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

Communications - Information

A. Consent Agenda – Action Item
   Approval of August 26, 2014 Proposed Meeting Minutes
   Albion Machine & Tool Company – Recovery Zone Revocation – Amy Lux
   The POM Group – Recovery Zone Revocation – Amy Lux

B. Catalyst Project – Action Item
   Arena Bond Authorizing – Mark Morante

C. Business Investment – Action Items
   1. Business Growth
      Plasan Advanced Composites, Inc. – MBDP – Mike Gietzen
      Citic Dicastal, Inc. – MBDP/CDBG – Stacy Bowerman & Trevor Friedeberg
   2. Access to Capital – Chris Cook
      Glastender, Inc – Bond Authorizing
      Four Seasons Development, LLC – Bond Authorizing
      BMT Aerospace – Bond Authorizing

D. Community Vitality - Action Items
   Lofts on 820, LLC – MCRP – Ryan Kilpatrick
   Griswold Capital Park – MCRP/MBT Amendment – Stacy Esbrook
   Hallmark Ventures, LLC – MCRP/Brownfield TIF – Stacy Esbrook
   REIS Northville, LLC – Brownfield TIF – Stacy Esbrook
   City of Sturgis – CDBG – Roselyn Jones

E. State Branding - Action Items – Leslie Hornung
   McCann Business Marketing Amendment
   McCann Tourism Marketing Amendment
   Weber Shandwick Amendment
   Meredith Amendment

F. Administrative – Action Items
   MSF Administrative Services MOU Amendment – Mark Morante
   Transfer of 21st Century Funds & Allocation of MCRP & MBDP – Mark Morante
   Delegation of Authority Renewal – Next Michigan Development Program – Amy Lux
   FY15 – Export Budget – Deanna Richeson
   FY15 – Export Program RFP Award Recommendations – Deanna Richeson
   FY15 Federal State Trade and Export (STEP) Grant Program – Deanna Richeson
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:

1. Adoption of Proposed MSF Meeting Minutes, August 26, 2014
2. Albion Machine & Tool Company – Recovery Zone Revocation
3. The POM Group – Recovery Zone Revocation

Ayes:

Nays: None

Recused:

Lansing, Michigan
September 17, 2014
MEMORANDUM

Date: September 17, 2014
To: Michigan Strategic Fund Board
From: Amy Lux, Renaissance Zone Program Specialist
Subject: Albion Machine & Tool Company

tool and Die Recovery Zone – Revocation

Action

The Michigan Economic Development Corporation (“MEDC”) is recommending the revocation of the Tool and Die Recovery Zone for Albion Machine & Tool Company (the “Company”) by the Michigan Strategic Fund (“MSF”) Board. There are five years remaining of the Company’s 15-year Recovery Zone, set to expire at the conclusion of 2019.

Background

The Company operated a tool and die shop in the City of Albion, Calhoun County, originally receiving a Tool and Die Recovery Zone designation in 2004 as a member of the Great Lakes Tool & Die Collaborative (the “Collaborative”). The MEDC was notified by the Collaborative President that the Company had withdrawn its membership in the Collaborative and a representative for the Company confirmed that the Company has ceased operations and its assets were sold to another entity.

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 resident agent, as well as the Collaborative President, were notified that the MEDC would recommend the Recovery Zone for revocation.

Recommendation

MEDC Staff recommends the MSF Board revoke the Tool and Die Recovery Zone designation for Albion Machine & Tool Company. The revocation will be effective December 31, 2014 for property tax purposes and January 31, 2015 for all other purposes.
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 designated a Recovery Zone for the Great Lakes Tool & Die Collaborative (the “Collaborative”);

WHEREAS, the Collaborative included Albion Machine & Tool Company (the “Company”) at its location at 1001 Industrial Avenue in the City of Albion, Calhoun County (the “Property”);

WHEREAS, Section 8d(3) of the Act permits the MSF 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 MEDC received notification from the Collaborative President that the Company has withdrawn its membership in the Collaborative and a representative of the Company confirmed that it had ceased operations on the Property and its assets have been sold to another entity; and

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

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board revokes the Tool and Die Recovery Zone designation for Albion Machine & Tool Company for the Property located at 1001 Industrial Avenue in the City of Albion, Calhoun County, effective on December 31, 2014 for property tax purposes and immediately 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 17, 2014
MEMORANDUM

Date:   September 17, 2014
To:   Michigan Strategic Fund Board
From:   Amy Lux, Renaissance Zone Program Specialist
Subject:   The POM Group, Inc.
           Tool and Die Recovery Zone – Revocation

Action
The Michigan Economic Development Corporation (“MEDC”) is recommending the revocation of the Tool and Die Recovery Zone for The POM Group, Inc. (the “Company”) by the Michigan Strategic Fund (“MSF”) Board. The Company’s eight-year Recovery Zone term is currently set to expire at the conclusion of 2015.

Background
The Company operated a tool and die shop in the City of Auburn Hills, originally receiving a Tool and Die Recovery Zone designation in 2007 as a member of the Great Lakes Tool & Die Collaborative (the “Collaborative”). The MEDC was notified by the Collaborative President that the Company had been sold to another entity and a representative for the Company confirmed that the Company has ceased operations and its assets were sold.

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 resident agent, as well as the Collaborative President, were notified that the MEDC would recommend the Recovery Zone for revocation.

Recommendation
MEDC Staff recommends the MSF Board revoke the Tool and Die Recovery Zone designation for The POM Group, Inc. The revocation will be effective retroactively for Tax Year 2014, the first full tax year following the sale of the Company.
MICHIGAN STRATEGIC FUND

RESOLUTION

2014-

REVOCATION OF AN EXISTING TOOL & DIE RENAISSANCE
RECOVERY ZONE DESIGNATION: The POM Group, 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 November 28, 2007, the MSF Board approved a Tool & Die Recovery Zone designation for The POM Group, Inc. (the “Company”) as a member of the Great Lakes Tool & Die Collaborative (the “Collaborative”) at the Company’s site in the City of Auburn Hills, Oakland County on property parcels 61-12-900-351-0002-00, 61-12-025-100-0003-00, 61-12-025-100-0002-00, and 61-12-025-100-0004-10 (the “Property”);

WHEREAS, Section 8d(3) of the Act permits the MSF 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 MEDC received notification from the Collaborative President that the Company has been sold and a representative from the Company has confirmed that it had ceased operations on the Property and its assets have been sold to another entity; and

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

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board revokes the Tool and Die Recovery Zone designation for The POM Group, Inc. for the Property located in City of Auburn Hills, Oakland County on property parcels 61-12-900-351-0002-00, 61-12-025-100-0003-00, 61-12-025-100-0002-00, and 61-12-025-100-0004-10, effective on December 31, 2013 for property tax purposes and immediately 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 17, 2014
On June 19, 2013, the City of Detroit Downtown Development Authority (the “DDA”), Olympia Development of Michigan, LLC (“ODM”) and Wayne County entered into a Memorandum of Understanding (the “MOU”) relating to the establishment of a “Catalyst Development Project” as defined in Act No. 197 of Public Acts of 1975, as amended, (the “Act 197”), consisting of the acquisition, construction, installation, furnishing and equipping of a new multipurpose events center comprised of approximately 650,000 square feet, approximately 18,000 seats, attached parking and ground floor retail to serve as the home arena of the Detroit Red Wings National Hockey League franchise and as a year-round venue for a wide range of sports and entertainment events (the “Events Center Project”), and the development or redevelopment of vacant and/or underutilized properties within the area adjacent to or near the Events Center Project.

The Events Center Project is to be owned by the DDA and operated by ODM or its affiliate pursuant to a Concession and Management Agreement by and among the DDA, Olympia Development of Michigan Events Center, LLC (“ODMEC”) and Detroit Red Wings, Inc. (the “CMA”) providing, among other things, for the payment of certain annual concession fees by ODM or its affiliate to the DDA. The MOU contemplated that the Events Center Project would be financed primarily through two series of bonds in the aggregate amount of $450 million to be issued by the Michigan Strategic Fund (the “MSF”), and secured by a pledge of certain tax increment revenues captured by the DDA and concession fees payable under the CMA. In accordance with the MOU, on July 10, 2013, ODM and the DDA filed an application with the MSF requesting assistance through the issuance and sale by the MSF of limited obligation revenue bonds for the benefit of the DDA to provide funds necessary to finance a substantial portion of the costs of the Events Center Project. Pursuant to such request, the MSF adopted an Inducement Resolution on July 24, 2013, expressing its preliminary intent to issue bonds in an aggregate principal amount not to exceed $450,000,000 for purposes of making a loan to the DDA to finance a substantial portion of the costs of the Events Center Project.

The DDA, MSF and ODMEC, and their respective financial and legal advisors have engaged in discussions with potential bond purchasers to structure a plan of financing consistent with the terms contemplated by the MOU, the DDA Plan and CMA. The proposed structure consists of one series of tax exempt bonds in a principal amount not to exceed $250,000,000, to
be secured by a pledge of tax increment revenues (“Series 2014A Bonds”) and one series of taxable bonds in a principal amount not to exceed $200,000,000, to be secured by concession fees payable under the CMA (“Series 2014B Bonds”), with each series to consist of a bond issue from the DDA to the MSF to pledge the corresponding tax increment revenues or concession revenues, as the case may be, and from the MSF to the bond purchaser(s). It is necessary to separate the financing into two series of bonds because only the Series 2014A Bonds are federally tax exempt as they will be repaid from the pledged tax increment revenues (public funds). The Series 2014B Bonds are federally taxable because they will be repaid from the concession fees paid under the CMA (private funds).

Summaries of the significant terms of the Series 2014A Bonds and Series 2014B Bonds are attached hereto as **Exhibits A-1 and A-2**. A more detailed Executive Summary of the overall transaction is attached hereto as **Exhibit B**.

