, or non-compliance, of any kind or nature under any agreement with, or requirement of the MSF, the MEDC, or any department or agency within the State; (viii) the Company's violation of the Job Transfer Restriction. Upon the occurrence of an Event of Default, the MSF may revoke the Zone designation and require the Company [and the Owner] to pay the state and local taxing authorities an amount up to the value of Credits received respectively by the Company [or the Owner], as of the date of the notice provided under Section 5.2 of this Agreement, subject to the following:

- a. If the Event of Default occurs on or before the end of the fourth year of the Term of this Agreement, then the MSF may require the Company [and/or the Owner] to repay one hundred percent (100%) of the total amount of the Credits actually received by the Company [and/or the Owner], respectively; and
- b. If the Event of Default occurs after the end of the fourth year of the Term of this Agreement, then the MSF may require the Company [and/or the Owner] to repay up to fifty percent (50%) of the total amount of the Credits actually received by the Company [and/or the Owner], respectively.

This Section shall survive the termination of this Agreement.

Section 5.2 Notice of Noncompliance. Prior to taking any action under Sections 5.1 of this Agreement, the MSF or the Contract Manager shall provide written notice to the Company [and the Owner] upon finding that the Company failed to comply with any provision of this Agreement. The Company shall have thirty (30) calendar days from its receipt of such notice to cure the noncompliance to the MSF’s satisfaction (the “Cure Period”). The Cure Period may be extended at the discretion of and with approval by the MSF Fund Manager for any amount of time not to exceed one hundred eighty (180) calendar days.

Section 5.3 No Limitations of Remedies. Nothing in this Agreement shall be construed as a limitation of the remedies available to the MSF at law or in equity.

Section 5.4 Notices. All notices or other communication provided in connection with this Agreement shall be in writing and shall be deemed delivered: (i) one business day after an e-mail, fax or courier delivery or (ii) two business days after a mailing date. For purposes of this section, the Parties agree that notifications sent via e-mail to designated contacts and e-mail account shall serve as “in writing” and constitute valid notice. All notices shall be addressed as follows:

To Company:

Contact Name
Contact Title
Company Name
Company Address Line 1
Company Address Line 2
Contact E-mail Address

To MSF:

Michigan Strategic Fund
MEDC Compliance
Renaissance Zone Program
300 North Washington Square
Lansing, Michigan 48913
RenZoneProgram@Michigan.org

To NMDC:

Contact Name
Contact Title
NMDC Name
Company Address Line 1
Company Address Line 2
Contact E-mail Address

To Owner: (if applicable)

Contact Name
Contact Title
NMDC Name
Company Address Line 1
Company Address Line 2
Contact E-mail Address

All Parties shall update the each other Party about a change in its designated notice contact by providing notice as described in this Section.

ARTICLE VI

MISCELLANEOUS

Section 6.1 Entire Agreement. This Agreement, together with the Application, sets forth the entire agreement of the Parties with respect to the subject matter, and supersedes all prior agreements, understandings and communications, whether written or oral, with respect to the subject matter of this Agreement.

Section 6.2 Counterparts; Facsimile/Pdf Signatures. This Agreement may be signed in counterparts and delivered by fax or in pdf form or other electronic format, and in any such circumstances, shall be considered one document and an original for all purposes.

Section 6.3 Severability. All of the clauses of this Agreement are distinct and severable and, if any clause shall be deemed illegal, void or unenforceable, it shall not affect the validity, legality or enforceability of any other clause or provision of this Agreement.

Section 6.4 **Captions.** The captions or headings in this Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Agreement.

Section 6.5 **Jurisdiction.** This Agreement is a contract made under the laws of the State, and for all purposes shall be governed by, and construed in accordance with, the laws of the State. If a controversy cannot be resolved, the Parties agree that any legal actions concerning this Agreement shall be brought in the Michigan Court of Claims or, as appropriate, Ingham County Circuit Court in Ingham County, Michigan.

Section 6.6 **Relationship between Parties.** The Company and its officers, agents and employees shall not describe or represent themselves as agents of the State, the MSF, the MEDC, or the NMDC to any individual person, firm or entity for any purpose.

Section 6.7 **Access to Records and Inspection Rights.** Until the end of the Term, to enable the auditor general of the State of Michigan (the "Auditor General"), the Department of Technology, Management and Budget (the "DTMB"), the MSF, or the MEDC to monitor and ensure compliance with the terms of this Agreement, the Company shall permit the Auditor General, the Chief Compliance Officer, the DTMB, the MSF, or the MEDC to visit the Company, and any other location where books and records of the Company are normally kept, to inspect the books and records, including payroll records and all other information and data relevant to the terms of this Agreement; provided, however, that such audit right shall survive the end of the Term by three (3) years. In connection with any such audit, the Company shall cooperate with the chief compliance officer, if contacted, as provided in MCL 125.2088i(6)(h). At such visits, the Company shall permit the Auditor General, the Chief Compliance Officer, the DTMB, the MSF, or any member, employee or agent of the MSF, the Chief Compliance Officer, or any employee or agent of the MEDC to make copies or extracts from information and to discuss the affairs, finances and accounts of the Company related to this Agreement with its officers, employees or agents. Notwithstanding anything to the contrary, any information and data that the Company reasonably determines is financial or proprietary in nature and acknowledged as such by the MSF in accordance with MCL 125.2005(9) shall be reviewed by the Auditor General, the Chief Compliance Officer, the DTMB, the MSF, and the MEDC at the offices of the Company and the Auditor General, the Chief Compliance Officer, the DTMB, the MSF, or the MEDC shall have the right to remove, photocopy, photograph or otherwise record in any way any part of such books and records with the prior written consent of the Company, which consent shall not be unreasonably withheld.

Section 6.8. **Successors and Assigns.** The MSF may at any time assign its rights in this Agreement. The Company may only assign its rights or obligations under this Agreement with the prior written consent of the MSF. The terms and conditions of this Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns.

Section 6.9 **Waiver.** A failure or delay in exercising any right under this Agreement will not be presumed to operate as a waiver unless otherwise stated in this Agreement, and a single or partial exercise of any right will not be presumed to preclude any subsequent or further exercise of that right or the exercise of any other right.

Section 6.10 **Transfer of Ownership/Termination of Operation.** The sale or transfer of the Zone or a transfer or assignment of the beneficial ownership in the Company during the Term of this Agreement shall require the prior consent of the MSF. Notwithstanding any sale or transfer of the Zone or portion thereof, or a transfer or assignment of the beneficial ownership in the Company, the Credits described in Section 2.1 may not be transferred or assigned without the prior consent of the MSF.

Section 6.11 Termination of Agreement. Except as to Article VI, Section 5.1, and Section 5.4, which shall survive indefinitely, and except as to other terms and conditions which shall survive as provided in this Agreement, this Agreement shall terminate at the end of the Term.

Section 6.12 Amendment. No amendment to this Agreement shall be effective unless it is in writing and signed by the Parties.

Section 6.13 Publicity. At the request and expense of the MSF, the MEDC and/or the NMDC, the Company will cooperate with the MSF, the MEDC, and/or the NMDC, respectively, to promote the Project through one or more of the placement of a sign, plaque, media coverage or other public presentation at the Project or other location acceptable to the Parties.

[NMDC]

MICHIGAN STRATEGIC FUND

Name: _____
Title: _____

Name: _____
Fund Manager

[COMPANY]

[Owner, if applicable]

Name: _____
Title: _____

Name: _____
Title: _____

Next Michigan Renaissance Zone and Next Michigan Business Certification Policy Guidelines

Company Eligibility

To receive the benefits of a Next Michigan Renaissance Zone (NMRZ), the Michigan Renaissance Zone Act and related statutes (the "Act") requires that an eligible Next Michigan Business (NMB) be certified as a qualified eligible NMB by the Michigan Strategic Fund (MSF) Board. To be considered for certification, the applicable Next Michigan Development Corporation (NMDC) must submit a fully complete application, in a form as approved by the MSF, (the "Application") to the MSF.

An eligible NMB means one of the following:

1. A business engaged in the shipment of tangible personal property via multimodal commerce
2. A supply chain business providing a majority of its services to businesses engaged in the shipment of tangible personal property, including inventory
3. A manufacturing or assembly facility receiving a majority of its production components or shipping a majority of its products via multimodal commerce
4. A light manufacturing or assembly facility that packages, kits, labels, or customizes products and ships those products via multimodal commerce

"Multimodal commerce" means the movement of products or services via to two (2) or more of the following: air, road, rail, water. Multimodal activities must occur in connection with the Project, as defined in the Application, and within the State of Michigan to be eligible.

The company shall certify that it is not in violation of the felony conviction restrictions outlined in the Act and shall submit to a background check by the MSF to provide a good faith basis for the certification.

Project Eligibility

To receive the benefits of a renaissance zone, a qualified eligible NMB must be operating or proposing to operate within a NMRZ approved by the MSF at the request of the applicable NMDC.

The company must own or lease the Project site located within a NMRZ. If the company is leasing the real property, the lease must contain language that assigns responsibility for the real property taxes associated with the site to the company.

The Project must be either the: 1) opening of a new location in the state, or 2) "materially expanding" of the company's current business in the state. In order to be "materially expanding" its current business in the state, the Project must involve at least one of the following:

- Creating no less than 50 New Full-Time Jobs;
- Creating no less 25 New Full-Time Jobs, if the Project involves jobs in high technology or is located in a rural county. A rural county is a Michigan county with a population of 90,000 or less based on the 2010 census. High technology activity means as defined in Section 3(l) of the Michigan Economic Growth Authority Act, 1995 PA 24, MCL 207.803(l), as may be amended from time to time;
- Investing at least \$10 million at the Project

The jobs created at the Project must meet the definition of a "New Full-Time Job" to be counted for purposes of determining "materially expanding" and job creation requirements of the Development

Agreement associated with the certification (the "Agreement"). A New Full-Time Job means a job that is all of the following:

- a) created by the company above the company's base; and
- b) performed for at least an average of 35 hours a week for consideration; and
- c) by an individual who is a resident of Michigan and whose Michigan income taxes are withheld by the company (or an employee leasing company or a professional employer organization on behalf of the company).

Provided that, any employee who works in a salaried position shall be considered a Full-Time Job and in no event shall any transferred jobs be considered a New Full-Time Job. Full-Time Equivalents may be counted as New Full-Time Jobs at the discretion of the MSF.

The company must commence construction or renovation at the Project within one (1) year from the date the Board certifies the company.

The company must commence business operations at the Project within two (2) years from the date the Board certifies the company.

The MSF shall not consider a company for certification if its Project will involve transferring a number of employees in to the NMDC district equal to fifteen percent (15%) or greater of the total number of employees proposed to be located in the NMDC district from other locations in Michigan outside of the NMDC district. The company shall provide accurate projection information at the time of the Application and, when requested by the MSF, shall provide real time job transfer and employee headcounts by location in order to ensure the company remains in compliance with this requirement. Should the company violate the job transfer restrictions at any time during the term of the certification, the company shall inform the MSF promptly.

The company shall be subject to repayment of some or all of the NMRZ benefits received should it relocate twenty-five percent (25%) or more of the jobs proposed in the Application to be located within the NMDC district outside of the NMDC district within a period of two (2) years after the expiration of the NMRZ.

Certification Procedure

The MSF Board shall consider the certification at an MSF Board Meeting within 49 days of the submission of a complete Application by the NMDC, as determined by the MSF President.

Prior to the MSF Board Meeting where certification is considered, the company shall sign the Agreement governing the NMRZ.

Should the MSF Board approve the certification of the eligible NMB, the MSF President shall notify the NMDC of the certification by sending the approved resolution to the NMDC contact indicated on the Application.

Post-Certification Policies

The MSF may consider a time extension or boundary expansion for the certification or the underlying NMRZ at the request of the applicable NMDC should the company commit to additional job creation and investment.

The company may only assign its certification to another eligible NMB if the assignee assumes all liabilities, certifications, and responsibilities of the Agreement and the Act, and only with the consent of the MSF.

MICHIGAN STRATEGIC FUND

RESOLUTION 2016-

ELECTION OF OFFICERS

WHEREAS, it is the responsibility of the Michigan Strategic Fund (“MSF”) Board to provide for the management and control of the affairs of the MSF; and

WHEREAS, it is necessary and appropriate that the MSF Board elect officers for the management and control of the affairs of the MSF.

NOW, THEREFORE, BE IT RESOLVED,

The Chairperson and President of the Fund are nominated by the Governor. The Fund Manager, Alternate Fund Manager, and other officers may be elected by the MSF Board members. The following individuals are elected to serve according to the Amended and Restated Bylaws of the MSF dated April 22, 2014:

1. Fund Manager – Mark Morante
2. Alternate Fund Manager – Jennifer Tebedo
3. MSF Financial Officer – Amanda Bright McClanahan
4. Bonding Officer and Board Secretary – Diane Cranmer

BE IT FURTHER RESOLVED, that previously adopted resolutions designating or electing officers of the MSF are rescinded.

Ayes:

Nays:

Recused:

Lansing, Michigan
September 27, 2016

MEMORANDUM

Date: September 27th, 2016
To: MSF Board
From: Fred Molnar, VP, Entrepreneurship and Innovation
Subject: MidMichigan Innovation Center request to transfer affiliation

ACTION

On October 1, 2016, Midland Tomorrow will acquire MidMichigan Innovation Center (MMIC). MMIC, in its current form will be dissolved, but all relevant activities will be continued under Midland Tomorrow. MMIC requests that their two year MEDC Gatekeeper grant for \$200,000 is also transferred.

BACKGROUND TO AWARD

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

The MMIC was awarded a Business Incubator grant from the 21st CJF 2012 Business Incubators program of \$500,000 for the period of 01/01/2012 to 04/1/2013, followed by a Entrepreneurial Support Services grant for the period of 10/01/2012 to 09/30/2015 in the amount of \$225,000. As a result of the continued success of this grantee, the MMIC was awarded another Business Incubator grant under the 21st CJF 2013 Business Incubator program in the amount of \$500,000 for the period of 4/1/2013-12/31/2014. Their success in the previous grants led MMIC to be awarded a Gatekeeper grant for \$200,000 from the 21st CJF 2015 Business Incubator program in April 2015 for the period of 04/01/2015 to 03/31/2017, of which \$135,000 has been disbursed.

MMIC and Midland Tomorrow boards have recently decided that Midland Tomorrow will acquire MMIC and request that the remainder of this grant be transferred with the organization, on the basis that Midland Tomorrow fulfills all the requirements of the original RFP (Case 119303) and therefore qualifies for this program. Midland Tomorrow is the 501(c)(3) economic development corporation serving the County of Midland, Michigan, and all municipalities therein and operates the SmartZone within city limits. The businesses that currently use the MMIC building on Austin Street will remain there through 2017. Sandra Darland is the key personnel identified in the Gatekeeper grant and she will be transferring to Midland Tomorrow and her role will remain unchanged.

BENEFITS OF THIS CHANGE

Midland Tomorrow operates the SmartZone and is focused on accelerating economic growth by growing and developing the industrial base and supporting high-technology companies in Midland.

MMIC has been responsible for the bulk of the new high tech business incubation and acceleration in the area, while Midland tomorrow has dealt with the bulk of the support for second stage companies, economic gardening, and foreign direct investment. The integration of the services that MMIC has been providing into Midland Tomorrow will provide a more centralized location for all high tech businesses in the SmartZone to receive all of the necessary support.

PROGRAM RESULTS

In the first year of the current Gatekeeper grant the MMIC created five new companies, and served 75 companies. They created 12 new jobs and generated over \$17 million in follow on/new capital. The MMIC is a very active part of the entrepreneurship community in Midland and in the first 12 months of the grant hosted 25 events and attended a further 10 events across the state.

RECOMMENDATION

MEDC Staff recommends the MSF Board approve this request. The grant would be administered under an amended grant agreement with MMIC.

MICHIGAN STRATEGIC FUND

**RESOLUTION
2016-**

**MID-MICHIGAN INNOVATION CENTER
BUSINESS INCUBATOR GRANT ASSIGNMENT**

WHEREAS, Public Acts 215 and 225 of 2005, as amended, established the 21st Century Jobs Fund initiative;

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

WHEREAS, MCL 125.2088k authorizes the MSF Board to award grants and loans from the 21st Century Jobs Fund for basic research, applied research, university technology transfer and commercialization of products, processes and services to encourage the development of competitive-edge technologies to create jobs in the State of Michigan;

WHEREAS, on November 24, 2014, the MSF Board approved issuance of a request for proposals to award grants to Michigan non-profit organizations and universities that operate business incubator or accelerator programs (the “Business Incubator RFP”);

WHEREAS, on February 24, 2015, the MSF selected Mid-Michigan Innovation Center (“MMIC”) to receive a grant of up to \$200,000 under the Business Incubator RFP;

WHEREAS, the MSF and MMIC entered into a grant agreement with a term of April 1, 2015 to March 31, 2017 to sustain and enhance the existing economic environment and implement components of MMIC regional incubator program (the “MMIC Grant”);

WHEREAS, Midland Tomorrow, a 501(c)(3) nonprofit organization (“Midland Tomorrow”) is in the process of acquiring MMIC;

WHEREAS, MMIC wishes to assign all of its right, title, interest and obligations under the MMIC Grant to Midland Tomorrow and the Midland Tomorrow agrees to assume, perform and discharge all right, title, interest and obligations of MMIC under the MMIC Grant (the “Grant Assignment”);

WHEREAS, Section 5.14 of the MMIC Grant provides that MMIC may not assign its rights or obligations under the MMIC Grant without the prior written consent of the MSF;

WHEREAS, the MEDC has determined that Midland Tomorrow meets the requirements of the Business Incubator RFP and that the Grant Assignment would be beneficial to regional incubator program; and

WHEREAS, the MEDC recommends that the MSF Board approve the Grant Assignment.

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

BE IT FURTHER RESOLVED, that MSF Fund Manager or MSF Chairperson is authorized to negotiate the final terms and conditions of the Grant Assignment and to execute all documents necessary to effectuate the Grant Assignment.

Ayes:

Nays:

Recused:

Lansing, Michigan
September 27, 2016

MEMORANDUM

Date: September 27, 2016

To: Michigan Strategic Fund

From: Fred Molnar, Vice President, Entrepreneurship and Innovation

Subject: University Early Stage Proof of Concept Fund

Action

The MEDC requests that the MSF Board approve support for the University Early Stage Proof of Concept Fund Request for Proposals (“RFP”) in the amount of \$1,000,000 over two years from the Entrepreneurship and Innovation Budget. The purpose of the RFP is to award a grant to a university for the implementation and execution of the University Early Stage Proof of Concept Fund program.

As noted in the Michigan 21st CJF Entrepreneurship Innovation Programs Impact and Effectiveness Study completed in the spring of 2016, there is a current gap in the pipeline of moving university projects with the commercial potential of a discovery into the commercial market. Such technology is usually at an early stage of development and requires additional studies or a working prototype before it can be shown to have commercial potential. This program will provide resources and specialized services, by way of the university technology transfer offices at all institutions of higher education, the ability to assist university projects for the transition from scientific research to applied research to translational research into the commercial market by analyzing the market application, proving out the concept validation, demonstrating technical feasibility and developing a prototype in the preparation for implementation and testing.

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

- Issue RFP to the Public: September 28, 2016
- Questions due from the Public: October 4, 2016, by the close of business
- Answers posted to the MEDC web page: October 7, 2016
- Applications Deadline: October 28, 2016

The MEDC requests the MSF approve the RFP and the following Joint Evaluation Committee (“JEC”) comprised of MEDC staff and external partners to review the proposals submitted and make award recommendations to the MSF Board:

- Fred Molnar, Vice President Entrepreneurial Services, MEDC
- Denise Graves, University Relations Director, MEDC
- Alain Piette, SBDC Technology Team Manager
- Bill Mayer, Vice President, Entrepreneurial Services, Ann Arbor SPARK
- Vince Nystrom, Vice President of Business Development, Renaissance Ventures

Recommendation

MEDC Staff recommends the MSF Board approve the following actions:

- 1) Allocation of \$1,000,000 from the 2017 Entrepreneurship and Innovation Budget;
- 2) Approval of the RFP attached to the resolution authorizing the RFP;
- 3) Approval of the Joint Evaluation Committee (JEC) Members;
- 4) Approval of the scoring and evaluation criteria attached as Exhibit A to the resolution approving the JEC and the scoring and evaluation criteria.

**MICHIGAN STRATEGIC FUND
RESOLUTION**

2016-

UNIVERSITY EARLY STAGE PROOF OF CONCEPT FUND REQUEST FOR PROPOSALS

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”);

WHEREAS, MCL 125.2088k provides that the MSF Board shall award grants and loans for basic research, applied research, university technology transfer, and commercialization of products, processes and services to encourage the development of competitive edge technologies to create jobs within the State of Michigan;

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

WHEREAS, the MSF has reviewed a RFP form, which includes provisions required by the Act and establishes a competitive proposal process for awarding grants to one or more Michigan institutions of higher education to provide resources and specialized services that will enhance and support the transition of institution of higher education projects from scientific research to applied research to translational research to the commercial market (the “Proof of Concept RFP”). A copy of this RFP form is attached to this Resolution;

WHEREAS, the MSF desires to initiate the competitive proposal process to award grants to one or more Michigan institutions of higher education to provide resources and specialized services that will enhance and support the transition of institution of higher education projects from scientific research to applied research to translational research to the commercial market and authorizes the issuance of the Proof of Concept RFP; and

WHEREAS, the MEDC recommends and the MSF Board wishes to allocate \$1,000,000 for the Proof of Concept RFP from the FY2017 allocation for Entrepreneurial Programs and Grants (the “Proof of Concept RFP Funding Allocation”);

NOW, THEREFORE, BE IT RESOLVED, that the MSF approves the attached Proof of Concept RFP and authorizes its issuance and approves the Proof of Concept RFP Funding Allocation; and

BE IT FURTHER RESOLVED, that the MSF authorizes the MSF Fund Manager to modify the Proof of Concept RFP as may be necessary or appropriate, so long as the modifications are not material or adverse to the interests of the MSF.

Ayes:

Nays:

Recused:

Lansing, Michigan
September 27, 2016

REQUEST FOR PROPOSALS

MICHIGAN STRATEGIC FUND

University Early Stage Proof of Concept Fund

RFP-CASE-186346

DRAFT

REMINDER

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

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

APPLICANTS ARE RESPONSIBLE FOR ASSURING THAT THE FOLLOWING IDENTIFYING INFORMATION APPEARS IN THE SUBJECT LINE OF YOUR EMAIL: "RFP-CASE-186346 with Organization Name.

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

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

IMPORTANT DUE DATES

- **October 4, 2016, at 3:00 p.m.:** Questions from potential Applicants are due via email to contractsandgrants@michigan.org. Please note: The MSF will not respond to questions that are not received by the above date and time. In addition, questions that are phoned, faxed or sent through regular mail will not be accepted.
- **October 7, 2016, by close of business:** Responses to all qualifying questions will be posted on the MSF's website: www.michiganbusiness.org/public-notice-rfps/
- **October 28, 2016, at 3:00 p.m.:** Electronic version of your Proposal due and sent to the MSF via email to contractsandgrants@michigan.org. **Proposals will not be accepted via U.S. Mail or any other delivery method.**

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REQUEST FOR PROPOSAL
University Early Stage Proof of Concept Fund
RFP-CASE-186346

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

Contracts and Procurement Services
Michigan Strategic Fund
300 North Washington Square
Lansing, Michigan 48913
contractsandgrants@michigan.org

SECTION I STATEMENT OF WORK

A) PURPOSE

Public Act 215 of 2005, Section 88k(2) allows the Michigan Strategic Fund (“MSF”) Board to award grants and loans from the 21st Century Jobs Fund for “ basic research, applied research, university technology transfer and commercialization of products, processes and services to encourage the development of competitive-edge technologies to create jobs in the state.”

Through this 2016 University Early Stage Proof of Concept Fund Request for Proposal (the “RFP”), the MSF Board desires to allocate up to \$1,000,000 (“Award Amount”), disbursed for up to 2 years to a Michigan institution of higher education that provides resources and specialized services to assist university projects for the transition from scientific research to applied research to translational research into the commercial market by analyzing the market application, proving out the concept validation, demonstrating technical feasibility and developing a prototype in the preparation for implementation and testing.

B) BACKGROUND STATEMENT AND OBJECTIVES

Background: Through the 21st Century Job Fund, the MSF has provided funding to non-profit organizations and universities to operate programs to assist university projects in advancing their research, translating research into the commercial market, as well as, assisting startup companies with commercializing competitive-edge technologies, building successful, innovation businesses with the potential for high-growth and job retention; promoting a culture of entrepreneurship in Michigan.

Objectives: The MSF, through this RFP, continues to encourage this activity. Funding of \$1,000,000 for up to 2 years (in the form of a grant) will be awarded to a Michigan university through a competitive process in which all submitted proposals will be reviewed by a Joint Evaluation Committee (“JEC”). Results from the JEC review will be provided, in the form of numerical scores and award recommendation(s), to the MSF Board.

C) QUALIFICATIONS, ELIGIBILITY AND AWARD INFORMATION

The intent of the proposals should be for the applicant organization to provide resources for assistance to researchers on technology projects by way of the university technology transfer offices at all institutions of higher education to accelerate technology transfer through the assessment of the technology for use in the commercial market related to a license to industry or a startup company. The university projects through this process do not receive funds but rather the services.

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

Institutions of Higher Education – Only Michigan Institutions of higher education are eligible to receive funding through this RFP. Institutions of higher education must be a Michigan University.

If ELIGIBLE, the Applicant MUST ALSO FULFILL the following criteria;

- Encourage and work with the State's institutions of higher education to identify the commercial potential in advanced technologies from individual institutions of higher education AND;
- Facilitate the bundling of inventions from individual institutions of higher education into packages that could be of interest to private sector firms looking for commercialization opportunities AND;
- Work with institutions of higher education in encouraging the institutions to provide their faculty with incentives for participating in technology transfer and commercialization activities.

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

The successful applicant approved for funding by the MSF Board is subject to the final execution of a legal grant agreement and successful completion of a due diligence review which may include, among other things, a criminal and civil background check of the Applicant and certain key personnel.

Insufficient or inappropriate proposals will not be funded.

Award Reporting Requirements - Progress Reports are due every six (6) months, due in October and April throughout the term of the grant agreement. For Progress Reports, grantees must report on Milestones, Budget, and Metrics. The grantee is responsible for timely submission of reports that must be submitted electronically through the MEDC Portal.

Delayed, incomplete, or incorrect reporting filed may result in a loss of funding.

Annual site visits are conducted by the MEDC Grant Manager.

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

D) DELIVERABLES

Applicant must demonstrate a plan of action to support the following:

1. currently a university technology transfer office with measurable experience in vetting, de-risking and advancing projects for commercial market application; or demonstrate the ability to operate within a university setting, working with faculty to advance their research into the commercial market.

2. support the ability for university technology transfer offices to discover, screen, protect, market and advance university projects/portfolio technologies into the commercial market, pivot the technology or remove the technology from the commercial pipeline.
3. collaborate with the university technology transfer offices demonstrating the ability to build talent around and commercialize university intellectual property, taking ideas and inventions from the research stage to the prototype stage; giving inventors and managers the time, focus and resources to move closer to additional investment capital and market entrance.
4. knowledge of, with proven experience, the ecosystem in which university projects can advance into the commercial market by way of making use of additional complimentary programs to increase the flow and quality of opportunities that will become a license to an industry partner or a Michigan startup.
5. ability to work with institutions of higher education throughout the state to financially support (by way of matching funds) and administer the program.

DRAFT

SECTION II PROPOSAL FORMAT

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

A) COMPLETE PROPOSAL

1. Contact Page – State the Organizations full name, address, and phone and facsimile number. Also included should be contact information, including phone number, email, cell number and fax numbers. Please also include signature of the authorized signor of the applicant organization.

2. Checklist Page – Include a checklist of the required sections of the proposal, as listed in this Section II-A) 3a-h and an indication that the section is included in the proposal. As noted in Section III R below, also include the following: "Applicant certifies that it is not an Iran-linked business as defined in MCL 129.312." Applicant should provide Conflict of Interest information if applicable, see Section III F.

3. Proposal – (up to 10 pages) – provide a proposal and include the required elements a-h, as described here. **In the Proposal clearly identify the following sections as headers.**

a. Eligibility – the Applicant must clearly identify how they are eligible to apply and fulfill all criteria identified in Section I.C. above.

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

- THE NAME OF THE APPLICANT ORGANIZATION
- THE ELIGIBILITY CRITERIA (See Section I. C. above)
- THE AMOUNT OF FUNDS REQUESTED
- THE AMOUNT OF MATCHING FUNDS, if available
- THE TERM (up to 2 years)
- THE PURPOSE OF THE FUNDING

c. Purpose of Funds – the Applicant must clearly indicate that the organization is an institution of higher education. The Applicant must clearly describe how the proposed use of funds will foster the growth of Michigan's technology based economy and clearly identify the specific competitive edge technology sectors that the Applicant will serve.

d. Past Experience – the Applicant should indicate past experience with vetting, de-risking and advancing early stage research projects to the commercial market within a university setting.

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

f. Milestones/Deliverables - Identify semi-annual milestones/deliverables that the Applicant will commit to as a result of providing the proposed services. If Applicant is awarded funding, Progress Reports are due April 15 and October 15 every year throughout the award, therefore provide milestones/deliverables that will be completed in April and October over the course of the proposal. Include a “targeted metrics” milestone for each reporting period. For this milestone, the applicant should indicate a targeted number for each of the following metrics: projects funded, ended and redirected, # of universities applying and funded and follow on funding for projects that received funding. Identify how milestone completion will result in specific Economic Impact identified in (h).

g. Budget Request - Attach a schedule of all expenses covering each of the services and activities identified in your proposal. Specifically identify THE AMOUNT OF FUNDS REQUESTED, the TERM REQUESTED, PUBLIC AND/OR PRIVATE LEVERAGED FUNDS (identify the 1:1 match), and what the Applicant proposes to do with FUNDS APPLIED THROUGH THIS RFP and the TIMING OF THE FUNDS. Progress Reports are due in April and October so proposals should include 6-month budgets of relevant line items that align with these dates. Include the budget in a table format with column headings. Preference is that this funding should not overlap other MSF Board approved funding, and this grant starts at the end of existing grant.

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

4. **Disbursement of Grant Funds**– will be scheduled throughout the term of the grant based upon completion of milestones including completion of targeted metrics and spending according to the proposed budget.

B) PROPOSAL SUBMITTAL

Submit separately marked electronic versions of your Proposal to the MSF via email to contractsandgrants@michigan.org not later than **3:00 p.m. on October 28, 2016**. The MSF has no obligation to consider any proposal that is not timely received. **Proposals will not be accepted via U.S. Mail or any other delivery method.**

APPLICANTS ARE RESPONSIBLE FOR ASSURING THAT THE FOLLOWING IDENTIFYING INFORMATION APPEARS IN THE SUBJECT LINE OF YOUR EMAIL: "RFP-CASE-186346 with *Applicant Name*."

DRAFT

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

A) QUESTIONS

Questions from Applicants concerning the specifications in this RFP must be received via e-mail no later than **3:00 pm on October 4, 2016**. Questions must be submitted to:

Contracts & Procurement Services
contractsandgrants@michigan.org

B) PROPOSALS

To be considered, Applicants must submit a complete response to this RFP, using the format provided in Section II of this RFP, by **3:00 p.m. on October 28, 2016**. No other distribution of proposals is to be made by the Applicant. Applicant is responsible for ensuring that the proposal is submitted to the proper email address.

C) ECONOMY OF PREPARATION

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

D) SELECTION CRITERIA

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

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

1) Step I – Initial evaluation for compliance

a) *Proposal Content* – Contracts & Procurement Services will screen the proposals for technical compliance to include but not be limited to:

- Timely submission of the proposal.
- Eligibility
- Executive Summary
- Purpose
- Past Experience
- Team
- Milestones/deliverables
- Budget
- Economic Impact
- Proposal signed physically or electronically by an official of the Applicant authorized to bind the Applicant to its provisions.
- Proposals satisfy the form and content requirements of this RFP.

2) Step II – Criteria for Satisfactory Technical Proposals

- a.) During the second step of the selection process, proposals will be considered by a Joint Evaluation Committee (the “JEC”) comprised of individuals selected by the MSF. Only those proposals that satisfy the requirements described in this RFP, as determined in the sole discretion of the JEC, will be considered for evaluation in Step II. The JEC reserves the right to request additional information from any Applicant.
- b.) *Purpose, Economic Impact and Competence of Personnel* – The proposal should indicate the ability of the Applicant to meet the eligibility requirements of this RFP and achieve the economic impact. The proposal should indicate the competence of the personnel whom the Applicant intends to assign to the project, including education and experience.

		Weight
1.	Eligibility	Yes or No
2.	Executive Summary	5
3.	Purpose	10
4.	Past Experience	20
5.	Team	15
6.	Milestones/deliverables	20
7.	Budget	10
8.	Economic Impact	20
TOTAL		100

- c.) During the JEC’s review, Applicants may be required to make oral presentations of their proposals to the JEC. These presentations provide an opportunity for the Applicants to clarify the proposals. The MEDC will schedule these presentations, if required by the JEC. Only those Applicants that score 70 points or higher on the written review will be invited for an oral presentation if the JEC determines that an oral presentation is necessary.
- d.) Only those proposals receiving a score of **80 points or more** in the proposal evaluation will have their proposal evaluated to be considered for award.

E) TAXES

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

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

F) CONFLICT OF INTEREST

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

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

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

G) BREACH OF CONTRACT

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

H) DISCLOSURE OF LITIGATION

Except as otherwise disclosed in an exhibit to Applicant's proposal, there is no criminal litigation, investigations or proceedings involving the Applicant (and each subcontractor, if subcontractors will be used to provide the goods/services requested under this RFP) or any of the Applicant's officers or directors or any litigation or proceedings under the Sarbanes-Oxley Act. In addition, Applicants must disclose in the exhibit requested under this Section of the RFP any civil litigation, arbitration or proceeding to which the Applicant (or, to the extent Applicant is aware, any subcontractor) is a party and which involves: (1) disputes that might reasonably be expected to adversely affect the viability or financial stability of the Applicant (or subcontractor); or (2) a claim or written allegation of fraud or breach of contract against Applicant (or, to the extent Applicant is aware, subcontractor), by a governmental or public entity arising out of their business dealings with governmental or public entities. Details of any settlements which Applicant is prevented from disclosing under the terms of the settlement may be annotated as such. Applicants must also disclose any investigations by the Internal Revenue Service or any other federal or state taxing body or court.

I) FALSE INFORMATION

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

J) ADDITIONAL DISCLOSURE

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

K) CLARIFICATION/CHANGES IN THE RFP

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

Neither the MSF nor the MEDC will directly notify Applicants of any changes to the RFP.

L) ELECTRONIC RECEIPT OF PROPOSAL

AN ELECTRONIC VERSION OF YOUR PROPOSAL MUST BE RECEIVED AND TIME-STAMPED BY THE MSF TO contractsandgrants@michigan.org, ON OR BEFORE **3:00 p.m. on October 28, 2016**. Applicants are responsible for timely submission of their proposal. THE MSF HAS NO OBLIGATION TO CONSIDER ANY PROPOSAL THAT IS NOT RECEIVED BY THE APPOINTED TIME.

M) RESERVATION OF MSF DISCRETION

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

- 1) reject any and all proposals;
- 2) waive any errors or irregularities in the bidding process or in any proposal;
- 3) rebid the project;
- 4) negotiate with any Applicant for a reduced price, or for an increased price to include any alternates that the Applicant may propose;
- 5) reduce the scope of the project, and rebid or negotiate with any Applicant regarding the revised project; or
- 6) defer or abandon the project.

The MSF's decision is final and not subject to appeal. Any attempt by an applicant, collaborating entity, or other party of interest to the project to influence the awards process, to

appeal, and/or take any action, including, but not limited to, legal action, regarding the proposal or awards process in general may result in the applicant's disqualification and elimination from the award process.

N) JURISDICTION

Any legal action arising from or concerning this RFP shall be brought in the Michigan Court of Claims or, as appropriate, the Ingham County Circuit Court in Ingham County, Michigan. Nothing in this RFP shall be construed to limit the rights and remedies of the MSF that are otherwise available.

O) ADDITIONAL CERTIFICATION

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

Applicants must include the following certification in the technical proposal:

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

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

**MICHIGAN STRATEGIC FUND
RESOLUTION**

2016-

**APPROVAL OF THE JOINT EVALUATION COMMITTEE AND SCORING AND EVALUATION
CRITERIA FOR THE UNIVERSITY PROOF OF CONCEPT FUND
REQUEST FOR PROPOSALS**

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”);

WHEREAS, MCL 125.2088k provides that the MSF Board shall award grants and loans for basic research, applied research, university technology transfer, and commercialization of products, processes and services to encourage the development of competitive edge technologies to create jobs within the State of Michigan;

WHEREAS, on September 27, 2016, the MSF issued a Request for Proposals (“RFP”) for awarding grants to one or more Michigan institutions of higher education to provide resources and specialized services that will enhance and support the transition of institution of higher education projects from scientific research to applied research to translational research to the commercial market (the “Proof of Concept RFP”);

WHEREAS, the Act provides that proposals received in response to the Proof of Concept RFP may be reviewed by a joint evaluation committee (“JEC”);

WHEREAS, the MEDC recommends and the MSF desires to appoint the following individuals to the JEC for the Proof of Concept RFP:

Fred Molnar, Vice President Entrepreneurial Services, MEDC
Denise Graves, University Relations Director, MEDC
Alain Piette, SBDC Technology Team Manager
Bill Mayer, Vice President, Entrepreneurial Services, Ann Arbor SPARK
Vince Nystrom, Vice President of Business Development, Renaissance Ventures

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan
September 27, 2016

Exhibit A
Proposal Evaluation Form
University Early Stage Proof of Concept Fund RFP

Name of Applicant: _____

Name of Reviewer: _____

Criteria	Reviewer's Comments	Points
Eligibility: <ul style="list-style-type: none"> ○ Non-profit, proposing a statewide plan. 		Y/N
Executive Summary: Overview <ul style="list-style-type: none"> • NAME OF THE APPLICANT ORGANIZATION • ELIGIBILITY CRITERIA • AMOUNT OF FUNDS REQUESTED • AMOUNT OF MATCHING FUNDS • TERM • PURPOSE • The TARGETED NUMBERS FOR: <ul style="list-style-type: none"> ○ Projects funded ○ Projects ended/redirected ○ Number of universities applying and funded ○ Follow on funding 		Max. Possible Points: 5 Score: _____
Purpose: <ul style="list-style-type: none"> • The Applicant must clearly indicate that the organization is a university/non-profit • The Applicant must clearly describe how the proposed use of funds will: <ul style="list-style-type: none"> ○ assist university technology transfer offices with vetting, de-risking and advancing projects for commercial market application ○ demonstrate the ability to operate within a university setting, working with faculty to advance their research into the commercial market ○ collaborate with university technology transfer offices, or equivalent, to build talent around and commercialize university IP 		Max. Possible Points: 10 Score: _____
Past Experience: <ul style="list-style-type: none"> • The Applicant should indicate past experience with providing assistance to university technology transfer, or equivalent, offices in the process of vetting, de-risking and advancing early stage high technology projects to the commercial market and specifically discuss how the ELIGIBILITY CRITERIA that the Applicant fulfilled and its success will play a role in this program. 		Max. Possible Points: 20 Score: _____
Team: <ul style="list-style-type: none"> • Identified key players • Identified collaborators 		Max. Possible Points: 15 Score: _____
Milestones/Deliverables: <ul style="list-style-type: none"> • Identified meaningful milestones/deliverables • Achievable and leading to economic impact 		Max. Possible Points: 20 Score: _____
Budget: <ul style="list-style-type: none"> • Identified meaningful budget for proposal • Organization budget clearly indicates need for funding • Demonstrate matching funds 		Max. Possible Points: 10 Score: _____
Economic Impact: <ul style="list-style-type: none"> • Realistic assumptions and expectations based on university technology transfer knowledge and past reported performance • Identified targeted metrics: <ul style="list-style-type: none"> ○ Projects Funded ○ Number of universities applying and funded ○ Follow on Funding 		Max. Possible Points: 20 Score: _____

Total Score:		Max. Possible Points: 100 Score: _____
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MEMORANDUM

Date: September 27, 2016

To: Michigan Strategic Fund

From: Fred Molner, Vice President, Entrepreneurship and Innovation

Subject: *Angel Capital Development Fund – Request for Proposals*

Action

The MEDC requests that the MSF Board approve the release of the 2017 Angel Capital Development Fund Request for Proposals (attached as Exhibit A) in the amount of \$750,000 (using funds allocated for the Fiscal Year 2016 21st Century Jobs Fund to support Entrepreneurship and Innovation). The purpose of this RFP is to award a grant to a non-profit organization(s) to foster and expand the network of angel investors in Michigan.

Background

Through the 21st Century Jobs Fund program, the Michigan Strategic Fund (“MSF”) provides funding for entrepreneurship and innovation projects. Pursuant to Section 88k(2) of the MSF Act, the MSF shall award grants and loans from the 21st Century Jobs Trust Fund for basic research, applied research, university technology transfer, and commercialization of products, processes, and services to encourage the development of competitive edge technologies to create jobs in this state.

The proposed Angel Capital Development Fund Request for Proposals (“RFP”), included as Exhibit A to this memo, would solicit applications to encourage the expansion of angel network and to link partnering organizations, entities, and groups with both new resources and existing resources, all for the purpose of fostering and promoting the development of entrepreneurs and emerging companies within the State.

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

Issue RFP to the Public:	September 28, 2016
Questions due from potential Applicants:	October 4, 2016, by close of business
Answers posted to the MEDC web page:	October 7, 2016, at 3:00 p.m.
Applications Deadline:	October 28, 2016, at 3:00 p.m.

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

Paul Jaques, Director, MSU Spartan Innovations
Maria LaLonde, Senior Program Officer, NEI
Fred Molnar, VP Entrepreneurship and Innovation, MEDC
Nataliya Stasiw, Senior Capital Markets Associate, MEDC
Jason Pliml, Independent Consultant

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

Recommendation

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

- 1) Allocation of \$750,000 from the 2016 21st Century Jobs Fund for the program;
- 2) Approval of the RFP attached as Exhibit A to the resolution;
- 3) Appointment of the JEC listed above; and
- 4) Approval of the scoring and evaluation criteria attached as Exhibit B to the resolution appointing the JEC and approving the scoring criteria.

**MICHIGAN STRATEGIC FUND
RESOLUTION**

2016-

ANGEL CAPITAL DEVELOPMENT FUND REQUEST FOR PROPOSALS

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”);

WHEREAS, MCL 125.2088k provides that the MSF Board shall award grants and loans for basic research, applied research, university technology transfer, and commercialization of products, processes and services to encourage the development of competitive edge technologies to create jobs within the State of Michigan;

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

WHEREAS, the MSF has reviewed a RFP form, which includes provisions required by the Act and establishes a competitive proposal process for awarding grants to one or more Michigan non-profit organizations to develop and expand the network of angel investors in Michigan, thereby increasing funding and support for competitive edge technology companies and entrepreneurs in the State of Michigan (the “Angel Fund RFP”). A copy of this RFP form is attached to this Resolution;

WHEREAS, the MSF desires to initiate the competitive proposal process to award grants to one or more Michigan non-profit organizations to develop and expand the network of angel investors in Michigan, thereby increasing funding and support for competitive edge technology companies and entrepreneurs in the State of Michigan and authorizes the issuance of the Angel Fund RFP; and

WHEREAS, the MEDC recommends and the MSF Board wishes to allocate \$750,000 for the Angel Fund RFP from the FY2016 allocation for Entrepreneurial Programs and Grants (the “Angel RFP Funding Allocation”)

NOW, THEREFORE, BE IT RESOLVED, that the MSF approves the attached Angel Fund RFP and authorizes its issuance and approves the Angel Fund RFP Funding Allocation; and

BE IT FURTHER RESOLVED, that the MSF authorizes the MSF Fund Manager to modify the Angel Fund RFP as may be necessary or appropriate, so long as the modifications are not material or adverse to the interests of the MSF.

Ayes:

Nays:

Recused:

Lansing, Michigan
September 27, 2016

REQUEST FOR PROPOSALS
MICHIGAN STRATEGIC FUND
Angel Capital Development Fund
RFP-CASE-XXXXXX

DRAFT

REMINDER

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

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

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

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

IMPORTANT DUE DATES

- **October 4, 2016, at 3:00 p.m.:** Questions from potential Applicants are due via email to contractsandgrants@michigan.org. Please note: The MSF will not respond to questions that are not received by the above date and time. In addition, questions that are phoned, faxed or sent through regular mail will not be accepted.
- **October 7, 2016, by close of business:** Responses to all qualifying questions will be posted on the MSF's website, **INSERT URL**.
- **October 28, 2016, at 3:00 p.m.:** Electronic version of your Proposal due and sent to the MSF via email to contractsandgrants@michigan.org. **Proposals will not be accepted via U.S. Mail or any other delivery method.**

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REQUEST FOR PROPOSAL
Angel Capital Development Fund
RFP-CASE-XXXXXX

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

Contracts and Procurement Services
Michigan Strategic Fund
300 North Washington Square
Lansing, Michigan 48913
contractsandgrants@michigan.org

SECTION I STATEMENT OF WORK

A) PURPOSE

Public Act 215 of 2005, Section 88k(2) allows the Michigan Strategic Fund (“MSF”) Board to award grants and loans from the 21st Century Jobs Fund for “basic research, applied research, university technology transfer and commercialization of products, processes and services to encourage the development of competitive-edge technologies to create jobs in the state.”

Through this 2016 Angel Capital Development Fund Request for Proposals (the “RFP”), the MSF Board desires to allocate up to \$750,000 (“Award Amount”), disbursed over a 3 year period to a non-profit organization(s) to foster and expand the network of angel investors in Michigan.

B) BACKGROUND STATEMENT AND OBJECTIVES

Through the 21st Century Jobs Fund, the MSF has provided funding to non-profit organizations and universities to foster the growth of innovative companies with the potential for high growth in Michigan by investing in the most promising, nationally competitive, commercialization opportunities. The program objective is to oversee a competitive process to award funds to encourage economic diversification in competitive edge technology sectors and create jobs in Michigan.

Funding of \$750,000 for a 3 year period (in the form of a grant) will be awarded to a non-profit organization(s) through a competitive process in which all submitted proposal will be reviewed by a Joint Evaluation Committee (“JEC”). Results from the JEC review will be provided, in the form of numerical scores and award recommendation(s), to the MSF Board.

C) ELIGIBILITY

The purpose of this RFP is to solicit applications to encourage the expansion of an angel network and to link partnering organizations, entities, and groups with both new resources and existing resources, all for the purpose of fostering and promoting the development of entrepreneurs and emerging companies within the State.

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

D) QUALIFICATIONS and AWARD INFORMATION

If ELIGIBLE, the Applicant MUST ALSO FULFILL the following criteria;

- Have a statewide reach and focus; **AND**
- Have the administrative ability and desire to provide efficient, transparent operations and funding details on a systematic basis; **AND**
- Provide, at a minimum, the performance metrics required by PA215 of 2005, and other metrics that may be requested by the MEDC and/or MSF; **AND**
- Have a working knowledge of Michigan's entrepreneurial ecosystem, strong relationships with the ecosystem, and a platform for collaboration that demonstrates the ability to market and successfully execute the proposed program(s); **AND**
- Have a solid sustainability plan to ensure long-term success of the program after the grant ends.
- **Technology Sectors**

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

- **Leverage and Match**

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

The preference is given to organizations that exhibit a successful track record of fund raising to support operations from sources in addition to the MEDC, and demonstrate a plan to do so going forward. Bonus points may be awarded to organizations who obtain matching funds from other sources that directly coincides with an MEDC grant award, to assist in supporting programs, services, and grantee operations.

- **Award and Grant Agreement**

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

The successful applicant approved for funding by the MSF Board is subject to the final execution of a legal grant agreement and successful completion of a due diligence review which may include, among other things, a criminal and civil background check of the Applicant and certain key personnel. Insufficient or inappropriate proposals will not be funded.

- **Award Reporting Requirements**

Progress Reports are due every six (6) months, due in October and April throughout the term of the grant agreement. For Progress Reports, grantees must report on Milestones, Budget, and Metrics. The grantee is responsible for timely submission of reports that must be submitted electronically through the MEDC Portal. Delayed, incomplete, or incorrect reporting filed may result in a loss of funding.

- **Overhead Rates**

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

- **Preferences**

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

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

E) DELIVERABLES

Applicant must demonstrate a plan of action to support the following:

1. Increase the number of angel professionals in Michigan;
2. Educate early stage investors and promote the value of angel investing;
3. Accelerate the fundraising and deployment of capital into early-stage companies;
4. Improve administrative processes and reduce administrative costs for angel groups;
5. Increase capacity for sourcing investment opportunities and due diligence.

Applicants are encouraged to propose additional deliverables that improve the performance of an existing angel fund/network and ameliorate the investment environment within the State.

SECTION II PROPOSAL FORMAT

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

A) **COMPLETE PROPOSAL**

1. **Contact Page** – State the Organizations full name, address, and phone and facsimile number. Also included should be contact information, including phone number, email, cell number and fax numbers. Please also include signature of the authorized signor of the applicant organization.

2. **Checklist Page** – Include a checklist of the required sections of the proposal, as listed in this Section II-A) 3a-h and an indication that the section is included in the proposal. As noted in Section III R below, also include the following: “Applicant certifies that it is not an Iran-linked business as defined in MCL 129.312.” Applicant should provide Conflict of Interest information if applicable, see Section III F.

3. **Proposal** – (up to 10 pages) – provide a proposal and include the required elements a-h, as described here. **In the Proposal clearly identify the following sections as headers.**

a. **Eligibility** – the Applicant must clearly identify how they are eligible to apply and fulfill all criteria identified in Sections I.C. & I.D. above.

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

- **THE NAME OF THE APPLICANT ORGANIZATION**
- **THE ELIGIBILITY CRITERIA (See Section I. C. above)**
- **THE AMOUNT OF FUNDS REQUESTED**
- **THE AMOUNT OF MATCHING FUNDS**
- **THE TERM (3 years)**
- **THE PURPOSE OF THE FUNDING**
- **TARGETED NUMBERS FOR**
 1. **Companies created**
 2. **Jobs created**
 3. **Jobs retained**
 4. **Follow-on investment**

c. **Purpose/Proposed Services** – the Applicant must clearly indicate whether the organization is a non-profit entity. The Applicant must clearly describe how the proposed use of funds will foster the growth of Michigan's technology based economy and clearly identify the specific competitive edge technology sectors that the Applicant will serve.

- d. **Past Experience** – The Applicant should indicate past experience with entrepreneurial support services and programs, and specifically discuss how the ELIGIBILITY CRITERIA that the Applicant fulfilled and its success will play a role in this project.
- e. **Team** – Summarize key personnel, their time commitment to the project, their specific responsibilities, and their value. Identify collaborative partners, their responsibilities and value.
- f. **Milestones/Deliverables** - Identify semi-annual milestones/deliverables that the Applicant will commit to as a result of providing the proposed services. If Applicant is awarded funding, Progress Reports are due April 15 and October 15 every year throughout the award, therefore provide milestones/deliverables that will be completed in April and October over the course of the proposal. Include a “targeted metrics” milestone for each reporting period. For this milestone, the applicant should indicate a targeted number for each of the following metrics (or metrics relevant to this early stage program): companies created, jobs created, and follow on funding. Identify how milestone completion will result in specific Economic Impact identified in (h).
- g. **Budget Request** - Attach a schedule of all expenses covering each of the services and activities identified in your proposal. Specifically identify THE AMOUNT OF FUNDS REQUESTED, the TERM REQUESTED, PUBLIC AND/OR PRIVATE LEVERAGED FUNDS (identify the 1:1 match), and what the Applicant proposes to do with FUNDS APPLIED THROUGH THIS RFP and the TIMING OF THE FUNDS. Progress Reports are due in April and October so proposals should include 6-month budgets of relevant line items that align with these dates. Include the budget in a table format with column headings. Preference is that this funding should not overlap other MSF Board approved funding, and this grant starts at the end of existing grant.
- h. **Economic Impact** - Identify the targeted number of companies created, jobs created, and follow on funding or increases in investment/revenue resulting from the services. Include justification and assumptions related to these expectations. You will be held responsible for delivering these specific numbers in your semi-annual Progress Reports and targeted numbers must be achieved to receive disbursements of grant funding. Explain how you define success and will deliver a successful program. Identify how you will make an economic development impact and be sustainable.

4. **Disbursement of Grant Funds**– will be scheduled throughout the term of the grant based upon completion of milestones including completion of targeted metrics and spending according to the proposed budget.

B) PROPOSAL SUBMITTAL

Submit separately marked electronic versions of your Proposal to the MSF via email to contractsandgrants@michigan.org not later than **3:00 p.m. on October 28, 2016**. The MSF has no obligation to consider any proposal that is not timely received. **Proposals will not be accepted via U.S. Mail or any other delivery method.**

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

SECTION III RFP PROCESS AND TERMS AND CONDITIONS

A) QUESTIONS

Questions from Applicants concerning the specifications in this RFP must be received via e-mail no later than **3:00 pm on October 4, 2016**. Questions must be submitted to:

Contracts & Procurement Services
contractsandgrants@michigan.org

B) PROPOSALS

To be considered, Applicants must submit a complete response to this RFP, using the format provided in Section II of this RFP, by **3:00 p.m. on October 28, 2016**. No other distribution of proposals is to be made by the Applicant. Applicant is responsible for ensuring that the proposal is submitted to the proper email address.

C) ECONOMY OF PREPARATION

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

D) SELECTION CRITERIA

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

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

1) Step I – Initial evaluation for compliance

a) *Proposal Content* – Contracts & Procurement Services will screen the proposals for technical compliance to include but not be limited to:

- Timely submission of the proposal.
- Eligibility
- Executive Summary
- Purpose/Proposed Services
- Past Experience
- Team, Partners
- Milestones/Deliverables
- Budget

- Economic Impact
- Proposal signed physically or electronically by an official of the Applicant authorized to bind the Applicant to its provisions.
- Proposals satisfy the form and content requirements of this RFP.

2) Step II – Criteria for Satisfactory Technical Proposals

- a.) During the second step of the selection process, proposals will be considered by a Joint Evaluation Committee (the “JEC”) comprised of individuals selected by the MSF. Only those proposals that satisfy the requirements described in this RFP, as determined in the sole discretion of the JEC, will be considered for evaluation in Step II. The JEC reserves the right to request additional information from any Applicant.
- b.) *Purpose, Economic Impact and Competence of Personnel* – The proposal should indicate the ability of the Applicant to meet the eligibility requirements of this RFP and achieve the economic impact. The proposal should indicate the competence of the personnel whom the Applicant intends to assign to the project, including education and experience.

		Weight
1.	ELIGIBILITY	Y/N
2.	Executive Summary	5
3.	Purpose	20
4.	Past Experience	15
5.	Team	20
6.	Milestones/Deliverables	10
7.	Budget	10
8.	Economic Impact	20
	TOTAL	100

- c.) During the JEC’s review, Applicants may be required to make oral presentations of their proposals to the JEC. These presentations provide an opportunity for the Applicants to clarify the proposals. The MEDC will schedule these presentations, if required by the JEC. Only those Applicants that score 70 points or higher on the written review will be invited for an oral presentation if the JEC determines that an oral presentation is necessary.
- d.) Only those proposals receiving a score of **80 points or more** in the proposal evaluation will have their proposal evaluated to be considered for award.

E) TAXES

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

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

F) CONFLICT OF INTEREST

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

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

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

G) BREACH OF CONTRACT

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

H) DISCLOSURE OF LITIGATION

Except as otherwise disclosed in an exhibit to Applicant's proposal, there is no criminal litigation, investigations or proceedings involving the Applicant (and each subcontractor, if subcontractors will be used to provide the goods/services requested under this RFP) or any of the Applicant's officers or directors or any litigation or proceedings under the Sarbanes-Oxley Act. In addition, Applicants must disclose in the exhibit requested under this Section of the RFP any civil litigation, arbitration or proceeding to which the Applicant (or, to the extent Applicant is aware, any subcontractor) is a party and which involves: (1) disputes that might reasonably be expected to adversely affect the viability or financial stability of the Applicant (or subcontractor); or (2) a claim or written allegation of fraud or breach of contract against Applicant (or, to the extent Applicant is aware, subcontractor), by a governmental or public entity arising out of their

business dealings with governmental or public entities. Details of any settlements which Applicant is prevented from disclosing under the terms of the settlement may be annotated as such. Applicants must also disclose any investigations by the Internal Revenue Service or any other federal or state taxing body or court.

I) FALSE INFORMATION

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

J) ADDITIONAL DISCLOSURE

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

K) CLARIFICATION/CHANGES IN THE RFP

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

Neither the MSF nor the MEDC will directly notify Applicants of any changes to the RFP.

L) ELECTRONIC RECEIPT OF PROPOSAL

AN ELECTRONIC VERSION OF YOUR PROPOSAL MUST BE RECEIVED AND TIME-STAMPED BY THE MSF TO contractsandgrants@michigan.org, ON OR BEFORE **3:00 p.m. on October 28, 2016**. Applicants are responsible for timely submission of their proposal. THE MSF HAS NO OBLIGATION TO CONSIDER ANY PROPOSAL THAT IS NOT RECEIVED BY THE APPOINTED TIME.

M) RESERVATION OF MSF DISCRETION

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

- 1) reject any and all proposals;
- 2) waive any errors or irregularities in the bidding process or in any proposal;
- 3) rebid the project;
- 4) negotiate with any Applicant for a reduced price, or for an increased price to include any alternates that the Applicant may propose;
- 5) reduce the scope of the project, and rebid or negotiate with any Applicant regarding the

- revised project; or
6) defer or abandon the project.

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

N) JURISDICTION

Any legal action arising from or concerning this RFP shall be brought in the Michigan Court of Claims or, as appropriate, the Ingham County Circuit Court in Ingham County, Michigan. Nothing in this RFP shall be construed to limit the rights and remedies of the MSF that are otherwise available.

O) ADDITIONAL CERTIFICATION

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

Applicants must include the following certification in the technical proposal:

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

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

**MICHIGAN STRATEGIC FUND
RESOLUTION**

2016-

**APPROVAL OF THE JOINT EVALUATION COMMITTEE AND SCORING AND EVALUATION
CRITERIA FOR THE ANGEL CAPITAL DEVELOPMENT FUND
REQUEST FOR PROPOSALS**

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”);

WHEREAS, MCL 125.2088k provides that the MSF Board shall award grants and loans for basic research, applied research, university technology transfer, and commercialization of products, processes and services to encourage the development of competitive edge technologies to create jobs within the State of Michigan;

WHEREAS, on September 27, 2016, the MSF issued a Request for Proposals (“RFP”) to award grants to one or more Michigan non-profit organizations to develop and expand the network of angel investors in Michigan, thereby increasing funding and support for competitive edge technology companies and entrepreneurs in the State of Michigan (the “Angel Fund RFP”);

WHEREAS, the Act provides that proposals received in response to the Angel Fund RFP may be reviewed by a joint evaluation committee (“JEC”);

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

Paul Jaques, Director, MSU Spartan Innovations
Maria LaLonde, Senior Program Officer, NEI
Fred Molnar, VP Entrepreneurship and Innovation, MEDC
Nataliya Stasiw, Senior Capital Markets Associate, MEDC
Jason Pliml, Independent Consultant

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan
September 27, 2016

EXHIBIT B

Proposal Evaluation Form 2017 Angel Capital Development Fund RFP

Name of Applicant: _____

Name of Reviewer: _____

Criteria	Reviewer's Comments	Points
<p>Eligibility</p> <ul style="list-style-type: none"> • Only non-profit organizations are eligible to receive funding through this RFP; AND • An applicant must, at the time the award is made, be: (i) a non-profit corporation duly organized under the laws of Michigan; or (ii) a foreign non-profit corporation duly authorized to transact business in Michigan; AND • The principal site for the applicant's project must be a facility located in Michigan. Such a facility must be either: (i) owned or leased by the non-profit organization; or (ii) owned or leased by an organization collaborating on the project. If the principal site is owned or leased by a collaborating organization, the organization must meet the "principal site of the project" requirement for a non-profit corporation, as defined in this section. <p>MUST ALSO FULFILL the following criteria;</p> <ul style="list-style-type: none"> • Have a statewide reach and focus; AND • Have the administrative ability and desire to provide efficient, transparent operations and funding details on a systematic basis; AND • Provide, at a minimum, the performance metrics required by PA215 of 2005, and other metrics that may be specified by the MEDC and/or MSF; AND • Have a working knowledge of Michigan's entrepreneurial ecosystem, strong relationships with the ecosystem, and a platform for collaboration that demonstrates the ability to market and successfully execute the proposed program(s); AND • Have a solid sustainability plan to ensure long-term success after the grant ends 		Y/N
<p>Executive Summary:</p> <p>Overview</p> <ul style="list-style-type: none"> • NAME OF THE APPLICANT ORGANIZATION • AMOUNT OF FUNDS REQUESTED • AMOUNT OF MATCHING FUNDS • TERM (Years) • PURPOSE OF FUNDING • TARGETED NUMBERS FOR: <ul style="list-style-type: none"> ○ Companies Created ○ Jobs Created ○ Follow on Investment 		Max. Possible Points: 5 Score: _____
<p>Purpose/Proposed Services:</p> <p>Must propose deliverables that improve the performance of an existing angel fund/network and ameliorate the investment environment within the State. The services proposing to deliver included but not limited to:</p> <ul style="list-style-type: none"> - Increase the number of angel professionals in Michigan - Educate early stage investors and promote the value of angel investing - Accelerate the fundraising and deployment of capital into early-stage companies - Improve administrative processes and reduce administrative costs for angel groups - Increase capacity for sourcing investment opportunities and due diligence 		Max. Possible Points: 20 Score: _____

<p>Past Experience: Must indicate past experience with entrepreneurial support services and programs, and specifically discuss how the ELIGIBILITY CRITERIA that the Applicant fulfilled and its success will play a role in this project.</p>		<p>Max. Possible Points: 15 Score: _____</p>
<p>Team, Partners: Summarized key personnel, their time commitment to Program, their specific responsibilities, and their value. Identified collaborative partners, their responsibilities, and value.</p>		<p>Max. Possible Points: 20 Score: _____</p>
<p>Milestones/Deliverables:</p> <ul style="list-style-type: none"> • Identified meaningful milestones/deliverables • Achievable and leading to economic impact • Transparency in reporting 		<p>Max. Possible Points: 10 Score: _____</p>
<p>Budget:</p> <ul style="list-style-type: none"> • Identified meaningful budget for proposal • Included detail of administration 		<p>Max. Possible Points: 10 Score: _____</p>
<p>Economic Impact:</p> <ul style="list-style-type: none"> • Identified targeted metrics: <ul style="list-style-type: none"> ○ Companies Created ○ Jobs Created ○ Increase Investment/Revenue • Defined success and how will deliver a successful program • Identified economic development impact and sustainability 		<p>Max. Possible Points: 20 Score: _____</p>
<p>Total Score:</p>		<p>Max. Possible Points: 100 Score: _____</p>

MEMORANDUM

Date: September 27, 2016

To: Michigan Strategic Fund

From: Fred Molner, Vice President, Entrepreneurship and Innovation

Subject: *First Capital Fund – Request for Proposals*

Action

The MEDC requests that the MSF Board approve the release of the 2017 First Capital Fund Request for Proposals (attached as Exhibit A) in the amount of \$2,000,000 (using funds allocated for the Fiscal Year 2017 21st Century Jobs Fund to support Entrepreneurship and Innovation). The purpose of this RFP is to award a grant to a non-profit organization that operates fund program(s).

Background

Through the 21st Century Jobs Fund program, the Michigan Strategic Fund (“MSF”) provides funding for entrepreneurship and innovation projects. Pursuant to Section 88k(2) of the MSF Act, the MSF shall award grants and loans from the 21st Century Trust Jobs Fund for basic research, applied research, university technology transfer, and commercialization of products, processes, and services to encourage the development of competitive edge technologies to create jobs in this state. The proposed 2017 First Capital Fund Request for Proposals (“RFP”), included as Exhibit A to this memo, would solicit applications to continue funding early stage investment. Specifically, the key objectives of the First Capital Fund are to:

- Increase the amount of early stage capital being invested in Michigan technology-based companies in the earliest phases of commercialization;
- Create a capital climate that supports the development, retention, and attraction of venture-backed technology companies in Michigan;
- Build a pipeline of high-growth technology company deal flow for the subsequent stages of funding, attracting investments both within and outside of Michigan;

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

Issue RFP to the Public:	September 28, 2016
Questions due from potential Applicants:	October 4, 2016, by close of business
Answers posted to the MEDC web page:	October 7, 2016, at 3:00 p.m.
Applications Deadline:	October 28, 2016, at 3:00 p.m.

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

Fred Molnar, VP Entrepreneurship and Innovation, MEDC
Nataliya Stasiw, Senior Capital Markets Associate, MEDC

Steve Wilson, Director, Technology Innovation and Commercialization Services, University of Michigan
Tom Kelly, Executive Director, Automation Alley
Dale Grogan, Managing Partner, Charter Capital Partners

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

Recommendation

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

- 1) Allocation of \$2,000,000 million from the 2017 21st Century Jobs Fund for the program;
- 2) Approval of the RFP attached as Exhibit A to the resolution;
- 3) Appointment of the JEC listed above; and
- 4) Approval of the scoring and evaluation criteria attached as Exhibit B to the resolution appointing the JEC and approving the scoring criteria.

**MICHIGAN STRATEGIC FUND
RESOLUTION**

2016-

FIRST CAPITAL FUND REQUEST FOR PROPOSALS

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”);

WHEREAS, MCL 125.2088k provides that the MSF Board shall award grants and loans for basic research, applied research, university technology transfer, and commercialization of products, processes and services to encourage the development of competitive edge technologies to create jobs within the State of Michigan;

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

WHEREAS, the MSF has reviewed a RFP form, which includes provisions required by the Act and establishes a competitive proposal process for awarding grants to one or more Michigan non-profit organizations to invest in pre-seed and start-up stage competitive edge technologies that require capital in the earliest stages of the commercialization process (the “First Capital Fund RFP”). A copy of this RFP form is attached to this Resolution;

WHEREAS, the MSF desires to initiate the competitive proposal process to one or more Michigan non-profit organizations to invest in pre-seed and start-up stage competitive edge technologies that require capital in the earliest stages of the commercialization process and authorizes the issuance of the First Capital Fund RFP; and

WHEREAS, the MEDC recommends and the MSF Board wishes to allocate \$2,000,000 for the First Capital Fund RFP from the FY2017 allocation for Entrepreneurial Programs and Grants (the “First Capital Fund RFP Funding Allocation”)

NOW, THEREFORE, BE IT RESOLVED, that the MSF approves the attached First Capital Fund RFP and authorizes its issuance and approves the First Capital Fund RFP Funding Allocation; and

BE IT FURTHER RESOLVED, that the MSF authorizes the MSF Fund Manager to modify the First Capital Fund RFP as may be necessary or appropriate, so long as the modifications are not material or adverse to the interests of the MSF.

Ayes:

Nays:

Recused:

Lansing, Michigan
September 27, 2016

REQUEST FOR PROPOSALS

MICHIGAN STRATEGIC FUND

First Capital Fund

RFP-CASE-XXXXXX

DRAFT

REMINDER

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

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

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

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

IMPORTANT DUE DATES

- **October 4, 2016, at 3:00 p.m.:** Questions from potential Applicants are due via email to contractsandgrants@michigan.org. Please note: The MSF will not respond to questions that are not received by the above date and time. In addition, questions that are phoned, faxed or sent through regular mail will not be accepted.
- **October 7, 2016, by close of business:** Responses to all qualifying questions will be posted on the MSF's website, **INSERT URL**.
- **October 28, 2016, at 3:00 p.m.:** Electronic version of your Proposal due and sent to the MSF via email to contractsandgrants@michigan.org. **Proposals will not be accepted via U.S. Mail or any other delivery method.**

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REQUEST FOR PROPOSAL
First Capital Fund
RFP-CASE-XXXXXX

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

Contracts and Procurement Services
Michigan Strategic Fund
300 North Washington Square
Lansing, Michigan 48913
contractsandgrants@michigan.org

SECTION I STATEMENT OF WORK

A) PURPOSE

Public Act 215 of 2005, Section 88k(2) allows the Michigan Strategic Fund (“MSF”) Board to award grants and loans from the 21st Century Jobs Fund for “basic research, applied research, university technology transfer and commercialization of products, processes and services to encourage the development of competitive-edge technologies to create jobs in the state.”

Through this 2016 First Capital Fund Request for Proposals (the “RFP”), the MSF Board desires to allocate **up to \$2,000,000** (“Award Amount”), disbursed over 1 year minimum to a non-profit organization that operates fund programs to invest in pre-seed and start-up stage competitive edge technologies that require capital in the earliest stages of the commercialization process (the “Fund”).

B) BACKGROUND STATEMENT AND OBJECTIVES

Through the 21st Century Jobs Fund, the MSF has provided funding to non-profit organizations and universities to foster the growth of innovative companies with the potential for high growth in Michigan by investing in the most promising, nationally competitive, commercialization opportunities. The program objective is to oversee a competitive process to award funds to encourage economic diversification in competitive edge technology sectors and create jobs in Michigan.