MSF Staff is seeking the MSF Board’s approval of the Bond Authorizing Resolution relating to the Series 2014A Bonds and Series 2014B Bonds attached hereto as **Exhibit C**.
EXHIBIT A-1
Series 2014A Bonds

Issuer:

- MSF will issue and sell to bond purchasers its Limited Obligation Revenue Bonds, Series 2014A (Events Center Project) (the "MSF Series 2014A Bonds") pursuant to a Trust Indenture between the MSF and U.S. Bank, N.A., as trustee (the “Series A Trustee”), the proceeds of which will be loaned to the DDA pursuant to a loan agreement between the DDA and the MSF (the “Series A Loan Agreement”).
- DDA will issue to the MSF its Tax Increment Revenue Bond (Development Area No. 1 Projects), Series 2014A (the “DDA Series 2014A Bonds” and collectively with the MSF Series 2014A Bonds, the “Series 2014A Bonds”).

Principal Amount: $250,000,000

Bond Purchaser:

- Merrill Lynch, Pierce, Fenner & Smith Incorporated (the “Series 2014A Purchaser”) has issued a letter of interest to purchase, as underwriter, the entire principal amount of the Series 2014A Bonds, pursuant to the terms of a Bond Purchase Agreement to be executed by the Series 2014A Purchaser, the DDA, the MSF (the “Bond Purchase Agreement”) and subject to, among other things, the assignment by Fitch Ratings of a long term rating of not less than “BB” to the Series 2014A Bonds.
- The DDA will execute a continuing disclosure agreement (the “2014A Continuing Disclosure Agreement”) pursuant to which the DDA will agree to certain ongoing disclosures in accordance with SEC rules.

Use of Bond Proceeds:

- Funding of a Debt Service Reserve Fund in an amount equal to six (6) months of debt service
- Funding of a Capitalized Interest/Contingency Account in the amount not to exceed $10,000,000.00
- Payment of certain expenses incurred in connection with the issuance of the Series 2014A Bonds
- Payment of a portion of the Costs of the Events Center (as defined in the CMA)

Term:

- Final maturity date of July 1, 2045, with an initial mandatory tender date of approximately 4.5 years following the date of issuance (the “Initial Term Rate Period”).
- On the mandatory tender date, the MSF Series 2014A Bonds will be subject to mandatory
tender for purchase by the MSF at a purchase price of 100% of the principal amount of the MSF Series 2014A Bonds plus accrued interest and will be remarketed and sold to new investors at then prevailing market interest rates based on the credit strength of the tax increment revenues pledged by the DDA.

**Interest Rate:**

- For the Initial Term Rate Period, a fixed rate to be set as of the date of issuance, not to exceed 7.0% per annum and estimated to be in the range of 4.0-5.0% per annum.
- Following the Initial Term Rate Period, prevailing market rates determined as of the time of remarketing, or, if the Series 2014A Bonds cannot be successfully remarketed on the mandatory tender date, a default interest rate equal to the greater of (i) Wall Street Journal Prime Rate plus 5% or (ii) 9%.

**Repayment Sources:**

- DDA’s tax increment revenues specifically described under Section 1(cc)(i) of Act 197 (e.g., non-school tax increment revenue in the development area), excluding such revenues to the extent levied and collected on the real and personal property comprising the Events Center Project and excluding other tax increment revenues shared with taxing jurisdictions pursuant to sharing agreements or other arrangements (the “General Tax Increment Revenues”), in an aggregate amount over the term of $64,500,000 and payable pursuant to the schedule attached hereto as Attachment 1 (the “Scheduled General Tax Increment Revenue Payments”)
- DDA’s tax increment revenues specifically described under Section 1(cc)(vi) of Act 197 (e.g., school tax increment revenue in the development area), excluding (i) Future Brownfield Tax Increment Captures (as defined below) (the “Catalyst Project Revenues” and collectively with the General Tax Increment Revenues, the “Tax Increment Revenues”) “Future Brownfield Tax Increment Captures” means the captures of tax increment revenues that would otherwise be Catalyst Project Revenues and which are generated by future brownfield redevelopment projects in Detroit DDA Development Area No. 1, subject to various statutory criteria and governmental approvals and created pursuant to Act 381 of 1996, as amended.
- The original MOU contemplated a $15,000,000 annual cap on the amount of Catalyst Project Revenues pledged to secure the Series 2014A Bonds. Based on requirements of Series 2014A Purchaser, this cap has been removed in order to increase the amount of Catalyst Project Revenues projected to be available to repay the Series 2014A Bonds and thereby strengthen the creditworthiness of the Series 2014A Bonds so that a “BB” rating can be obtained.

**Security:**

- The MSF Series 2014A Bonds will be secured by the DDA Series 2014A Bonds.
- The DDA Series 2014A Bonds will be secured by a pledge by the DDA of, and statutory lien on, (i) General Tax Increment Revenues in excess of amounts securing the DDA’s
outstanding bonds under its 1996 Master Bond Resolution, as amended (the “DDA Existing Bonds”) and (ii) Catalyst Project Revenues.

Flow of Funds:

- As long as the DDA Existing Bonds are outstanding, General Tax Increment Revenues will first be sent by the tax collecting units directly to the master bond trustee for the DDA Existing Bonds to meet debt service, reserve replenishment, and fee requirements of the DDA Existing Bonds, and then will be sent to the Series 2014A Trustee.
- Catalyst Project Revenues will be sent by the tax collecting units directly to the Series 2014A Trustee.
- The Series 2014A Trustee will apply all Catalyst Project Revenues and General Tax Increment Revenues in the amount of the Scheduled General Tax Increment Revenue Payment to meet all principal and interest payment, reserve replenishment and fee requirements of the Series 2014A Bonds, and, commencing in 2018, contributions into the Repair Fund as described in the CMA.
- In the event that the above repayment sources are insufficient to cover the required debt service, shortfalls will be paid first from the Capitalized Interest Fund, then from the Debt Service Reserve Fund, then from other General Tax Increment Revenues held by the Series 2014A Trustee.
- In the event that General Tax Increment Revenues in excess of the Scheduled General Tax Increment Revenue Payment are applied to cover shortfalls as described above, those amounts will be reimbursed to the DDA from future collections of excess Catalyst Project Revenues.
- Excess General Tax Increment Revenues after satisfaction of debt service requirements will be disbursed to the DDA.

Refinancing Risks:

- At the end of the Initial Term Rate Period (approximately 4.5 years from closing), the Series 2014A Bonds will be subject to mandatory tender, which means they will need to be refinanced at then prevailing market rates in order to have sufficient funds to repay the existing bondholders.
- There are certain risks that could impair the ability to refinance the Series 2014A Bonds: (i) the risk that the pledged tax increment revenues may be insufficient to support the refinancing of the Series 2014A Bonds due to deterioration in property values, changes in tax rates or failure to achieve modest growth projections in the DDA district; or (ii) the risk that prevailing market interest rates increase beyond a level that refinancing principal can be amortized within the term of the existing DDA plan that matures June 30, 2045 because the debt service is not adequately covered by the pledged tax increment revenues.
- These risks are reflected in the “BB” credit rating that is expected to be assigned by Fitch Ratings to the Series 2014A Bonds, which is one category below investment grade, and are discussed in greater detail in the Series 2014A Official Statement.
• The Series 2014A Bonds will be sold in minimum denominations of $250,000 or greater to limit sales to sophisticated investors who are capable of evaluating these risks.

Other Material Terms:

Plan of Defeasance
• In order to meet the Series 2014A Purchaser’s coverage requirements and provide cash flow relief to the DDA, as a condition of the Bond Purchase Agreement, the DDA will retire approximately $11,180,000.00 of outstanding indebtedness under the Existing DDA Bonds as follows:
  • $3,000,000.00 payment using DDA’s existing cash on hand
  • Balance to be funded through the release of certain debt service reserve funds under the Existing DDA Bonds, subject to DDA obtaining a surety policy or letter of credit acceptable to the bond insurer of the Existing DDA Bonds as a substitute for the reserves proposed to be released.
  • DDA will agree not to issue any additional indebtedness under the terms of the 1996 Master Bond Resolution so as to “close” the ability to issue additional senior lien debt, other than refunding of Existing DDA Bonds that result in cash savings.

DDA Cash Contribution
• At the closing of the Series 2014A Bonds, the DDA will contribute the Catalyst Project Revenues that it has on hand as of the date of the closing, which Catalyst Project Revenues were captured by the DDA and are attributable to periods from and after July 1, 2010 as permitted under the Act 197.
  • The amount of such contribution is expected to be approximately $35,000,000.00. This amount is greater than the $31,000,000.00 anticipated under the Plan because the Plan anticipated that the bond issuance would occur prior to the disbursement of Catalyst Project Revenues for 2013 and the DDA now expects to receive 2013 Catalyst Project Revenue disbursements prior to the issuance of the Series 2014A Bonds.

Bond Counsel
• Dickinson Wright PLLC is acting as bond counsel to the MSF for the Series 2014A Bonds.