Specifically, the key objectives of the First Capital Fund are to:

- Increase the amount of early stage capital being invested in Michigan technology-based companies in the earliest phases of commercialization;
- Create a capital climate that supports the development, retention, and attraction of venture-backed technology companies in Michigan;
- Build a pipeline of high-growth technology company deal flow for the subsequent stages of funding, attracting investments both within and outside of Michigan.

Funding of \$2,000,000 for one (1) year term (in the form of a grant) will be awarded to a non-profit organization through a competitive process in which all submitted proposal will be reviewed by a Joint Evaluation Committee (“JEC”). Results from the JEC review will be provided, in the form of numerical scores and award recommendation(s), to the MSF Board.

C) ELIGIBILITY

- Only non-profit organizations are eligible to receive funding through this RFP; **AND**
- An applicant must, at the time the award is made, be: (i) a non-profit corporation duly organized under the laws of Michigan; or (ii) a foreign non-profit corporation duly authorized to transact business in Michigan; **AND**

- The principal site for the applicant’s project must be a facility located in Michigan. Such a facility must be either: (i) owned or leased by the non-profit organization; or (ii) owned or leased by an organization collaborating on the project. If the principal site is owned or leased by a collaborating organization, the organization must meet the “principal site of the project” requirement for a non-profit corporation, as defined in this section.

D) QUALIFICATIONS and AWARD INFORMATION

If ELIGIBLE, the Applicant MUST ALSO FULFILL the following criteria;

- Demonstrate successful prior fund management; **AND**
- Have an articulated strategy for identification of opportunities for investment; **AND**
- Have a statewide reach and focus; **AND**
- Invest in Michigan-based companies or in companies that will relocate to Michigan as a condition of the investment; **AND**
- Have the capacity to originate, process, and monitor loans, equity investments, and/or other funding instruments to companies; **AND**
- Demonstrate a proven ability of providing business acceleration services to early stage competitive edge technology companies; **AND**
- Have an articulated strategy and/or experience for providing portfolio management to companies or projects that receive funding; **AND**
- Have the administrative ability and desire to provide efficient, transparent operations and funding detail on a systematic basis; **AND**
- Require recipients to provide, at a minimum, the performance metrics required by PA 215 of 2005, and other metrics that may be specified by the MEDC or MSF.

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

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

for match. Letters of financial commitment and proposal support are not required in the proposal though may be requested during the award process.

The preference is given to organizations that exhibit a successful track record of fund raising to support operations from sources in addition to the MEDC, and demonstrate a plan to do so going forward. Bonus points may be awarded to organizations who obtain matching funds from other sources that directly coincides with an MEDC grant award, to assist in supporting programs, services, and grantee operations.

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

The successful applicant approved for funding by the MSF Board is subject to the final execution of a legal grant agreement and successful completion of a due diligence review which may include, among other things, a criminal and civil background check of the Applicant and certain key personnel. Insufficient or inappropriate proposals will not be funded.

Award Reporting Requirements - Progress Reports are due every six (6) months, due in October and April throughout the term of the grant agreement. For Progress Reports, grantees must report on Milestones, Budget, and Metrics. The grantee is responsible for timely submission of reports that must be submitted electronically through the MEDC Portal. Delayed, incomplete, or incorrect reporting filed may result in a loss of funding. Annual site visits are conducted by the MEDC Grant Manager.

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

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

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

E) DELIVERABLES

The intent of the proposals should be for the applicant organization to invest in high growth technology-based companies that are primarily in the earliest phases of commercialization (seeking \$150,000 or less to prove out technology and market concepts). As is characteristic of businesses in the earliest phases of commercialization, companies will, in almost all cases, not be sufficiently mature to attract venture capital funds or other forms of commercial financing.

- Applicant must demonstrate a plan of action to support companies with activities including, but not limited to, prototype development and testing, customer and partnership sourcing, continued pre-clinical data compilation, meeting staffing requirements, and securing follow-on financing.
- All Proposals must provide evidence of collaborations/formal relationships with Michigan SmartZones, Universities, Venture Capital Firms, Angel Groups, and other organizations, either with or without state support, in connection with the commercialization of technology-based opportunities. Such relationships should involve deal sharing, an exchange of services, and / or established processes for the commitment of resources to joint opportunities.

For proposed investment or loan fund programs, all returns must be reinvested by the Fund(s) for the same purposes as outlined in this Request for Proposals. If the Fund(s) are unable or unwilling to continue this investment activity, the principal shall be returned to the Jobs for Michigan Investment Fund (the “Permanent Fund”) and all loans and future returns will be assigned to the MEDC.

The Fund(s) shall pay a return to the Jobs for Michigan Investment Fund (the “Permanent Fund”) from any royalties, license fees, interest, dividends, distributions above basis, capital gains, or other return on investment actually received net of any applicable taxes, including but not limited to unrelated business income taxes (collectively, “ROI”) until such time as an amount equal to the entire award given to the Fund has been paid to the Permanent Fund.

Once the Award Amount has been repaid in its entirety, the Fund(s) shall pay further returns to the Permanent Fund in perpetuity.

SECTION II PROPOSAL FORMAT

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

A) COMPLETE PROPOSAL

1. Contact Page – State the Organizations full name, address, and phone and facsimile number. Also included should be contact information, including phone number, email, cell number and fax numbers. Please also include signature of the authorized signor of the applicant organization.
2. Checklist Page – Include a checklist of the required sections of the proposal, as listed in this Section II-A) 3a-h and an indication that the section is included in the proposal. As noted in Section III R below, also include the following: “Applicant certifies that it is not an Iran-linked business as defined in MCL 129.312.” Applicant should provide Conflict of Interest information if applicable, see Section III F.

3. **Proposal** – (up to 10 pages) – provide a proposal and include the required elements a-h, as described here. **In the Proposal clearly identify the following sections as headers.**

- a. **Eligibility** – the Applicant must clearly identify how they are eligible to apply and fulfill all criteria identified in Sections I.C. & I.D. above.
- b. **Executive Summary** – the Executive Summary should summarize the information provided in response to paragraphs (a) above and (c) through (h) below. And specifically indicate:

- **NAME OF THE APPLICANT ORGANIZATION**
- **ELIGIBILITY CRITERIA** (See Sections I. C. & I.D. above)
- **AMOUNT OF FUNDS REQUESTED**
- **AMOUNT OF MATCHING FUNDS**
- **TERM**
- **PURPOSE OF THE FUNDS**
- **TARGETED NUMBERS FOR**
 - **Number of investments**
 - **Companies Created**
 - **Jobs Created**
 - **Jobs Retained**
 - **Follow on Investments**

c. **Purpose/Proposed Services** – the Applicant must clearly indicate whether the organization is a non-profit entity. The Applicant must clearly describe how the proposed use of funds will foster the growth of Michigan’s technology based economy and clearly identify the specific competitive edge technology sectors that the Applicant will serve.

d. **Past Experience** – the Applicant should indicate past experience in early stage investing and/or investment/loan portfolio management, including successes, metrics and the source of past funding for these services, for example were they supported by state programs, federal programs, other sources, etc. Also indicate if Applicant is currently receiving funds from state programs and how if the Applicant receives an award from this RFP, all state funds will be used in the most effective manner. Clearly indicate the Applicant’s past experience and expertise in all areas of the Program, specifically examples of past experience in identifying opportunities, marketing programs, branding programs, collaborating with partners, identifying and managing investment review boards, completing due diligence and legal paperwork, providing and managing funds, providing follow-up to applicants not receiving funding, providing portfolio management to applicants receiving funding, restructuring of deals, reporting.

e. **Team, Partners** – Summarize key personnel, their time commitment to the project, their specific responsibilities, and their value. Identify collaborative partners, their responsibilities and value.

f. **Milestones/Deliverables** - Identify semi-annual milestones/deliverables that the Applicant will commit to as a result of providing the proposed services. If Applicant is awarded funding, Progress Reports are due April 15 and October 15 every year throughout the award, therefore provide milestones/deliverables that will be completed in April and October over the course of the proposal. Include a “targeted metrics” milestone for each reporting period. For

this milestone, the applicant should indicate a targeted number for each of the following metrics (or metrics relevant to this early stage program): companies created, jobs created, and follow on funding. Identify how milestone completion will result in specific Economic Impact identified in (h).

g. Budget Request - Attach a schedule of all expenses covering each of the services and activities identified in your proposal. Specifically identify THE AMOUNT OF FUNDS REQUESTED, the TERM REQUESTED, PUBLIC AND/OR PRIVATE LEVERAGED FUNDS (identify the 1:1 match), and what the Applicant proposes to do with FUNDS APPLIED THROUGH THIS RFP and the TIMING OF THE FUNDS. Progress Reports are due in April and October so proposals should include 6-month budgets of relevant line items that align with these dates. Include the budget in a table format with column headings. Preference is that this funding should not overlap other MSF Board approved funding, and this grant starts at the end of existing grant.

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

4. **Disbursement of Grant Funds**— will be scheduled throughout the term of the grant based upon completion of milestones including (completion of targeted metrics) and spending according to the proposed budget.

B) PROPOSAL SUBMITTAL

Submit separately marked electronic versions of your Proposal to the MSF via email to contractsandgrants@michigan.org not later than **3:00 p.m. on October 28, 2016**. The MSF has no obligation to consider any proposal that is not timely received. **Proposals will not be accepted via U.S. Mail or any other delivery method.**

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

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

A) QUESTIONS

Questions from Applicants concerning the specifications in this RFP must be received via e-mail no later than **3:00 pm on October 4, 2016**. Questions must be submitted to:

Contracts & Procurement Services
contractsandgrants@michigan.org

B) PROPOSALS

To be considered, Applicants must submit a complete response to this RFP, using the format provided in Section II of this RFP, by **3:00 p.m. on October 28, 2016**. No other distribution of proposals is to be made by the Applicant. Applicant is responsible for ensuring that the proposal is submitted to the proper email address.

C) ECONOMY OF PREPARATION

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

D) SELECTION CRITERIA

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

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

1) Step I – Initial evaluation for compliance

a) *Proposal Content* – Contracts & Procurement Services will screen the proposals for technical compliance to include but not be limited to:

- Timely submission of the proposal.
- Eligibility
- Executive Summary
- Purpose
- Past Experience
- Team, Partners
- Milestones/Deliverables
- Budget
- Economic Impact
- Proposal signed physically or electronically by an official of the Applicant authorized to bind the Applicant to its provisions.

- Proposals satisfy the form and content requirements of this RFP.

2) Step II – Criteria for Satisfactory Technical Proposals

- a.) During the second step of the selection process, proposals will be considered by a Joint Evaluation Committee (the “JEC”) comprised of individuals selected by the MSF. Only those proposals that satisfy the requirements described in this RFP, as determined in the sole discretion of the JEC, will be considered for evaluation in Step II. The JEC reserves the right to request additional information from any Applicant.
- b.) *Purpose, Economic Impact and Competence of Personnel* – The proposal should indicate the ability of the Applicant to meet the eligibility requirements of this RFP and achieve the economic impact. The proposal should indicate the competence of the personnel whom the Applicant intends to assign to the project, including education and experience.

		Weight
1.	Eligibility	Yes or No
2.	Executive Summary	5
3.	Purpose/Proposed Services	20
4.	Past Experience	15
5.	Team, Partners	20
6.	Milestones/Deliverables	10
7.	Budget	10
8.	Economic Impact	20
TOTAL		100

- c.) During the JEC’s review, Applicants may be required to make oral presentations of their proposals to the JEC. These presentations provide an opportunity for the Applicants to clarify the proposals. The MEDC will schedule these presentations, if required by the JEC. Only those Applicants that score 70 points or higher on the written review will be invited for an oral presentation if the JEC determines that an oral presentation is necessary.
- d.) Only those proposals receiving a score of **80 points or more** in the proposal evaluation will have their proposal evaluated to be considered for award.

E) TAXES

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

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

F) CONFLICT OF INTEREST

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

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

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

G) BREACH OF CONTRACT

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

H) DISCLOSURE OF LITIGATION

Except as otherwise disclosed in an exhibit to Applicant's proposal, there is no criminal litigation, investigations or proceedings involving the Applicant (and each subcontractor, if subcontractors will be used to provide the goods/services requested under this RFP) or any of the Applicant's officers or directors or any litigation or proceedings under the Sarbanes-Oxley Act. In addition, Applicants must disclose in the exhibit requested under this Section of the RFP any civil litigation, arbitration or proceeding to which the Applicant (or, to the extent Applicant is aware, any subcontractor) is a party and which involves: (1) disputes that might reasonably be expected to adversely affect the viability or financial stability of the Applicant (or subcontractor); or (2) a claim or written allegation of fraud or breach of contract against Applicant (or, to the extent Applicant is aware, subcontractor), by a governmental or public entity arising out of their

business dealings with governmental or public entities. Details of any settlements which Applicant is prevented from disclosing under the terms of the settlement may be annotated as such. Applicants must also disclose any investigations by the Internal Revenue Service or any other federal or state taxing body or court.

I) FALSE INFORMATION

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

J) ADDITIONAL DISCLOSURE

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

K) CLARIFICATION/CHANGES IN THE RFP

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

Neither the MSF nor the MEDC will directly notify Applicants of any changes to the RFP.

L) ELECTRONIC RECEIPT OF PROPOSAL

AN ELECTRONIC VERSION OF YOUR PROPOSAL MUST BE RECEIVED AND TIME-STAMPED BY THE MSF TO contractsandgrants@michigan.org, ON OR BEFORE **3:00 p.m. on October 28, 2016**. Applicants are responsible for timely submission of their proposal. THE MSF HAS NO OBLIGATION TO CONSIDER ANY PROPOSAL THAT IS NOT RECEIVED BY THE APPOINTED TIME.

M) RESERVATION OF MSF DISCRETION

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

- 1) reject any and all proposals;
- 2) waive any errors or irregularities in the bidding process or in any proposal;
- 3) rebid the project;
- 4) negotiate with any Applicant for a reduced price, or for an increased price to include any alternates that the Applicant may propose;

- 5) reduce the scope of the project, and rebid or negotiate with any Applicant regarding the revised project; or
- 6) defer or abandon the project.

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

N) JURISDICTION

Any legal action arising from or concerning this RFP shall be brought in the Michigan Court of Claims or, as appropriate, the Ingham County Circuit Court in Ingham County, Michigan. Nothing in this RFP shall be construed to limit the rights and remedies of the MSF that are otherwise available.

O) ADDITIONAL CERTIFICATION

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

Applicants must include the following certification in the technical proposal:

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

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

**MICHIGAN STRATEGIC FUND
RESOLUTION**

2016-

**APPROVAL OF THE JOINT EVALUATION COMMITTEE AND SCORING AND EVALUATION
CRITERIA FOR THE FIRST CAPITAL FUND
REQUEST FOR PROPOSALS**

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”);

WHEREAS, MCL 125.2088k provides that the MSF Board shall award grants and loans for basic research, applied research, university technology transfer, and commercialization of products, processes and services to encourage the development of competitive edge technologies to create jobs within the State of Michigan;

WHEREAS, on September 27, 2016, the MSF issued a Request for Proposals (“RFP”) for awarding grants to one or more Michigan non-profit organizations to invest in pre-seed and start-up stage competitive edge technologies that require capital in the earliest stages of the commercialization process (the “First Capital Fund RFP”);

WHEREAS, the Act provides that proposals received in response to the First Capital Fund RFP may be reviewed by a joint evaluation committee (“JEC”);

WHEREAS, the MEDC recommends and the MSF desires to appoint the following individuals to the JEC for the First Capital Fund RFP:

Fred Molnar, VP Entrepreneurship and Innovation, MEDC
Nataliya Stasiw, Senior Capital Markets Associate, MEDC
Steve Wilson, Director, Technology Innovation and Commercialization Services, U of M
Tom Kelly, Executive Director, Automation Alley
Dale Grogan, Managing Partner, Charter Capital Partners

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

NOW, THEREFORE, BE IT RESOLVED, the MSF Board approves the JEC set forth above and approves the First Capital Fund RFP Scoring Criteria attached as Exhibit B to this resolution.

Ayes:

Nays:

Recused:

Lansing, Michigan
September 27, 2016

EXHIBIT B

Proposal Evaluation Form 2017 First Capital Fund RFP

Name of Applicant: _____

Name of Reviewer: _____

Criteria	Reviewer's Comments	Points
<p>Eligibility</p> <ul style="list-style-type: none"> • Only non-profit organizations are eligible to receive funding through this RFP; AND • An applicant must, at the time the award is made, be: (i) a non-profit corporation duly organized under the laws of Michigan; or (ii) a foreign non-profit corporation duly authorized to transact business in Michigan; AND • The principal site for the applicant's project must be a facility located in Michigan. Such a facility must be either: (i) owned or leased by the non-profit organization; or (ii) owned or leased by an organization collaborating on the project. If the principal site is owned or leased by a collaborating organization, the organization must meet the "principal site of the project" requirement for a non-profit corporation, as defined in this section. 		Y/N
<p>Executive Summary:</p> <p>Overview</p> <ul style="list-style-type: none"> • NAME OF THE APPLICANT ORGANIZATION • AMOUNT OF FUNDS REQUESTED • AMOUNT OF MATCHING FUNDS • TERM (Years) • PURPOSE OF FUNDING • TARGETED NUMBERS FOR: <ul style="list-style-type: none"> ○ Number of investments ○ Companies Created ○ Jobs Created ○ Jobs Retained ○ Follow on Investment 		Max. Possible Points: 5 Score: _____
<p>Purpose/Proposed Services:</p> <p>The services proposing to deliver included but not limited to: identifying opportunities, marketing program, branding program, collaborating with partners, identifying and managing investment review board, completing due diligence and legal paperwork, providing and managing funds, providing follow-up to applicants not receiving funding, providing portfolio management to applicants receiving funding, restructuring of deals, handling conflict of interest, reporting.</p>		Max. Possible Points: 20 Score: _____
<p>Past Experience:</p> <ul style="list-style-type: none"> • Indicated past experience in technology commercialization, in pre-seed investing and/or investment/loan portfolio management, including successes, metrics and the source of past funding for these services, for example were they supported by state programs, federal programs, other sources, paid for by clients, etc. • Indicated the Applicant's past experience and expertise in all areas of the Program specifically examples of past experience in identifying opportunities, marketing program, branding program, collaborating with partners, identifying and managing investment review board, completing due diligence and legal paperwork, providing and managing funds, providing follow-up to applicants not receiving unding, providing portfolio management to applicants receiving funding, restructuring of deals, reporting. 		Max. Possible Points: 15 Score: _____

<p>Team, Partners: Summarized key personnel, their time commitment to Program, their specific responsibilities, and their value. Identified collaborative partners, their responsibilities, and value.</p>		<p>Max. Possible Points: 20 Score: _____</p>
<p>Milestones/Deliverables:</p> <ul style="list-style-type: none"> • Identified meaningful milestones/deliverables • Achievable and leading to economic impact • Transparency in reporting 		<p>Max. Possible Points: 10 Score: _____</p>
<p>Budget:</p> <ul style="list-style-type: none"> • Identified meaningful budget for proposal • Included detail of administration • Provided detail of repayment terms to the Permanent Fund 		<p>Max. Possible Points: 10 Score: _____</p>
<p>Economic Impact:</p> <ul style="list-style-type: none"> • Identified targeted metrics: <ul style="list-style-type: none"> ○ Companies Created ○ Jobs Created ○ Jobs Retained ○ Increase Investment/Revenue • Defined success and how will deliver a successful program • Identified economic development impact and sustainability 		<p>Max. Possible Points: 20 Score: _____</p>
<p>Total Score:</p>		<p>Max. Possible Points: 100 Score: _____</p>

MEMORANDUM

Date: September 27, 2016

To: Michigan Strategic Fund

From: Fred Molnar, Vice President, Entrepreneurship and Innovation

Subject: Entrepreneurial Support Services Amendments

Action

MEDC Staff recommends the MSF Board approve the grant amendments totaling \$734,581 to the following non-profit organizations to provide entrepreneurial support services to early-stage technology companies and institutions in commercializing competitive-edge technologies:

- Invest Detroit (Hacker Fellowship, Amendment One to PO 085P4300730)
- Michigan Venture Capital Association (MVCA) (Venture Upstart III - Amendment One to PO 085P4300742)
- University of Michigan College of Engineering Center for Entrepreneurship (Train-the-Trainer, Amendment One to PO 085P4300716)

Background

On June 24, 2014, the MSF Board selected the following three (3) service providers and programs for awards through a competitive RFP process:

1. Invest Detroit for an Entrepreneurial Support Services grant the Hacker Fellowship in the amount of \$605,300 for two years through September 30, 2016. The program supports MEDC Talent programs by growing the availability and quality of entrepreneurial talent in Michigan in the competitive-edge technology sectors. This one-year fellowship program creates a soft-landing for recent computer science college graduates to work as developers for high-growth startups in Michigan. Fellows receive technical training, career development, connections, and a \$15,000 compensation boost.

Hacker Fellows exists to address two key challenges in the start-up ecosystem – 1) Attract and retain top tech talent graduating from college to Michigan, 2) Encourage recent graduates to work at start-ups rather than established organizations. Since the beginning of the program in 2014, 13 out of 15 2015 Hacker Fellows are all still employed by their original sponsors/start-up companies. Fifteen additional fellows are currently enrolled in the program.

MEDC staff recommends extending the grant for one year (through September 2017) and increasing the funding by \$300,000.

2. MVCA was awarded a 2014 Entrepreneurial Specialized Support Services Venture Upstart III grant in the amount of \$987,850 for a term of October 1, 2014 through September 30, 2017. Three out of four initiatives under this Grant - Executive Connect Program, Educational & Outreach Initiative, and Administrative component - are scheduled to conclude on September 30, 2016. All provide valuable services in support of Venture Capital activities in Michigan:

MVCA ExeConnect Program provides early stage startup companies with access to corporate executives with relevant market and/or industry expertise and/or strong domain knowledge in key areas (such as accounting and finance, sales and marketing, and human resources). Startups are matched with experienced leaders who can serve as board members, mentors, and advisors as they plan and execute their sales, productivity and financial growth strategies.

MVCA Education & Outreach Program enables MVCA to conduct research, educate, advocate, build networks and communicate to investors, entrepreneurs, the media, and the general public on entrepreneurial and investment opportunities, challenges, and successes in Michigan. MVCA Annual Research Report is one of the examples.

Administrative funding covers the administration and promotion of the programs in the Venture Upstart III contract.

Since the beginning of the program in 2014, MVCA has delivered on the following metrics (as of their last Progress Report, dated April 15, 2016):

- Number of Jobs Created 43
- Number of Companies Expanded: 250
- Number of Companies Served: 314
- Capital Received by companies served by MVCA: 191,181,308
- People/Companies Attending Events: 3,216

MEDC staff recommends extending the term of Executive Connect, Education and Outreach, and Administrative initiatives through September 30, 2017; and adding funding in the amount of \$235,140.

3. The University of Michigan College of Engineering Center for Entrepreneurship, for an Entrepreneurial Support Services Technology Commercialization Train-the-Trainer Grant in the amount of \$582,376 for two years ending September 30, 2016.

The Technology Commercialization Train-the-Trainer program is a statewide program working with all institutions of higher learning to assist in creating a baseline of commercialization knowledge among researchers and inventors. The focus on commercialization and customer acquisition enables the research done at the university level better serve industry and the commercial market. The activities achieved in this grant: 1) increased the quality of newly formed projects and allowed for pivoting ideas quickly saving resources for more promising projects; 2) trained a large cohort of entrepreneurs, researchers and inventors enhancing the knowledge base across the state; 3) expanded the level of mentoring and teaching of commercialized strategies across the state; and 4) provided an interface between companies that were looking for innovative ideas and the participants seeking to commercialize their ideas. To date, the program has achieved the following metrics: 18 total programs run, 174 teams trained, 474 people trained, 94 trainers trained and \$560,902 in matching funds.

MEDC staff recommends extending the grant term for one year through September 2017 and adding funding in the amount of \$199,441.

Recommendation

MEDC Staff recommends the MSF Board approve the following grant amendments for extension and refunding and that the MSF Board delegate authority to the MSF Fund Manager, with the assistance of MEDC staff, to negotiate and execute the final terms and conditions for the grant agreement.

\$199,441	- University of Michigan College of Engineering Center for Entrepreneurship- Train the Trainer
\$300,000	- Invest Detroit Hacker Fellowship
\$235,140	- MVCA Venture Upstart III
<hr/>	
\$734,581	- Total

Organization	Program	Refunding Amount	Funding through
Invest Detroit	Hacker Fellowship	\$300,000	Through September 2017
MVCA	Venture Upstart III	\$235,140	Through September 2017
University of Michigan Center for Entrepreneurship	Train the Trainer	\$199,441	Through September 2017

**MICHIGAN STRATEGIC FUND
RESOLUTION
2016-**

INVEST DETROIT GRANT AMENDMENT #1

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 MSF;

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

WHEREAS, at its April 22, 2014 meeting, the MSF issued a request for proposals to award grants to Michigan nonprofit corporations to provide specialized support services to assist Michigan companies and institutions in commercializing competitive edge technologies (the “Entrepreneurial Support Services RFP”);

WHEREAS, on June 24, 2014, the MSF Board awarded a \$605,300 grant to Invest Detroit for an initial term of October 1, 2014 to September 30, 2016, with the option to extend the term of the grant for up to an additional three years and to add additional funding at the sole discretion of the MSF (the “Invest Detroit Grant”);

WHEREAS, the MEDC recommends that the MSF exercise its first option to extend for an additional one year term ending September 30, 2017 and allocate \$300,000 in additional funding for the Invest Detroit Grant (“Grant Amendment #1”); and

WHEREAS, the MSF wishes to approve Grant Amendment #1.

NOW, THEREFORE, BE IT RESOLVED, the MSF Board approves Grant Amendment #1; and

BE IT FURTHER RESOLVED, that MSF Fund Manager is authorized to negotiate final terms and conditions of Grant Amendment #1 and to execute all documents necessary to effectuate Grant Amendment #1.

Ayes:

Nays:

Recused:

Lansing, Michigan
September 27, 2016

**MICHIGAN STRATEGIC FUND
RESOLUTION
2016-**

MICHIGAN VENTURE CAPITAL ASSOCIATION GRANT AMENDMENT #1

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 MSF;

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

WHEREAS, at its April 22, 2014 meeting, the MSF issued a request for proposals to award grants to Michigan nonprofit corporations to provide specialized support services to assist Michigan companies and institutions in commercializing competitive edge technologies (the “Entrepreneurial Support Services RFP”);

WHEREAS, on June 24, 2014, the MSF Board awarded a \$987,850 grant to the Michigan Venture Capital Association (“MVCA”) for an initial term of October 1, 2014 to September 30, 2017, with the option to extend the term of the grant for up to an additional three years and to add additional funding at the sole discretion of the MSF (the “MVCA Grant”);

WHEREAS, the MEDC recommends that the MSF allocate \$235,140 in additional funding for the MVCA Grant (“Grant Amendment #1”); and

WHEREAS, the MSF wishes to approve Grant Amendment #1.

NOW, THEREFORE, BE IT RESOLVED, the MSF Board approves Grant Amendment #1; and

BE IT FURTHER RESOLVED, that MSF Fund Manager is authorized to negotiate final terms and conditions of Grant Amendment #1 and to execute all documents necessary to effectuate Grant Amendment #1.

Ayes:

Nays:

Recused:

Lansing, Michigan
September 27, 2016

**MICHIGAN STRATEGIC FUND
RESOLUTION
2016-**

**UNIVERSITY OF MICHIGAN COLLEGE OF ENGINEERING CENTER FOR
ENTREPRENEURSHIP GRANT AMENDMENT #1**

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 MSF;

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

WHEREAS, at its April 22, 2014 meeting, the MSF issued a request for proposals to award grants to Michigan nonprofit corporations to provide specialized support services to assist Michigan companies and institutions in commercializing competitive edge technologies (the “Entrepreneurial Support Services RFP”);

WHEREAS, on June 24, 2014, the MSF Board awarded a \$582,376 grant to the University of Michigan College of Engineering Center for Entrepreneurship (“UM”) for an initial term of October 1, 2014 to September 30, 2016, with the option to extend the term of the grant for up to an additional three years and to add additional funding at the sole discretion of the MSF (the “UM Grant”);

WHEREAS, the MEDC recommends that the MSF exercise its first option to extend for an additional one year term ending September 30, 2017 and allocate \$199,441 in additional funding for the UM Grant (“Grant Amendment #1”); and

WHEREAS, the MSF wishes to approve Grant Amendment #1.

NOW, THEREFORE, BE IT RESOLVED, the MSF Board approves Grant Amendment #1; and

BE IT FURTHER RESOLVED, that MSF Fund Manager is authorized to negotiate final terms and conditions of Grant Amendment #1 and to execute all documents necessary to effectuate Grant Amendment #1.

Ayes:

Nays:

Recused:

Lansing, Michigan
September 27, 2016

MEMORANDUM

Date: September 27, 2016

To: Michigan Strategic Fund Board

From: Jeremy Webb, Business Development Project Manager
Lori LaPerriere, Brownfield and MCRP Program Specialist

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

Request

The project proposes to construct a new animal feed mill facility for Cargill, Inc. The proposed project will be undertaken by the City of Owosso and Cargill, Inc. The project will redevelop two parcels of property located at 1509 West Oliver Street and 121 North Chipman Street in the City of Owosso along with significant public infrastructure improvements. The project qualifies for an Act 381 work plan because it is a functionally obsolete property.

In order to alleviate Brownfield conditions and prepare the proposed project site for redevelopment, the City of Owosso Brownfield Redevelopment Authority is seeking approval of local and school tax capture for MSF eligible activities in the amount of \$2,787,241.

A large hindrance to establishing an animal feed mill facility in the City of Owosso is the lack of adequate public infrastructure to the property. Without state tax capture, the City of Owosso will not be able to construct infrastructure improvements necessary to support the project. The eligible activities will alleviate Brownfield conditions and make it suitable for redevelopment. Without Brownfield tax increment reimbursement, the cost burden related to Brownfield conditions would make the project financially unfeasible.

Cargill, Inc. anticipates that the project will result in total capital investment in the amount of \$13,700,000, along with the creation of approximately 14 permanent full-time equivalent jobs with an average hourly wage of \$22.73. Additionally, Sonoco has the potential to add approximately 30 new employees as a result of the project.

Background

Cargill, Inc., a global provider of food, agriculture, financial and industrial products and services, has to assess their return on investment to ensure sound investments. In order to locate their new operation in the City of Owosso, the public roadway and other infrastructure support is needed to support the site for redevelopment.

Sonoco Protective Solutions, a producer of protective solutions and packaging services, is allowing the City of Owosso to acquire a portion of their property in order to develop the public roadway. This portion of land is currently used as Sonoco's driveway, parking and truck staging area.

Infrastructure improvements including a newly constructed public roadway and a new water main service line are necessary to support the new development. Interest costs will be reimbursed due to the interest costs associated with the bonds the city will obtain in order to complete the eligible activities, if enough capture is available. Additionally, site preparation activities are needed to prepare the site for the installation of a new public roadway and water main. These activities include necessary engineering services to determine property lines and types of soils/base that will be under the public roadway. The site work will include some clearing and an extensive amount of earth excavation to prepare grade for the new water main and road.

Cargill, Inc., as well as branches of Cargill, have received incentives in the past. Cargill was awarded a Michigan Business Development (MBDP) grant in 2015 which is in good standing, an Agricultural Processing Renaissance Zone (APRZ) in 2005 that has been successfully completed, and two Economic Development Job Training (EDJT) grants in 2001 that have been successfully completed. Sonoco Protective Solutions has not received incentives from the MSF previously.

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

Recommendation

MEDC staff recommends approval of the following:

Local and school tax capture for the Act 381 eligible activities totaling \$2,787,241. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at \$1,292,165.

APPENDIX A – Programmatic Requirements & Screening Guidelines

Property Eligibility

The project is located within the boundaries of the City of Owosso, which is a Qualified Local Governmental Unit, and has been deemed functionally obsolete as verified by a Michigan Master Assessing Officer (MMAO) assessor on August 9, 2016.

The property is the subject of a Brownfield Plan, duly approved by the City of Owosso on September 13, 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:

The overall public benefit is demonstrated by keeping commercial trucks off North Chipman Street once they enter the public roadway to gain access to 1509 West Oliver Street. Resurfacing the North Chipman and West Oliver Streets within the highlighted areas will repair damage to the roadway that is created during the construction phase of the new Cargill, Inc. site at 1509 West Oliver, thus creating a public benefit to residents within that specific area.

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

This project is expected to create approximately 44 new, full-time jobs in the City of Owosso.

c) Area of High Unemployment:

The County of Shiawassee unadjusted jobless rate was 4.7% in July of 2016. This compares to the statewide seasonally adjusted average of 4.5% in July of 2016.

d) Level and Extent of Contamination Alleviated:

Based on environmental investigations on Site 1 and Site 2, soil and groundwater contamination is present at both sites above the Part 201 Generic Residential and Nonresidential Cleanup Criteria. Contaminants found at Site 1 consist primarily of arsenic and lead and will be left on-site. Contaminants found at Site 2 will be left on-site as well.

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

The project will redevelop a functionally obsolete property by adding a public roadway to allow access.

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

The Brownfield TIF is needed to mitigate the cost of constructing a public roadway to allow access to the site I which Cargill, Inc. wishes to locate their animal feed mill facility. No greenfield sites were considered for this project.

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 51.77 non-homestead mills available for capture, with school millage equaling 24 mills (46.36%) and local millage equaling 27.77 mills (53.64%). Tax increment capture will begin in 2017 and is estimated to continue for 16 years. The requested tax capture for MSF eligible activities breaks down as follows

School tax capture	(46.36%)	\$	1,292,165
Local tax capture	(53.64%)	\$	1,495,076
TOTAL		\$	2,787,241

Cost of MSF Eligible Activities

Infrastructure Improvements	\$	1,707,962
Site Preparation	+	11,455
Sub-Total	\$	1,719,417
Contingency (15%)	+	222,444
Sub-Total	\$	1,941,861
Interest (4%)	+	837,880
Sub-Total	\$	2,779,741
Brownfield/Work Plan Preparation	+	7,500
TOTAL	\$	2,787,241

APPENDIX B – Project Map, Road Map & Water Main Map



MICHIGAN STRATEGIC FUND

RESOLUTION 2016 -

**APPROVAL OF A BROWNFIELD ACT 381 COMBINED PLAN
CITY OF OWOSSO BROWNFIELD REDEVELOPMENT AUTHORITY
CARGILL-SONOCO INFRASTRUCTURE PROJECT DISTRICT #17**

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 Owosso Brownfield Redevelopment Authority (the “Authority”) has submitted a work plan for property located at 1509 West Oliver Street and 121 North Chipman Street within the City of Owosso, known as Cargill-Sonoco Infrastructure Project District #17 (the “Project”);

WHEREAS, the City of Owosso 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 46.36% to 53.64% ratio currently existing between school and local taxes for non-homestead properties, to reimburse the cost of site preparation, and infrastructure improvements as presented in the revised Work Plan dated September 13, 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 \$1,941,861 for the principal activity costs of non-environmental activities and a contingency, a maximum of \$837,880 in interest, and a maximum of \$7,500 for Brownfield/Work Plan preparation, and with the capture of taxes levied for school operating purposes being limited to a maximum of \$1,292,165.

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 they MSF Board is authorizing that capture of taxes levied for school operating purposes for the payment of interest, up to a maximum of \$837,880 related to the eligible activities for the Project.

Ayes:

Nays:

Recused:

Lansing, Michigan
September 27, 2016

MEMORANDUM

Date: September 27, 2016

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

From: Marcia Gebarowski, Senior Business Development Project Manager

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

Summary

This is a request from the Company for a \$4,560,000 Performance-based grant. This project involves the creation of 700 Qualified New Jobs, related to a previously announced capital investment of up to \$1,486,441,000 in the City of Sterling Heights, Macomb County.

In July, the Company confirmed that it would make the investment in its Sterling Heights Assembly Plant to build the next generation Ram 1500 and secure the future of the facility. The planned investment to re-tool and re-configure the existing assembly plant is so large, FCA US could have decided to construct a new facility anywhere in North America at a similar cost. Alternatively, production of this new truck could have been moved to existing plants in Illinois or Ohio. To ensure the investment would be committed to Michigan, state and local incentives were provided.

With higher market demand for trucks, FCA US will need to increase the workforce at its Sterling Heights plant to support increased production of the new truck. (The plant recently eliminated one shift as a result of declining demand for the Chrysler 200 line.)

Background

Headquartered in Auburn Hills, Michigan, FCA US LLC 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 LLC 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 and July 2016 meetings, the MSF approved a State Essential Services Assessment Exemptions for the Company’s planned investments at Trenton Engine plant and Sterling Heights plant, respectively.

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 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.
- c) The Applicant has demonstrated a need for the funding. The current product produced in Sterling Heights 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. The use of state and local incentives were important in securing the new jobs, but important in bringing back and retaining jobs that were recently eliminated.
- d) The Applicant plans to create 700 Qualified New Jobs above a project base employment level of 4,600.
- e) Pursuant to the MBDP 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 maintaining 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.

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;
- c) Commitment of MBDP 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-

APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT TO FCA US 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, FCA US LLC (“Company”) has requested a performance based MBDP grant of up to \$4,560,000 (“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
September 27, 2016

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

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

Date: 8/15/2016

1. **Company Name:** FCA US LLC ("Company" or "Applicant")
2. **Company Address:** 1000 Chrysler Drive
CIMS 485-13-95
Auburn Hills, MI 48326
3. **Project Address ("Project"):** 38111 Van Dyke Ave.
Sterling Heights, MI 48312
4. **MBDP Incentive Type:** Performance Based Grant
5. **Maximum Amount of MBDP Incentive:** Up to 4,560,000 ("MBDP Incentive Award")
6. **Base Employment Level** 4,600 The number of jobs to be maintained at the Project by the Company based on data submitted by the Company to the MEDC reflecting the Company's employment level at the Project site **prior to the first disbursement milestone due date**. The Base Employment Level, including identification of the Company data used to establish this level, shall be included in the final MBDP Incentive Award agreement ("Agreement") between the MSF and the Company.
7. **Total Qualified New Job Creation:** 700 The minimum number of total Qualified New Jobs the Company shall be required to create at the Project (above the Base Employment Level), in addition to satisfying other milestones if applicable, to be minimally eligible to receive the full amount of the MBDP Incentive Award. **Any job that is applied towards MEGA Agreement 692 as a Retained Job, is not an eligible**
(above Base Employment Level)

Qualified New Job for purposes of the MBDP. A Qualified New Job eligible for MBDP is not an eligible Retained Job under MEGA Agreement 692. Each Qualified New Job must be performed for consideration by a Michigan resident (whose Michigan income taxes are withheld as required), and each Qualified New Job must be in excess of the Base Employment Level. The final terms and conditions of the requirements for the minimum number of Qualified New Jobs that must be created, including provisions addressing disbursements of portions of the MBDP Incentive Award, shall be included in the final Agreement.

a. **Start Date for Measurement of Creation of Qualified New Jobs:** Date of Approval of MSF Award September 27, 2016

8. **Company Investment:** \$1,468,441,000 in building renovations, land improvements, computers, furniture and fixtures, machinery and equipment, special tooling, *or any combination thereof, for the Project.*

9. **Municipality supporting the Project:** City of Sterling Heights

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

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

a. **Disbursement Milestone 1:** Up to \$4,560,000 to Upon demonstrated creation of 700 Qualified New Jobs above the Base Employment Level and verification of final approval of municipality support by no later than December 31, 2018.

11. **Term of Agreement:** Execution of Agreement to December 31, 2020

12. Repayment Provisions:

Repayment provisions are required by law. The Repayment terms and conditions will be effective through the Term of the Agreement and shall be defined in the final Agreement. The final repayment provisions may require repayment of some or all of the disbursements made by the MSF, including if the Company moves 25% or more of their employees out of Michigan, if the Company fails to maintain the Base Employment Level in Michigan, if the Company fails to maintain the Qualified New Jobs incented by this Award.

13. Reporting Requirements:

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

14. Public Announcements:

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

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

If the Company is interested in the MEDC pursuing a recommendation to the MSF for a possible MBDP Incentive Award for the Company along the above parameters, please sign and date this Term Sheet. If the MEDC does not receive the signed Term Sheet from the Company by September 14, 2016, the MEDC may not be able to proceed with any recommendation to the MSF.

Acknowledged as received by:

FCA US LLC

By:



Printed Name:

Christine Estreich
Head of State and
Local Government Relations

Its:

Dated:

9/13/16

Michigan Economic Development Corporation

By:



Printed Name:

Marcia Gebrowski

Its:

Sup. Devt Finance Mgr

Dated:

9/15/16

MEMORANDUM

Date: September 27, 2016

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

From: Trevor Friedeberg, Business Development Project Manager

Subject: Jackson National Life Insurance Company (“Company” or “Applicant”)
Amendment to Approved Michigan Business Development Program Grant Agreement

Request

The Company has requested to increase the total Michigan Business Development Program grant award from \$3 million for the creation of 400 Qualified New Jobs to \$5.3 million for the creation of 704 Qualified New Jobs.

Background

On July 24, 2013 the Michigan Strategic Fund approved a \$3 million award for Jackson National Life Insurance Company under the Michigan Business Development Program (“MBDP”). The Company proposed to expand its headquarter building located in the City of Lansing which would result in the creation of 400 Qualified New Jobs and \$100 million in capital investment.

The Company was awarded a Community Development Block Grant CDBG in the amount of up to \$3 million to support the infrastructure development at the Project. The Company has made all the necessary upgrades to the infrastructure and constructed the expansion to the headquarter building. Although more than the required number of individuals were hired at the project to support the project, the National Objective of hiring 51% of low to moderate income persons was not met to uphold CDBG eligibility. This is largely due to the fact the individuals hired at the project are experienced professionals making higher wages and having higher income levels above the low to moderate income requirements. Because of this, the \$3 million earmarked to support the project is now ineligible for use.

To fill this gap, the Company has committed to 304 additional Qualified New Jobs, for a total of 704, in return for a job creation performance based grant increase of \$2.3 million. The actual project costs came in at \$2.3 million, representing a reduction in overall costs by \$700,000, and the company anticipates 1,000 new associates will eventually be working at the newly expanded headquarter campus.

Recommendation

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

- a) Amend the July 24, 2013 approval to reflected the changes as outlined in the attached Term Sheet;
- b) All other aspects of the approval remain unchanged.

MICHIGAN STRATEGIC FUND

RESOLUTION 2016-

APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT AMENDMENT TO JACKSON NATIONAL LIFE INSURANCE COMPANY

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 an \$3,000,000 Michigan Business Development Program Performance based grant on July 24, 2013 for an expansion of its headquarter building located in the City of Lansing which would result in the creation of 400 Qualified New Jobs and \$100 million in capital investment (the “Project”);

WHEREAS, the Company is expanding the project scope in the City of Lansing, by creating additional jobs;

WHEREAS, the Company requests that the Michigan Business Development Program performance based grant be amended and revised as follows: increase the original Michigan Business Development Program grant award to \$5.3 million for the creation of 704 Qualified New Jobs, extend the Term of Agreement, and other terms and conditions which are outlined in the term sheet attached as Exhibit A (the “Grant Amendment Request”); and

WHEREAS, the MEDC recommends that the MSF approve the Company’s Grant Amendment Request in accordance with the term sheet attached as Exhibit A, 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
September 27, 2016

**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: September 1, 2016

Company Name: Jackson National Life Insurance Company ("Company" or "Applicant")
Company Address: One Corporate Way
Lansing, Michigan 48951

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** 2,099
- **Total Qualified New Job Creation:** 400
(above Base Employment Level)
- **Company Investment:** \$100,000,004 in new building construction and furniture and fixtures or any combination thereof, for the Project.
- **Municipality supporting the Project:** The City of Lansing previously approved a property tax abatement under PA 328 until 2048 and will be approving a 425 Revenue Sharing Agreement.
- **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 \$750,000 Upon demonstrated creation of 100 Qualified New Jobs above the Base Employment Level and verification of final approval of municipality support by no later than September 30, 2014
 - **Disbursement Milestone 2:** Up to \$750,000 Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 100 additional Qualified New Jobs (for a total of 400 Qualified New Jobs) above the Base Employment Level, by no later than September 30, 2015.
 - **Disbursement Milestone 3:** Up to \$750,000 Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, and upon demonstrated creation of 100 additional Qualified New Jobs (for a total of

400 Qualified New Jobs) above the Base Employment Level, by no later than September 30, 2016.

- **Disbursement Milestone 4:** Up to \$750,000 Upon completion of Disbursement Milestone 1, Disbursement Milestone 2, and Disbursement Milestone 3, and upon demonstrated creation of 100 additional Qualified New Jobs (for a total of 400 Qualified New Jobs) above the Base Employment Level, by no later than September 30, 2017.

- **Term of Agreement:** Execution of Agreement to September 30, 2019

Proposed MBDP Incentive Amendment

- **Maximum Amount of MBDP Incentive:** Up to \$5,300,000 ("MBDP Incentive Award")

- **Total Qualified New Job Creation:** 704 Increase the Qualified New Job Creation from 400 to 704
(above Base Employment Level)

- **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 \$750,000 Upon demonstrated creation of 100 Qualified New Jobs above the Base Employment Level and verification of final approval of municipality support by no later than September 30, 2014. (Milestone met)
- **Disbursement Milestone 2:** Up to \$750,000 Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 100 additional Qualified New Jobs (for a total of 400 Qualified New Jobs) above the Base Employment Level, by no later than September 30, 2015. (Milestone met)
- **Disbursement Milestone 3:** Up to \$750,000 Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, and upon demonstrated creation of 100 additional Qualified New Jobs (for a total of 400 Qualified New Jobs) above the Base Employment Level, by no later than September 30, 2016. (Milestone review in progress)
- **Disbursement Milestone 4:** \$0 The Company must, to the satisfaction of both Ingham County and the MEDC, provide documentation that funds in the amount of \$31,959.66 has been paid to Ms. Dawn Rosebury for relocation expenses by no later than October 31, 2016.

- **Disbursement Milestone 5:** Up to \$750,000 Upon completion of Disbursement Milestone 1, Disbursement Milestone 2, Disbursement Milestone 3, and Disbursement Milestone 4, and upon demonstrated creation of 100 additional Qualified New Jobs (for a total of 400 Qualified New Jobs) above the Base Employment Level, by no later than September 30, 2017.
- **Disbursement Milestone 6:** Up to \$575,000 Upon completion of Disbursement Milestone 1, Disbursement Milestone 2, Disbursement Milestone 3, Disbursement Milestone 4, and Disbursement Milestone 5, and upon demonstrated creation of 76 additional Qualified New Jobs (for a total of 476 Qualified New Jobs) above the Base Employment Level, by no later than September 30, 2018.
- **Disbursement Milestone 7:** Up to \$575,000 Upon completion of Disbursement Milestone 1, Disbursement Milestone 2, Disbursement Milestone 3, Disbursement Milestone 4, Disbursement Milestone 5, and Disbursement Milestone 6, and upon demonstrated creation of 76 additional Qualified New Jobs (for a total of 552 Qualified New Jobs) above the Base Employment Level, by no later than September 30, 2019.
- **Disbursement Milestone 8:** Up to \$575,000 Upon completion of Disbursement Milestone 1, Disbursement Milestone 2, Disbursement Milestone 3, Disbursement Milestone 4, Disbursement Milestone 5, Disbursement Milestone 6, and Disbursement Milestone 7, and upon demonstrated creation of 76 additional Qualified New Jobs (for a total of 628 Qualified New Jobs) above the Base Employment Level, by no later than September 30, 2020.
- **Disbursement Milestone 9:** Up to \$575,000 Upon completion of Disbursement Milestone 1, Disbursement Milestone 2, Disbursement Milestone 3, Disbursement Milestone 4, Disbursement Milestone 5, Disbursement Milestone 6, Disbursement Milestone 7, and Disbursement Milestone 8, and upon demonstrated creation of 76 additional Qualified New Jobs (for a total of 704 Qualified New Jobs) above the Base Employment Level, by no later than September 30, 2021.

- **Term of Agreement:** Execution of Agreement to September 30, 2023

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, as set forth on the first page of this Term Sheet (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 to 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 mutually agreed upon the established milestones, repayment terms, reporting requirements, and all other detailed terms and conditions. This Term Sheet does not create rights in favor of either party with respect to the proposed Amendment. The obligations of the parties to consummate the Amendment contemplated hereby shall be subject in all respects to the negotiation, execution and delivery of the Amendment by each party.

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 September 14, 2016 the MEDC may not be able to proceed with any recommendation to the MSF.

Jackson National Life Insurance Company

By: 

Printed Name: Andrew J Bowden

Its: SVP and General Counsel

Dated: September 13, 2016

Acknowledged as received by:

Michigan Economic Development Corporation

By: _____

Printed Name: _____

Its: _____

Dated: _____

MEMORANDUM

Date: September 27, 2016

To: Michigan Strategic Fund Board

From: Chris Cook, Director – Capital Access

Subject: Private Activity Bond – Authorizing
Michigan House of Representatives Building
Up to \$63,000,000 – Refunding

Request:

The Michigan House of Representatives (the “House”) is requesting the Michigan Strategic Fund (the “MSF”) issue up to \$63,000,000 of bond financing to refund a 2008 tax exempt and taxable bond issuance.

Background:

In 2008 the MSF issued \$78,650,000 in tax-exempt bonds and \$1,130,000 in taxable bonds. The proceeds of these bonds were used to allow the MSF to acquire and improve the Anderson House Office Building (“Building”) located at 124 N. Capitol Ave, Lansing, MI. The Building was completed in 1998 and provides approximately 295,000 sq. ft. of leasable space. At the time of the acquisition, the MSF entered into a lease with the House that provided for annual lease payments at an amount sufficient to cover the debt service for the bonds. At the end of the term of the lease, the MSF’s interest in the Building will be transferred to the State.

Payment of the lease expense is made through an annual appropriation from the Legislature. Based on the current interest market, the House is requesting that the MSF approve a refunding of the prior bond issuance. The House believes that refunding will be financially advantageous as it will provide a lower interest rate than that being paid on the 2008 bond issuance as well as cover costs associated with a refunding. Based on rules for refunding of tax exempt bonds, it is anticipated that the new bond issuance will be taxable rather than tax exempt. If after completion of due diligence and pricing it is determined that a refunding will not be financially advantageous, the refunding will not occur and the current bond and lease will remain in place.

Plans of Finance:

The House would like to finance the Project with fixed rate taxable bonds. The MSF will be issuing bonds in an amount up to \$63 million. The exact bond sizing and structure will be determined at the time of bond pricing.

Robert W. Baird is acting as Financial Advisor. Miller, Canfield, Paddock and Stone is acting as bond counsel. Citigroup Global Markets Inc. is the proposed Senior Managing Underwriter.

Recommendation:

Based upon a determination by Miller Canfield and the State of Michigan Attorney General's office that this transaction complies with state and federal law requirements, the staff recommends the adoption of a Bond Authorizing Resolution in an amount not to exceed \$63,000,000.

Based on the fee schedule for taxable bond issuances, the fee to the MSF is anticipated to be \$40,000.

RESOLUTION TO AUTHORIZE THE ISSUANCE OF THE MICHIGAN STRATEGIC FUND
LIMITED OBLIGATION REVENUE REFUNDING BONDS (MICHIGAN HOUSE OF
REPRESENTATIVES FACILITIES), SERIES 2016 (FEDERALLY TAXABLE)

**MICHIGAN STRATEGIC FUND RESOLUTION
2016-**

MICHIGAN HOUSE OF REPRESENTATIVES OFFICE BUILDING

WHEREAS, The Michigan Strategic Fund (the "Fund") is authorized by 1984 PA 270, as amended (the "Act"), to borrow money and issue bonds for the purpose of paying the costs of acquiring and improving a project (as defined in the Act), and to lease a project, pursuant to the Act, and to refund such bonds;

WHEREAS, The Michigan House of Representatives established and existing pursuant to Article IV, Section 3 of the Constitution of the State of Michigan of 1963 (the "House" or "Lessee") has previously entered into a lease agreement, dated March 13, 2008 (the "Original Lease"), with the Fund, pursuant to which the Fund agreed to lease the Anderson House Office Building located at 124 N. Capitol Avenue, Lansing, Ingham County, Michigan (the "Facility") to the Lessee;

WHEREAS, In order to finance the acquisition of the Facility under the Lease, the Fund on behalf of the Lessee issued its Limited Obligation Revenue Bonds (Michigan House of Representatives Facilities), Series 2008 consisting of \$78,650,000 Series 2008A Bonds and \$1,130,000 Series 2008B Bonds (Federally Taxable), each dated March 13, 2008 (the "Prior Bonds");

WHEREAS, The House has requested that the Fund refund all or a portion of the remaining outstanding principal amounts of the Prior Bonds by issuing its Limited Obligation Revenue Refunding Bonds (Michigan House of Representatives Facilities), Series 2016 (Federally Taxable) in an amount not to exceed ~~\$48,750,000~~\$63,000,000 (the "Bonds") pursuant to an Indenture dated as of March 1, 2008 (the "Trust Indenture"), as supplemented by a First Supplemental Trust Indenture dated as of October 1, 2016 (the "First Supplemental Trust Indenture" and, together with the Trust Indenture, the "Indenture"), between the Fund and U.S. Bank National Association, as Trustee (the "Trustee");

WHEREAS, The proceeds of the Bonds will be used, among other things, i) to prepay rentals under the Original Lease sufficient to defease some of the Prior Bonds, ii) to provide for the defeasance of certain other of the Prior Bonds, the Fund expects to enter into and deposit Bond proceeds pursuant to one or more Escrow Agreements (the "Escrow Agreement") with U.S. Bank National Association (the "Escrow Agent"), and iii) to pay certain costs of issuing the Bonds and insuring the Bonds, if economically advantageous to the Fund and the House;

WHEREAS, In connection with the issuance of the Bonds, the Fund and the Lessee expect to enter into an Amendment to the Original Lease (the "Lease Amendment" and, together with the Original Lease, the "Lease"), pursuant to which the Fund will continue to lease the Facility to the Lessee;

WHEREAS, The Bonds may be insured by a municipal bond insurance policy issued by an insurance company selected by an Authorized Officer (as defined below); and

WHEREAS, The Bonds will be purchased by Citigroup Global Markets Inc. as Underwriter (the "Underwriter"), pursuant to a Bond Purchase Agreement among the Underwriter and the Fund (the "Purchase Agreement").

NOW, THEREFORE, BE IT RESOLVED by the MSF Board that:

SECTION 1. Issuance of Bonds; Limited Obligation. For the purposes ~~stated~~ herein, the issuance of the Bonds is authorized.

The terms of the Bonds shall be substantially in the form contained in the Indenture, with the changes permitted or required by action of the Fund or the Indenture. The Bonds shall bear the manual or facsimile signature of a member of the Fund's Board of Directors (a "Member") or of a person authorized by Board Resolution to sign Bond documents on behalf of the Fund (an "Authorized Officer").

The Bonds and the principal of or any interest and any premium on the Bonds are not a debt or obligation of the State of Michigan or a general obligation of the Fund within the meaning of any constitutional or statutory limitation and do not ~~constitute a~~ charge against the credit or taxing powers of the State of Michigan or the general funds or assets of the Fund (including funds relating to other Fund loans or activities), but shall be a limited obligation of the Fund payable solely from the rentals payable by the House under the Lease and otherwise as provided in the Indenture.

SECTION 2. Approval, Execution, and Delivery of Documents. The forms of the following documents, on file with the staff of the Fund and on which has been endorsed by the staff of the Fund the date of adoption of this Resolution, are approved:

- a. First Supplemental Trust Indenture
- b. Purchase Agreement
- c. Lease Amendment
- d. Escrow Agreement(s)
- e. Insurance Agreement, if applicable

Any Member is authorized to execute and deliver the Purchase Agreement and any Member or Authorized Officer is authorized to execute and deliver the remaining documents identified in this Section, in substantially the forms approved, with any changes as are considered necessary or desired by him or her, permitted by the Act or otherwise by law, and not materially adverse to the Fund.

SECTION 3. Completion of Document Terms. Any Member may approve the interest rate for the Bonds, which shall not be more than ~~45%~~ 6.5% per annum, and the principal amount of the Bonds, which shall not exceed ~~\$48,750,000~~ \$63,000,000.

The final maturity for the Bonds shall not be later than October 15, 2028, and shall be

payable as otherwise provided in the Indenture.

Approval of the terms pursuant to this Section shall be evidenced by the Member's or Authorized Officer's execution of the Purchase Agreement.

SECTION 4. Sale and Delivery of the Bonds. A Member shall execute and deliver the Bonds upon receipt of the following documents and payment of the purchase price for the Bonds:

- a. An approving opinion of Bond Counsel to the Fund acceptable to the Fund and the Attorney General of the State of Michigan (the "Attorney General"),
- b. An opinion of counsel to the House and necessary certificates and representations of the House acceptable to the Fund, the Attorney General, and Bond Counsel, and
- c. An approving bond opinion of the Attorney General.

Upon receipt, the proceeds of the Bonds shall be paid over to the Trustee to be credited in accordance with the Indenture.

SECTION 5. Designation of Certain Parties. U.S. Bank National Association's acceptance of duties as Trustee shall be evidenced by its execution of the Indenture, and its acceptance of the duties as Escrow Trustee shall be evidenced by its execution of the Escrow Agreement.

SECTION 6. Preliminary Official Statement and Official Statement. The use and distribution by the Underwriter of a Preliminary Official Statement to solicit offers to purchase the Bonds is ratified. The use and distribution of an Official Statement in substantially the same form as the Preliminary Official Statement is approved. Any Member or Authorized Officer is authorized to approve changes in the Official Statement as may be necessary or desirable, permitted by the Act or otherwise by law, and not materially adverse to the Fund.

SECTION 7. Authorization of Filings, Submissions, and Other Documents. Any Member or Authorized Officer, as well as counsel to the Fund, is authorized to apply for or submit, execute, and deliver the other certificates, documents, opinions, and papers to any party or governmental agency as may be required by the Indenture, the Lease or the Purchase Agreement or as may be necessary, and if applicable, to effectuate the valid issuance, sale and delivery of the Bonds as tax-exempt bonds and otherwise as contemplated by those documents; and

SECTION 8. Conflict and Effectiveness. All resolutions or other proceedings of the Fund in conflict with this Resolution are repealed to the extent of the conflict. This Resolution shall become effective upon adoption. If the Bonds are not delivered to their original purchaser on or before November 30, 2016, the authority granted by this Resolution shall lapse.

Ayes:

Nays:

Lansing, Michigan
September 27, 2016

MEMORANDUM

Date: September 27, 2016

TO: Michigan Strategic Fund Board

From: Christopher Cook, Director of Capital Access

Subject: *Private Activity Bond – Authorizing
Holland Home
Non-Profit - \$10,000,000 – New/Refinancing*

Request:

Holland Home (“Borrower”) is requesting private activity bond financing for the following: (i) fund a significant renovation related to an existing facility, Raybrook Manor, a Licensed Home for the Aged and Skilled Nursing Facility, located at 2121 Raybrook Street SE, Grand Rapids, Kent County; and (ii) provide funding to pay off a line of credit issued to fund construction, equipping, and furnishing of Trillium Woods, a licensed inpatient/residential hospice facility located at 8214 Phieffer Farms Drive, SE, Byron Center, Kent County, Michigan. The line of credit was provided by Huntington Bank. The financing provided by Huntington was at a taxable rate, while potential funding under tax-exempt financing would be more advantageous to the organization, both in the short and long term.

Background:

The Borrower was originally organized as a home for the aged in 1892, and has operated as a non-profit corporation. In 1941 Holland Home was incorporated in Michigan as a non-stock, non-profit corporation under the name of Holland Union Benevolent Association. The Borrower’s name was officially changed to Holland Home in 1972. The IRS has determined that the Borrower is a 501(c)(3) organization.

The Borrower and its subsidiaries presently employ more than 800 full-time equivalent persons. The Raybrook Manor facility employs approximately more than 200 full-time equivalent persons. Present full-time equivalent persons employed are not anticipated to change significantly in the near-term as a result of the proposed/planned project regarding the Raybrook Manor facility.

Description of Project:

In correlation to request (i) and (ii) above:

- (i) Borrower intends to meet the growing need for memory care and high service level within Raybrook Manor's current resident community as well as the changing demographics of an aging population. The Borrower has determined it necessary both to renovate and to retool Raybrook Manor. The retooling will include modifications to the facility that are necessary in order to ensure appropriate space and resources for a lower functioning and higher need patient demographic. The renovated space will include an expanded memory care unit, among other significant renovations including renovating the facility kitchen, the facility's main lobby, the facility's rehab nursing gym, and a common area for patients.

- (ii) The outstanding line of credit to be paid off for Trillium Woods is \$3,420,000.

Plans of Finance:

B. C. Ziegler and Company will act as underwriter for the bond issue. The bonds are expected to be rated in the investment grade category. The bonds will be sold at a tax-exempt fixed rate in minimum denominations of \$5,000.

The Borrower has requested bonds to be issued in an amount not to exceed \$10,000,000. The project was induced at \$8,420,000, but due to updated estimates relating to the project the Borrower has requested the increase to \$10,000,000. If bonds are issued in the amount of \$10,000,000, the MSF issuance fee will be \$25,000.

Recommendation:

Based upon a determination by Miller Canfield and the State of Michigan Attorney General's office that this transaction complies with state and federal law requirements for tax-exempt financing, staff recommends the adoption of a Bond Authorizing Resolution in an amount not to exceed \$10,000,000.

RESOLUTION TO AUTHORIZE THE ISSUANCE OF THE MICHIGAN
STRATEGIC FUND LIMITED OBLIGATION REVENUE BONDS, SERIES 2016
(HOLLAND HOME OBLIGATED GROUP)
(THE "BONDS")

Resolution 2016-__

A. The Michigan Strategic Fund (the "Fund") is authorized by 1984 PA 270, as amended (the "Act"), to issue bonds for the purpose of making loans to pay the costs of a project (as defined in the Act).

B. Holland Home, a Michigan nonprofit corporation (the "Obligor"), has requested a loan from the Fund to: (i) fund a significant renovation related to an existing facility, Raybrook Manor, a Licensed Home for the Aged and Skilled Nursing Facility, located at 2121 Raybrook Street SE, Grand Rapids, Kent County, Michigan; (ii) provide funding to pay off a line of credit issued to fund construction, equipping, and furnishing of Trillium Woods, a licensed inpatient/residential hospice facility located at 8214 Phieffer Farms Drive, SW, Byron Center, Kent County, Michigan; (iii) fund a debt service reserve fund to secure the Bonds; and (iv) pay costs of issuance of the Bonds (collectively the "Project"). The Project is owned and operated by the Obligor in furtherance of its charitable mission to provide personal care and health care services to seniors through the operation of licensed homes for the aged, licensed skilled nursing facilities and a licensed inpatient/residential hospice facility.

C. The Obligor has requested the Fund to issue the Bonds in a principal amount of not to exceed \$10,000,000 pursuant to this resolution (the "Resolution") and a bond trust indenture (the "Indenture"), between the Fund and The Bank of New York Mellon Trust Company, N.A., as bond trustee (the "Trustee") dated as of October 1, 2016, relating to the Bonds to obtain funds which will be loaned to the Obligor pursuant a loan agreement between the Fund and the Obligor (the "Loan Agreement") dated as of October 1, 2016, to pay costs of the Project.

D. The Obligor has advised the Fund that due to updated estimates relating to the costs associated with the Project, the requested amount of the Bonds has increased from the induced not to exceed amount of \$8,420,000 to a not to exceed amount of \$10,000,000.

E. The Bonds will be issued as fully registered bonds in the denomination of \$5,000 and integral multiples of \$5,000 in excess thereof.

F. The Bonds will be purchased by the B.C. Ziegler and Company, as underwriter (the "Underwriter") pursuant to a bond purchase agreement among the Underwriter, the Fund, and the Obligor (the "Bond Purchase Agreement").

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

SECTION 1. Issuance of Bonds; Limited Obligation. For the purpose of making the loan requested by the Obligor, the issuance of the Bonds is authorized.

The terms of the Bonds shall be substantially in the form contained in the Indenture, with the changes permitted or required by action of the Fund or the Indenture. The Bonds shall bear the manual or facsimile signature of a member of the Fund's Board of Directors (a "Member") or of a person authorized by Board Resolution to sign Bond documents on behalf of the Fund (an "Authorized Officer"), and the official seal of the Fund (or a facsimile of the seal) shall be impressed or imprinted on the Bonds.

The Bonds and the interest and any premium on the Bonds are not a debt or obligation of the State of Michigan or a general obligation of the Fund within the meaning of any constitutional or statutory limitation and do not constitute a charge against the credit or taxing powers of the State of Michigan or the general funds or assets of the Fund (including funds relating to other Fund loans or activities), but shall be limited obligations of the Fund payable solely from the revenues derived from the Loan Agreement and otherwise as provided in the Indenture.

SECTION 2. Approval, Execution and Delivery of Documents. The forms of the following documents, on file with the staff of the Fund and on which have been endorsed by the staff of the Fund the date of adoption of this Resolution, are approved:

- a. Loan Agreement
- b. Indenture
- c. Bond Purchase Agreement

Any Member and Authorized Officer are authorized to execute and deliver the Bond Purchase Agreement and any Member or Authorized Officer is authorized to execute and deliver the remaining documents identified in this Section in substantially the forms approved, with any changes as are considered necessary or desired by him or her, permitted by the Act or otherwise by law, and not materially adverse to the Fund.

SECTION 3. Completion of Document Terms. Any Member may approve the initial interest rate applicable to the Bonds, which shall not be more than 6% per annum, and the principal amount of the Bonds, which shall not be greater than \$10,000,000. Approval of those terms shall be evidenced by the Member's execution of the Bond Purchase Agreement.

SECTION 4. Sale and Delivery of the Bonds. A Member or an Authorized Officer shall execute, seal, and deliver the Bonds upon receipt of the following documents and payment of the purchase price for the Bonds:

- a. an opinion of bond counsel to the Fund acceptable to the Fund and the Attorney General of the State of Michigan (the "Attorney General"),
- b. an opinion of counsel to the Obligor and necessary certificates and representations of the Obligor acceptable to the Fund, the Attorney General, and bond counsel, and
- c. an approving opinion of the Attorney General.

Upon receipt, the proceeds of the Bonds shall be paid over to the Trustee to be credited in accordance with the Indenture.

SECTION 5. Designation of Certain Parties. The Trustee's acceptance of duties as trustee shall be evidenced by its execution of the Indenture.

SECTION 6. Preliminary Official Statement. The use and distribution by the Underwriter of a Preliminary Official Statement to solicit offers to purchase the Bonds, in substantially the form on file with the Fund and on which an Authorized Officer shall endorse the date of adoption of this Resolution, is authorized. The use and distribution of an Official Statement in substantially the same form as the Preliminary Official Statement is approved. Any Member or Authorized Officer is authorized to approve changes in the Preliminary Official Statement as may be necessary or desirable, permitted by the Act or otherwise by law, and not materially adverse to the Fund.

SECTION 7. Authorization of Filings, Submissions and Other Documents. Any Member or Authorized Officer, as well as counsel to the Fund, is authorized to apply for or submit, execute, and deliver the other certificates, documents, opinions, and papers to any party or governmental agency as may be required by the Indenture, the Loan Agreement, or the Bond Purchase Agreement, or as may be necessary to effectuate the valid issuance, sale and delivery of the Bonds as tax-exempt bonds and otherwise as contemplated by those documents.

SECTION 8. Amendment to Inducement Resolution 2016-143. Inducement Resolution 2016-143 is amended to reflect the maximum principal amount of the Bonds expected to be issued to provide the loan to finance the Project from not to exceed \$8,420,000 to not to exceed \$10,000,000.

SECTION 8. Conflict and Effectiveness. All resolutions or other proceedings of the Fund in conflict with this Resolution are repealed to the extent of the conflict. This Resolution shall become effective upon adoption. If the Bonds are not

delivered to their original purchaser on or before November 23, 2016, the authority granted by this Resolution shall lapse.

Adopted.

Ayes:

Nays:

September 27, 2016
Lansing, Michigan

MEMORANDUM

Date: September 27, 2016

TO: Michigan Strategic Fund Board

From: Christopher Cook, Director of Capital Access

Subject: *Private Activity Bond – Bond Authorizing
Canterbury Health Care, Inc.
Non-Profit – Not to Exceed \$16,000,000 – New*

Request:

Canterbury Health Care, Inc. (“Borrower”) is requesting private activity bond financing for the following improvements to its Canterbury-on-the-Lake continuing care retirement community in Waterford Township, Oakland County, Michigan:

- (a) construction of a new memory support building (estimated cost \$12,664,000);
- (b) construction of a building connector between the new memory support building and the existing community facility/independent living building (estimated cost \$1,210,000); and
- (c) renovation of existing health center building (estimated cost \$1,992,000).

Background:

Borrower is an Episcopal faith-based Michigan non-profit corporation. It was incorporated in January 1991 in the State of Michigan and is a 501(c)3 tax-exempt organization. The Borrower owns and operates the Canterbury-on-the-Lake continuing care retirement community in Waterford, Michigan. The Borrower has contracted with Life Care Services, LLC to provide management services for the Borrower since 1998. Life Care Services, LLC employs the community’s executive director and administrator, while other staff are employed directly by the Borrower. The Borrower currently employs 226 individuals. It is anticipated at the completion of the project, the Borrower will employ an additional 23-24 full-time equivalent employees.