Bond Issuance Fee
• The MSF will charge an issuance fee of $40,000.
## ATTACHMENT 1
Scheduled General Tax Increment Revenue Payments

<table>
<thead>
<tr>
<th>Bond Year Ending</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>6/30/2019</td>
<td>$500,000</td>
</tr>
<tr>
<td>6/30/2020</td>
<td>500,000</td>
</tr>
<tr>
<td>6/30/2021</td>
<td>700,000</td>
</tr>
<tr>
<td>6/30/2022</td>
<td>1,750,000</td>
</tr>
<tr>
<td>6/30/2023</td>
<td>2,750,000</td>
</tr>
<tr>
<td>6/30/2024</td>
<td>2,750,000</td>
</tr>
<tr>
<td>6/30/2025</td>
<td>2,750,000</td>
</tr>
<tr>
<td>6/30/2026</td>
<td>3,000,000</td>
</tr>
<tr>
<td>6/30/2027</td>
<td>3,500,000</td>
</tr>
<tr>
<td>6/30/2028</td>
<td>4,000,000</td>
</tr>
<tr>
<td>6/30/2029</td>
<td>4,000,000</td>
</tr>
<tr>
<td>6/30/2030</td>
<td>4,000,000</td>
</tr>
<tr>
<td>6/30/2031</td>
<td>4,000,000</td>
</tr>
<tr>
<td>6/30/2032</td>
<td>4,000,000</td>
</tr>
<tr>
<td>6/30/2033</td>
<td>4,000,000</td>
</tr>
<tr>
<td>6/30/2034</td>
<td>4,000,000</td>
</tr>
<tr>
<td>6/30/2035</td>
<td>4,000,000</td>
</tr>
<tr>
<td>6/30/2036</td>
<td>4,000,000</td>
</tr>
<tr>
<td>6/30/2037</td>
<td>4,000,000</td>
</tr>
<tr>
<td>6/30/2038</td>
<td>4,000,000</td>
</tr>
<tr>
<td>6/30/2039</td>
<td>2,000,000</td>
</tr>
<tr>
<td>6/30/2040</td>
<td>50,000</td>
</tr>
<tr>
<td>6/30/2041</td>
<td>50,000</td>
</tr>
<tr>
<td>6/30/2042</td>
<td>50,000</td>
</tr>
<tr>
<td>6/30/2043</td>
<td>50,000</td>
</tr>
<tr>
<td>6/30/2044</td>
<td>50,000</td>
</tr>
<tr>
<td>6/30/2045</td>
<td>50,000</td>
</tr>
</tbody>
</table>
EXHIBIT A-2
Series 2014B Bonds

Issuer:
- MSF will issue and sell to bond purchasers its Limited Obligation Revenue Bonds, Series 2014B (Events Center Project) (the "MSF Series 2014B Bonds") pursuant to a Trust Indenture between the MSF and U.S. Bank, N.A., as trustee (the “Series B Trustee”), the proceeds of which will be loaned to the DDA pursuant to a loan agreement between the DDA and the MSF (the “Series B Loan Agreement”).
- DDA will issue to the MSF its Concession Revenue Bond (Development Area No. 1 Projects), Series 2014B (the “DDA Series 2014B Bonds” and collectively with the MSF Series 2014B Bonds, the “Series 2014B Bonds”).

Principal Amount: up to $200,000,000, on a drawdown basis, during a 3-year draw period

Bond Purchaser:
- Comerica Bank (the “Series 2014B Purchaser”) on its own account in a private placement pursuant to the terms of a Bond Purchase Agreement to be executed by the Series 2014B Purchaser, the DDA, the MSF (the “Series 2014B Bond Purchase Agreement”).

Use of Bond Proceeds:
- Funding of a Collateral/Reserve Account in the amount of $11,500,000
- Payment of capitalized interest on the Series 2014B Bonds
- Payment of certain expenses incurred in connection with the issuance of the Series 2014B Bonds
- Payment of a portion of the Costs of the Events Center (as defined in the CMA)

Term:
- Final maturity date of July 1, 2045

Interest Rate:
- For years 1 through 4, a variable rate, to be paid in years 1 through 3 from draws on the bond proceeds.
- Interest rate protection will be required for years 5 through maturity under a forward starting swap to be purchased at closing of the Series 2014B Bonds (the “Series 2014B Swap”).
- As the obligor of the Series 2014B Bonds, the DDA will be a counterparty to the Swap and, in accordance with Dodd-Frank regulations will engage a “Qualified Independent Representative” to enter into negotiations with its Swap counterparty regarding the terms of the Swap. The terms of the Swap will be approved by the DDA Board prior to the closing of the Series 2014B Bonds.
Repayment Sources:

- Annual concession fee payments payable to the DDA under the CMA during the term of the Series 2014B Bonds (the “Base Concession Fees”).
- The Base Concession Fees will be paid in semiannual installments pursuant to a schedule determined by ODMEC and the Series 2014B Purchaser, with an average annual amount of $11,500,000.00 payable over the term of the Series 2014B Bonds from and after the Commencement Date.
- The aggregate amount of the Base Concession Fees over the term of the Series 2014B Bonds is expected to be approximately $330,000,000.00.
- The payment of the Base Concession Fees during the term of the Series 2014B Bonds (the “Base Concession Fee”) will be guaranteed by Mr. Michael Ilitch and his revocable trust.
- After the issuance of the Series 2014B Bonds, ODMEC is expected to assign its rights under the CMA to Olympia Entertainment Events Center, LLC (“OEEC”) and OEEC will assume the obligation to pay Concession Fees, except for the obligation to pay the Base Concession Fee, which will be retained by ODMEC and the guaranty of the obligation of ODMEC to pay the Base Concession Fee by Mr. Ilitch and his trust will remain in effect.

Security:

- The MSF Series 2014B Bonds will be secured by the DDA Series 2014B Bonds.
- The DDA Series 2014B Bonds will be secured by a pledge by the DDA of the Concession Fees.
- OEEC will provide a completion guaranty to guaranty to completion of the Events Center Project pursuant to the CMA.

Flow of Funds:

- The Base Concession Fees will be paid directly to the Series 2014B Trustee.
- The Base Concession Fees will be applied to meet all principal and interest payment, reserve replenishment and fee requirements of the Series 2014B Bonds.
- The Series 2014B Trustee will disburse into the Repair Fund the Concession Fees scheduled to be paid into such fund.

Other Material Terms:

Indemnity Agreement

- As a condition to the issuance of the Series 2014A and Series 2014B Bonds, OEEC will execute an Indemnity Agreement, pursuant to which OEEC will indemnify the MSF, the DDA, the Series 2014A Trustee, the Series 2014B Trustee for certain matters relating to the Series 2014A Bonds and Series 2014B Bonds, including but not limited to, expenses in connection with future Bond Modifications (as defined in the CMA), Series 2014A Bond remarketing costs, and the Series 2014B Swap.

Bond Counsel

- Dickinson Wright PLLC is acting as bond counsel to the MSF for the Series 2014B
Bonds.

**Bond Issuance Fee**
- The MSF will charge an issuance fee of $40,000.
Background

Pursuant to Act No. 197, Michigan Public Acts of 1975, as amended (“Act 197”), the City of Detroit Downtown Development Authority (the “Detroit DDA”) has undertaken the development and rehabilitation of a certain deteriorating area within the City of Detroit (the “City”) and within the Detroit DDA’s development area known as Development Area No. 1, in accordance with the Detroit DDA’s Restated Tax Increment Financing Plan and Development Plan (as amended, the “Development Plan”). On June 19, 2013, the Detroit DDA, Olympia Development of Michigan, LLC, a Michigan limited liability company (“ODM”) and Wayne County, Michigan (the “County”), entered into a Memorandum of Understanding (the “MOU”), providing for the establishment of a “catalyst development project” (as defined in Act 197), consisting of the acquisition, construction, installation, furnishing and equipping of a new multipurpose events center comprised of approximately 650,000 square feet or larger, approximately 18,000 seats, attached parking and ground floor retail to serve as the home arena of the Detroit Red Wings National Hockey League franchise and as a year-round venue for a wide range of sports and entertainment events (the “Events Center Project”), and the development or redevelopment of vacant and/or underutilized properties within the area adjacent to or near the Events Center Project (collectively, with the Events Center Project, the “Catalyst Development Project”). The Events Center Project will be located in the City of Detroit, Wayne County, Michigan in the area bounded by Fisher Freeway (I-75) on the south; Woodward Avenue on the east; Cass Avenue on the west; and Temple Street on the north.

The development of the Catalyst Development Project required the expansion of the Detroit DDA’s “downtown district” (as defined in Act 197) and Development Area No. 1 therein (the “Expansion”), together with certain amendments to the Development Plan to facilitate the Catalyst Development Project and contemplated private developments within Development Area No. 1 (the “Plan Amendments”). By resolution adopted on June 26, 2013, the Board of Directors of the Detroit DDA approved the Expansion and the Plan Amendments. Pursuant to the notice, public hearing and other requirements of Act 197, and by ordinance adopted on December 20, 2013, the City Council of the City approved the Expansion and the Plan Amendments, which were subsequently approved by the City’s Emergency Manager serving under Act 436, Public Acts of Michigan, 2012, on January 17, 2014.

Pursuant to the MOU, the Events Center Project is to be owned by the Detroit DDA and operated by ODM or its affiliate pursuant to a concession and management agreement for an initial period of 35 years, with extension options thereafter, providing, among other things, for the payment of certain annual concession fees by ODM or its affiliate to the Detroit DDA. In accordance with the MOU, on July 10, 2013, ODM and the Detroit DDA filed an application with the Michigan Strategic Fund (the “MSF”), requesting the assistance of the MSF through the issuance and sale by the MSF of limited obligation revenue bonds for the benefit of the Detroit DDA to finance a substantial portion of the costs of the Events Center Project. Pursuant to such request, the MSF adopted an Inducement Resolution on July 24, 2013, expressing its preliminary intent to issue bonds in an aggregate principal amount not to exceed $450,000,000 for purposes of financing a substantial portion of the costs of the Events Center Project, and approving the Plan Amendments as a “catalyst development project” for purposes of Section 19(3) of Act 197.

On December 13, 2013, the Board of Directors of the Detroit DDA approved the form and execution of a Concession and Management Agreement between the Detroit DDA and ODM (or an affiliate), as concessionaire, acknowledged in relevant parts by the Detroit Red Wings, Inc., a Michigan corporation (the “Red Wings”), as sub-concessionaire, for the development, operation and management of
the Events Center Project. Following material revisions to the terms of the Concession and Management Agreement previously approved, on September 16, 2014, the Board of Directors of the Detroit DDA is scheduled to approve the form and execution of an Amended and Restated Concession and Management Agreement for the Events Center Project, to be entered into by the Detroit DDA and Olympia Development of Michigan Events Center, LLC, a Delaware limited liability company (“ODMEC”), as concessionaire (the “Concessionaire”), providing for the payment of concession fees by ODMEC to the Detroit DDA in varying annual amounts, payable in agreed-upon installments (the “Concession Agreement”), such payments to be the sole obligation of Michael Ilitch and his revocable trust, as co-concessionaire under the Concession Agreement following a partial assignment of the Concessionaire’s obligations thereunder.