Description of Project:

In correlation to request (a), (b), and (c) above:



- (a) Borrower intends to construct an approximately 24,500 square foot building with 30 private rooms and two semi-private rooms to be used as a memory support facility for persons with dementia. The facility will be licensed as a Home for the Aged. Included in the facility will be the construction of activities, commons and dining areas, and administrative office care areas. In addition, an enclosed courtyard and 10 visitor parking areas will be constructed.
- (b) A building connector of approximately 3,400 square foot will also be constructed connecting the new facility to a lower level of the existing community center, and; a new second story structure connecting upper level of existing community center (at main dining area) to existing independent living building; and selective renovation at existing main dining and independent living building to accommodate new connector link.
- (c) Renovation of existing approximately 53,000 square foot health center building, including selective reconfiguration and expansion of existing program spaces to improve efficiencies.

Please note: the project was approved on April 26, 2016 by the MSF Board for inducement for the amount of \$11,000,000, based on a plan of financing to privately place the Bonds with FirstMerit Bank, N.A. The plan of financing has changed and the Borrower now intends to structure the Bonds as a fixed rate capital markets bond financing underwritten by B.C. Ziegler and Company. The project size has grown to an amount not to exceed \$16,000,000 to allow for the financing of a debt service reserve fund, a reduction in borrower equity contribution and an increase in costs of issuance.

Plan of Finance:

The Bonds will be underwritten by B.C. Ziegler and Company and sold to sophisticated investors in minimum denominations of \$100,000 in compliance with MSF Board policy for the sale of unrated bonds.

If the par amount of the Bonds is \$16,000,000, the MSF issuance fee will be \$32,500.

Recommendation:

Based upon a determination by Dickinson Wright PLLC and the State of Michigan Attorney General's office that this transaction complies with state and federal law requirements for tax-exempt financing, staff recommends the adoption of a Bond Authorizing Resolution in an amount not to exceed \$16,000,000.

RESOLUTION TO AUTHORIZE THE ISSUANCE OF THE MICHIGAN
STRATEGIC FUND LIMITED OBLIGATION REVENUE BONDS (CANTERBURY
HEALTH CARE, INC. PROJECT), SERIES 2016
(THE "BONDS")

Resolution 2016-__

A. The Michigan Strategic Fund (the "Fund") is authorized by 1984 PA 270, as amended (the "Act"), to issue bonds for the purpose of making loans to pay the costs of a project (as defined in the Act).

B. Canterbury Health Care, Inc., a Michigan nonprofit corporation (the "Obligor"), has requested a loan from the Fund to finance the costs of: (i) acquisition, construction, reconstruction, installation and equipping of improvements to the existing "Canterbury-on-the-Lake" continuing care retirement community (the "Facility") located in Waterford Charter Township, Oakland County, Michigan, including (a) construction of a new single level 24,500 sq. ft. building with 30 private rooms, two semi-private rooms, dining, administrative and other common areas which will be a licensed home for the aged memory support facility, (b) construction of building connectors between the new memory support building, the existing community center and the existing independent living building; and (c) renovation of the existing 53,600 sq. ft. three level health center building which is a licensed skilled nursing facility; (ii) funding a debt service reserve fund to secure the Bonds; (iii) paying capitalized interest on the Bonds; and (iv) paying costs of issuing the Bonds (collectively the "Project"). The Project, including the Facility, is owned and operated by the Borrower in furtherance of its charitable mission to provide residential, nursing and health care services to the elderly. The bonds will be sold only to sophisticated investors.

C. The Obligor has requested the Fund to issue the Bonds in one or more series in the aggregate principal amount of not to exceed \$16,000,000 pursuant to this resolution (the "Resolution") and a bond indenture (the "Indenture"), between the Fund and U.S. Bank National Association, as bond trustee (the "Trustee") dated as of October 1, 2016, relating to the Bonds to obtain funds which will be loaned to the Obligor pursuant a loan agreement between the Fund and the Obligor (the "Loan Agreement") dated as of October 1, 2016, to (i) pay or reimburse the Obligor for payment of certain costs of acquiring, constructing, installing and equipping the Project, (ii) fund interest on the Bonds for a period of approximately 24 months, (iii) fund a Debt Service Reserve Account, and (iv) pay certain issuance costs of the Bonds.

D. The Obligor has advised the Fund that the costs of the Project have increased from not to exceed \$11,000,000 to not to exceed \$16,000,000.

E. The Bonds will be issued as fully registered bonds in the denomination of \$100,000 and integral multiples of \$5,000 in excess thereof.

F. The Bonds will be purchased by the B.C. Ziegler and Company, as underwriter (the "Underwriter") pursuant to a bond purchase agreement among the Underwriter, the Fund, and the Obligor (the "Bond Purchase Agreement").

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

SECTION 1. Issuance of Bonds; Limited Obligation. For the purpose of making the loan requested by the Obligor, the issuance of the Bonds is authorized.

The terms of the Bonds shall be substantially in the form contained in the Indenture, with the changes permitted or required by action of the Fund or the Indenture. The Bonds shall bear the manual or facsimile signature of a member of the Fund's Board of Directors (a "Member") or of a person authorized by Board Resolution to sign Bond documents on behalf of the Fund (an "Authorized Officer"), and the official seal of the Fund (or a facsimile of the seal) shall be impressed or imprinted on the Bonds.

The Bonds and the interest and any premium on the Bonds are not a debt or obligation of the State of Michigan or a general obligation of the Fund within the meaning of any constitutional or statutory limitation and do not constitute a charge against the credit or taxing powers of the State of Michigan or the general funds or assets of the Fund (including funds relating to other Fund loans or activities), but shall be limited obligations of the Fund payable solely from the revenues derived from the Loan Agreement and otherwise as provided in the Indenture.

SECTION 2. Approval, Execution and Delivery of Documents. The forms of the following documents, on file with the staff of the Fund and on which have been endorsed by the staff of the Fund the date of adoption of this Resolution, are approved:

- a. Loan Agreement
- b. Indenture
- c. Bond Purchase Agreement

Any Member and Authorized Officer are authorized to execute and deliver the Bond Purchase Agreement and any Member or Authorized Officer is authorized to execute and deliver the remaining documents identified in this Section in substantially the forms approved, with any changes as are considered necessary or desired by him or her, permitted by the Act or otherwise by law, and not materially adverse to the Fund.

SECTION 3. Completion of Document Terms. Any Member may approve the initial interest rate applicable to the Bonds, which shall not be more than 10.0% per annum, and the principal amount of the Bonds, which shall not be greater than \$16,000,000. Approval of those terms shall be evidenced by the Member's execution of the Bond Purchase Agreement.

SECTION 4. Sale and Delivery of the Bonds. A Member or an Authorized Officer shall execute, seal, and deliver the Bonds upon receipt of the following documents and payment of the purchase price for the Bonds:

- a. an opinion of bond counsel to the Fund acceptable to the Fund and the Attorney General of the State of Michigan (the "Attorney General"),
- b. an opinion of counsel to the Obligor and necessary certificates and representations of the Obligor acceptable to the Fund, the Attorney General, and bond counsel, and
- c. an approving opinion of the Attorney General.

Upon receipt, the proceeds of the Bonds shall be paid over to the Trustee to be credited in accordance with the Indenture.

SECTION 5. Designation of Certain Parties. The Trustee's acceptance of duties as trustee shall be evidenced by its execution of the Indenture.

SECTION 6. Authorization of Filings, Submissions and Other Documents. Any Member or Authorized Officer, as well as counsel to the Fund, is authorized to apply for or submit, execute, and deliver the other certificates, documents, opinions, and papers to any party or governmental agency as may be required by the Indenture, the Loan Agreement, or the Bond Purchase Agreement, or as may be necessary to effectuate the valid issuance, sale and delivery of the Bonds as tax-exempt bonds and otherwise as contemplated by those documents.

SECTION 7. Preliminary Limited Offering Memorandum and Limited Offering Memorandum. The use and distribution by the Underwriter of a Preliminary Limited Offering Memorandum to solicit offers to purchase the Bonds, in substantially the form on file with the Fund and on which an Authorized Officer shall endorse the date of adoption of this Resolution, is ratified. The use and distribution of a Limited Offering Memorandum in substantially the same form as the Preliminary Limited Offering Memorandum is approved. Any Member or Authorized Officer is authorized to approve changes in the Limited Offering Memorandum as may be necessary or desirable, permitted by the Act or otherwise by law, and not materially adverse to the Fund.

SECTION 8. Amendment to Inducement Resolution 2016-052. Inducement Resolution 2016-052 is amended to reflect the maximum principal amount of the

Bonds expected to be issued to provide the loan to finance the Project from not to exceed \$11,000,000 to not to exceed \$16,000,000.

SECTION 8. Conflict and Effectiveness. All resolutions or other proceedings of the Fund in conflict with this Resolution are repealed to the extent of the conflict. This Resolution shall become effective upon adoption. If the Bonds are not delivered to their original purchaser on or before October 21, 2016, the authority granted by this Resolution shall lapse.

Adopted.

Ayes:

Nays:

September 27, 2016
Lansing, Michigan

MEMORANDUM

Date: September 27, 2016

To: Michigan Strategic Fund Board

From: Christopher Cook, Director, Capital Access

Subject: *Private Activity Bond – Inducement
The Young Men’s Christian Association of Greater Grand Rapids
Non-Profit - \$50,000,000 – Refunding & New*

Request:

The Young Men’s Christian Association of Greater Grand Rapids (“YMCA”), a not-for-profit organization, is requesting private activity bond financing for purposes of (a) refinancing the YMCA’s Michigan Strategic Fund (“MSF”) Series 2004 Bonds with an outstanding par amount of \$10,320,000; Series 2005 Bonds with an outstanding par amount of \$3,495,000; and Series 2010 Bonds with an outstanding par amount of \$12,510,000; and (b) financing and refinancing the acquisition of land, construction and equipping of a facility known as Mary Free Bed YMCA located in Cascade Charter Township; and (c) pay certain costs related to the issuance of the Series 2016 Bonds.

The YMCA indicates the Mary Free Bed YMCA is the first health and wellness facility in the world specifically designed to equally serve all individuals regardless of ability. As the first YMCA in the world to receive Global Universal Design Certification from the Global Design Commission, West Michigan now serves as a model in a new certification process that is expected to be the standard for Universal Design in architecture and construction. This environment enables people of all abilities to experience a fully accessible health and wellness facility side-by-side. The LEED-certified and fully accessible facility includes: two and one-half gymnasiums, two pools, two group fitness and indoor cycling studios, an indoor track, climbing wall, fitness equipment, wheelchair softball field, tennis courts, baseball and soccer fields, a greenhouse, teaching kitchen, learning farm and access to the Rapids Bus line. The Carol Van Andel Healthy Living Center is also located in the Mary Free Bed YMCA. The Carol Van Andel Healthy Living Center serves as an incubator for new health living initiatives and innovative evidence-based programs intended to reduce the growing obesity epidemic and combat preventable chronic disease through nutrition education, physical activity and education.

Background:

The YMCA was founded in 1866 with the establishment of its downtown location. The YMCA was incorporated in Michigan on February 20, 1869 and was classified by the Internal Revenue Service as a 501(c)(3) organization on July 30, 1942.

The YMCA employs approximately 1,632 people at ten different locations in Michigan. The projected number of jobs to be created and or retained as a result of the Mary Free Bed project at full operation is estimated to be approximately 254. The YMCA currently operates the following branch locations as well as a residential camp:

David D. Hunting YMCA – Downtown Grand Rapids
Mary Free Bed YMCA – Cascade Charter Township
Spartan Stores YMCA - Wyoming
Visser Family YMCA – Grandville
Wolverine Worldwide Family YMCA – Belmont
Ionia YMCA – Ionia
Lowell YMCA – Lowell
YMCA Camp Manitou-Lin – Middleville.

Plans of Finance:

Soft letters of intent for financing the project were included in the application from: Chemical Bank, The Huntington National Bank, and Macatawa Bank.

Recommendation:

After reviewing the private activity bond application for the YMCA, staff finds this project meets the requirements for an Inducement Resolution in the amount of \$50,000,000

MICHIGAN STRATEGIC FUND

INDUCEMENT RESOLUTION

2016-

The Young Men's Christian Association of Greater Grand Rapids

WHEREAS, The Young Men's Christian Association of Greater Grand Rapids, a Michigan non-profit corporation (the "Company"), is presently headquartered at 475 Lake Michigan Drive, N.W., Grand Rapids, Michigan;

WHEREAS, the Company desires to (a) refinance the Company's Michigan Strategic Fund ("MSF") Series 2004 Bonds with an outstanding par amount of \$10,320,000; Series 2005 Bonds with an outstanding par amount of \$3,495,000; and Series 2010 Bonds with an outstanding par amount of \$12,510,000; and (b) finance and refinance the acquisition of land, construction and equipping of a facility known as Mary Free Bed YMCA located in Cascade Charter Township; and (c) pay certain costs related to the issuance of the Series 2016 Bonds (together, the "Project");

WHEREAS, the Company has applied to the MSF for one or more loans (collectively, the "Loan") to finance the Project as defined in 1984 PA 270 (the "Act");

WHEREAS, the Company has advised the MSF that the cost of the Project will not exceed Fifty Million Dollars (\$50,000,000);

WHEREAS, the Act authorizes the MSF to loan moneys to business enterprises for the purpose of financing projects and to obtain the moneys for such loans by the issuance of bonds pursuant to the Act; and

WHEREAS, this Resolution has the purpose of providing the necessary official intent of the MSF to meet the requirements of Sections 141 and 144 of the Internal Revenue Code of 1986, as amended (the "Code") and the regulations promulgated in connection therewith and, in particular, Section 1.150-2 of the Income Tax Regulations.

NOW, THEREFORE, BE IT RESOLVED, by the Michigan Strategic Fund that:

1. The MSF intends to provide the Loan to the Company subject to the conditions of this Resolution.
2. The Loan shall be designated for the Project in accordance with the Company's Tax-Exempt Application Form dated August 31, 2016.
3. The maximum principal amount of the bonds (the "Bonds") expected to be issued in one or more series to provide the Loan to finance the Project shall not exceed an aggregate amount of Fifty Million Dollars (\$50,000,000). The Company shall be obligated to make loan repayments in an amount sufficient to assure full repayment of the Bonds, establish appropriate reserves and pay costs and expenses relating to the issuance of the Bonds and the making of the Loan.
4. The MSF's obligation to issue the Bonds and make the Loan shall be conditioned upon a) the ability of the MSF to issue, sell and deliver the bonds under applicable federal and state laws, and b) any prioritization, fee schedules or other requirements or limitations implemented by the MSF or the State Treasurer.
5. The MSF's obligation to make the Loan and issue the Bonds contemplated by this Resolution shall expire two years after the date of this Resolution.
6. The Loan may be evidenced by one or more promissory notes and secured by such instruments as are in form and substance satisfactory to the MSF, the Attorney General of the State of Michigan (the "Attorney General") and bond counsel to the MSF, including one or more loan agreements, indentures, first mortgage, security agreement and such additional security as may be required by the MSF or purchasers of the Bonds.
7. Subject to compliance with this Resolution, the MSF will authorize a bond resolution approving the issuance of the Bonds (the "Bond Resolution") for the purpose of making the Loan and funding the reserves and costs associated with the issuance and administration of the Bonds, and enter into one or more loan agreements and related documents with the Company and one or more bond purchase agreements with the bond purchasers, which documents shall be subject to the

approval of the Attorney General and bond counsel to the MSF.

8. The Bonds shall not be general obligations of the MSF but shall be payable as to principal and interest solely from the proceeds of the payments to be made by the Company to the MSF (or to a trustee appointed by the MSF pursuant to the Bond Resolution), as provided in the Bond Resolution. The agreements relating to the Loan and the issuance of the Bonds shall contain such provisions as will be necessary to make absolutely certain that under no circumstances will the Bonds or this Resolution be a debt or obligation of the State of Michigan or a general obligation of the Michigan Strategic Fund, nor will the State of Michigan be liable on the Bonds.

9. All costs and expenses involved in the authorization, issuance, sale, and delivery of the Bonds and in the making of the Loan shall be paid from the Bond proceeds or, if they are insufficient, by the Company.

10. The staff of the MSF is authorized and directed to initiate the proceedings described in this Resolution and to enter into negotiations, subject to the approval of the MSF, with one or more bond purchasers for the sale of the Bonds in one or more series. Any authorized signatory is authorized to prepare and file with the Michigan Department of Treasury a request for allocation as it relates to the State limitations on the issuance of private activity bonds.

11. Bond counsel to the MSF and the Attorney General are authorized and directed to prepare and submit to the appropriate parties all proceedings, agreements and other documents as shall be necessary or appropriate in connection with the issuance of the Bonds and to make applications on behalf of the MSF to the United States Internal Revenue Service and to other governmental agencies for such income tax and other rulings and approvals as may be necessary in relation to the issuance of the Bonds. Any authorized signatory is authorized to execute such powers of attorney and other documents as may be appropriate in connection with the foregoing. All costs and expenses pertaining to the above matter shall be paid from the bond proceeds or by the Company.

12. A preliminary official statement or other offering materials may be used in connection with the sale of the Bonds; provided, however, that no preliminary official statement or other offering materials shall be circulated unless any description of the MSF, the Bonds and documents to which the MSF is a party shall have been approved by bond counsel to the MSF and the Attorney General.

13. All resolutions and parts of resolutions insofar as they conflict with this Resolution are rescinded.

ADOPTED

Ayes:

Nays:

Recused:

September 27, 2016
Lansing, Michigan

MEMORANDUM

Date: September 27, 2016

TO: Michigan Strategic Fund Board

From: Christopher Cook, Director of Capital Access

Subject: *Private Activity Bond – Inducement
St. Mary’s Cement Inc.
Solid Waste - \$150,000,000 – New*

Request:

St. Mary’s Cement Inc. is requesting private activity bond financing for the purpose of issuing bonds for the expansion of its Charlevoix, Michigan plant.

Background:

Originally founded in 1912, St. Mary’s Cement Inc. (Canada) and subsidiaries/affiliates are now part of Votorantim Cement North America (“VCNA”), a subsidiary of Votorantim Cimentos SA, one of the largest cement producers in the world

The company currently employs approximately 232 individuals in Michigan. The expansion project is expected to add up to 200 construction jobs during construction and up to 10 permanent jobs upon completion.

Description of Project:

The Project consists of a brownfield plant upgrade to the maximum productivity of the existing plant infrastructure, and within the environmental limitations for the State and Federal National Emissions Standards for Hazardous Air Pollutants regulations, with an estimated total annual production of 1.9 million tons (additional capacity of 580 thousand tons) and 1.7 million tons of clinker. Additional production will be distributed to satisfy customer demand in the upper Midwest of the United States as well as in Canada. The facility will include, but will not be limited to the following improvements:

Raw Material Preparation and Grinding
Fuel Preparation and Grinding
Intermediate Storage
Mixing and Blending
Preheating
Kiln
Clinker Cooling and Material Handling
Air Pollution Control Equipment
Cement Grinding, and Material Handling

The Project will also include subordinate facilities including electrical, fire suppression, ash handling, and water and water treatment facilities.

The Project expects to qualify as a Solid Waste Disposal and Recycling Facility. The plant will be using solid waste materials as part of the normal feed materials which will qualify a portion of the entire Project as a solid waste disposal or recycling facility. In addition, certain subsystems within the process will be used solely as a solid waste disposal function and should qualify at 100%. Further analysis will be required to determine the actual qualified amount.

Plans of Finance:

Bank of America Merrill Lynch has indicated an interested in providing underwriting services to support this bond issue.

If the Project size remains at \$150,000,000, the MSF issuance fee will be \$181,250.00.

Recommendation:

After reviewing the private activity bond application for the Borrower, staff finds this project meets the requirements for an Inducement Resolution in the amount of \$150,000,000.

MICHIGAN STRATEGIC FUND

INDUCEMENT RESOLUTION

2016-

St. Mary's Cement, Inc.

WHEREAS, St. Mary's Cement, Inc. (Canada), or its subsidiaries or affiliates, is a Canadian company (the "Company"):

WHEREAS, the Company desires to finance the costs of expanding the current Charlevoix, Michigan facility including a brownfield plant upgrade to the maximum productivity of the existing plant infrastructure, and within the environmental limitations for the State and Federal National Emissions Standards for Hazardous Air Pollutants regulations, with an estimated total annual production of 1.9 million tons (additional capacity of 580 thousand tons) and 1.7 million tons of clinker (the "Project").

WHEREAS, the Company has applied to the MSF for a loan (the "Loan") to finance the Project as defined in 1984 PA 270 (the "Act");

WHEREAS, the Company has advised the MSF that the cost of the Project will not exceed One Hundred Fifty Million Dollars (\$150,000,000);

WHEREAS, the Act authorizes the MSF to loan moneys to business enterprises for the purpose of financing projects and to obtain the moneys for such loans by the issuance of bonds pursuant to the Act; and

WHEREAS, this Resolution has the purpose of providing the necessary official intent of the MSF to meet the requirements of Sections 141 and 144 of the Internal Revenue Code of 1986, as amended (the "Code") and the regulations promulgated in connection therewith and, in particular, Section 1.150-2 of the Income Tax Regulations.

NOW, THEREFORE, BE IT RESOLVED, by the Michigan Strategic Fund that:

1. The MSF intends to provide the Loan to the Company subject to the conditions of this Resolution.
2. The Loan shall be designated for the Project in accordance with the Company's Tax-Exempt Application Form dated August 31, 2016.
3. The maximum principal amount of the bonds (the "Bonds") expected to be issued to provide the Loan to finance the Project shall not exceed One Hundred Fifty Million Dollars (\$150,000,000). The Company will be obligated to make loan repayments in an amount sufficient to assure full repayment of the Bonds, establish appropriate reserves and pay costs and expenses relating to the issuance of the Bonds and the making of the Loan.
4. The MSF's obligation to issue the Bonds and make the Loan shall be conditioned upon a) the ability of the MSF to issue, sell and deliver the bonds under applicable federal and state laws, and b) any prioritization, fee schedules or other requirements or limitations implemented by the MSF or the State Treasurer.
5. The MSF's obligation to make the Loan and issue the Bonds contemplated by this Resolution shall expire two years after the date of this Resolution.
6. The Loan may be evidenced by a promissory note and secured by such instruments as are in form and substance satisfactory to the MSF, the Attorney General of the State of Michigan (the "Attorney General") and bond counsel to the MSF, including a loan agreement, indenture, first mortgage, security agreement and such additional security as may be required by the MSF or purchaser of the Bonds.
7. Subject to compliance with this Resolution, the MSF will authorize a bond resolution approving the issuance of the Bonds (the "Bond Resolution") for the purpose of making the Loan and funding the reserves and costs associated with the issuance and administration of the Bonds, and enter into a loan agreement and related documents with the Company and a bond purchase agreement with a bond purchaser, which documents shall be subject to the approval of the Attorney General and bond counsel to the MSF.

8. The Bonds shall not be general obligations of the MSF but shall be payable as to principal and interest solely from the proceeds of the payments to be made by the Company to the MSF (or to a trustee appointed by the MSF pursuant to the Bond Resolution), as provided in the Bond Resolution. The agreements relating to the Loan and the issuance of the Bonds shall contain such provisions as will be necessary to make absolutely certain that under no circumstances will the Bonds or this Resolution be a debt or obligation of the State of Michigan or a general obligation of the Michigan Strategic Fund, nor will the State of Michigan be liable on the Bonds.

9. All costs and expenses involved in the authorization, issuance, sale, and delivery of the Bonds and in the making of the Loan shall be paid from the Bond proceeds or, if they are insufficient, by the Company.

10. The staff of the MSF is authorized and directed to initiate the proceedings described in this Resolution and to enter into negotiations, subject to the approval of the MSF, with a bond purchaser for the sale of the Bonds. Any authorized signatory is authorized to prepare and file with the Michigan Department of Treasury a request for allocation as it relates to the State limitations on the issuance of private activity bonds.

11. Bond counsel to the MSF and the Attorney General are authorized and directed to prepare and submit to the appropriate parties all proceedings, agreements and other documents as shall be necessary or appropriate in connection with the issuance of the Bonds and to make applications on behalf of the MSF to the United States Internal Revenue Service and to other governmental agencies for such income tax and other rulings and approvals as may be necessary in relation to the issuance of the Bonds. Any authorized signatory is authorized to execute such powers of attorney and other documents as may be appropriate in connection with the foregoing. All costs and expenses pertaining to the above matter shall be paid from the bond proceeds or by the Company.

12. A preliminary official statement or other offering materials may be used in connection with the sale of the Bonds; provided, however, that no preliminary official statement or other offering materials shall be circulated unless any description of the MSF, the Bonds and documents to which the MSF is a party shall have been approved by bond counsel to the MSF and the Attorney General.

13. All resolutions and parts of resolutions insofar as they conflict with this Resolution are rescinded.

ADOPTED

Ayes:

Nays:

Recused:

September 27, 2016
Lansing, Michigan

MEMORANDUM

Date: September 27, 2016

To: Michigan Strategic Fund Board

From: Mark Morante – Fund Manager

Subject: Investment in Act 99 IPA with City of Flint

Request:

The City of Flint is requesting that the Michigan Strategic Fund (“MSF”) invest from its Investment Fund, as created by and pursuant to Section 88(h) of the MSF Act, Public Act 270 of 1984 as amended, up to \$3,000,000 plus additional costs and funds equaling approximately \$3,500,000 (“Investment”) in an installment purchase contract (“IPA”) that would be entered into among the City, Genesee County (“County”) and the MSF.

Background:

The City has a need to acquire, construct and install a water pipeline to connect the City’s water treatment plant with the Karegnondi Water Authority’s water supply system (“Project”). Within the IPA, the City will contract with the County for the County to manage the Project, including the hiring of contractors and others to perform the work, and to make necessary payments from the Investment funds.

The IPA will be entered into pursuant to Public Act 99 of 1933.

The City will own the Project.

Plans of Finance:

The Project will cost approximately \$7,500,000. \$4,200,000 will consist of a grant from the Department of Environmental Quality. The remainder will consist of MSF’s Investment, which will be repaid over time beginning in October, 2018, at 2% interest, pursuant to the amortization schedule attached as Exhibit A to the resolution accompanying this memo. Annual installments would not exceed 15 years, but would be payable in full at any time.

These and other obligations in favor of the MSF will be evidenced in the IPA.

Recommendation:

Based upon discussions with the Department of Treasury, the Department of Attorney General and representatives from and on behalf of the City, the Fund Manager recommends approval of the Investment for the Project, and acquisition of the IPA.

MICHIGAN STRATEGIC FUND

RESOLUTION 2016-

**APPROVAL OF FUNDING AND INVESTMENT FUND AWARD
TO CITY OF FLINT**

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 and activities;

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

WHEREAS, pursuant to MCL 125.2088(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, The City of Flint (“City”) wishes to finance the acquisition, construction and installation of a water pipeline to connect the City’s water treatment plan with the Karegnondi Water Authority’s water supply system (the “Project”);

WHEREAS, The Project’s plan of finance (“Plan of Finance”) contemplates \$4,200,000 to be received from the Michigan Department of Environmental Quality (“DEQ”), and \$3,000,000 in the form of a loan from the MSF, plus such additional funds to cover transactional and other costs;

WHEREAS, the City of Flint (“City”) has requested an Investment Fund investment from the MSF of up to \$3,000,000 toward the Plan of Finance for the Project, to be repaid at the rate of return and pursuant to the schedule contemplated in the attached Exhibit A (“Amortization Schedule”);

WHEREAS the MSF Fund Manager recommends an investment of up to \$3,500,000 (“Investment”) based on the Amortization Schedule which includes a rate of return to the MSF, to cover such additional costs of the Project above the Plan of Finance, in exchange for the execution of and assignment of certain rights to the MSF pursuant to an installment purchase agreement (“IPA”) to be entered into among the City and Genesee County (“County”), who will act as the Project manager, and MSF pursuant to Public Act 99 of 1933;

WHEREAS, the MSF Fund Manager recommends that the MSF approve its Investment of Investment Fund monies pursuant to the Plan of Financing and other terms described herein, in exchange for the execution and assignment of, and rights contained in the IPA (the “Transaction”);

WHEREAS, the completion of the Investment shall be subject to: (i) available funding, (ii) final due diligence performed to the satisfaction of the MEDC; and (iii) execution of transaction documents within 60 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; and

WHEREAS, the MSF Fund Manager recommends that the MSF Board delegate to the MSF Fund Manager, subject to the approval of the Department of the Attorney General, the authority to negotiate the final terms and conditions of, and sign, all documents, including the IPA, necessary to effectuate the Transaction.

NOW THEREFORE, BE IT RESOLVED, the MSF approves the Transaction, including Investment in the IPA subject to the terms and conditions described herein, and pursuant to the Amortization Schedule;

BE IT FURTHER RESOLVED, the MSF approves delegation of authority described herein; and

BE IT FURTHER RESOLVED, the Investment shall be subject to: (i) available funding, (ii) final due diligence performed to the satisfaction of the MEDC; and (iii) execution of transaction documents within 60 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.

Yays:

Nays:

Recused:

Lansing, Michigan
September 27, 2016

EXHIBIT A



TABLE OF CONTENTS

City of Flint
County of Genesee, State of Michigan
Installment Purchase Agreement (Taxable)

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SOURCES AND USES OF FUNDS

City of Flint
County of Genesee, State of Michigan
Installment Purchase Agreement (Taxable)

Dated Date 09/30/2016
Delivery Date 09/30/2016

Sources:

Bond Proceeds:	
Par Amount	3,145,000.00
	<hr/>
	3,145,000.00
	<hr/> <hr/>

Uses:

Fund Deposits:	
Available Funds	3,000,000.00
Other Fund Deposits:	
Capitalized Interest Fund	94,524.72
Cost of Issuance:	
Cost of Issuance	50,000.00
Other Uses of Funds:	
Additional Proceeds	475.28
	<hr/>
	3,145,000.00
	<hr/> <hr/>

Notes:

Robert W. Baird & Co. Incorporated is providing this information to you for discussion purposes only in seeking to serve as a financial advisor or municipal advisor to you on a possible issuance of municipal securities. Baird is a municipal advisor registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board ('MSRB'). A financial advisor or municipal advisor is subject to a fiduciary duty, including a duty of care and a duty of loyalty, and is required to act solely in the best interests of the client. See 'Important Disclosures' contained herein.



BOND PRICING

City of Flint
County of Genesee, State of Michigan
Installment Purchase Agreement (Taxable)

Bond Component	Maturity Date	Amount	Rate	Yield	Price
Serial Bonds:					
	10/01/2018	195,000	2.000%	2.000%	100.000
	10/01/2019	200,000	2.000%	2.000%	100.000
	10/01/2020	205,000	2.000%	2.000%	100.000
	10/01/2021	210,000	2.000%	2.000%	100.000
	10/01/2022	215,000	2.000%	2.000%	100.000
	10/01/2023	220,000	2.000%	2.000%	100.000
	10/01/2024	220,000	2.000%	2.000%	100.000
	10/01/2025	225,000	2.000%	2.000%	100.000
	10/01/2026	230,000	2.000%	2.000%	100.000
	10/01/2027	235,000	2.000%	2.000%	100.000
	10/01/2028	240,000	2.000%	2.000%	100.000
	10/01/2029	245,000	2.000%	2.000%	100.000
	10/01/2030	250,000	2.000%	2.000%	100.000
	10/01/2031	255,000	2.000%	2.000%	100.000
		3,145,000			

Dated Date	09/30/2016	
Delivery Date	09/30/2016	
First Coupon	04/01/2017	
Par Amount	3,145,000.00	
Original Issue Discount	-	
Production	3,145,000.00	100.000000%
Underwriter's Discount	-	-
Purchase Price	3,145,000.00	100.000000%
Accrued Interest	-	
Net Proceeds	3,145,000.00	



BOND SUMMARY STATISTICS

City of Flint
 County of Genesee, State of Michigan
 Installment Purchase Agreement (Taxable)

Dated Date	09/30/2016
Delivery Date	09/30/2016
First Coupon	04/01/2017
Last Maturity	10/01/2031
Arbitrage Yield	1.999997%
True Interest Cost (TIC)	1.999997%
Net Interest Cost (NIC)	2.000000%
All-In TIC	2.202890%
Average Coupon	2.000000%
Average Life (years)	8.826
Weighted Average Maturity (years)	8.826
Duration of Issue (years)	7.999
Par Amount	3,145,000.00
Bond Proceeds	3,145,000.00
Total Interest	555,174.72
Net Interest	555,174.72
Total Debt Service	3,700,174.72
Maximum Annual Debt Service	262,400.00
Average Annual Debt Service	246,632.64

Bond Component	Par Value	Price	Average Coupon	Average Life	Average Maturity Date	PV of 1 bp change
Serial Bonds	3,145,000.00	100.000	2.000%	8.826	07/28/2025	2,477.60
	3,145,000.00			8.826		2,477.60

	TIC	All-In TIC	Arbitrage Yield
Par Value	3,145,000.00	3,145,000.00	3,145,000.00
+ Accrued Interest	-	-	-
+ Premium (Discount)	-	-	-
- Underwriter's Discount	-	-	-
- Cost of Issuance Expense	-	(50,000.00)	-
- Other Amounts	-	-	-
Target Value	3,145,000.00	3,095,000.00	3,145,000.00
Target Date	09/30/2016	09/30/2016	09/30/2016
Yield	1.999997%	2.202890%	1.999997%



BOND DEBT SERVICE

City of Flint
County of Genesee, State of Michigan
Installment Purchase Agreement (Taxable)

Dated Date 09/30/2016
Delivery Date 09/30/2016

Period Ending	Principal	Coupon	Interest	Debt Service
04/01/2017	-	-	31,624.72	31,624.72
10/01/2017	-	-	31,450.00	31,450.00
04/01/2018	-	-	31,450.00	31,450.00
10/01/2018	195,000	2.000%	31,450.00	226,450.00
04/01/2019	-	-	29,500.00	29,500.00
10/01/2019	200,000	2.000%	29,500.00	229,500.00
04/01/2020	-	-	27,500.00	27,500.00
10/01/2020	205,000	2.000%	27,500.00	232,500.00
04/01/2021	-	-	25,450.00	25,450.00
10/01/2021	210,000	2.000%	25,450.00	235,450.00
04/01/2022	-	-	23,350.00	23,350.00
10/01/2022	215,000	2.000%	23,350.00	238,350.00
04/01/2023	-	-	21,200.00	21,200.00
10/01/2023	220,000	2.000%	21,200.00	241,200.00
04/01/2024	-	-	19,000.00	19,000.00
10/01/2024	220,000	2.000%	19,000.00	239,000.00
04/01/2025	-	-	16,800.00	16,800.00
10/01/2025	225,000	2.000%	16,800.00	241,800.00
04/01/2026	-	-	14,550.00	14,550.00
10/01/2026	230,000	2.000%	14,550.00	244,550.00
04/01/2027	-	-	12,250.00	12,250.00
10/01/2027	235,000	2.000%	12,250.00	247,250.00
04/01/2028	-	-	9,900.00	9,900.00
10/01/2028	240,000	2.000%	9,900.00	249,900.00
04/01/2029	-	-	7,500.00	7,500.00
10/01/2029	245,000	2.000%	7,500.00	252,500.00
04/01/2030	-	-	5,050.00	5,050.00
10/01/2030	250,000	2.000%	5,050.00	255,050.00
04/01/2031	-	-	2,550.00	2,550.00
10/01/2031	255,000	2.000%	2,550.00	257,550.00
	3,145,000		555,174.72	3,700,174.72

BOND DEBT SERVICE

City of Flint
 County of Genesee, State of Michigan
 Installment Purchase Agreement (Taxable)

Dated Date 09/30/2016
 Delivery Date 09/30/2016

Period Ending	Principal	Coupon	Interest	Debt Service
10/01/2017	-	-	63,074.72	63,074.72
10/01/2018	195,000	2.000%	62,900.00	257,900.00
10/01/2019	200,000	2.000%	59,000.00	259,000.00
10/01/2020	205,000	2.000%	55,000.00	260,000.00
10/01/2021	210,000	2.000%	50,900.00	260,900.00
10/01/2022	215,000	2.000%	46,700.00	261,700.00
10/01/2023	220,000	2.000%	42,400.00	262,400.00
10/01/2024	220,000	2.000%	38,000.00	258,000.00
10/01/2025	225,000	2.000%	33,600.00	258,600.00
10/01/2026	230,000	2.000%	29,100.00	259,100.00
10/01/2027	235,000	2.000%	24,500.00	259,500.00
10/01/2028	240,000	2.000%	19,800.00	259,800.00
10/01/2029	245,000	2.000%	15,000.00	260,000.00
10/01/2030	250,000	2.000%	10,100.00	260,100.00
10/01/2031	255,000	2.000%	5,100.00	260,100.00
	3,145,000		555,174.72	3,700,174.72



NET DEBT SERVICE

City of Flint
County of Genesee, State of Michigan
Installment Purchase Agreement (Taxable)

Date	Principal	Coupon	Interest	Total Debt Service	Capitalized Interest Fund	Net Debt Service
04/01/2017	-	-	31,624.72	31,624.72	(31,624.72)	-
10/01/2017	-	-	31,450.00	31,450.00	(31,450.00)	-
04/01/2018	-	-	31,450.00	31,450.00	(31,450.00)	-
10/01/2018	195,000	2.000%	31,450.00	226,450.00	-	226,450
04/01/2019	-	-	29,500.00	29,500.00	-	29,500
10/01/2019	200,000	2.000%	29,500.00	229,500.00	-	229,500
04/01/2020	-	-	27,500.00	27,500.00	-	27,500
10/01/2020	205,000	2.000%	27,500.00	232,500.00	-	232,500
04/01/2021	-	-	25,450.00	25,450.00	-	25,450
10/01/2021	210,000	2.000%	25,450.00	235,450.00	-	235,450
04/01/2022	-	-	23,350.00	23,350.00	-	23,350
10/01/2022	215,000	2.000%	23,350.00	238,350.00	-	238,350
04/01/2023	-	-	21,200.00	21,200.00	-	21,200
10/01/2023	220,000	2.000%	21,200.00	241,200.00	-	241,200
04/01/2024	-	-	19,000.00	19,000.00	-	19,000
10/01/2024	220,000	2.000%	19,000.00	239,000.00	-	239,000
04/01/2025	-	-	16,800.00	16,800.00	-	16,800
10/01/2025	225,000	2.000%	16,800.00	241,800.00	-	241,800
04/01/2026	-	-	14,550.00	14,550.00	-	14,550
10/01/2026	230,000	2.000%	14,550.00	244,550.00	-	244,550
04/01/2027	-	-	12,250.00	12,250.00	-	12,250
10/01/2027	235,000	2.000%	12,250.00	247,250.00	-	247,250
04/01/2028	-	-	9,900.00	9,900.00	-	9,900
10/01/2028	240,000	2.000%	9,900.00	249,900.00	-	249,900
04/01/2029	-	-	7,500.00	7,500.00	-	7,500
10/01/2029	245,000	2.000%	7,500.00	252,500.00	-	252,500
04/01/2030	-	-	5,050.00	5,050.00	-	5,050
10/01/2030	250,000	2.000%	5,050.00	255,050.00	-	255,050
04/01/2031	-	-	2,550.00	2,550.00	-	2,550
10/01/2031	255,000	2.000%	2,550.00	257,550.00	-	257,550
	3,145,000		555,174.72	3,700,174.72	(94,524.72)	3,605,650



NET DEBT SERVICE

City of Flint
County of Genesee, State of Michigan
Installment Purchase Agreement (Taxable)

Period Ending	Principal	Coupon	Interest	Total Debt Service	Capitalized Interest Fund	Net Debt Service
10/01/2017	-	-	63,074.72	63,074.72	(63,074.72)	-
10/01/2018	195,000	2.000%	62,900.00	257,900.00	(31,450.00)	226,450
10/01/2019	200,000	2.000%	59,000.00	259,000.00	-	259,000
10/01/2020	205,000	2.000%	55,000.00	260,000.00	-	260,000
10/01/2021	210,000	2.000%	50,900.00	260,900.00	-	260,900
10/01/2022	215,000	2.000%	46,700.00	261,700.00	-	261,700
10/01/2023	220,000	2.000%	42,400.00	262,400.00	-	262,400
10/01/2024	220,000	2.000%	38,000.00	258,000.00	-	258,000
10/01/2025	225,000	2.000%	33,600.00	258,600.00	-	258,600
10/01/2026	230,000	2.000%	29,100.00	259,100.00	-	259,100
10/01/2027	235,000	2.000%	24,500.00	259,500.00	-	259,500
10/01/2028	240,000	2.000%	19,800.00	259,800.00	-	259,800
10/01/2029	245,000	2.000%	15,000.00	260,000.00	-	260,000
10/01/2030	250,000	2.000%	10,100.00	260,100.00	-	260,100
10/01/2031	255,000	2.000%	5,100.00	260,100.00	-	260,100
	3,145,000		555,174.72	3,700,174.72	(94,524.72)	3,605,650



IMPORTANT DISCLOSURES

City of Flint
County of Genesee, State of Michigan
Installment Purchase Agreement (Taxable)

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CITY OF FLINT

Dr. Karen W. Weaver

Mayor

September 20, 2016

Mark Morante
Fund Manager
Michigan Strategic Fund
300 N. Washington Sq.
Lansing, Michigan 48913

RE: City of Flint Water Pipeline Project

Dear Mr. Morante:

The City of Flint (the "City") and the State of Michigan (the "State"), acting through Treasury, have held discussions for financing (the "Plan of Finance") the acquisition, construction and installation of a water pipeline to connect the City's water treatment plant with the Karegnondi Water Authority's water supply system (the "Project"). The Plan of Finance contemplates that the City would finance \$4,200,000 of the Project costs with a grant from the State and \$3,000,000 of the Project costs through a loan from the Michigan Strategic Fund (the "MSF"). This letter constitutes the City's request to the MSF for a loan in an amount not to exceed \$3,000,000 to finance costs of the Project.

Consistent with the Plan of Finance, the City is interested in seeking assistance from the MSF to finance the Project, pursuant to Act 99, Public Acts of Michigan, 1933, as amended ("Act 99"), using an installment purchase contract (the "Purchase Contract").

We understand the Plan of Finance is contemplated to include the City entering into a contract (the "County Contract") with the County of Genesee (the "County"), whereby the County, as possibly the vendor or construction manager, would be responsible for the acquisition, construction and installation of the Project. Pursuant to Act 99, payments on the Purchase Contract would be in annual installments not to exceed 15 years, with payment of principal and interest payments beginning in October 2018, bearing interest at two (2%) percent per annum, be payable prior to maturity in whole or in part on any date from sources identified by the State or by the State and the City, and be subject to such other terms and conditions as approved by the City and the MSF. The Purchase Contract would be purchased by the MSF with moneys in, and held as an investment of, its permanent fund.


The City has engaged Lewis & Munday, A Professional Corporation, to serve as bond counsel to the City in connection with the loan from the MSF.

Mark Morante
September 20, 2016
Page 2

Time is of the essence with respect to the City obtaining financing for the Project. I understand that the MSF Board's next meeting will take place on September 27, 2016. I ask that the MSF Board consider adopting a resolution indicating its preliminary intent to finance the Project under Act 99, subject to the finalization of terms of the Purchase Contract and County Contract, and the financing by the parties, and necessary approvals by the City Council of the City, the Receivership Transition Advisory Board of the City of Flint, and the County Commission.

Please feel free to contact me or David Sabuda, the City's Interim Chief Financial Officer, if you are interested in further discussing this proposal. Thank you for your consideration.

Sincerely yours,

By: 
Dr. Karen W. Weaver
Its: Mayor

cc: David Sabuda
Stacy Erwin Oakes, Esq.
John Barton
Lawrence Steckelberg

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MEMORANDUM

Date: September 27, 2016

To: Michigan Strategic Fund Board

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

Subject: *Community Development Block Grant Program
2016 Infrastructure Capacity Enhancement Grants (ICE)*

Request

Nine units of general local government (UGLG) are requesting a total of \$6,883,250 in Community Development Block Grant (CDBG) funds for infrastructure improvements in their community.

Background

On April 26, 2016, the Michigan Strategic Fund (MSF) approved a set aside of up to \$8,000,000 in CDBG funds for a competitive round of Infrastructure Capacity Enhancement (ICE) grants. Activities eligible for funding included projects that upgraded existing public infrastructure systems either by replacing deteriorating or obsolete systems or by adding needed capacity to existing but burdened systems. These activities may include: water lines and related facilities; sanitary and storm sewer lines and related facilities; wastewater treatment plants and related activities and only road replacement activities related to these activities.

The MSF received forty (40) Part I Applications requesting \$33,352,705. The nine UGLGs recommended have completed a full application and majority of their environmental review. This allows them to start construction immediately following the grant agreement being signed.

Program specific requirements and screening guidelines are addressed in **Appendix A**.

A list of the nine recommended projects is attached as **Appendix B** to this resolution and totals \$6,883,250. The list includes the CDBG applicants, project description, percentage of low and moderate income people living in the community, grant amount requested, and local match commitment.

Recommendation

MEDC Staff recommends that grant agreements totaling \$6,883,250 be authorized for the nine projects listed in **Appendix B** of this resolution.

APPENDIX A – Programmatic Requirements & Screening Guidelines

Program Requirements

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

- **National Objective:**
The projects qualify for CBDG funding as the project's activities will benefit all residents of the project area and at least 51 percent of the residents of the community are low and moderate income persons as determined by census data provided by the U.S. Department of Housing and Urban Development or an income survey previously approved by staff. The projects meet a national objective by providing benefit to at least 51 percent low and moderate income persons.
- **Eligible Activity:**
The projects involve eligible activities identified in Section 105(a)(2) of Title I of the Housing and Community Development Act of 1974, as amended.

Screening Guidelines

All recommended projects have met the following criteria:

1. Located in a Community listed on the CDBG Low-Moderate Income Community Customer list and the project benefits the entire community.
2. Shall be for an existing system capital replacement or upgrade, not system expansion or maintenance.
3. Community has a locally approved Capital Improvements Plan (CIP) and the proposed project is specifically identified within the CIP as a non-maintenance capital expenditure.
4. Includes only eligible CDBG activities and Community owns or is able to acquire easement to the property encompassing the project.
5. Community is contributing a minimum cash match equal to 10% of the total eligible public infrastructure activities. In-kind contributions are ineligible to count as match.
6. Communities demonstrate a management/maintenance plan for the proposed project for its useful life.
7. Timeline of project to be completed by December 31, 2017.
8. Grant request between \$500,000 and \$1,000,000. (One grant request per community)

The projects being recommended were scored and given priority based on:

- Documentation as a public health need or emergency by an administrative corrective action order of a State department, such as Michigan Department of Environmental Quality (MDEQ) or the Michigan Department of Health and Human Services (MDHHS)
- Plans and specifications are complete and sealed by an engineer at time of application
- Community is actively advancing in the Redevelopment Ready Communities® program

- Community is a Master or Select community in Michigan's Main Street program
- Community's percentage of committed cash match exceeding the required 10%
- Leverage of other committed cash funding sources

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

APPENDIX B - Infrastructure Capacity Enhancement (ICE) Recommended Projects

Applicant	Project Description	Percent Low/Mod	CDBG Request	Total Local Match
City of Cheboygan	Water Main Replacement	61.0%	\$987,000	\$122,875
City of Houghton	Water Main Installation and Sanitary Sewer Line Improvements	58.7%	\$877,120	\$110,880
Village of Central Lake	Water Main Replacement	55.3%	\$633,038	\$85,500
Village of Breckenridge	Sanitary Sewer Improvements	56.0%	\$521,063	\$65,882
City of Clare	Water Main Improvements	51.8%	\$509,039	\$101,318
City of Pinconning	Waste Water Treatment Plant Improvements	56.7%	\$500,000	\$61,798
Village of Quincy	Water Main and Pump Station Replacement	52.9%	\$1,000,000	\$522,470
City of Leslie	Water Main Improvements	61.5%	\$1,000,000	\$110,000
Village of Bloomingdale	Sanitary and Storm Sewer Replacement	65.8%	\$855,990	\$107,000
TOTAL			\$6,883,250	\$1,287,723

MICHIGAN STRATEGIC FUND

RESOLUTION 2016- _____

APPROVAL OF INFRASTRUCTURE CAPACITY ENHANCEMENT (ICE) GRANTS

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

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

WHEREAS, The CDBG program has policies, criteria, and parameters that are enumerated in the 2016 Program Guidelines, as amended (the “Criteria”). The MSF, by Resolution 2015-039, authorized and approved the Consolidated Plan and the Criteria and the MSF, by Resolution 2016-090, authorized and approved the 2016 Application Guide which includes guidelines for area benefit grants;

WHEREAS, pursuant to SFCR 10.1-1, 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 or decisions approved under the CDBG program;

WHEREAS, the Communities listed in Exhibit A (the “Community”) have submitted a complete application for approval requesting funding to be used to fund their Infrastructure Capacity Enhancement (ICE) Project (the “Project”);

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

WHEREAS, staff recommends that a grant agreement be authorized and entered into with the Communities identified in **Exhibit A** for funds from the CDBG program for the reasons set forth in this Resolution.

NOW, THEREFORE, BE IT RESOLVED, that the MSF authorizes grants to the Communities identified in **Exhibit A** not to exceed \$6,883,250 for the payment or reimbursement of costs associated with their Project contingent upon the MSF’s continued receipt of CDBG funds, and availability of adequate funds; and

BE IT FURTHER RESOLVED, the MSF Fund Manager, in coordination with MEDC staff is directed to negotiate the terms of a grant agreement for the Project consistent with this Resolution; and

BE IT FURTHER RESOLVED, if the Community fails to execute and return the grant agreement to staff within 180 days of the date this Resolution is adopted, this Resolution shall be of no further force and effect and shall be void.

Ayes:

Nays:

Recused:

Lansing, Michigan
September 27, 2016

Exhibit A
Infrastructure Capacity Enhancement (ICE)
Recommended Projects
Program Year 2016

Applicant/Communities	Project Description	Percent Low/Mod	CDBG Request	Total Local Match
City of Cheboygan	Water Main Replacement	61.0%	\$987,000	\$122,875
City of Houghton	Water Main Installation and Sanitary Sewer Line Improvements	58.7%	\$877,120	\$110,880
Village of Central Lake	Water Main Replacement	55.3%	\$633,038	\$85,500
Village of Breckenridge	Sanitary Sewer Improvements	56.0%	\$521,063	\$65,882
City of Clare	Water Main Improvements	51.8%	\$509,039	\$101,318
City of Pinconning	Wastewater Treatment Plant Improvements	56.7%	\$500,000	\$61,798
Village of Quincy	Water Main and Pump Station Replacement	52.9%	\$1,000,000	\$522,470
City of Leslie	Water Main Improvements	61.5%	\$1,000,000	\$110,000
Village of Bloomingdale	Sanitary and Storm Sewer Replacement	65.8%	\$855,990	\$107,000
TOTAL			\$6,883,250	\$1,287,723

MEMORANDUM

Date: September 27, 2016

To: Michigan Strategic Fund Board

From: Nate Scramlin, Senior Community Assistance Team Specialist
Lynda Franke, Underwriting & Incentive Structuring Specialist

Subject: SVRC Market Place, L.L.C. - Request for Approval Michigan Community Revitalization Program - Other Economic Assistance

Request

SVRC Industries, Inc. under the single use entity SVRC Market Place, L.L.C. will be undertaking a transformational redevelopment of the former Saginaw News building into a 100,000 square foot hub of activity for people visiting, living, eating, shopping, doing business and looking for entertainment in Downtown Saginaw, dubbed the SVRC Marketplace. The project will redevelop 2.27 acres of property located at 203 South Washington Avenue in the City of Saginaw. The project is located in a downtown and qualifies for a Michigan Community Revitalization Program (MCRP) award because it is functionally obsolete and a historic resource.

SVRC Market Place, L.L.C. is requesting approval of a MCRP incentive in the amount of \$3,475,000 in the form of an Other Economic Assistance Performance Based Loan Participation.

Due the nature of the project which MEDC staff anticipates to have limited cash flow, the development team is only able to secure \$3.2 million traditional debt or 16.3% of the required capital. The developer and historic tax credit investor are contributing 50.4% of the project capital needs as equity, while grant funding through foundations and the Department of Environmental Quality are supporting another 15.8%. The remaining \$3.475 million (or 17.5%) is the gap which cannot be supported by traditional debt or equity. The Michigan Community Revitalization Program incentive is needed to complete the financing needs to move the project forward. A MCRP detailed structure is provided in **Appendix A**.

The Applicant anticipates that the project will result in total capital investment in the amount of \$19,851,884 along with the creation of approximately 53 permanent full-time equivalent jobs with an average hourly wage of \$16.37.

Background

The mixed-use, three-story SVRC Marketplace will feature an indoor/outdoor farmer's market, food processing hub, rental commercial kitchens, office business and entrepreneurial support services, retail establishments, permanent year round vendors, and new headquarters of SVRC Industries. The redeveloped property, which has stood vacant since 2009, is expected to become a destination for the

Saginaw region and bring vibrancy and increased walkability to this emerging area in the heart of downtown Saginaw, not to mention the enhancement of previously supported investment nearby at the adjacent Bancroft Building property.

SVRC Industries serves individuals with disabilities, their families and others with barriers to employment and community access in Saginaw County. SVRC does this by providing a number of business units and services including but not limited to: Vocational Rehabilitation, SVRC Apartments, Saginaw Advocacy for Individuals with Disabilities (SAID), Behavioral Health Services, Support Coordination, Tuscola Educational Center (At-risk charter school and specialized services), Workforce Development, Industrial Operations, and Facilities Management. The SVRC Marketplace project serves as the first and only project that has been submitted for MSF support.

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

Recommendation

MEDC staff recommends approval of the following:

- a) A MCRP Other Economic Assistance - Performance-Based Loan Participation in the amount of \$3,475,000 for SVRC Industries, Inc, SVRC Market Place LLC, or Related Entity.

APPENDIX A

FINANCING OPPORTUNITY – MCRP LOAN PARTICIPATION

The project is seeking Michigan Strategic Fund (MSF) participation in coordination with Chemical Bank as the senior lender. The Lender, along with the Borrower, has requested the MSF participate in up to \$3,475,000 in a \$6,725,868 construction to permanent loan facility. The MSF would be pari passu in terms of payments on its share of the loan, but would allow the collateral to apply first to the Lender's share in an event of liquidation. It is anticipated that disbursements to the project on the loan will be made on a pro-rata basis. Below outlines a summary of the development sources and investment for the proposed structure of the loan participation.

SUMMARY OF DEVELOPMENT SOURCES:

Chemical Bank Share	\$3,235,000	16.3%
MSF Share	\$3,475,000	17.5%
Other Grants	\$3,239,849	16.3%
Deferred Developer Fees	\$1,000,000	5.0%
Historic Tax Credit Equity	\$2,651,972	13.4%
Developer Equity	\$6,250,063	31.5%
TOTAL	\$19,851,884	100.0%

LOAN FACILITY

MSF Facility	MCRP Loan Participation and Servicing Agreement Under "Other Economic Assistance"
Borrower:	SVRC Market Place, L.L.C. or Related Entity
Lender:	Chemical Bank, "Lender"
Total Amount of Loans:	Currently estimated at \$6,710,000
Lender Share:	Currently estimated at \$3,235,000
MSF Share:	Up to the lesser of 25% of "Eligible Investment" or \$3,475,000
Term:	To match that of the Lender, not to exceed 120 months.
Amortization:	To match that of the Lender, not to exceed 300 months following the interest only period.
Interest Rate:	Anticipated to be 2% per annum on the MSF Share.

Repayment Terms:	<p>Up to 36 months interest only payments, followed by monthly principal and interest payments.</p> <p>Up to \$1,500,000 of the MSF Share of the loan to be forgiven at issuance of a “Certificate of Occupancy” for the entire building.</p> <ol style="list-style-type: none">1) Payments to the MSF will be contingent on a minimum Debt Service Coverage Ratio (DSCR) yet to be determined.2) Certain defaults under the loan agreement related to missed payments will trigger suspension of all payments to the MSF until the default has been cured.
Collateral:	<p>To match that of the Lender, anticipated to be a 1st lien on all assets of SVRC Industries, Inc. and all subsidiaries, Pledge of foundation assets equal to \$2,000,000, 1st mortgage and assignment of rents on 203 S. Washington Ave., Saginaw MI. MSF Interest to be subordinated to that of the Lender.</p>
Guarantee:	<p>To match that of the Lender. MSF Interest to be subordinated to that of the Lender.</p>
MSF Fees:	<p>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.</p>
Funding:	<p>The MSF will fund up to \$3,475,000 to be disbursed following closing of the Loan and other performance criteria.</p>
Other Conditions:	<p>The MSF’s investment will be contingent upon the following:</p> <ul style="list-style-type: none">• A minimum owner equity contribution of \$5,500,000 to the project.

APPENDIX B – Programmatic Requirements & Screening Guidelines

MCRP Program and its Guidelines

On December 21, 2011, the MSF Board approved the Michigan Community Revitalization Program (MCRP) and on September 22, 2015, the MSF Board approved its restated program guidelines. The primary intended objective of the MCRP is to provide incentives to persons that make eligible investments on eligible property in Michigan. The total eligible investment for this project is estimated to be \$19,851,884.

Source of Information

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

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

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

The project is a significant investment in an emerging but volatile downtown core. The redevelopment of this property and addition of the new four-season market space will attract new patrons to the downtown spurring new downtown trips and local spend in the area. The majority of Saginaw qualifies as a food desert by the USDA and US Census Bureau demonstrates the need for expanded, year round access to affordable fresh fruits and vegetables in downtown Saginaw. The SVRC Marketplace will be the first of its kind within the Saginaw community to offer year-round access to fresh fruits and vegetables as it expands the services offered by the Downtown Saginaw Farmer's Market.

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

This new investment in downtown Saginaw, coupled with the attractiveness of the increased offerings of the refreshed Farmer's Market make this not only a desirable place to visit but increases the allure for new residents and the additional development of surrounding downtown properties.

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

The City of Saginaw and the Downtown Development Authority have provided support including an OPRA tax abatement for 12 years with an estimated value of \$129,171, provision of a local lot adjacent to SVRC Marketplace estimated at a value of \$100,000, and the vacation of Federal Street estimated at \$50,000.

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

Due the nature of the project which MEDC staff anticipates to have limited cash flow, the development team is only able to secure \$3.2 million in traditional debt or 16.3% of the required capital. The developer and historic tax credit investor are contributing 50.4% of the project capital needs as equity, while grant funding through foundations and the Department of Environmental Quality are supporting another 15.8%. The remaining \$3.475 million (or 17.5%) is the gap which cannot be supported by traditional debt or equity. The Michigan Community Revitalization Program incentive is needed to complete the financing needs to move the project forward.

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

This project will effectively redevelop a historical structure in downtown Saginaw that has been vacant since 2009.

F. Creation of jobs:

The project estimates the creation of 53 full time equivalent positions with an average hourly wage of \$16.37.

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

Chemical Bank is providing a construction loan of \$6.7 million. The development sponsor is pledging cash and land equity of \$6.25 million. Foundation grants, DEQ grants, and additional local business contributions are estimated at nearly \$2.4 million.

H. Whether the project is financially and economically sound:

After stabilization, the project is anticipated to generate a DSCR above 1.20 to 1.00. Due to the uniqueness of the project and the absence of Class A office space in the immediate vicinity, the projected rentals rates are unproven. Downtown commercial rates are about \$8-10, in generally older buildings. The project has a few anchor tenants expected to sign leases at rates about 30-40% higher than current local rates. In an effort to support the viability of this project for the community, the MCRP incentive includes a forgivable piece of \$1.5 million. MCRP repayment will also be contingent on an acceptable DSCR.

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

While the project does not include increased density through residential housing units, it certainly increases the density of patrons to downtown Saginaw, and the density of valuable building stock raising surrounding land values and increasing the taxable value of the property.

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

The SVRC Marketplace will be a hub of activity in Downtown Saginaw, where multiple businesses will operate such as a food processing center, Downtown Saginaw Farmers Market, vendors in the mini retail center, community demonstration kitchen, clinical services, small business incubator and retail spaces. The SVRC Marketplace is located in the heart of Downtown

Saginaw in walking distance of the forthcoming River walk trail, the Dow Event Center, Castle Museum, The Bancroft Luxury Apartments and many other downtown attractions. The SVRC Marketplace is located on the STARS bus line with a drop-off location directly in front of the building which eliminates a major transportation barrier in the Saginaw community.

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

This project does not involve an abandoned public building.

L. Whether the project promotes sustainable development:

The SVRC Marketplace is a sustainable project that builds on SVRC's core-mission of creating employment opportunities and community access by offering healthy food options, integrated jobs, supportive services, and vibrant gathering spaces in a single downtown development. The anticipated result of this project on the larger community is an increase in access to fresh fruits and vegetables and job creation for local residents and the employees of businesses in downtown Saginaw. The outdoor farmers market pavilion will provide the Downtown Saginaw Farmers Market a new, secure, stable, and weather proof home for years to come.

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

We anticipate that the old Saginaw News structure at 203 S. Washington will be added to the registry with the National Park Services as a historic building and listed with the State Historic Preservation Office. The interior of the building will undergo extensive construction and redevelopment and will become revitalized market and Class A office space known as the SVRC Marketplace.

N. Whether the project addresses area-wide redevelopment:

While the redevelopment itself sends a message to future developers that downtown Saginaw is on the rise and ripe for increased development, the activity generating inside and out of the new SVRC Marketplace stands to greatly enhance area-wide redevelopment opportunity. The business incubator space on the second floor of the Marketplace will help create and support new businesses downtown. The incubator will also support the expansion of businesses located in the indoor and outdoor farmers market. Increases in quality of life in downtown Saginaw, due to a safer environment with more people on the street, and increased access to quality fresh food and dining options will promote greater occupancy in existing downtown housing and create demand for additional housing. The redevelopment here can spur potential in other buildings downtown where owners may seek to convert the second and third floors of their buildings to apartments and condominiums, thus increasing economic activity.

O. Whether the project addresses underserved markets of commerce:

The newfound access to fresh food and produce provided by this development and the year round market will help address the City of Saginaw's designation as a food desert. The project will also provide additional Class A office space in downtown Saginaw which is currently lacking.

P. The level and extent of environmental contamination:

The property is contaminated with historic foundry fill and by lead dust from printing processes. Anticipated cleanup activities include soil removal, transport and capping; surveys, removal of hazardous materials; air monitoring; biphenyl remediation; verification of soil remediation; demolition; oversight, bid solicitation, and development of work plans, health and safety plans. Demolition will include but is not limited to removal and disposal of lead paint; asbestos abatement; removal and disposal of hydraulic hoists and elevators.

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 SVRC Marketplace is completing a historic rehabilitation and will follow the Secretary of the Interior's standards of rehabilitation.

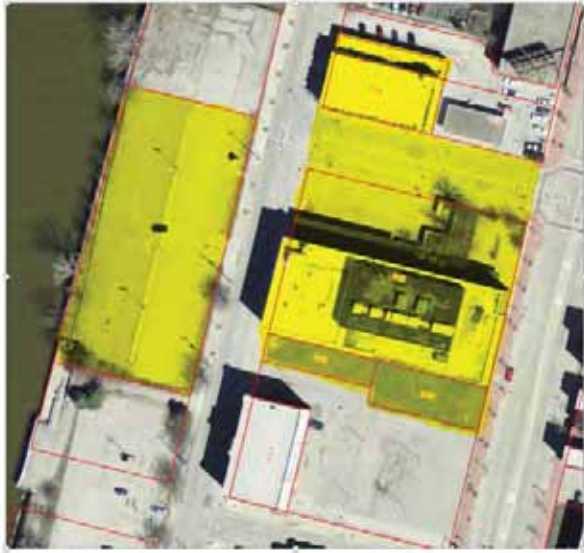
R. Whether the project will compete with or affect existing Michigan businesses within the same industry:

This project is not expected to compete with or affect existing Michigan businesses within the same industry. It is expected to complement and enhance the existing redevelopment efforts in Downtown Saginaw.

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

No additional criteria needs to be considered.

APPENDIX C – Project Map and Renderings



**MICHIGAN STRATEGIC FUND
RESOLUTION 2016-**

**APPROVAL OF A MICHIGAN COMMUNITY REVITALIZATION PROGRAM
OTHER ECONOMIC ASSISTANCE LOAN PARTICIPATION AWARD TO
SVRC MARKET PLACE, L.L.C.**

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

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

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

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

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

WHEREAS, Chemical Bank (“Lender”) will be providing financing to SVRC Market Place, L.L.C. and or related entities (“Proposed Borrower”) of up to \$6,710,000 toward the construction activities and infrastructure improvements to real property (“Project”);

WHEREAS, the Lender and the Proposed Borrower have requested an Other Economic Assistance Performance Based Loan Participation award from the MSF under the MCRP for the Project in an amount not to exceed up to \$3,475,000 (“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 Award Request in accordance with the Term Sheet and Guidelines, subject to: (i) available funding, (ii) final due diligence performed to the satisfaction of the MEDC; and (iii) execution of the Transaction Documents for the Award Request within 120 days of the date of this Resolution (“Time Period”), or this Resolution shall have no effect; provided however, at the sole discretion of the MSF Fund Manager, the Time Period may be extended for up to an additional 90 days (“MCRP Award Recommendation”);

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

ADOPTED

Ayes:

Nays:

Recused:

Lansing, Michigan
September 27, 2016

Exhibit A

LOAN FACILITY

MSF Facility

MCRP Loan Participation and Servicing Agreement Under
“Other Economic Assistance”

Borrower:	SVRC Market Place, L.L.C. or Related Entity
Lender:	Chemical Bank, “Lender”
Total Amount of Loans:	Currently estimated at \$6,710,000
Lender Share:	Currently estimated at \$3,235,000
MSF Share:	Up to the lesser of 25% of “Eligible Investment” or \$3,475,000
Term:	To match that of the Lender, not to exceed 120 months.
Amortization:	To match that of the Lender, not to exceed 300 months following the interest only period.
Interest Rate:	Anticipated to be 2% per annum on the MSF Share.
Repayment Terms:	<p>Up to 36 months interest only payments, followed by monthly principal and interest payments.</p> <p>Up to \$1,500,000 of the MSF Share of the loan to be forgiven at issuance of a “Certificate of Occupancy” for the entire building.</p> <ol style="list-style-type: none">1) Payments to the MSF will be contingent on a minimum Debt Service Coverage Ratio (DSCR) yet to be determined.2) Certain defaults under the loan agreement related to missed payments will trigger suspension of all payments to the MSF until the default has been cured.
Collateral:	To match that of the Lender, anticipated to be a 1st lien on all assets of SVRC Industries, Inc. and all subsidiaries, Pledge of foundation assets equal to \$2,000,000, 1st mortgage and assignment of rents on 203 S. Washington Ave., Saginaw MI. MSF Interest to be subordinated to that of the Lender.
Guarantee:	To match that of the Lender. MSF Interest to be subordinated to that of the Lender.
MSF Fees:	The MSF shall be paid a one-time fee equal to one percent of the MSF’s share of the loan. The Lender may charge the borrower for this fee.
Funding:	The MSF will fund up to \$3,475,000 to be disbursed following closing of the Loan and other performance criteria.
Other Conditions:	<p>The MSF’s investment will be contingent upon the following:</p> <ul style="list-style-type: none">• A minimum owner equity contribution of \$5,500,000 to the project.

MEMORANDUM

Date: September 27, 2016

To: Michigan Strategic Fund Board

From: James Espinoza, CATeam Specialist
Jim Davis, Underwriting and Incentive Structuring Specialist
Mary Kramer, Brownfield and MCRP Program Specialist

Subject: City of Owosso Brownfield Redevelopment Authority
Request for Approval of an Act 381 Work Plan
Chamber Support Corporation and Owosso-Corunna Area Chamber of
Commerce (dba Shiawassee Regional Chamber of Commerce) - Request for
Approval Michigan Community Revitalization Program (MCRP) Grant

Request

The Owosso Armory Redevelopment proposes to rehabilitate the vacant, contaminated and historic former Armory site in Downtown Owosso into a three-story, approximately 26,345 square foot building that offers incubator space, offices suites, individual offices, conference rooms and public restrooms. The proposed project will be undertaken by the Chamber Support Corporation and Owosso-Corunna Area Chamber of Commerce (dba Shiawassee Regional Chamber of Commerce). The project will redevelop .70 acres of property located at 201 and 215 North Water Street in Owosso of Shiawassee County. The project is located in a downtown and qualifies for a Michigan Community Revitalization Program (MCRP) award and Act 381 work plan because it is a facility and a historic resource.

In order to alleviate Brownfield conditions and prepare the proposed project site for redevelopment, the City of Owosso Brownfield Redevelopment Authority is seeking approval of local and school tax capture for MSF eligible activities in the amount of \$394,650.

Chamber Support Corporation and Owosso-Corunna Area Chamber of Commerce (Co-Applicants) are requesting approval of a MCRP incentive in the amount of \$1,402,000 in the form of a performance-based grant.

The project is in need of financing assistance for several reasons. There is virtually no comparable product in the County, which creates a substantial risk that the Co-Applicants are willing to approach because of the strategic goals of the Shiawassee Regional Chamber. Owosso's market is weak which leads to low income and high vacancy assumptions. The operating expenses are higher than a traditional office development because the historic guidelines have required a significant amount of common space and additional construction costs. The property owner will have to cover the costs of all utilities, taxes and common area maintenance because the market cannot support tenants to be on a triple net lease or absorb these costs. The project was only able to secure private financing for 39.5% of the total project costs because of the reasons stated above. The developer, a corporate arm of the Shiawassee Regional

Chamber created just to complete the development, has demonstrated investment into the project of \$421,286. This has significantly stretched the resources of the Chamber in bringing this vision to fruition. The financial projections demonstrate an internal rate of return of under 3% based on the operational cash flow of the development. The Brownfield 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 MCRP request is for 38% of eligible investment costs, as this project is a historic preservation project. MCRP legislation allows that annually the MSF may consider support for up to three single projects that shall not exceed 50% of the eligible investment up to \$10,000,000 for the specific purpose of historic preservation. This project is the second project being considered for up to 50% of eligible investment in fiscal year 2016. Additionally, staff is recommending exceeding the grant level of parameter of \$750,000 due to the limited return, tight cash flow and risk associated with the project. MCRP detailed terms provided in **Appendix A**.