Pursuant to and in accordance with the provisions of Act 270, Michigan Public Acts of 1984, as amended (the “MSF Act”), the MSF is now prepared to proceed with financing a portion of the costs of the Events Center Project and to issue and sell (i) its Limited Obligation Revenue Bonds, Series 2014A (Events Center Project) (the "Series 2014A Bonds"), in an aggregate principal amount not to exceed $250,000,000 and (ii) its Limited Obligation Revenue Bonds, Series 2014B (Events Center Project) (Federally Taxable) (the "Series 2014B Bonds", and together with the Series 2014A Bonds, collectively the "Series 2014 Bonds") in an aggregate principal amount not to exceed $200,000,000. The net proceeds of the Series 2014 Bonds will be used, together with certain other contributions by the Detroit DDA and Concessionaire, to: (i) finance or reimburse the costs of the acquisition, construction, installation, furnishing and equipping of the Events Center Project; (ii) fund certain debt service reserve funds for the Series 2014 Bonds; (iii) pay certain capitalized interest on the Series 2014 Bonds; and (iv) pay certain expenses incurred in connection with the issuance of the Series 2014 Bonds (as defined herein) (collectively the “Financing Purposes”).

**Series 2014A Bonds**

The Series 2014A Bonds will be secured by a trust indenture (the “Series 2014A Indenture”) between the MSF and U.S. Bank National Association, as trustee (the “Series 2014A Trustee”) and except to the extent payable from Series 2014A Bond proceeds or income from the temporary investment thereof, will be payable solely from the revenues and income and other amounts received by the MSF pursuant to a loan agreement (the “Series 2014A Loan Agreement”) between the Detroit DDA and the MSF. The MSF will loan the proceeds of the Series 2014A Bonds to the Detroit DDA for the Financing Purposes in accordance with the Series 2014A Loan Agreement pursuant to which the Detroit DDA will covenant to make loan payments at such times and in such amounts (including principal, interest and premium, if any) so as to provide for the payment of the principal of, premium, if any, and interest on the Series 2014A Bonds outstanding under this Indenture; provided, however, that the obligation of the Detroit DDA to make such loan payments is a limited obligation payable solely from certain Tax Increment Revenues (as defined below) pledged by the Detroit DDA for payment of the Series 2014A Obligation.

As security for the repayment of the Series 2014A Bonds, the Detroit DDA will issue to the MSF its Tax Increment Revenue Bond (Development Area No. 1 Projects), Series 2014A in a principal amount equal to the principal amount of the Series 2014A Bonds and bearing interest at the same interest rate as the Series 2014A Bonds (the “Series 2014A Obligation”) pursuant to Act 197, a certain bond authorizing resolution to be adopted by the Detroit DDA on September 16, 2014 authorizing the issuance of the Series 2014A Obligation (the “Series 2014A DDA Resolution”) and, if necessary, a related sales order.

Pursuant to the Series 2014A DDA Resolution, the Series 2014A Obligation will be secured by a pledge of (a) the Detroit DDA’s tax increment revenues specifically described under Section 1(cc)(i) of Act 197 (e.g., non-school tax increment revenue in the development area), excluding (i) such revenues to
the extent levied and collected on the real and personal property comprising the Events Center Project and (ii) any taxes shared by the Detroit DDA with taxing jurisdictions pursuant to sharing agreements or other similar instruments (the “General Tax Increment Revenues”) pursuant to which a statutory lien will be created thereon under the DDA Act, subordinate to the pledge of General Tax Increment Revenues securing certain outstanding bonds issued by the Detroit DDA, and (b) the Detroit DDA’s tax increment revenues specifically described under Section 1(cc)(vi) of Act 197 (e.g., school tax increment revenue in the development area), excluding Future Brownfield Tax Increment Captures (as defined below) and (the “Catalyst Project Revenues”) pursuant to which statutory liens will be created on each such sources of tax increment revenues under Act 197. “Future Brownfield Tax Increment Captures” means the captures of tax increment revenues that would otherwise be Catalyst Project Revenues and which are generated by future brownfield redevelopment projects in Development Area No. 1, subject to various statutory criteria and governmental approvals and created pursuant to Act 381 of 1996, as amended. The General Tax Increment Revenues and Catalyst Project Revenues described above are collectively the “Tax Increment Revenues.”

The Detroit DDA’s authority to capture Tax Increment Revenues terminates upon the expiration of the Development Plan on June 30, 2045. As a result, the Series 2014A Bonds have been structured with a final maturity date of July 1, 2045. All Catalyst Project Revenues are pledged by the Detroit DDA on a priority basis to the payment of debt service on the Series 2014A Obligation prior to any other uses. The Detroit DDA will cause the City and County to remit Catalyst Project Revenues directly to the Series 2014A Trustee. Additionally, the excess General Tax Increment Revenues available after the payment of the current debt service on the Detroit DDA’s existing senior lien bonds secured by such revenues (the “Senior Lien DDA Bonds”) are pledged to the payment of debt service on the Series 2014A Obligation and will be transferred to the Series 2014A Trustee. General Tax Increment Revenues so transferred will initially be deposited in the General Tax Increment Revenue Account from which the Series 2014A Trustee will transfer certain amounts to the Revenue Fund established under the Series 2014A Indenture to make scheduled annual payments totaling $64,500,000 over the term of the Series 2014A Bonds (the “Scheduled General Tax Increment Revenue Payments”).

As additional security for the Series 2014A Bonds, proceeds of the Series 2014A Bonds (i) in an amount equal to six months of debt service will be deposited in a Debt Service Reserve Fund established under the Series 2014A Indenture and (ii) in an amount not to exceed $10,000,000 will be deposited in a Capitalized Interest/Contingency Account to pay capitalized interest on the Series 2014A Bonds during construction of the Events Center Project and other related project costs. In the event that Catalyst Project Revenues and excess General Tax Increment Revenues (after payment of debt service on the Senior Lien DDA Bonds) are insufficient to pay debt service on the Series 2014A Bonds, the Series 2014A Trustee will draw the deficiency from the Capitalized Interest/Construction Account, up to a maximum amount of $10,000,000, to the extent such funds are available. If after drawing from the Capitalized Interest/Construction Account, a deficiency still remains, the Series 2014A Trustee will draw from the Debt Service Reserve Fund to satisfy such deficiency to the extent such funds are available. If a deficiency still remains after drawing from the Debt Service Reserve Fund, the Trustee will draw additional General Tax Increment Revenues from the General Tax Increment Revenue Account, if any, in an amount that, when combined with the existing funds held by the Series 2014A Trustee, will be sufficient to pay debt service on the Series 2014A Obligation and the Series 2014A Bonds. Excess General Tax Increment Revenues after satisfying the current debt service obligations for the Series 2014A Bonds shall be remitted to the Detroit DDA. Any advances of additional General Tax Increment Revenues in excess of the Scheduled General Tax Increment Revenue Payments used to cure such deficiencies shall be reimbursed to the Detroit DDA from any future collections of excess Catalyst Project Revenues. Any excess Catalyst Project Revenues not otherwise used to make the payments described above will be deposited in the Debt Service Reserve Fund or a fund established to pay certain costs of remarketing the Series 2014A Bonds. After the Initial Term Rate Period (as defined below), any excess
Catalyst Project Revenues after satisfying the current debt service obligations and deposits required under the Series 2014A Indenture shall be remitted to the Detroit DDA.

In conjunction with the issuance of the Series 2014A Bonds, the Detroit DDA will retire approximately $11,180,000 of certain outstanding Senior Lien DDA Bonds to provide additional Series 2014A debt service coverage and cash flow relief to the Detroit DDA. The Detroit DDA will covenant not to issue any additional obligations secured by a pledge of Tax Increment Revenues that are senior or on parity with the Series 2014A Bonds except for refunding of any senior lien bonds which result in cash flow savings for Detroit DDA.

To fund a portion of the defeasance of the Senior Lien DDA Bonds, the Detroit DDA has agreed to deposit $3,000,000 of available funds in an escrow account. The Detroit DDA has also agreed to obtain either a surety policy or a letter of credit as a substitute for certain funds on hand in such debt service reserve funds. Upon making such substitution, funds on hand will be released and deposited in the escrow account along with the $3,000,000 of cash on hand.

The MSF proposes to sell the Series 2014A Bonds to the initial purchasers thereof through a public offering underwritten by Merrill Lynch, Pierce, Fenner & Smith Incorporated (the “Series 2014A Underwriter”). The Series 2014A Bonds will be sold in minimum denominations of $250,000 or any multiple of $5,000 in excess thereof. One of the conditions to the Series 2014A Underwriter’s obligation to purchase the Series 2014A Bonds will be that Fitch Ratings assigns a long term rating of not less than “BB” to the Series 2014A Bonds. Fitch Ratings has not completed its review and no rating has been issued to the Series 2014A Bonds as of the date hereof. The Series 2014A Bonds will bear interest from their date of issuance until the initial mandatory tender date, which is expected to be approximately 4.5 years following such date of issuance (the “Initial Term Rate Period”) at a fixed rate estimated to be in the range of 4.0-5.0% per annum, and shall be subject to mandatory tender at the end of the Initial Term Rate Period for purchase by the MSF at a purchase price of 100% of the principal amount of the Series 2014A Bonds plus accrued interest. The initial interest rate for the Series 2014A Bonds will be finalized prior to the closing date. Upon the initial mandatory tender date the Series 2014A Bonds shall be remarketed by a remarketing agent to be designated by the MSF and the Detroit DDA pursuant to the terms of the Series 2014A Indenture (the “Remarketing Agent”) and sold to new investors at then prevailing market interest rates based on the credit strength of the Tax Increment Revenues pledged by the Detroit DDA to support the repayment of the Series 2014A Bonds. If the Series 2014A Bonds cannot be successfully remarketed on the mandatory tender date, then the interest rate on the Series 2014A Bonds will increase to a default interest rate equal to the greater of (i) Wall Street Journal Prime Rate plus 5% or (ii) 9% until the Series 2014A Bonds are successfully remarketed, at which time a new interest rate will be determined based on prevailing market rates and the term of the new interest period.

The Series 2014A Underwriter’s obligation to purchase the Series 2014A Bonds will be subject to certain terms and conditions as set forth in a Bond Purchase Agreement to be entered into among the MSF, the Detroit DDA and the Series 2014A Underwriter (the “Series 2014A Bond Purchase Agreement”). The Series 2014A Bonds will be offered and sold by the Series 2014A Underwriter to investors pursuant to an Official Statement relating to the Series 2014A Bonds (the “Series 2014A Official Statement”), a draft of which has been presented to this Board. The Detroit DDA will enter into a Continuing Disclosure Agreement wherein the Detroit DDA will covenant to comply with certain continuing disclosure requirements relating to the Series 2014A Bonds in accordance with SEC Rule 15c2-12 (the “Series 2014A Continuing Disclosure Agreement”).

The MSF and the Detroit DDA have engaged Siebert Brandford Shank & Co., L.L.C. (“SBS”) to act as financial advisor to the MSF and Detroit DDA in connection with the structuring and negotiation of the terms of the Series 2014 Bonds. ODM has been represented by First Southwest Company as its
financial advisor. SBS, in consultation with First Southwest regarding responses received from First Southwest’s request for proposals from potential purchasers, has advised the MSF that the issuance of the Series 2014A Bonds at long-term fixed interest rates may not be feasible or desirable due to current market perceptions of credit difficulties in the Southeast Michigan market driven mainly by the City of Detroit bankruptcy proceedings and other factors. SBS has evaluated the proposed variable rate structure for the Series 2014A Bonds, with an initial interest rate set for an approximately 4.5 year term so that the initial period extends through the completion of construction of the Events Center Project and certain projected ancillary developments in the Catalyst Development Project (see “Catalyst Development Project” below), after which the Series 2014A Bonds will be remarketed to new purchasers at a new interest rate to be agreed upon at the time of remarketing (which may be a fixed interest rate to maturity at that time). Based on its evaluation, SBS has determined the structure mitigates certain risks, including, but not limited to interest rate risk and remarketing risk, by allowing the Series 2014A Bonds to benefit from the anticipated ancillary developments in the Catalyst Development Project and other improvements in property values in Development Area No. 1 that will increase the amount of Tax Increment Revenues available to pay the Series 2014A Bonds, potentially improve the credit rating on the Series 2014A Bonds to an investment grade rating, and allow time for market perception of general credit quality in Southeast Michigan region to improve.

The MSF has received a pro forma version of a consultant’s report prepared for the Detroit DDA by MuniCap, Inc., which evaluates the Detroit DDA’s projected Tax Increment Revenues and funds available to pay debt services on the Series 2014A Bonds after taking into consideration the outstanding senior obligations of the Detroit DDA based on certain growth assumptions in the Development Area No. 1 tax base and after giving effect to the defeasance of certain maturities (or portions thereof) of the Senior Lien DDA Bonds.

**Series 2014B Bonds**

The Series 2014B Bonds will be secured by a trust indenture (the “Series 2014B Indenture”) between the MSF and U.S. Bank National Association, as trustee (the “Series 2014B Trustee”) and as otherwise described therein and, except to the extent payable from Series 2014B Bond proceeds or income from the temporary investment thereof, will be payable solely from the revenues and income and other amounts received by the MSF pursuant to a loan agreement (the “Series 2014B Loan Agreement”) between the Detroit DDA and the MSF. As security for the repayment of the Series 2014B Bonds, the Detroit DDA will issue to the MSF its Concession Revenue Bond (Development Area No. 1 Projects), Series 2014B in the principal amount equal to the principal amount of the Series 2014B Obligation (the “Series 2014B Obligation”) pursuant to Act 197, a certain bond authorizing resolution adopted by the Detroit DDA authorizing the issuance of the Series 2014B Obligation (the “Series 2014B DDA Resolution”) and, if necessary, a related sales order.

As security for the payment of the Series 2014B Obligation, the Detroit DDA will pledge certain concession fee payments (the “Concession Revenues”) payable to the Detroit DDA by the Concessionaire in accordance with the Concession Agreement, pursuant to which a statutory lien will be created thereon under Act 197. The obligation of the Detroit DDA to make loan payments under the Series 2014B Loan Agreement will be a limited obligation payable solely from the Concession Revenues.

Promptly after the issuance of the Series 2014B Bonds, ODMEC intends to assign its rights and obligations under the Concession Agreement, except for the obligation to pay the Concession Fees during the term of the Series 2014B Bonds, to Olympia Entertainment Events Center, LLC, a Delaware limited liability company (“OEEC”), provided, however, that (i) OEEC shall assume all of the obligations of the Concessionaire under the Concession Agreement, except for the obligation to pay the Base Concession Fee (as defined in the Concession Agreement) that shall be retained by ODMEC and (ii) Mr. Michael
Ilitch and his revocable trust, as the sole member of ODMEC, shall assume direct liability for the payment of the Base Concession Fee during the term of the Series 2014B Bonds. OEEC will assume operational control of the Events Center Project and be responsible for the costs of operations and maintenance of the Events Center Project pursuant to the Concession Agreement.

The Series 2014B Bonds will be purchased by Comerica Bank (the “Series 2014B Purchaser”) for its own account in a private placement transaction pursuant to a bond purchase agreement among the MSF, the Detroit DDA and the Series 2014B Purchaser (the “Series 2014B Bond Purchase Agreement”). The Series 2014B Bonds will be structured as variable rate obligations but the Series 2014B Bonds will not be subject to optional or mandatory tender. It is anticipated that the Detroit DDA may enter into a forward purchase interest rate hedging agreement to synthetically fix or cap the interest rate on the Series 2014B Bonds commencing approximately with the fifth anniversary of the issuance of the Series 2014B Bonds through their scheduled July 1, 2045 maturity date.

Concessionaire Contribution

The Concessionaire is solely responsible under the Concession Agreement for the payment of all costs of completing the Events Center Project in excess of the proceeds of the Series 2014A Bonds and Series 2014B Bonds (the “Additional Construction Costs”). OEEC will execute and deliver a completion guaranty in favor of the Series 2014B Trustee to guarantee completion of the Events Center Project and payment of any additional construction costs in accordance with the requirements of the Concession Agreement.

As a condition to the issuance of the Series 2014A Bonds and Series 2014B Bonds, OEEC will enter into an Indemnity Agreement (the “Indemnity Agreement”) pursuant to which the Concessionaire will indemnify the MSF, the Detroit DDA, the Series 2014A Trustee and the Series 2014B Trustee for certain matters relating to the Series 2014A Bonds and Series 2014B Bonds in accordance with the customary indemnification requirements of the MSF and such other indemnified parties, including expenses in connection with future Bond Modifications (as defined in the Concession Agreement), Series 2014A Bond remarketing costs and related interest rate hedge agreements.

Catalyst Development Project

The Catalyst Development Project continues to consist of two major components. The first component is the development of the Events Center Project, originally estimated to cost $450,000,000. ODM continues to refine and modernize the design of the Events Center Project, striving to achieve a world-class, innovative facility that will act as a powerful generator of economic activity and be a good urban neighbor. OEEC has committed to pay for all necessary costs of the Events Center Project in excess of the proceeds of the Series 2014 Bonds and the Detroit DDA’s cash contribution to ensure its completion of construction pursuant to its completion guaranty.

The second component relates to ancillary economic development. ODM or its affiliate is obligated pursuant to the Concession Agreement to make or cause private parties to commit to make an aggregate capital investment of at least $200,000,000 in projects within the Catalyst Development Area. ODM has now indicated that it intends to make or cause private parties to make a significantly greater capital investment within the Catalyst Development Area. Furthermore, to more rapidly generate jobs, positive economic impact and transformation of the district, ODM has determined that a large part of the ancillary development (including residential, retail and office development) will occur concurrently with – and open at the same time as – the Events Center Project in 2017.

Public/Private Sources of Project Financing
A. Public Sources (53%)

The public sources of the Events Center Project finance are:

<table>
<thead>
<tr>
<th>Series</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014A Tax Increment Revenue Bonds</td>
<td>$250 million</td>
</tr>
<tr>
<td>DDA Cash Contribution</td>
<td>$35 million</td>
</tr>
<tr>
<td>Total</td>
<td>$285 million</td>
</tr>
</tbody>
</table>

B. Private Sources (47%)

The private sources of the Events Center Project finance are:

<table>
<thead>
<tr>
<th>Series</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014B Concession Revenue Bonds</td>
<td>$200 million</td>
</tr>
<tr>
<td>ODM/ODM Affiliate Equity</td>
<td>$50 million</td>
</tr>
<tr>
<td>Total</td>
<td>$250 million</td>
</tr>
</tbody>
</table>

The public/private share of financing for the Events Center Project is 53%/47%, with the private financing share increasing over the estimated figures provided last July (58%/42%).
RESOLUTION TO AUTHORIZE THE ISSUANCE OF (I) MICHIGAN STRATEGIC FUND LIMITED OBLIGATION REVENUE BONDS, SERIES 2014A (EVENTS CENTER PROJECT) AND (II) MICHIGAN STRATEGIC FUND LIMITED OBLIGATION REVENUE BONDS, SERIES 2014B (EVENTS CENTER PROJECT) (FEDERALLY TAXABLE)

Resolution 2014-__

Background

A. The Michigan Strategic Fund (the “Fund”) is authorized by 1984 PA 270, as amended (the “Act”), to issue bonds for the purpose of making loans to pay the costs of a project (as defined in the Act).

B. Pursuant to Act No. 197, Michigan Public Acts of 1975, as amended (“Act 197”), the City of Detroit Downtown Development Authority (the “Detroit DDA”) has undertaken the development and rehabilitation of a certain deteriorating area within the City of Detroit (the “City”) and within the Detroit DDA’s development area known as Development Area No. 1, in accordance with the Detroit DDA’s Restated Tax Increment Financing Plan and Development Plan (as amended, the “Development Plan”). On June 19, 2013, the Detroit DDA, Olympia Development of Michigan, LLC, a Michigan limited liability company (“ODM”) and Wayne County, Michigan, entered into a Memorandum of Understanding (the “MOU”), providing for the establishment of a “catalyst development project” (as defined in Act 197), consisting of the acquisition, construction, installation, furnishing and equipping of a new multipurpose events center comprised of approximately 650,000 square feet, approximately 18,000 seats, attached parking and ground floor retail to serve as the home arena of the Detroit Red Wings National Hockey League franchise and as a year-round venue for a wide range of sports and entertainment events (the “Events Center Project”), and the development or redevelopment of vacant and/or underutilized properties within the area adjacent to or near the Events Center Project (collectively, with the Events Center Project, the “Catalyst Development Project”). The Events Center Project will be located in the City of Detroit, Wayne County, Michigan in the area bounded by Fisher Freeway (I-75) on the south; Woodward Avenue on the east; Cass Avenue on the west; and Temple Street on the north.