The Applicant anticipates that the project will result in total capital investment in the amount of \$5,674,778, along with the creation of approximately ten permanent full-time equivalent jobs with an average hourly wage of \$16.25.

Background

The Co-Applicants are proposing to redevelop the Owosso Armory Building. The Armory has been vacant since 2008 when the National Guard vacated it to move to their new facility in Corunna. This prominent building is located at the end of Exchange Street in downtown Owosso. The property extends to the Shiawassee River and is 100 feet in the north-south direction and 215 feet deep. Built in one of downtown Owosso's most prominent locations, the Armory was constructed with a strong sense of civic pride. The building's military origins are expressed in its deliberate resemblance to a Tudor castle. The Armory is an immense brick structure, three stories high, capped by a gabled roof. When completed, the approximately 26,345 square foot, three-story building will feature mixed use space including office suites, individual offices, conference rooms, public restrooms on the lower level, and drop-in membership based space. In order to take advantage of views of the Shiawassee River, a deck will be constructed on the west side of the building. Following demolition of the existing Chamber building which is constructed in front of the Armory building, that space will then become a public gathering area.

Lead and asbestos abatement will be necessary prior to demolition activities in order to protect human health. Demolition activities will be necessary to remove all asbestos containing materials. Pipe insulation, floor tile and plaster walls will need to be removed prior to demolition. Lead-based paint that is in poor condition (i.e. flaking) will be removed to prevent accumulation of lead paint chips and dust within the building, and to facilitate repainting. Site preparation activities include engineering services, excavation activities and utility relocation.

The developer is the Chamber Support Corporation, a for-profit arm of the Shiawassee Regional Chamber of Commerce. The Co-Applicants are undertaking the development to meet the goals of rehabilitating the historic structure and creating much needed office and incubator space in Shiawassee County. The Co-Applicants have not received Michigan Strategic Fund support previously.

Kincaid Henry, the developer consultant, was founded in 2005 and has since become a leader in mid-sized, historic, brownfield and urban-infill projects. Kincaid Henry guides clients through a proven methodology from idea, to construction completion. Approximately 80% of their projects have been successfully completed with the help of public-private partnerships including: The NEO Center (Lansing), Marshall Street Armory (Lansing), Wabash and Main Redevelopment (Milan), Ash Street Redevelopment (Mason), 1146 S. Washington (REO Town, Lansing), Michigan Historic Preservation Network (Old Town, Lansing), Cedar Street School (Lansing), Old Town Medical Arts (Old Town, Lansing). Kincaid Henry has provided pre-development consulting and will be the general contractor. Kincaid Henry has no ownership interest in the project and will not receive any returns from the project. The Chamber Support Corporation is the for-profit arm of the Shiawassee Regional Chamber of Commerce, created for the purpose of redeveloping and owning the subject property. The Wabash and Main Redevelopment Project and the Michigan Historic Preservation Network Project received MCRP incentives.

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 \$394,650. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at \$179,092; and

- b) A MCRP performance-based grant in the amount of \$1,402,000 for the Chamber Support Corporation and Owosso-Corunna Area Chamber of Commerce (dba Shiawassee Regional Chamber of Commerce). *Due to the limited projected returns of the project, tight cash flow and risk associated with the project staff is recommending a deviation from the Incentive Structuring Parameters which limits grants to \$750,000.*

APPENDIX A – Summary of Terms

- 1. Company Name:** Chamber Support Corporation and Owosso-Corunna Area Chamber of Commerce (dba Shiawassee Regional Chamber of Commerce)
- 2. Company Address:** 215 North Water Street
Owosso, MI 48867-2875
- 3. MCRP Incentive Type:** Performance Based Grant
- 4. Maximum Amount of MCRP Incentive:** Lesser of 38% of the Eligible Investment, as defined by the Program Guidelines, or \$1,402,000 (“MCRP Incentive Award”).
Due to the limited projected returns of the project, tight cash flow and risk associated with the project staff is recommending two deviations from the Incentive Structuring Parameters which limits grants to \$750,000 and project investment to 25% of “Eligible Investment”.
- 5. Project Description (“Project”):** The Owosso Armory Redevelopment proposes to redevelop the Historic Owosso Armory site in Downtown Owosso, Michigan. The project will demolish the 1960’s structure that is currently the Shiawassee Regional Chamber’s offices, constructed in front of the original building and completely renovate the main historic structure. Once completed, the building will have approximately 26,345 square feet, including a variety of office space types, conference rooms and main floor public restrooms.
- 6. Anticipated Minimum Eligible Investment:** \$2,986,190 The minimum is based on 80% of the total Eligible Investment amount requested on the CRP incentive application. The Eligible Investment on the Project is anticipated to include:

 - Demolition
 - New Building Construction
 - Building Alteration/Rehabilitation/Improvement
 - Site Improvements
 - Addition of Machinery, Equipment or Fixtures to the Project
 - Professional Fees
- 7. Start Date for Measurement of Eligible Investment:** September 27, 2015

8. Project Qualifying As:

- Facility
- Historic Resource

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

- a. Pre-improvement Progress Milestone: Written certification from the lender (First National Bank of America), or a copy of the executed loan agreement, note and mortgage, evidencing that the applicant has closed on financing in the minimum amount of \$2,250,000 and other milestones to be determined.
- b. Completion of the Project Progress Milestone: Issuance of a certificate of occupancy on terms and conditions satisfactory to the MSF Fund Manager.
- c. A recorded deed to show the transfer of ownership for 201 N. Water Street to Chamber Support Corporation.
- d. The CRP funding award shall be handled through a disbursement agent.

10. Municipality supporting the Project (“Municipal Support”): The municipality has committed to provide: The City of Owosso Brownfield Redevelopment Authority and the City of Owosso have approved a Brownfield Act 381 TIF capture, local value at \$215,558. The BRA approved the plan on November 19, 2014 and the city council approved the brownfield plan on December 1, 2014. The final terms and conditions evidencing this support shall be included in the final Agreement.

11. Site Plan Approval: A condition for execution of the final Agreement is that the local unit of government, or its' designated planning body, has approved the final Site Plan for the Project, and that the form and substance of the Site Plan are acceptable to the MSF. The site plan was approved in the fall of 2016 and that form and substance of the Site Plan are acceptable to the MSF.

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

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

the Agreement, any reporting requirements defined in the final Agreement, or otherwise violates the MSF Act.

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

APPENDIX B – Programmatic Requirements & Screening Guidelines

Property Eligibility

The project is located within the boundaries of the City of Owosso, which is a Qualified Local Governmental Unit, and has been determined to be a historic resource located within the Owosso Downtown Historic District and a facility as verified by Michigan Department of Environmental Quality (DEQ) on October 8, 2014.

The property is the subject of a Brownfield Plan, duly approved by the City of Owosso on December 1, 2014.

In addition, the project is requesting from the DEQ \$35,050 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 \$3,732,737.

Source of Information

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

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

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

The Armory turned 100 years old in 2015. While preserving its historic exterior, interior renovations will offer a fresh and forward-looking perspective that will stimulate the entrepreneurial spirit, and embrace and nurture collaborative growth. The Armory has been vacant since 2008 when the National Guard vacated it to move to their new facility in Corunna. The prominent building is located at the end of Exchange Street in downtown Owosso. Built in one of the Owosso's most prominent locations, the Armory was constructed with a strong sense of civic pride.

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

The project will be a catalyst for the area by creating a central meeting place for the county's small businesses and regional talent. A building with no activity currently, will be transformed into a show-case for innovative design and adaptive re-use. The Shiawassee Regional Chamber

identified lack of office space as a barrier to growth in the region. This project will be one of a series of redevelopments planned by non-related parties in Downtown Owosso. Once complete, the district will be significantly more vibrant and economically vital.

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

The City of Owosso Brownfield Redevelopment Authority has approved a Brownfield TIF capture in a brownfield plan. The Brownfield Redevelopment Authority approved the plan on November 19, 2014. The city council approved the brownfield plan on December 1, 2014.

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

The project was only able to secure private financing for 39.5% of the total project costs because of the reasons stated above. The developer, a corporate arm of the Shiawassee Regional Chamber created just to complete the development, has demonstrated investment into the project of \$421,286. This has significantly stretched the resources of the Chamber in bringing this vision to fruition. The financial projections demonstrate an internal rate of return of under 3% based on the operational cash flow of the development. The Brownfield 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.

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

The redeveloped building will entail new office space and conference rooms for businesses. In order to take advantage of the Shiawassee River views, a deck will be constructed on the west side of the building. The goal of the project is to create a unique business setting for people who work and visit the City of Owosso and make use of the City's rich natural resource (Shiawassee River). The redevelopment of this property will require eligible environmental and non-environmental activities that are necessary for purchasing and preparing the Armory for reuse.

F. Creation of jobs:

This development is anticipated to create ten jobs with an average hourly wage estimated to be \$16.25.

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

The development team has been able to leverage \$2,250,000 in debt from First National Bank and will contribute \$421,286 in private equity to the project.

H. Whether the project is financially and economically sound:

The Owosso market is challenging market which leads to low income and higher vacancy assumptions being utilized in staff's analysis of the project. The operating expenses are higher than traditional office development because the historic guidelines necessitate the project to carry a significant amount of non-income generating space. MEDC staff supports the proposed increased MCRP investment of 38% of "Eligible Investment" and grant level due the challenging nature of the project.

It is anticipated that upon reaching stabilization the project will be able to maintain a 1.16 Debt Service Coverage Ratio (DSCR) throughout a 20 year horizon. Additionally, the project is strongly supported by the local community and will carry the financial support of the local chamber.

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

The project increases density of the area by redeveloping a vacant, historic building in Downtown Owosso. Redevelopment of the Armory offers the county's first ever class A office space in a downtown. In addition, the project proposes the creation of green space and sitting area that will be an asset to the entire district.

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

With additional office space being created, there will be a significant increase in activity and foot traffic to the area. This section of the traditional downtown business corridor will have significantly enhanced pedestrian amenities to improve the walkability of the neighborhood and connections to the central business downtown district.

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

The State of Michigan plans to sell the property to the Chamber Support Corporation and the property will remain under the Chamber Support Corporation's ownership. The Chamber Support Corporation is a private entity.

L. Whether the project promotes sustainable development:

The project consists of repurposing a brownfield site and not developing on a greenfield site which is the ultimate sustainable type of development. Energy efficient windows, and mechanical systems will be installed.

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

The redevelopment of the Armory has been designated as Federal Historic building. The property is listed on the National Register of Historic Places.

N. Whether the project addresses area-wide redevelopment:

The redevelopment of the Armory is anticipated to be a catalyst for area-wide redevelopment in the downtown area of the City of Owosso. This investment will significantly transform not only this historic building but the downtown of Owosso.

O. Whether the project addresses underserved markets of commerce:

The Shiawassee Regional Chamber identified lack of office space as a barrier to growth in the region. This project will be one of a series of redevelopments planned by non-related parties in downtown Owosso.

P. The level and extent of environmental contamination:

The results of environmental assessments have indicated the presence of various polynuclear aromatic hydrocarbons (PAHs) and metals in soil and groundwater at concentrations that exceed the Part 201 Generic Residential Cleanup Criteria (GRCC).

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

The development team will follow the Secretary of the Interior's standards for rehabilitation and guidelines for rehabilitating this historic building.

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

The project will not compete with or affect existing Michigan businesses within the same industry.

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

No additional factors need to be considered for this project.

Brownfield Act 381 Program Additional Project Information:

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

The project is re-using a vacant building determined to be a facility. The property is not qualifying as blighted or functionally obsolete.

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

The Brownfield Tax Increment Financing is needed to address the cost of brownfield conditions that add expenses above the cost of a greenfield property. Without Brownfield tax increment reimbursement, the cost burden related to Brownfield conditions would make the project financially unfeasible.

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 52.8871 non-homestead mills available for capture, with school millage equaling 24 mills (45.38%) and local millage equaling 28.8871 mills (54.62%). Tax increment capture will begin in 2017 and is estimated to continue for 12 years. The requested tax capture for MSF eligible activities breaks down as follows:

School tax capture	(45.38%)	\$	179,092
Local tax capture	(54.62%)	\$	215,558
TOTAL		\$	394,650

Cost of MSF Eligible Activities

Demolition	\$	130,000
Lead or Asbestos Abatement		71,500
Site Preparation	+	<u>145,000</u>
Sub-Total	\$	346,500
Contingency (10%)	+	<u>34,650</u>
Sub-Total	\$	381,150
Brownfield/Work Plan Preparation	+	<u>13,500</u>
TOTAL	\$	<u>394,650</u>

APPENDIX C – Project Map and Renderings



MICHIGAN STRATEGIC FUND

RESOLUTION 2016 -

**APPROVAL OF A MICHIGAN COMMUNITY REVITALIZATION PROGRAM
PERFORMANCE BASED GRANT AWARD TO CHAMBER SUPPORT
CORPORATION AND OWOSSO-CORUNNA AREA CHAMBER OF COMMERCE
(dba SHIAWASSEE REGIONAL CHAMBER OF COMMERCE)**

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, Chamber Support Corporation and Owosso-Corunna Area Chamber of Commerce dba Shiawassee Regional Chamber of Commerce (the “Companies”) have requested a performance based grant of up to \$1,402,000 (“Award Request”), along with other general terms and conditions.

WHEREAS, the request is for 38% of eligible investment costs, and as this project is a historic preservation project, MCRP legislation allows that annually the MSF may consider support for up to three single projects that shall not exceed 50% of the eligible investment up to \$10,000,000 for the specific purpose of historic preservation. This project is the second project being considered for up to 50% of eligible investment in fiscal year 2016;

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan
September 27, 2016

MICHIGAN STRATEGIC FUND

RESOLUTION 2016 -

**APPROVAL OF A BROWNFIELD ACT 381 WORK PLAN
CITY OF OWOSSO BROWNFIELD REDEVELOPMENT AUTHORITY
201 AND 215 N. WATER STREET 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 Owosso Brownfield Redevelopment Authority (the “Authority”) has submitted a work plan for property located at 201 and 215 N. Water Street within the City of Owosso, known as 201 and 215 N. Water Street Project (the “Project”);

WHEREAS, the City of Owosso 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 45.38% to 54.62% ratio currently existing between school and local taxes for non-homestead properties, to reimburse the cost of site preparation, demolition, and lead and asbestos abatement as presented in the revised Work Plan dated August 8, 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 \$381,150 for the principal activity costs of non-

environmental activities and a contingency, and a maximum of \$13,500 for Brownfield/Work Plan preparation, and with the capture of taxes levied for school operating purposes being limited to a maximum of \$394,650.

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
September 27, 2016

MEMORANDUM

Date: September 27, 2016

To: Michigan Strategic Fund Board

From: Ryan Kilpatrick, Community Assistance Team Specialist
Jennifer Schwanky, Brownfield and MCRP Program Specialist
Lynda Franke, Underwriting and Incentive Structuring Specialist

Subject: City of Grand Rapids Brownfield Redevelopment Authority
Request for Approval of an Act 381 Work Plan
Diamond Place LLC - Request for Approval of a Michigan Community
Revitalization Program Other Economic Assistance Loan Participation

Request

The proposed project will be undertaken by Diamond Place LLC and is sponsored by Third Coast Development and PK Development. The project will redevelop 2.8 acres of property located at 1003 Michigan Street NE in the City of Grand Rapids. The project is located in a traditional business district 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 \$9,911,500.

Diamond Place LLC is requesting approval of a MCRP incentive in the amount of \$2,826,000 in the form of an Other Economic Assistance Loan Participation.

The development team has attracted a New Market Tax Credit allocation by addressing the underserved needs of the community which include both affordable housing and a local grocery store to anchor the development. However, these uses produce limited cash flow to service debt and do not justify a significant equity investment due to the low return on investment. However, the City has identified this project as a significant priority in an effort to meet the needs of the community. The MCRP will help to support the equity investment and makes the mixed-income project viable in an urban setting. Furthermore, the subject property has been used by a heavy industrial user for the last several decades and significant site cleanup and demolition activities are required to prepare the property for redevelopment. Without Brownfield tax increment reimbursement, the cost burden related to Brownfield conditions would make the project financially unfeasible. MCRP detailed structure is provided in **Appendix A**.

The Applicant anticipates that the project will result in total capital investment in the amount of \$19,478,507, along with the creation of approximately 112 permanent full-time equivalent jobs with an average hourly wage of \$15.

Background

The proposed Diamond Place project will involve the demolition of a former manufacturing facility on 2.8 acres of property and redevelopment of the site to create 42 market rate residential apartments and 22,000 square feet of ground floor commercial use, including a 16,000 square foot neighborhood grocery store. Developed in tandem with this project, will be an additional 123 residential units (98 are affordable) which will be supported by the MSHDA Low Income Housing Tax Credit program. Also included in the development will be a 240 space, multi-level parking deck, to serve both the residential and commercial uses on the site.

Brownfield eligible activities will include demolition, site preparation, private infrastructure related to urban storm water management and a parking deck, public infrastructure related to sidewalks, curb and gutter, storm sewer mains, water mains, sanitary sewer mains, landscaping, lighting, and a new bus stop to service the current transit and future Bus Rapid Transit line.

Third Coast Development is a Grand Rapids based developer with experience building mixed-use, multi-story projects in the urban core. Third Coast has recently received MEDC support for the Midtowne Village redevelopment project which included the Women's Health Center, Midtowne Village Townhomes, an extended stay hotel and two mixed use buildings. Third Coast also received an MBT credit for a redevelopment project located at 833 Michigan which included multiple ground floor retail spaces and second story residential lofts. Third Coast Development is in compliance on these projects.

PK Development is a Lansing based developer specializing in income based apartments. PK Development has not previously received MSF incentives but has significant experience with the MSHDA Low Income Housing Tax Credit program.

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 \$9,911,500. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at \$5,100,458.
- b) A MCRP Other Economic Assistance - Performance-Based Loan Participation in the amount of \$2,826,000 for Diamond Place LLC.

APPENDIX A

FINANCING OPPORTUNITY – MCRP LOAN PARTICIPATION

The project is seeking Michigan Strategic Fund (MSF) participation in coordination with Capital Impact Partners (“Lender”) as the lead leveraged lender. The Lender, along with the Borrower, has requested the MSF participate in up to \$2,826,000 in a \$5,971,373 2nd position leveraged loan facility. The MSF would be pari passu in terms of payments on its share of the loan, however, payments to the MSF will be contingent upon the project achieving a minimum DSCR. Interest will continue to accrue regardless of the level of DSCR. The MSF would allow the collateral to apply first to the Lender’s share in an event of liquidation. It is anticipated that disbursements to the project on the loan will be made on a pro-rata basis with Capital Impact’s Share, but prior to advances being made on the senior loan facility from Mercantile Bank. Below outlines a summary of the development sources and investment for the proposed structure of the loan participation.

SUMMARY OF DEVELOPMENT SOURCES:

Merc Bank Loan 1 st REM	\$8,725,000	44.8%
Capital Impact Share 2 nd REM	\$3,145,373	16.2%
MSF Share 3 rd REM	\$2,826,000	14.5%
NMTC Equity	\$2,948,400	15.1%
Developer Leveraged Loan	\$ 200,000	1.0%
Developer Equity	\$1,633,734	8.4%
TOTAL	\$19,478,507	100.0%

LOAN FACILITY

MSF Facility	MCRP Loan Participation and Servicing Agreement Under “Other Economic Assistance”
Borrower:	Diamond Place, LLC or a Related Entity
Lender:	Capital Impact Partners
Total Amount of Loans:	Currently estimated at \$5,971,373
Lender Share:	Currently estimated at \$3,145,373
MSF Share:	Up to the lesser of 20% of “Eligible Investment” or \$2,826,000
Term:	To match that of the Lender up to 84 months
Amortization:	Not applicable
Interest Rate:	Anticipated to be 2% per annum on the MSF Share
Repayment Terms:	Monthly interest only payments on the MSF Share for up to 84 months.

Subordination of Payments

- 1) Payments to the MSF allowed to the extent that the Debt Service Coverage Ratio (DSCR) is always above 1.15x.
- 2) Certain defaults under the loan agreement related to missed payments will trigger suspension of all payments to the MSF until the default has been cured.

Collateral:

To match that of the Lender, currently anticipated to be a pledge of the Investment Fund's membership interests in the CDEs, QLICI Loans made by the CDE Lenders shall be secured by: a second position lien on all of the QALICB's personal property, an assignment of all rents and leases, and an assignment of all construction documents, a second priority mortgage on the real estate property, and pledge & control of reserve accounts. MSF Share of collateral will be subordinated to that of the Lender.

Guarantee:

To match that of the Lender, current anticipated to be Company guarantees of PK Housing and Third Coast Development, and personal guarantees from Ronald Potterpin, David Levitt, Brad Rosely and Max Benedict. MSF Share of guarantee will be subordinated to that of the Lender.

MSF Fees:

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

Funding:

The MSF will fund up to \$2,826,000 to be disbursed following closing of the Loan and other performance criteria.

Refinance:

It is MEDC staff's intent to consider a restructure or refinance of this MCRP investment at maturity, and propose to convert it to an amortizing loan with a similar subordination arrangement, if necessary, to support the project need at that time. Staff intends to assess the project need as the loan nears maturity, and if necessary present a refinancing proposal at that point in time for MSF approval.

Other Conditions:

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

- A minimum owner equity contribution of \$1,633,734 to the project.

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 April 4, 2016.

The property is the subject of a Brownfield Plan, duly approved by the City of Grand Rapids on April 7, 2016.

In addition, the project is requesting from the DEQ \$769,307 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 \$14,112,717.

Source of Information

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

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

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

This project has been determined to be a significant priority for the City of Grand Rapids because it helps to achieve a number of the goals stated within the Michigan Street Corridor Plan. The development team has been working with the City of Grand Rapids and the local neighborhood for over 3 years to design a development at this important site that will increase density in the surrounding community and promote walkability for the neighborhood by providing substantial and much-needed retail amenities. Not only will the project add 42 additional market rate apartments, but it will also support 112 affordable units in a mixed-income context as well as a 12,000 square foot local grocery store. This is a retail amenity that has been deemed a top priority in several community input sessions over the years.

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

The addition of a local grocer within walking distance to several neighborhoods and the medical district is expected to catalyze several other projects and enhance the attraction of this corridor for

employers, residents and investors. Providing 165 additional mixed-income housing units will also help to further support the growing retail district.

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

The City of Grand Rapids has provided various forms of support. The City approved a payment in lieu of taxes to the LIHTC development, and a Brownfield TIF and NEZ designation to the MCRP-financed development. All of these incentives were approved in late 2015 and early 2016. The value of the TIF is \$9,911,500 over 25 years. The City also funded a \$5,000 market study for the grocery store and provided a grant of \$20,000 to defray the cost of environmental studies.

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

Diamond Place has obtained senior financing from Mercantile Bank in the amount of approximately \$8.7 million. The leveraged loan is anticipated to be funded by Capital Impact Partners for \$3.1 million and by the contemplated MSF loan. NMTC equity of about \$2.95 million has been attracted with the grocery store. In addition to the \$1.6 million in owner equity, the developers are doing a leveraged loan for \$200,000. The MCRP piece of the development bears the cost of the entire parking lot and ramp, as well as the property acquisition cost, both of which negatively impacts the return on investment for the MCRP piece. The low cash-flow producing anchor tenant, the grocery store, also restricts the return on investment. The project also has substantial remediation costs due to the fact that the site was a prior industrial facility. Without the MCRP incentive, the high costs and low returns for this project would be prohibitive.

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

The proposed site is currently occupied by a former manufacturing facility which is no longer considered to be the highest and best use for a growing mixed-use corridor. The manufacturing operation is relocating to a neighboring industrial district within the City of Grand Rapids while the development team will be demolishing the existing structure and remediating the site contamination. The nearly 3 acre site will be redeveloped in a manner which not only increases residential density and commercial activity, but which also creates a significant improvement to the pedestrian and public infrastructure surrounding the site.

F. Creation of jobs:

The project is expected to create approximately 112 full-time equivalent jobs with an average hourly wage of \$15.

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

The development team has been able to secure a \$8,725,000 loan from Mercantile Bank in addition to \$2.95 million New Market Tax Credit equity, \$1.6 million in owner equity, and the \$3.1 million loan from Capital Impact.

H. Whether the project is financially and economically sound:

The project shows slightly lower than normal DSCR thresholds, taking into account the appraisal's lower projected residential market rates than what the developers initially projected. With a requirement of 1.15 DSCR for repayments to be made on the MCRP incentive, it is possible that some repayments may be temporarily suspended. However, staff does expect enough cash flow on the project for eventual full repayment. The MCRP incentive is guaranteed by both companies and personal guarantees by four principals.

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

The project will add 42 residential units to a 2.8 acre site and will be constructed in tandem with a second LIHTC project including 123 units on the site. This amounts to approximately 58 dwelling units per acre including both development projects.

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

The site will be transformed from a 20th century, auto and truck oriented manufacturing facility to a 21st century mixed use and mixed income development. The construction of ground floor commercial space, built adjacent to the public right of way, along with the improvements to the surrounding public infrastructure proposed will dramatically enhance the walkability of the site and the surrounding neighborhood.

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

The site was not recently publicly owned.

L. Whether the project promotes sustainable development:

The project proposes to reuse a contaminated brownfield facility in a dense urban neighborhood. New construction will include high efficiency materials, lighting and appliances as well as careful management of on-site storm water run-off.

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

The site is not considered to be a historic resource.

N. Whether the project addresses area-wide redevelopment:

The proposed project is expected to have a catalytic and dynamic impact on the surrounding neighborhood, providing healthy food options to current residents and bolstering confidence in future neighborhood investments.

O. Whether the project addresses underserved markets of commerce:

The grocer has agreed to use Capital Impact's "Double up Food Bucks" which allows low-income customers using a bridge card to receive a gift card of equal value to their purchase of fresh, locally grown Michigan produce. This program encourages the grocer to provide locally sourced produce and supports both healthy eating habits and lower food costs for low-income customers.

The project also includes a significant affordable housing component which is a top priority for both the City and the local neighborhood.

P. The level and extent of environmental contamination:

The redevelopment project will improve the environmental condition of the Property by removing or capping contaminated areas with concrete and asphalt. Vapor intrusion may also be a concern and mitigation will occur as necessary to protect human health and the environment.

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 proposed project does not involve 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 provide undue competition with other Michigan businesses within the same industry.

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

No other criteria to consider.

Brownfield Act 381 Program Additional Project Information:

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

The proposed site is currently occupied by a contaminated facility.

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

The Brownfield Tax Increment Financing is needed to offset extraordinary costs associated with demolition, site preparation, public infrastructure, ramped parking and urban storm-water management.

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 46.8179 non-homestead mills available for capture, with school millage equaling 24 mills (51.26%) and local millage equaling 22.8179 mills (48.74%). There is a Neighborhood Enterprise Zone tax abatement on the project for a total of 12 years, which makes the blended ratio for the overall project 51.46% to 48.54%, school to local, respectively. Tax increment capture will begin in 2017 and is estimated to continue for 25 years. The requested tax capture for MSF eligible activities breaks down as follows:

School tax capture	(51.46%)	\$	5,100,458
Local tax capture	(48.54%)	\$	4,811,042
TOTAL		\$	9,911,500

Cost of MSF Eligible Activities

Demolition	\$	220,000
Lead or Asbestos Abatement		50,000
Infrastructure Improvements		7,400,000
Site Preparation	+	<u>940,000</u>
Sub-Total	\$	8,610,000
Contingency (15%)	+	<u>1,291,500</u>
Sub-Total	\$	9,901,500
Brownfield/Work Plan Preparation	+	<u>10,000</u>
TOTAL	\$	<u>9,911,500</u>

APPENDIX C – Project Map and Renderings



**MICHIGAN STRATEGIC FUND
RESOLUTION 2016-**

**APPROVAL OF A MICHIGAN COMMUNITY REVITALIZATION PROGRAM
OTHER ECONOMIC ASSISTANCE LOAN PARTICIPATION AWARD TO
DIAMOND PLACE, L.L.C.**

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

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

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

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

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

WHEREAS, Capital Impact Partners (“Lender”) will be providing financing to Diamond Place, L.L.C. and or related entities (“Proposed Borrower”) of up to \$5,971,373 toward the construction activities and infrastructure improvements to real property (“Project”);

WHEREAS, the Lender and the Proposed Borrower have requested an Other Economic Assistance Performance Based Loan Participation award from the MSF under the MCRP for the Project in an amount not to exceed \$2,286,000 (“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 Award Request in accordance with the Term Sheet and Guidelines, subject to: (i) available funding, (ii) final due diligence performed to the satisfaction of the MEDC; and (iii) execution of the Transaction Documents for the Award Request within 120 days of the date of this Resolution (“Time Period”), or this Resolution shall have no effect; provided however, at the sole discretion of the MSF Fund Manager, the Time Period may be extended for up to an additional 90 days (“MCRP Award Recommendation”);

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

Ayes:

Nays:

Recused:

Lansing, Michigan
September 27, 2016

Exhibit A

LOAN FACILITY

MSF Facility

MCRP Loan Participation and Servicing Agreement
Under "Other Economic Assistance"

Borrower:	Diamond Place, LLC or a Related Entity
Lender:	Capital Impact Partners
Total Amount of Loans:	Currently estimated at \$5,971,373
Lender Share:	Currently estimated at \$3,145,373
MSF Share:	Up to the lesser of 20% of "Eligible Investment" or \$2,826,000
Term:	To match that of the Lender up to 84 months
Amortization:	Not applicable
Interest Rate:	Anticipated to be 2% per annum on the MSF Share
Repayment Terms:	Monthly interest only payments on the MSF Share for up to 84 months.

Subordination of Payments

- 1) Payments to the MSF allowed to the extent that the Debt Service Coverage Ratio (DSCR) is always above 1.15x.
- 2) Certain defaults under the loan agreement related to missed payments will trigger suspension of all payments to the MSF until the default has been cured.

Collateral: To match that of the Lender, currently anticipated to be a pledge of the Investment Fund's membership interests in the CDEs, QLICI Loans made by the CDE Lenders shall be secured by: a second position lien on all of the QALICB's personal property, an assignment of all rents and leases, and an assignment of all construction documents, a second priority mortgage on the real estate property, and pledge & control of reserve accounts. MSF Share of collateral will be subordinated to that of the Lender.

Guarantee: To match that of the Lender, current anticipated to be Company guarantees of PK Housing and Third Coast Development, and personal guarantees from Ronald Potterpin, David Levitt, Brad Rosely and Max Benedict. MSF Share of guarantee will be subordinated to that of the Lender.

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

Funding: The MSF will fund up to \$2,826,000 to be disbursed following closing of the Loan and other performance criteria.

Refinance:

It is MEDC staff's intent to consider a restructure or refinance of this MCRP investment at maturity, and propose to convert it to an amortizing loan with a similar subordination arrangement, if necessary, to support the project need at that time. Staff intends to assess the project need as the loan nears maturity, and if necessary present a refinancing proposal at that point in time for MSF approval.

Other Conditions:

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

- A minimum owner equity contribution of \$1,633,734 to the project.

MICHIGAN STRATEGIC FUND

RESOLUTION 2016 -

**APPROVAL OF A BROWNFIELD ACT 381 WORK PLAN
CITY OF GRAND RAPIDS BROWNFIELD REDEVELOPMENT AUTHORITY
DIAMOND PLACE LLC**

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 1003 Michigan Street NE within the City of Grand Rapids, known as Diamond Place LLC (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 51.46% to 48.54% 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 April 7, 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 \$9,901,500 for the principal activity costs of non-environmental activities and a contingency, and a maximum of \$10,000 for Brownfield/Work Plan preparation, and with the capture of taxes levied for school operating purposes being limited to a maximum of \$5,100,458.

BE IT FURTHER RESOLVED, that the MSF Board authorizes the MSF Fund Manager, to provide written notification to the Authority, in the form of a letter which incorporates the terms set forth in this Resolution and consistent with the limitations of the Act, and that this approval is further conditioned upon the Authority, or the City of Grand Rapids, 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
September 27, 2016

MEMORANDUM

Date: September 27, 2016

To: Michigan Strategic Fund Board

From: Stacy Esbrook, Regional Director, Community Assistance Team
Julius Edwards, Manager, Underwriting and Incentive Structuring
Mary Kramer, Brownfield and MCRP Program Specialist

Subject: City of Detroit Brownfield Redevelopment Authority
Request for Approval of an Act 381 Work Plan
Third & Grand LLC - Request for Approval of a Michigan Community
Revitalization Program Other Economic Assistance Loan Participation

Request

The Third & Grand LLC project is an infill development on an existing surface parking lot previously owned by Henry Ford Health System in the New Center neighborhood of Detroit. The project will redevelop 1.52 acres of property located at 2911 West Grand Boulevard in the City of Detroit. The project is located in a traditional commercial center and qualifies for a Michigan Community Revitalization Program (MCRP) award and an Act 381 Work Plan because the underlying property is a facility.

In order to alleviate Brownfield conditions and prepare the proposed project site for redevelopment, the City of Detroit Brownfield Redevelopment Authority is seeking approval of local and school tax capture for MSF eligible activities in the amount of \$15,101,616.

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

The development team has been able to secure \$39 million in senior financing from Fifth Third Bank which is equal to approximately 71% of the total development cost. Additionally, they have secured \$4 million in subordinate financing from Invest Detroit. The development team is also contributing \$7.9 million (15% of the total development cost) and deferring another \$1.7 million in developer fees. The remaining financing gap will be filled by a MCRP \$2 million Performance-Based Loan Participation with Invest Detroit. The Brownfield TIF reimbursements are needed to offset the extraordinary cost of the vertical parking and to provide reasonable returns on the investment, currently estimated at under 8% based on the operational cash flow of the project. 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. CRP detailed structure is provided in **Appendix A**.

The Applicant anticipates that the project will result in total capital investment in the amount of \$54,615,786 along with the creation of approximately 55 permanent full-time equivalent jobs with an average hourly wage of \$20.00.

Background

The Third & Grand project will be built on a parking lot (1.52 acres) previously owned by Henry Ford Health System in the New Center neighborhood of Detroit. It is a mixed-use development of approximately 356,000 square feet. The project will develop a six story, zero lot line development. The second through sixth floors will include approximately 190,000 square feet of a total of 231 residential units. Amenity space (clubrooms, fitness center), outdoor courtyard and terrace will be located on the second floor. The ground floor will include 17,425 square feet of four to six units of retail plus 2,300 square feet for the leasing office, and 343 parking spaces will be located in the basement, ground, and mezzanine levels. The development is located near the M1-Rail corridor and within Midtown Detroit Inc. and Henry Ford Health System's targeted redevelopment areas. Third & Grand will be the first newly constructed apartment building in New Center in over 30 years.