C. The development of the Catalyst Development Project required the expansion of the Detroit DDA’s “downtown district” (as defined in Act 197) and Development Area No. 1 therein (the “Expansion”), together with certain amendments to the Development Plan to facilitate the Catalyst Development Project and contemplated private developments within Development Area No. 1 (the “Plan Amendments”). By resolution adopted on June 26, 2013, the Board of Directors of the Detroit DDA approved the Expansion and the Plan Amendments. Pursuant to the notice, public hearing and other requirements of Act 197, and by ordinance adopted on December 20, 2013, the City Council of the City approved the Expansion and the Plan Amendments, which were subsequently approved by the City’s Emergency Manager serving under Act 436, Public Acts of Michigan, 2012, on January 17, 2014.
D. Pursuant to the MOU, the Events Center Project is to be owned by the Detroit DDA and operated by ODM or its affiliate pursuant to a concession and management agreement for an initial period of 35 years, with extension options thereafter, providing, among other things, for the payment of certain annual concession fees by ODM or its affiliate to the Detroit DDA. In accordance with the MOU, on July 10, 2013, ODM and the Detroit DDA filed an application with the Fund requesting assistance through the issuance and sale by the Fund of limited obligation revenue bonds for the benefit of the Detroit DDA to provide funds necessary to finance a substantial portion of the costs of the Events Center Project. Pursuant to such request, the Fund adopted an Inducement Resolution on July 24, 2013, expressing its preliminary intent to issue bonds in an aggregate principal amount not to exceed $450,000,000 for purposes of making a loan to the Detroit DDA to finance a substantial portion of the costs of the Events Center Project, and approving the Plan Amendments as a “catalyst development project” for purposes of Section 19(3) of Act 197.

E. On December 13, 2013, the Board of Directors of the Detroit DDA approved the form and execution of a Concession and Management Agreement between the Authority and ODM (or its affiliate), as concessionaire, acknowledged in relevant parts by the Detroit Red Wings, Inc., a Michigan corporation (the “Red Wings”), as sub-concessionaire, for the development, operation and management of the Events Center. Following material revisions to the terms of the Concession and Management Agreement previously approved, on September 16, 2014, the Board of Directors of the Detroit DDA approved the form and execution of an Amended and Restated Concession and Management Agreement for the Events Center Project (the “Concession Agreement”), to be entered into by the Detroit DDA and Olympia Development of Michigan Events Center, LLC, a Delaware limited liability company (“ODMEC”), as concessionaire (the “Concessionaire”), providing for the payment of concession fees by ODMEC to the Detroit DDA in varying annual amounts, payable in semiannual installments, such payments to be the sole obligation of Michael Ilitch and his revocable trust, as co-concessionaire under the Concession Agreement following a partial assignment of the Concessionaire’s obligations thereunder.

F. ODM and the Detroit DDA have requested that the Fund issue revenue bonds for the Events Center Project to $450,000,000, the net proceeds of which will be used, together with other available funds, to: (i) finance or reimburse a portion of the costs of the acquisition, construction, installation, furnishing and equipping of the Events Center Project; (ii) fund certain debt service reserve funds for the bonds; (iii) pay certain capitalized interest on the bonds; and (iv) pay certain expenses incurred in connection with the issuance of the bonds (as defined herein) (collectively the “Financing Purposes”).

G. The Events Center Project constitutes a “project” within the meaning of the Act and in furtherance of the purposes set forth in the Act, the Fund wishes to provide for the financing of all or a portion of the cost of the Events Center Project and the Financing Purposes by the sale and issuance of its revenue bonds and by authorizing such actions as might be required to implement such stated intention.

H. Pursuant to and in accordance with the provisions of the Act, the Fund is now prepared to proceed with financing a portion of the costs of the Project and to issue and sell (i) its
Limited Obligation Revenue Bonds, Series 2014A (Events Center Project) (the "Series 2014A Bonds"), in an aggregate principal amount not to exceed $250,000,000 (exclusive of any net original issue premium) and (ii) its Limited Obligation Revenue Bonds, Series 2014B (Events Center Project) (Federally Taxable) (the "Series 2014B Bonds", and together with the Series 2014A Bonds, collectively the "Series 2014 Bonds") in an aggregate principal amount not to exceed $200,000,000.

I. The Series 2014A Bonds will be secured by a trust indenture (the "Series 2014A Indenture") between the Fund and U.S. Bank National Association, as trustee (the "Series 2014A Trustee") and as otherwise described therein and, except to the extent payable from Series 2014A Bond proceeds or income from the temporary investment thereof, will be payable solely from the revenues and income and other amounts received by the Fund pursuant to a loan agreement (the "Series 2014A Loan Agreement") between the Detroit DDA and the Fund. The Fund will loan the proceeds of the Series 2014A Bonds to the Detroit DDA for the Financing Purposes in accordance with the Series 2014A Loan Agreement pursuant to which the Detroit DDA will covenant to make loan payments at such times and in such amounts (including principal, interest and premium, if any) so as to provide for the payment of the principal of, premium, if any, and interest on the Series 2014A Bonds outstanding under this Indenture; provided, however, that the obligation of the Detroit DDA to make such loan payments is a limited obligation payable solely from certain Tax Increment Revenues (as defined herein) pledged by the Detroit DDA for payment of the Series 2014A Obligation. As security for the repayment of the Series 2014A Bonds, the Detroit DDA will issue to the Fund its Tax Increment Revenue Bond (Development Area No. 1 Projects), Series 2014A in a principal amount equal to the principal amount of the Series 2014A Obligation pursuant to the Act 197, a certain bond authorizing resolution adopted by the Detroit DDA on September 16, 2014 authorizing the issuance of the Series 2014A Obligation (the "Series 2014A DDA Resolution") and, if necessary, a related sales order.

J. Pursuant to the Series 2014A DDA Resolution, the Series 2014A Obligation will be secured by a pledge of (i) the Detroit DDA’s tax increment revenues specifically described under Section 1(cc)(i) of Act 197, excluding such revenues to the extent levied and collected on the real and personal property comprising the Events Center Project and any taxes shared by the Detroit DDA with taxing jurisdictions pursuant to sharing agreements or other similar instruments (the “General Tax Increment Revenues”) pursuant to which a statutory lien will be created thereon under the DDA Act, subordinate to the pledge of General Tax Increment Revenues securing certain outstanding bonds issued by the Detroit DDA, and (ii) the Detroit DDA’s tax increment revenues specifically described under Section 1(cc)(vi) of Act 197, excluding Future Brownfield Tax Increment Captures (as defined below) (the “Catalyst Project Revenues”) pursuant to which a statutory lien will be created thereon under the Act 197. “Future Brownfield Tax Increment Captures” means the captures of tax increment revenues that would otherwise be Catalyst Project Revenues and which are generated by future brownfield redevelopment projects in Detroit DDA Development Area No. 1, subject to various statutory criteria and governmental approvals and created pursuant to Act 381 of 1996, as amended. The General Tax Increment Revenues and Catalyst Project Revenues described above are collectively the “Tax Increment Revenues.”
K. The Fund proposes to sell the Series 2014A Bonds to the initial purchasers thereof through a public offering underwritten by Merrill Lynch, Pierce, Fenner & Smith Incorporated (the “Series 2014A Underwriter”). The Series 2014A Bonds will be sold in minimum denominations of $250,000 or any multiple of $5,000 in excess thereof. One of the conditions to the Series 2014A Underwriter’s obligation to purchase the Series 2014A Bonds will be that Fitch Ratings, Moody’s Investor Services or Standard & Poor’s assigns a long term rating of not less than “BB” (or its equivalent) to the Series 2014A Bonds. The Series 2014A Underwriter’s commitment to purchase the Series 2014A Bonds will be subject to certain terms and conditions as set forth in a Bond Purchase Agreement to be entered into among the Fund, the Detroit DDA and the Series 2014A Underwriter (the “Series 2014A Bond Purchase Agreement”). The Series 2014A Bonds will be offered and sold by the Series 2014A Underwriter to investors pursuant to an Official Statement relating to the Series 2014A Bonds (the “Series 2014A Official Statement”). The Detroit DDA will enter into a Continuing Disclosure Agreement wherein the Detroit DDA will covenant to comply with certain continuing disclosure requirements relating to the Series 2014A Bonds in accordance with SEC Rule 15c2-12 (the “Series 2014A Continuing Disclosure Agreement”).

L. The Series 2014B Bonds will be secured by a trust indenture (the “Series 2014B Indenture”) between the Fund and U.S. Bank National Association, as trustee (the “Series 2014B Trustee”) and as otherwise described therein and, except to the extent payable from Series 2014B Bond proceeds or income from the temporary investment thereof, will be payable solely from the revenues and income and other amounts received by the Fund pursuant to a loan agreement (the “Series 2014B Loan Agreement”) between the Detroit DDA and the Fund. As security for the repayment of the Series 2014B Bonds, the Detroit DDA will issue to the Fund its Concession Revenue Bond (Development Area No. 1 Projects), Series 2014B in the principal amount equal to the principal amount of the Series 2014B Bonds (the “Series 2014B Obligation”) pursuant to the Act 197, a certain bond authorizing resolution adopted by the Detroit DDA authorizing the issuance of the Series 2014B Obligation (the “Series 2014B DDA Resolution”) and, if necessary, a related sales order.

M. As security for the payment of the Series 2014B Obligation, the Detroit DDA will pledge certain concession fee payments (the “Concession Fees”) payable to the Detroit DDA by the Concessionaire in accordance with the Concession Agreement, pursuant to which a statutory lien will be created thereon under Act 197. The obligation of the Detroit DDA to make loan payments under the Series 2014B Loan Agreement will be a limited obligation payable solely from the Concession Fees received by the Detroit DDA pursuant to the Concession Agreement and pledged by the Detroit DDA to the Fund as security for payment of the Series 2014B Obligation (the “Concession Revenues”).

N. Promptly after the issuance of the Series 2014B Bonds, ODMEC intends to assign its rights and obligations under the Concession Agreement, except for the obligation to pay the Concession Fees during the term of the Series 2014B Bonds, to Olympia Entertainment Events Center, LLC, a Delaware limited liability company (“OEEC”), provided, however, that (i) OEEC shall assume all of the obligations of the Concessionaire under the Concession Agreement, except for the obligation to pay the Base Concession Fee (as defined in the Concession Agreement) that shall be retained by ODMEC and (ii) Mr. Michael Ilitch and his revocable trust,
as the sole member of ODMEC, shall assume direct liability for the payment of the Base Concession Fee during the term of the Series 2014B Bonds. OEEC will assume operational control of the Project and be responsible for the costs of operations and maintenance of the Project pursuant to the Concession Agreement.

O. The Series 2014B Bonds will be purchased by Comerica Bank (the “Series 2014B Purchaser”) in a private placement transaction pursuant to a bond purchase agreement among the Fund, the Detroit DDA and the Series 2014B Purchaser (the “Series 2014B Bond Purchase Agreement”). The Series 2014B Bonds will be structured as variable rate obligations but the Series 2014B Bonds will not be subject to optional or mandatory tender. It is anticipated that the Detroit DDA may enter into a forward purchase interest rate hedging agreement to synthetically fix or cap the interest rate on the Series 2014B Bonds commencing approximately with the fifth anniversary of the issuance of the Series 2014B Bonds through their scheduled July 1, 2045 maturity date.

P. As a condition to the issuance of the Series 2014A Bonds and Series 2014B Bonds, OEEC will enter into an Indemnity Agreement (the “Indemnity Agreement”) pursuant to which the Concessionaire will indemnify the Fund, the Detroit DDA, the Series 2014A Trustee and the Series 2014B Trustee for certain matters relating to the Series 2014A Bonds and Series 2014B Bonds in accordance with the customary indemnification requirements of the Fund and such other indemnified parties, including expenses in connection with future Bond Modifications (as defined in the Concession Agreement), Series 2014A Bond remarketing costs and related interest rate hedge agreements.

Q. It is now necessary, desirable and in the best interests of the Fund to authorize the execution and delivery, or approval, as the case may be, of the following documents: the Series 2014A Bonds, the Series 2014A Indenture, the Series 2014A Loan Agreement, the Series 2014A Obligation, the Series 2014A Bond Purchase Agreement, the Series 2014A Official Statement, the Indemnity Agreement, the Series 2014B Bonds, the Series 2014B Indenture, the Series 2014B Loan Agreement, the Series 2014B Obligation and the Series 2014B Bond Purchase Agreement. The Fund has caused to be prepared and made available for review to its members substantially final forms of such documents.

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

SECTION 1. Issuance of Bonds; Limited Obligation. For the purpose of making the loans requested by the Detroit DDA, the issuance of the Series 2014 Bonds is authorized.

The Series 2014 Bonds shall be issued in two series and designated as follows: (i) “Michigan Strategic Fund Limited Obligation Revenue Bonds, Series 2014A (Events Center Project)” (the "Series 2014A Bonds”), and (ii) “Michigan Strategic Fund Limited Obligation Revenue Bonds, Series 2014B (Events Center Project) (Federally Taxable)” (the “Series 2014B Bonds”), with such additional identifying changes as may be approved by an Authorized Officer of the Fund, so long as (i) the amount of Series 2014A Bonds issued does not exceed $250,000,000, exclusive of any net original issue premium, and (ii) the amount of Series 2014B Bonds issued does not exceed $200,000,000.
The terms of the Series 2014A Bonds shall be substantially in the form contained in the Series 2014A Indenture, with the changes permitted or required by action of the Fund or the Series 2014A Indenture. The Series 2014A Bonds shall be issued in the denominations set forth in the Series 2014A Indenture. The Series 2014A Bonds shall be issued as variable rate bonds subject to mandatory and optional tender as specified in the Series 2014A Indenture; shall mature no later than July 1, 2045; shall be in fully registered form; shall be dated and subject to redemption in accordance with the terms and provisions of the Series 2014A Indenture, as executed; and shall have such other terms and provisions as specified in the Series 2014A Indenture, as executed, to be included therein.

The terms of the Series 2014B Bonds shall be substantially in the form contained in the Series 2014B Indenture, with the changes permitted or required by action of the Fund or the Series 2014B Indenture. The Series 2014B Bonds shall be issued in the denominations set forth in the Series 2014B Indenture. The Series 2014B Bonds shall be issued as variable rate bonds; shall mature no later than July 1, 2045; shall be in fully registered form; shall be dated and subject to redemption in accordance with the terms and provisions of the Series 2014B Indenture, as executed; and shall have such other terms and provisions as specified in the Series 2014B Indenture, as executed, to be included therein.

The Series 2014A 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 Series 2014A Bonds. The Series 2014A Bonds and the interest and any premium on the Series 2014A 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 Series 2014A Loan Agreement and the Series 2014A Obligation and otherwise as provided in the Series 2014A Indenture.

The Series 2014B Bonds shall bear the manual or facsimile signature of a Member or an Authorized Officer, and the official seal of the Fund (or a facsimile of the seal) shall be impressed or imprinted on the Series 2014B Bonds. The Series 2014B Bonds and the interest and any premium on the Series 2014B 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 Series 2014B Loan Agreement and the Series 2014B Obligation and otherwise as provided in the Series 2014B 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:
Any Member and Authorized Officer are authorized to execute and deliver the Series 2014A Bond Purchase Agreement and Series 2014B 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 (other than the Series 2014A Obligation, the Series 2014B Obligation and the Indemnity Agreement, which do not require the Fund’s signature), 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. Any Member or Authorized Officer is authorized to approve the final terms of the Series 2014A Obligation, the Series 2014B Obligation, and the Indemnity Agreement, 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 7.0% per annum (without taking into consideration any default rate), and the principal amount of the Series 2014A Bonds and the Series 2014B Bonds, which shall not exceed the amounts set forth in Section 1 hereof. Approval of those terms shall be evidenced by the Member’s execution of the Series 2014A Bond Purchase Agreement and the Series 2014B Bond Purchase Agreement.

SECTION 4. Sale and Delivery of the Bonds. The sale of the Series 2014A Bonds to the Series 2014A Underwriter at a purchase price of not less than 97.5% of the principal amount of the Series 2014A Bonds is hereby approved and confirmed. The sale of the Series 2014B Bonds to the Series 2014B Purchaser at a purchase price of 100% of the principal amount of the Series 2014B Bonds is hereby approved and confirmed.

A Member or an Authorized Officer shall execute, seal, and deliver the Series 2014 Bonds upon receipt of the following documents and payment of the purchase price for the initial advance of such series of Series 2014 Bonds:

a. fully executed copies of the Series 2014A Indenture, the Series 2014A Loan Agreement, the Series 2014A Obligation, the Series 2014A Bond Purchase Agreement, the Series 2014A Official Statement, the Indemnity Agreement, the Series 2014B Indenture, the Series 2014B Loan Agreement, the Series 2014B Obligation and the Series 2014B Bond Purchase Agreement;
b. an opinion of bond counsel to the Fund acceptable to the Fund and the Attorney General of the State of Michigan (the “Attorney General”) for each series of Series 2014 Bonds;

c. an opinion of counsel to the Detroit DDA and necessary certificates and representations of the Detroit DDA acceptable to the Fund, the Attorney General, and bond counsel for each series of Series 2014 Bonds;

d. an approving opinion of the Attorney General for each series of Series 2014 Bonds;

e. an opinion of counsel to the Concessionaire regarding enforceability of the Concession Agreement, the Indemnity Agreement and other matters acceptable to the Fund, the Attorney General and bond counsel;

f. an investor letter from the Series 2014B Purchaser in form and substance satisfactory to the Fund;

g. evidence that Fitch Ratings, Moody’s Investors Service or Standard & Poor’s has rated the Series 2014A Bonds at least “BB” or its equivalent rating (or “BB-” if acceptable to the Series 2014B Underwriter).

h. the fully executed Concession Agreement and a certification from the Detroit DDA and Concessionaire to the effect that all conditions precedent to the effectiveness of the Concession Agreement as set forth in Article 27 of the Concession Agreement have been satisfied or waived;

i. a fully executed completion guaranty from OEEC guarantying completion of the Project in accordance with the requirements of the Concession Agreement, in form and substance satisfactory to the Fund;

j. a certified copy of the Series 2014A DDA Bond Resolution and any related sales orders and evidence that the Series 2014A Obligation will be executed and delivered by the Detroit DDA simultaneously with the issuance of the Series 2014A Bonds;

k. a certified copy of the Series 2014B DDA Bond Resolution and evidence that the Series 2014B Obligation will be executed and delivered by the Detroit DDA simultaneously with the issuance of the Series 2014B Bonds; and

l. such other documents, certificates, agreements and opinions as may be required to be delivered by Section 215 of the Series 2014A Indenture or Section 210 of the Series 2014B Indenture.

Upon receipt, (i) the proceeds of the Series 2014A Bonds shall be paid over to the Series 2014A Trustee to be credited in accordance with the Series 2014A Indenture, and (ii) the proceeds of the initial advance of the Series 2014B Bonds shall be paid over to the Series 2014B Trustee to be credited in accordance with the Series 2014B Indenture.
SECTION 5. Designation of Certain Parties. The Series 2014A Trustee’s acceptance of duties as trustee shall be evidenced by its execution of the Series 2014A Indenture. The Series 2014B Trustee’s acceptance of duties as trustee shall be evidenced by its execution of the Series 2014B Indenture.