Demolition activities will be necessary to remove the parking lot and other site improvements. Site preparation activities include rough grading, utility relocation and related architectural and engineering costs. Infrastructure improvements including a 343-space parking facility beneath the residential and beneath and behind the retail space are necessary to support the new development and the urban design of the site. Interest costs will be reimbursed due to the interest costs on the loans that the developer will need to obtain in order to complete the eligible activities.

Third & Grand LLC is a single purpose entity created for this project by a new development company, The Platform, led by Peter Cummings. Peter Cummings is a national developer who has completed projects in Detroit before including the Ellington WP development, the new construction of a Whole Foods Market in Midtown Detroit, which received an MCRP grant and a Brownfield MBT tax credit.

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 \$15,101,616. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at \$6,741,361.
- b) A MCRP other economic assistance performance-based loan participation in the amount of \$2,000,000 for Third & Grand LLC.

APPENDIX A

FINANCING OPPORTUNITY – MCRP LOAN PARTICIPATION

The project is seeking Michigan Strategic Fund (MSF) participation in coordination with Invest Detroit (“Lender”) as the lead lender. The Lender, along with the Borrower, has requested the MSF participate in up to \$2,000,000 in a \$6,000,000 subordinated 2nd position loan facility for construction and lease up. The MSF would be pari passu in terms of payments on its share of the loan, but would allow the collateral and guarantee(s) to apply first to the Lender’s share in an event of liquidation. The participated loan facility will be subordinated to the senior financing provided by Fifth Third Bank. It is anticipated that disbursements to the project on the loan will be made on a pro-rata basis with Invest Detroit’s share, but prior to advances being made on the senior facility from Fifth Third Bank. Below outlines a summary of the development sources and the proposed structure of the loan participation.

SUMMARY OF DEVELOPMENT SOURCES:

Fifth Third 1 st REM	\$	39,000,000	71.4%
Invest Detroit Share 2 nd REM	\$	4,000,000	7.3%
MCRP Share	\$	2,000,000	3.7%
Developer Equity	\$	7,938,145	14.5%
Deferred Developer Fees	\$	1,677,641	3.1%
TOTAL	\$	54,615,786	100.0%

LOAN FACILITY

MSF Facility:	MCRP Loan Participation and Servicing Agreement Under “Other Economic Assistance”
Borrower:	Third & Grand LLC or a Related Entity
Lender:	Invest Detroit
Total Loan Amount:	Currently estimated at \$2,000,000
Lender Share:	Currently estimated at \$4,000,000
MSF Share:	Up to the lesser of 10% of “Eligible Investment” or \$2,000,000
Term:	To match that of the Lender, not to exceed 48 months with an interest only period of up to 36 months.
Amortization:	To match that of the Lender, not to exceed 240 months following the interest only period.

- Interest Rate:** On the MSF share anticipated to be 3.00% per annum.
- Repayment Terms:** Up to 36 months of monthly interest only payments followed by monthly principal and interest payments.
- Collateral:** To match that of the Lender, currently anticipated being a 2nd mortgage lien on the property. MSF share of collateral will be subordinated to that of the Lender.
- Guarantee:** To match that of the Lender, currently anticipated to be the unlimited unsecured guarantees of Southern Realty Group, Inc. and Peter Cummings. Mr. Cummings guarantee is expected to be released upon completion of requirements from the Lender. The MSF Share of guarantee(s) will be subordinated to that of the Lender.
- MSF Fees:** The MSF shall be paid a one-time fee equal to one percent of the MSF's share of the loan. The Lender may charge the borrower for this fee.
- Funding:** The MSF will fund up to \$2,000,000 to be disbursed following closing of the Loan and other performance criteria.
- Other Conditions:** Approval will be contingent upon receipt of the following prior to closing or as a project Milestone:
- Evidence of the State of Michigan's approval of the PA 210 Tax Abatement certificate
 - Executed Construction Documents (includes "Guaranteed Maximum Price" construction contract)
 - Final Development Budget
 - A minimum owner equity contribution of \$7,530,000 to the project

APPENDIX B – Programmatic Requirements & Screening Guidelines

Property Eligibility

The project is located within the boundaries of the City of Detroit 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 June 17, 2016.

The property is the subject of a Brownfield Plan, duly approved by the City of Detroit on July 26, 2016.

In addition, the project is requesting from the DEQ \$859,910 in TIF to assist with environmental eligible activities and interest.

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 \$37,060,649.

Source of Information

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

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

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

The project, located on West Grand Boulevard, is considered to be a main street corridor and within the Grand Boulevard main street zoning overlay district. Third & Grand will be the first newly constructed apartment building in New Center in over 30 years. Residential units will offer the many workers at the job anchors (Henry Ford Hospital and the State of Michigan) the choice to live closer in New Center. The increase in workers and residential tenants will increase activity in the neighborhood, promoting a walkable, mixed-use environment. The property's proximity to the last M1 Rail (Qline) stop at Woodward and Grand, as well as the existing density of the New Center district, will help add to the success of being both a mixed-use and transit oriented development.

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

The Third & Grand Development will leverage the success of this development to accelerate other New Center, TechTown, Milwaukee Junction, and North End neighborhoods. As the

terminus (Grand Boulevard and Woodward Avenue) of the future M1-Rail access, the area is poised to be a destination to live, work, and play.

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

The City of Detroit Brownfield Authority and City County approved a brownfield plan for the reimbursement of eligible activities in the amount of \$15,101,616 and the City's portion of that is estimated to be \$8,360,255. The City has also approved a Commercial Rehabilitation Act tax abatement and will "freeze" local taxes for 10 years and has an estimated value of \$7.2 million.

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

The development team has been able to secure \$39 million in senior financing from Fifth Third Bank which is equal to approximately 71% of the total development cost. Additionally, they have secured \$4 million in subordinate financing from Invest Detroit. The development team is also contributing \$7.9 million (15% of the total development cost) and deferring another \$1.7 million in developer fees. The remaining financing gap will be filled by a MCRP \$2 million Performance-Based Loan Participation with Invest Detroit. The Brownfield TIF reimbursements are needed to offset the extraordinary cost of the vertical parking and to provide reasonable returns on the investment. Currently estimated at under 8% based on the operational cash flow of the project.

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

The project is not a redevelopment but is infill development.

F. Creation of jobs:

The project is expected to create 55 full-time equivalent jobs in retail and property jobs with an average hourly wage of \$20.

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

Fifth Third Bank is providing the construction and senior debt of \$39 million, or approximately 74% loan-to-cost. Invest Detroit is providing a \$4 million subordinated loan. The developer is deferring their developer fee, providing 15% cash equity.

H. Whether the project is financially and economically sound:

Upon reaching a stabilized occupancy, it is anticipated that 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 which have substantial financial wherewithal.

Following a review of the rental rates and occupancy levels, staff has determined that each of the underwritten levels were acceptable and in line with the market. The review consisted of other developments in the area and an appraisal performed by Terzo & Bologna dated August 12, 2016.

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

The project is an infill project on a parking lot, developing a six story building, zero lot line development. The project is increasing the residential and commercial density of the New Center neighborhood by providing sub-surface, ground floor and mezzanine parking, retail on ground floor, and 231 apartment units on the second through sixth floors, and a rooftop deck.

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

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

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

The project does not involve any abandoned public buildings.

L. Whether the project promotes sustainable development:

The development will feature a structural system that is comprised of a recycled metal material and provide outdoor amenity space that is landscaped. The building will also include energy efficient lighting, low flow toilets, double-pane windows, and extensive weather insulation. Application will be made to have the building designated through the National Green Building Standard.

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

The project does not involve a historic resource.

N. Whether the project addresses area-wide redevelopment:

The project is located within the M1-Rail corridor and within Midtown Detroit and within Henry Ford Health System's targeted redevelopment areas.

O. Whether the project addresses underserved markets of commerce:

Residential demand is very strong in greater downtown Detroit, but available quality housing is still hard to obtain. This project will contribute much needed housing, commercial, and parking options, which will add to the quality of life in Detroit.

P. The level and extent of environmental contamination:

The property comprising the eligible property consists of four tax parcels that are the site of a former Howard Johnson Motor Lodge as well as vacated portions of an adjacent alley. The former Howard Johnson was imploded and buried, so buried construction debris is the main clean-up required. In soil samples, pentachlorophenol was detected above the MDEQ acceptable criteria. In soil samples, the metals arsenic, barium, chromium, lead, selenium, and zinc were detected above the MDEQ acceptable criteria. In groundwater samples, the detected concentration of dibenzofuran, floranthene, phenanthrene, and naphthalene exceeded the MDEQ criteria. Appropriate capping and/or remediation will be performed to protect the environment and human health.

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 involve a historic resource.

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

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

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

No additional criterial needs to be considered.

Brownfield Act 381 Program Additional Project Information:

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

This project is new construction, infill development. There are no functionally obsolete or blighted properties involved.

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

The Brownfield Tax Increment Financing is needed to offset the extraordinary cost of the vertical parking integrated into the development and necessary to achieve the urban design and density desired.

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

No new Brownfields will be created by this project.

Tax Capture Breakdown

Tax increment capture will begin in 2017 and is estimated to continue for 29 years. There are 63.62 non-homestead mills available for capture, with school millage equaling 24 mills and local millage equaling 39.62 mills. Due to an Act 210 Commercial Rehabilitation Act tax abatement on the property for the first 10 years, the blended ratio for the requested tax capture for MSF eligible activities breaks down as follows:

School tax capture	(44.64%)	\$	6,741,361
Local tax capture	(55.36%)	\$	<u>8,360,255</u>
TOTAL		\$	15,101,616

Cost of MSF Eligible Activities

Demolition	\$	60,760
Infrastructure Improvements		9,941,823
Site Preparation	+	<u>151,765</u>
Sub-Total	\$	10,154,348
Contingency (12%)	+	<u>1,217,510</u>
Sub-Total	\$	11,371,858
Interest (5%)	+	<u>3,717,258</u>
Sub-Total	\$	15,089,116
Brownfield/Work Plan Preparation	+	<u>12,500</u>
TOTAL	\$	<u>15,101,616</u>

APPENDIX C – Project Map and Renderings



MICHIGAN STRATEGIC FUND

RESOLUTION 2016 -

**APPROVAL OF A MICHIGAN COMMUNITY REVITALIZATION PROGRAM
OTHER ECONOMIC ASSISTANCE LOAN PARTICIPATION AWARD TO
THIRD & GRAND 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, Invest Detroit (“Lender”) will be providing financing to Third & Grand LLC and or related entities (“Proposed Borrower”) of up to \$6,000,000 toward the construction activities and infrastructure improvements to real property (“Project”);

WHEREAS, the Lender and Proposed Borrower have requested an Other Economic Assistance Performance Based Loan Participation Award from the MSF under the MCRP for the Project in an amount not to exceed \$2,000,000 (“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 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 90 days (“MCRP Award Recommendation”); and

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

Ayes:

Nays:

Recused:

Lansing, Michigan
September 27, 2016

EXHIBIT A

LOAN FACILITY

MSF Facility:	MCRP Loan Participation and Servicing Agreement Under “Other Economic Assistance”
Borrower:	Third & Grand LLC or a Related Entity
Lender:	Invest Detroit
Total Loan Amount:	Currently estimated at \$2,000,000
Lender Share:	Currently estimated at \$4,000,000
MSF Share:	Up to the lesser of 10% of “Eligible Investment” or \$2,000,000
Term:	To match that of the Lender, not to exceed 48 months with an interest only period of up to 36 months.
Amortization:	To match that of the Lender, not to exceed 240 months following the interest only period.
Interest Rate:	On the MSF share anticipated to be 3.00% per annum.
Repayment Terms:	Up to 36 months of monthly interest only payments followed by monthly principal and interest payments.
Collateral:	To match that of the Lender, currently anticipated being a 2 nd mortgage lien on the property. MSF share of collateral will be subordinated to that of the Lender.
Guarantee:	To match that of the Lender, currently anticipated to be the unlimited unsecured guarantees of Southern Realty Group, Inc. and Peter Cummings. Mr. Cummings guarantee is expected to be released upon completion of requirements from the Lender. The MSF Share of guarantee(s) will be subordinated to that of the Lender.
MSF Fees:	The MSF shall be paid a one-time fee equal to one percent of the MSF’s share of the loan. The Lender may charge the borrower for this fee.
Funding:	The MSF will fund up to \$2,000,000 to be disbursed following closing of the Loan and other performance criteria.
Other Conditions:	Approval will be contingent upon receipt of the following prior to closing or as a project Milestone: <ul style="list-style-type: none">• Evidence of the State of Michigan’s approval of the PA 210 Tax Abatement certificate• Executed Construction Documents (includes “Guaranteed Maximum Price” construction contract).• Final Development Budget

- A minimum owner equity contribution of \$7,530,000 to the project

MICHIGAN STRATEGIC FUND

RESOLUTION 2016 -

**APPROVAL OF A BROWNFIELD ACT 381 WORK PLAN
CITY OF DETROIT BROWNFIELD REDEVELOPMENT AUTHORITY
THIRD AND GRAND REDEVELOPMENT 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 Detroit Brownfield Redevelopment Authority (the “Authority”) has submitted a work plan for property located at 2905-2921 West Grand Boulevard within the City of Detroit, known as the Third and Grand Redevelopment Project (the “Project”);

WHEREAS, the City of Detroit is a “qualified local governmental unit” and is eligible to provide for a) demolition; b) lead and asbestos abatement; c) public infrastructure improvements; d) site preparation; e) brownfield work plan preparation and 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 44.64% to 55.36% ratio currently existing between school and local taxes for non-homestead properties, to reimburse the cost of site preparation, demolition and infrastructure improvements as presented in the revised Work Plan dated September 14, 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 \$11,371,858 for the principal activity costs of non-

environmental activities and a contingency, a maximum of \$3,717,258 in interest, and a maximum of \$12,500 for Brownfield/Work Plan preparation, and with the capture of taxes levied for school operating purposes being limited to a maximum of \$6,741,361.

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 they MSF Board is authorizing that capture of taxes levied for school operating purposes for the payment of interest, up to a maximum of \$3,717,258 related to the eligible activities for the Project.

Ayes:

Nays:

Recused:

Lansing, Michigan
September 27, 2016

MEMORANDUM

Date: September 27, 2016

To: Michigan Strategic Fund Board

From: Stacy Esbrook, Regional Director, Community Assistance Team
Julius L. Edwards, Manager, Underwriting and Incentive Structuring
Rob Garza, Brownfield, MCRP and SmartZone Program Specialist

Subject: Trident Corktown L.L.C. and Trident Checker Historical, L.L.C. or a Related Entity(s) – Request for Approval Michigan Community Revitalization Program Other Economic Assistance

Request

The proposed project will involve the rehabilitation of the three-story Checker Cab building and new construction of multiple residential and mixed use buildings on 3 acres of property at 2026, 2120, 2126, 2130 Trumbull Street; 1355, 1406, 1410, 1416, 1426, and 1434 West Elizabeth Street; and 2110 and 2128 Eighth Street within the historic Corktown neighborhood in the City of Detroit. The proposed project will be undertaken by Trident Corktown L.L.C. and Trident Checker Historical, L.L.C. or a Related Entity(s) and will consist of new construction of 4 mixed-use buildings with first-floor retail space and upper floor residential space, historic rehabilitation of the Checker Cab building, and 4 multi-story townhome units. The project is located in a traditional commercial center and qualifies for a Michigan Community Revitalization Program (MCRP) award because the Checker Cab Building is historic and the remaining parcels are facilities.

Trident Checker Historical, L.L.C and Trident Corktown L.L.C. (Co-Applicants) are requesting approval of an MCRP incentive in the amount of \$6.9 million in the form of a performance-based other economic assistance.

The development is in the process of securing traditional senior debt of \$21 million (approx. 47.92% of the total development cost). Additionally, the development team is contributing approximately \$14.9 million to the project in the form of cash equity and property into the project (the final value of the property to be determined following receipt of an appraisal). As part of this equity investment the ownership team will be realizing the value of the historic tax credits eligible for eligible the project. Also, the City of Detroit is contributing \$1 million for right-of-way infrastructure improvements to support the development. The remaining \$6.9 million (15.74%) is the gap which cannot be supported by additional debt or traditional equity, will be filled by a Michigan Community Revitalization Program (MCRP) Other Economic Assistance – Equity Investment. The MCRP investment will allow the development to achieve an acceptable return, anticipated to be approximately 9% based on the operational cash flow projected to be generated by the project. MCRP detailed structure is provided in **Appendix A**.

The Co-Applicants anticipate the project will result in total capital investment in the amount of \$43.8 million, along with the creation of approximately 50 permanent full-time equivalent jobs with an average hourly wage of \$22.

Background

The project is the redevelopment of the three-story historic Checker Cab building into a mixed-use building containing approximately 52 residential units, first floor commercial space, and approximately 95 parking spaces; new construction of a 4-story, mixed-use building containing approximately 45 residential units and first floor commercial space; new construction of a five-story mixed-use building with approximately 40 residential units and first floor commercial space; new construction of 2, three-story buildings on either side of the existing UFO Factory event center building containing approximately 10 residential units and first floor commercial space; and new construction of 4, three-story townhomes. The residential units will provide 20% of the units at rental rates target at residents below 80% of area median income (AMI).

The development team is looking to extend Detroit's development and economic resurgence to the historic Corktown area of City of Detroit. The development will act to reinforce the other investments planned for the neighboring Tiger Stadium site and create a bridge to North Corktown. This project is also Phase I of a multi-phase project planned by the development team between Trumbull Avenue and Brooklyn Street.

Trident Checker Historical, L.L.C. and Trident Corktown, LLC are single purpose entities created under Trident Checker LLC, a commercial real estate development company formed for the purpose of this project by the project sponsor, Soave Enterprises. Soave Enterprises has not previously received Michigan Strategic Fund (MSF) incentives. The project is being developed by Roxbury Group LLC. The Roxbury Group has previously been awarded MCRP and Brownfield incentives. The Roxbury Group has completed the Whitney Building and the Auburn utilizing MSF incentives and is also currently involved in the Plaza Midtown and Griswold Lofts projects, both of which received MSF incentives. All MSF projects are currently in full compliance.

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

Recommendation

MEDC staff recommends approval of the following:

- a.) An MCRP Other Economic Assistance – Equity Investment in the amount of up to the lesser of 21% of “Eligible Investment” or \$6.9 million for Trident Corktown, L.L.C. and Trident Historical Checker, L.L.C. or a Related Entity(s).

APPENDIX A

FINANCING OPPORTUNITY – MCRP EQUITY INVESTMENT

Deal Structure

The proposed project is not without risk as the development team will be looking to extend economic and development resurgence experienced in Midtown and Downtown to Corktown by creating a residential district in the heart of the neighborhood. There has been no new residential development in the area in some time and there will not be any comparable residential space available in Corktown in terms of quality and pricing. MEDC is recommending the MCRP incentive for the project be structured as an equity investment in the project to allow financial flexibility for the development team in a resurging economy and to maximize the potential financial returns on the MSF's investment.

It is anticipated that the project will be utilizing construction and lease up financing from Comerica Bank in the amount of \$21,000,000. The development is contributing private equity estimated at approximately \$14.9 million. The City of Detroit will contributing \$1 million to the project as well. The remaining gap will be filled by a \$6.9 million MCRP equity investment.

Summary of Development Sources:

Comerica Bank	\$	21,000,000	47.92%
City of Detroit EDC	\$	1,000,000	2.28%
Owner Equity Investment (Estimated)	\$	12,000,000	27.38%
Historic Tax Credit Equity (Owner)	\$	2,924,479	6.37%
MSF Equity Investment	\$	6,900,000	15.74%
TOTAL	\$	43,824,479	100.00%

MCRP EQUITY INVESTMENT

Applicant(s): Trident Corktown L.L.C. or a Related Entity (“Company” or “Applicant”)

Investor Investment Amount: Owner equity investment of not less than \$12,000,000, not to include proceeds related to Historic Tax Credit investment. Final value to be adjusted by “As-Is” appraised valuation of the property. (“Investor Equity”).

MSF Investment Amount: Up to the lesser of 21% of “Eligible Investment” or \$6,900,000. The structure of the MSF Investment will be subject to the historic tax credit structure. (“MSF Equity”)

Interest Purchased: MSF will acquire an equity interest in Trident Corktown L.L.C. or a related entity to be determined. The MSF will provide no guarantees on debt or accept any recourse obligation.

“Put” Right:

The MSF will receive a “Put” right for among other things failure to adhere to MSF statutory requirements. If exercised, Trident Corktown L.L.C. or another entity or individual to be determined shall repay in full the entire contribution provided to the partnership and any earned but unpaid profits available at the time of the notice to exercise the Put on terms and conditions acceptable to the MSF. The owners of the project will be required to guarantee the “Put” right obligation.

“Exit” Right:

The MSF will have the option to exit the project after 240 months following disbursement of its proceeds. At time of exit the MSF will be due any remaining unpaid returns and the remaining balance of its equity investment.

Investor “Call” Option:

Following construction completion the Investor will have the option to call the MSF’s ownership interest for a value equal to the greater of any accrued and unpaid returns plus the MSF’s original principal investment or an amount necessary to assure a 6% IRR to the MSF.

Net Cash Flows:

To be determined at a later date, that will include the following considerations:

1. Senior debt service requirements;
2. Annual escrowed replacement reserves;
3. Capital expenditures above and beyond what has been escrowed for replacement reserves;
4. Other restrictions placed on the property by the Senior Lender.

Split of Net Cash Flows:

1. MSF to receive 100% of available distributable cash flow until a 4% annual cash-on-cash return has been received on its original investment. This return will be cumulative but non-compounding.
2. Investors to receive 100% of remaining available cash flow until a 15% annual cash-on-cash return has been received on its original investment. *Note: staff recommends exceeding the 10% return limit within the Incentive Structuring Parameters adopted by the MSF Board due to the risk associated with the location of the project.*
3. Thereafter, a 30/70 split of remaining available cash flow with 30% going to the MSF and 70% going to the Investors. Proceeds to be applied towards repayment of MSF and Investor’s equity investments.

Split of Proceeds from Sale or Refinance:

1. 100% of remaining proceeds to the MSF until any accumulated unpaid returns have been paid.

2. 100% of remaining proceeds to the Investors until any accumulated unpaid returns have been paid.
3. Pro Rata split of proceeds until the remaining original principal equity investments have been repaid to the MSF and the Investors (excludes monies identified as Historic Tax Credit equity).
4. Thereafter, a 30/70 split of remaining available cash flow with 30% going to the MSF and 70% going to the Investors.

Membership Change:

The MSF will have certain rights to block or consent to any material change in the membership of the project owner entity, except with respect to changes made for estate planning purposes.

Sale/Liquidation:

The MSF will have certain rights to block or consent to any material liquidation or sale event (e.g., sale to a non-qualified third party).

Timing of Funding:

The MSF investment would be made after (a) all of the Investors' equity has been contributed to and used to fund approved and budgeted for Project expenses and (b) the Senior Lender has waived all conditions precedent to funding (but for any conditions or obligations required of the Fund to make the Investment). For the avoidance of doubt, the MSF investment will be funded prior to the Senior Lender advancing any amounts under its loan.

Other Conditions:

Approval will be contingent upon receipt of the following:

- A copy of final State approved PA 210 and Neighborhood Enterprise Zone (NEZ) certificates.
- A copy of an appraisal for the project that displays "As-Complete" and "As-Is" valuations.
- Final Historic Part II approval from the National Park Service (NPS).
- Copy of final Historic Tax Credit Investor's equity pay-in schedule.
- A copy of an executed Guaranteed Maximum Price (GMP) construction contract between the Applicant and its contractor.
- Copies of all executed loan agreements, notes and mortgages, evidencing that the Applicant has financing in place in the minimum amount of \$21,000,000 in Senior Debt, or evidence of other sources available to make up the difference.
- Final agreements related to the City of Detroit's \$1,000,000 "Infrastructure Investment"
- Evidence of a minimum owner equity investment of \$12,000,000, to be adjusted by the "As-Is" appraised value of the property when received (excludes Historic Tax Credit equity).
- Final organizational and flow of funds chart.

- Final development budget.

APPENDIX B – Programmatic Requirements & Screening Guidelines

MCRP Program and its Guidelines

On December 21, 2011, the MSF Board approved the Michigan Community Revitalization Program (MCRP) and on September 22, 2015, the MSF Board approved its restated program guidelines. The primary intended objective of the MCRP is to provide incentives to persons that make eligible investments on eligible property in Michigan. The total eligible investment for this project is estimated to be \$35.2 million.

Source of Information

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

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

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

This project is the first major development in the Corktown neighborhood and is extending the development efforts outside of the downtown and Midtown areas. This project is going to provide a significant amount of multi-family units to an area that has few multi-family residential options.

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

This project represents the redevelopment of a major portion of the vacant land in historic Corktown. It is the first of four planned phases in the neighborhood, which will create approximately 410 residential units upon completion of all four phases. The project further supports the efforts underway on the Tiger Stadium site for a mixed use development, as well as other vacant parcels to the west.

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

The City of Detroit is providing up to \$1,000,000 in reimbursement for work being completed in the public right of way, such as road improvements and sidewalks. The project will also utilize a 10 year Neighborhood Enterprise Zone and PA 210 property tax abatement worth approximately \$6,036,672 over 10 years.

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

The development is in the process of securing traditional senior debt of \$21 million (approximately 47.92% of the total development cost). Additionally, the development team is contributing approximately \$14.9 million to the project in the form of cash equity and property into the project (the final value of the property to be determined following receipt of an appraisal). As part of this equity investment the ownership team will be realizing the value of the historic tax credits eligible for the project. Also, the City of Detroit is contributing \$1 million for

right-of-way infrastructure improvements to support the development. The remaining \$6.9 million (15.74%) is the gap which cannot be supported by additional debt or traditional equity, will be filled by a Michigan Community Revitalization Program (MCRP) Other Economic Assistance – Equity Investment. The MCRP investment will allow the development to achieve an acceptable return, anticipated to be approximately 9% based on the operational cash flow projected to be generated by the project.

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

The Checker Cab building is a historic resource and has been significantly underutilized for many years. It will be reactivated as a result of this project.

F. Creation of jobs:

The project will generate up to 50 permanent jobs, largely associated with first floor retail and management. The average hourly wage for the jobs created is \$22 for the permanent jobs.

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

Comerica is providing the construction and lease up financing of \$21 million, or approximately 48% loan-to-cost. The development sponsor is contributing \$12 million in cash and land equity, approximately 27% of the project cost. The ownership team will contributing another \$2.9 million in equity to the project and utilizing the tax benefits provided by the Federal Historic Tax credits.

H. Whether the project is financially and economically sound:

It is anticipated that following achievement of stabilization the development will generate adequate cash flow to service its debt more than 1.50 times. Additionally, the MCRP investment will be structured as an equity investment providing additional financial flexibility and cushion for the project. The project will also be supported by Soave Enterprises and group with substantial financial wherewithal.

As mentioned above the project will be the first residential development built in Corktown in some time. There are no comparable residential developments in the area targeted at the higher end segment of renters. It is anticipated the project will demand rents just below the more established markets of Midtown and Downtown Detroit. The risk associated with the unproven market will be mitigated by the project's smaller debt load and the flexibility provided by the MCRP equity investment.

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

This project is a transformational development and will completely change the landscape of Corktown. Five new, multistory buildings along with townhome “row” units will be constructed as a result of this project, increasing both residential and commercial density.

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

All buildings, with the exception of the townhome units, will include a mix of residential and commercial retail. The design of this entire development has the pedestrian in mind. New buildings will be built to the street wall, fronted only by wide sidewalks. Commercial retail space will have large windows that provide a feeling of “active” space. This project is going to provide a significant infusion of residents and commercial patrons.

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

The project does not involve any abandoned public buildings.

L. Whether the project promotes sustainable development:

There will be a heavy emphasis on reuse of existing materials and the utilization of sustainable materials in such items as wood doors, flooring, and cabinetry. The project will also utilize high-efficiency variable refrigerant flow (VRF) HVAC systems, and the use of bioswales to mitigate storm water.

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

The Checker Cab building is a significant part of historic Corktown, Detroit’s oldest residential neighborhood. The area was first settled in 1834 by Irish immigrants of County Cork. Today, the area remains the unofficial capital of the region’s Irish population but contains a diverse and close-knit mix of residents and businesses.

N. Whether the project addresses area-wide redevelopment:

The development will act to reinforce the investments planned for the neighboring Tiger Stadium site and create a bridge to the North Corktown district along Trumbull, north of the Fisher Freeway.

O. Whether the project addresses underserved markets of commerce:

Residential demand is very strong in greater downtown Detroit, but available quality housing is still hard to obtain. This project will contribute much needed housing, restaurant and commercial options, which will add to the quality of life in Detroit.

P. The level and extent of environmental contamination:

The project will complete lead and asbestos abatement as well as adding both a cap-slab and a vapor mitigation system in affected areas of the property.

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 Checker Cab building is completing a full historic rehabilitation and will follow the Secretary of the Interior’s standards of rehabilitation.

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

This project will not compete with or affect any existing Michigan business. It will complement the existing redevelopment efforts in greater downtown Detroit.

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

No additional criteria needs to be considered.

APPENDIX C – Project Map and Renderings



Project
Area

Existing Conditions



Rendering



MICHIGAN STRATEGIC FUND

RESOLUTION 2016-

**ALLOCATION OF FUNDS AND APPROVAL OF A
MICHIGAN COMMUNITY REVITALIZATION PROGRAM OTHER ECONOMIC
ASSISTANCE PERFORMANCE-BASED EQUITY INVESTMENT AWARD TO
TRIDENT CORKTOWN L.L.C. AND TRIDENT CHECKER HISTORICAL, L.L.C. OR
A RELATED ENTITY
(TRIDENT CHECKER PROJECT)**

WHEREAS, the Michigan legislature amended the Michigan Strategic Fund Act, MCL 125.2011 et. seq., to add Chapter 8C (being MCL 125.2090a—MCL 125.2090d, as later amended) to enable the 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, Trident Corktown L.L.C. and Trident Checker Historical, L.L.C., or such entities formed or to be formed in the furtherance of the Trident Corktown Project (“Applicant” or “Co-Applicants”) have requested an Other Economic Assistance Performance-Based Equity Investment Award from the MSF under the MCRP for the project in an amount not to exceed up to \$6,900,000 (“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 recommends that the MSF approve the MCRP 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 transaction documents within 240 days of the date of this Resolution (“Time Period”), or this Resolution shall have no effect; provided however, at the sole discretion of the MSF Fund Manager, the Time Period may be extended for up to an additional 120 days (the foregoing, collectively, the “MCRP Award Recommendation”);

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

Ayes:

Nays:

Recused:

Lansing, Michigan
September 27, 2016

EXHIBIT A

MCRP EQUITY INVESTMENT

- Applicant(s):** Trident Corktown L.L.C. or a Related Entity (“Company” or “Applicant”)
- Investor Investment Amount:** Owner equity investment of not less than \$12,000,000, not to include proceeds related to Historic Tax Credit investment. Final value to be adjusted by “As-Is” appraised valuation of the property. (“Investor Equity”).
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- Interest Purchased:** MSF will acquire an equity interest in Trident Corktown L.L.C. or a related entity to be determined. The MSF will provide no guarantees on debt or accept any recourse obligation.
- “Put” Right:** The MSF will receive a “Put” right for among other things failure to adhere to MSF statutory requirements. If exercised, Trident Corktown L.L.C. or another entity or individual to be determined shall repay in full the entire contribution provided to the partnership and any earned but unpaid profits available at the time of the notice to exercise the Put on terms and conditions acceptable to the MSF. The owners of the project will be required to guarantee the “Put” right obligation.
- “Exit” Right:** The MSF will have the option to exit the project after 240 months following disbursement of its proceeds. At time of exit the MSF will be due any remaining unpaid returns and the remaining balance of its equity investment.
- Investor “Call” Option:** Following construction completion the Investor will have the option to call the MSF’s ownership interest for a value equal to the greater of any accrued and unpaid returns plus the MSF’s original principal investment or an amount necessary to assure a 6% IRR to the MSF.
- Net Cash Flows:** To be determined at a later date, that will include the following considerations:
1. Senior debt service requirements;
 2. Annual escrowed replacement reserves;
 3. Capital expenditures above and beyond what has been escrowed for replacement reserves;
 4. Other restrictions placed on the property by the Senior Lender.
- Split of Net Cash Flows:**

1. MSF to receive 100% of available distributable cash flow until a 4% annual cash-on-cash return has been received on its original investment. This return will be cumulative but non-compounding.
2. Investors to receive 100% of remaining available cash flow until a 15% annual cash-on-cash return has been received on its original investment. *Note: staff recommends exceeding the 10% return limit within the Incentive Structuring Parameters adopted by the MSF Board due to the risk associated with the location of the project.*
3. Thereafter, a 30/70 split of remaining available cash flow with 30% going to the MSF and 70% going to the Investors. Proceeds to be applied towards repayment of MSF and Investor's equity investments.

Split of Proceeds from Sale or Refinance:

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2. 100% of remaining proceeds to the Investors until any accumulated unpaid returns have been paid.
3. Pro Rata split of proceeds until the remaining original principal equity investments have been repaid to the MSF and the Investors (excludes monies identified as Historic Tax Credit equity).
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Membership Change:

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Sale/Liquidation:

The MSF will have certain rights to block or consent to any material liquidation or sale event (e.g., sale to a non-qualified third party).

Timing of Funding:

The MSF investment would be made after (a) all of the Investors' equity has been contributed to and used to fund approved and budgeted for Project expenses and (b) the Senior Lender has waived all conditions precedent to funding (but for any conditions or obligations required of the Fund to make the Investment). For the avoidance of doubt, the MSF investment will be funded prior to the Senior Lender advancing any amounts under its loan.

Other Conditions:

Approval will be contingent upon receipt of the following:

- A copy of final State approved PA 210 and Neighborhood Enterprise Zone (NEZ) certificates.
- A copy of an appraisal for the project that displays "As-Complete" and "As-Is" valuations.
- Final Historic Part II approval from the National Park Service (NPS).

- Copy of final Historic Tax Credit Investor's equity pay-in schedule.
- A copy of an executed Guaranteed Maximum Price (GMP) construction contract between the Applicant and its contractor.
- Copies of all executed loan agreements, notes and mortgages, evidencing that the Applicant has financing in place in the minimum amount of \$21,000,000 in Senior Debt, or evidence of other sources available to make up the difference.
- Final agreements related to the City of Detroit's \$1,000,000 "Infrastructure Investment"
- Evidence of a minimum owner equity investment of \$12,000,000, to be adjusted by the "As-Is" appraised value of the property when received (excludes Historic Tax Credit equity).
- Final organizational and flow of funds chart.
- Final development budget.