SECTION 6. Preliminary Official Statement and Official Statement for Series 2014A Bonds. The use and distribution of a Preliminary Official Statement in connection with the offer and sale of the Series 2014A Bonds by the Series 2014A Underwriter, in the form on file with the Fund and on which an Authorized Officer shall endorse the date of adoption of this Resolution, is approved. The use and distribution of an Official Statement in connection with the offer and sale of the Series 2014A Bonds 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 or Official Statement as may be necessary or desirable, permitted by the Act or otherwise by the 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 Series 2014A Indenture, the Series 2014B Indenture, the Series 2014A Loan Agreement, the Series 2014B Loan Agreement, the Series 2014A Bond Purchase Agreement or the Series 2014B Bond Purchase Agreement, or as may be necessary to effectuate the valid issuance, sale and delivery of the Series 2014A Bonds as tax-exempt bonds or the Series 2014B Bonds as federally taxable bonds and otherwise as contemplated by those documents. If requested by the Detroit DDA and acceptable to the Attorney General and bond counsel, any Authorized Officer is authorized to execute and deliver such certificate or certificates as may be necessary to identify on the books and records of the Fund any interest rate exchange agreement or interest rate cap to be entered into by the Detroit DDA in connection with the Series 2014 Bonds, and the Detroit DDA’s related loan repayments, as a “qualified hedge” for federal tax purposes under the Internal Revenue Code of 1986, as amended, and the regulations thereunder.

SECTION 8. Final Maturity Date Requirements for Series 2014A Obligation and Series 2014B Obligation. The Fund hereby determines, in accordance with Section 515(2) of the Revised Municipal Finance Act, Act 34 of 2001, as amended (MCL 141.2515(2)), that it is necessary for the Series 2014A Obligation and the Series 2014B Obligation to have their final maturity dates more than 30 years after the date of issuance in order to provide adequate debt service coverage for the repayment of the Series 2014A Bonds and the Series 2014B Bonds at acceptable interest rates and to provide sufficient financing for the costs of the Project. The maximum 31 year term of the Series 2014A Obligation and Series 2014B Obligation is less than the estimated useful life of the Project, which is not less than 40 years. The final maturity dates of the Series 2014A Obligation and Series 2014B Obligation must match the final maturity dates of the Series 2014A Bonds and Series 2014B Bonds, respectively.

SECTION 9. 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 Series 2014 Bonds are not delivered to their original purchasers on or before December 31, 2014, the authority granted by this Resolution shall lapse.

Adopted.

Ayes:

Nays:

September 16, 2014 Meeting
Lansing, Michigan
MEMORANDUM

Date: September 17, 2014

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

From: Mike Gietzen, Development Finance Manager

Subject: Plasan Carbon Composites, Inc. (“Company” or “Applicant”)  
Michigan Business Development Program Performance-based Other Economic Assistance

Request  
This is request from the Applicant for a $6,000,000 Performance-based other economic assistance incentive. A total of $3,000,000 of the incentive will be paid back to the MSF in annual payments beginning December 1, 2018 and continue each December 1 through December 1, 2026. This project involves the creation of 620 Qualified New Jobs and a capital investment of up to $29,022,005 in the City of Walker in Kent County.

Background  
Plasan Carbon Composites, Inc. is an Automotive Tier One manufacturer of carbon composite automotive class A components with offices and operations currently located in Wixom, Michigan; Walker, Michigan; and Bennington, Vermont. Plasan Carbon Composites, Inc. was established in 2006 when, Plasan SASA, LTD a private Israeli company purchased the automotive division from Vermont Composites. The Company then began its vehicle parts manufacturing in Vermont. In 2011 the Company relocated all carbon fiber manufacturing materials R&D to its Wixom, Michigan facility. In 2013 the Company moved its official headquarters from Bennington, Vermont to Wixom, Michigan. In 2014 the Company ceased manufacturing operations in its Bennington, Vermont and started relocating people, capital, and production capabilities from Bennington to the Walker. The Walker facility is reaching capacity quickly, causing the Company to invest in additional infrastructure and renovations to expand production capability. Walker currently employs well over 300 Michigan residents.

The Applicant has received incentives from the MSF in the past. In 2011 the Company received a MEGA tax credit. The Company has outperformed its commitments with regards to job creation.

The Applicant plans to expand existing operations in the City of Walker, make investment and create jobs related to manufacturer of carbon composite automotive components.

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 City of Walker. The City of Walker has offered a “staff, financial, or economic commitment to the project” in the form of staff, financial, or economic commitment to the project” in the form of approving a property tax abatement for real and/or personal property.

c) The Applicant has demonstrated a need for the funding. Instability in employment continues and the Company is not able to provide the retention incentives/training necessary to maintain its skilled employee base. The Company has expressed interest in investing in a new plant in either Northwest Ohio or Indiana, both states have expressed interest in the plant and have the ability to financially incent such a move.

d) The Applicant plans to create 620 Qualified New Jobs above a statewide base employment level of 369.

e) Pursuant to the program guidelines, the following was taken into consideration for the proposed project: There is significant out of state competition with Ohio and Indiana; reuse an expansion of existing facility; the project has extremely strong links to Michigan customers and suppliers.

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

a) Approval of the MBDP Proposal as outlined in the attached term sheet (collectively, “MBDP Proposal”);

b) Closing the MBDP Proposal, subject to available funding under the MBDP at the time of closing (“Available Funding”), satisfactory completion of due diligence (collectively, “Due Diligence”), finalization of all MBDP transaction documents; and

c) Commitment will remain valid for 120 days with approval for MSF Fund Manager to extend the commitment an additional 60 days.
**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:** 9/10/2014

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. <strong>Company Name:</strong></td>
<td>Plasan Carbon Composites, Inc. (&quot;Company&quot; or &quot;Applicant&quot;)</td>
</tr>
</tbody>
</table>
| 2. **Company Address:** | 47000 Liberty Drive  
Wixom, Michigan 48393 |
| 3. **Project Address ("Project"):** | 3195 Wilson Drive  
Walker, Michigan 49534 |
| 4. **MBDP Incentive Type:** | Performance Based Other Economic Assistance |
| 5. **Maximum Amount of MBDP Incentive:** | Up to $6,000,000 ("MBDP Incentive Award") |
| 6. **Base Employment Level** | 369  
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. |
| 7. **Total Qualified New Job Creation:**  
(above Base Employment Level) | 620  
The minimum number of total Qualified New Jobs the Company shall be required to create in Kent County (above the Base Employment Level), in addition to satisfying other milestones if applicable, to be minimally eligible to receive the full amount of the MBDP Incentive Award. Each Qualified New Job must be performed for consideration by a Michigan resident (whose Michigan income taxes are withheld as required), and each Qualified New Job must be in excess of |
the Base Employment Level. The final terms and conditions of the requirements for the minimum number of Qualified New Jobs that must be created, including provisions addressing disbursements of portions of the MBDP Incentive Award, shall be included in the final Agreement.

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

8. **Company Investment:** $29,022,005 in New Construction, Building Renovations, Machinery and Equipment and Special Tooling or any combination thereof, for the Project.

9. **Municipality supporting the Project:** City of Walker

a. **Municipality Support.** One of the conditions of execution of the final Agreement is the requirement that the municipality shall have committed to provide: tax abatements on real and/or personal property 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 must otherwise be in compliance with all terms and conditions of the final Agreement, and further shall include:

a. **Disbursement Milestone 1:** Up to $2,000,000 Upon demonstrated creation of 50 Qualified New Jobs above the Base Employment Level and verification of final approval of municipality support, and demonstrating proof of a customer order or orders with production releases or PPAP (Production Part Approval Process) dated Sept 1, 2014 or after for the manufacture of carbon composite parts with a lifecycle contract value equal to or in excess of $5,000,000 by no later than December 31, 2014.

b. **Disbursement Milestone 2:** Up to $600,000 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 June 30, 2015.
c. Disbursement Milestone 3: Up to $600,000 Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, and upon demonstrated creation of 50 additional Qualified New Jobs (for a total of 150 Qualified New Jobs) above the Base Employment Level, by no later than December 31, 2015.

d. Disbursement Milestone 4: Up to $1,000,000 Upon completion of Disbursement Milestone 1, Disbursement Milestone 2 and Disbursement Milestone 3, and upon demonstrated creation of 125 additional Qualified New Jobs (for a total of 275 Qualified New Jobs) above the Base Employment Level, by no later than December 31, 2016.

e. Disbursement Milestone 5: Up to $600,000 Upon completion of Disbursement Milestone 1, Disbursement Milestone 2, Disbursement Milestone 3, and Disbursement Milestone 4 and upon demonstrated creation of 135 additional Qualified New Jobs (for a total of 410 Qualified New Jobs) above the Base Employment Level, by no later than June 30, 2017.

f. Disbursement Milestone 6: Up to $600,000 Upon completion of Disbursement Milestone 1, Disbursement Milestone 2, Disbursement Milestone 3, Disbursement Milestone 4, Disbursement Milestone 5, and upon demonstrated creation of 135 additional Qualified New Jobs (for a total of 545 Qualified New Jobs) above the Base Employment Level, by no later than December 31, 2017.

g. Disbursement Milestone 7: Up to $600,000 Upon completion of Disbursement Milestone 1, Disbursement Milestone 2, Disbursement Milestone 3, Disbursement Milestone 4, Disbursement Milestone 5, Disbursement Milestone 6, and upon demonstrated creation of 75 additional Qualified New Jobs (for a total of 620 Qualified New Jobs) above the Base Employment Level, by no later than June 30, 2018.

11. Term of Agreement:

Execution of Agreement to June 30, 2020
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 an annual payment provision as outlined below:

a. Annual Payment: The final agreement will include annual payment terms and conditions which will require the Company to make annual payments to the MSF beginning December 1, 2018 and continue each December 1 through December 1, 2026. The annual payment terms will require nine payments equal to one ninth of $3,000,000. The amount of payment to the MSF shall be no less than $333,333.33 in any year during the annual payment period.

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 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 10, 2014, the MEDC may not be able to proceed with any recommendation to the MSF.

Acknowledged as received by:

Plasan Carbon Composites, Inc.
By: [Signature]
Printed Name: [Name]
Its: [Title]
Dated: 9-10-14

Michigan Economic Development Corporation
By: [Signature]
Printed Name: [Name]
Its: [Title]
Dated: 9/10/2014
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, Plasan Carbon Composites, Inc. (“Company”) has requested a performance based MBDP other economic assistance of up to $6,000,000 (“Other Economic Assistance 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 Other Economic Assistance 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 17, 2014
MEMORANDUM

Date: September 17, 2014

To: Michigan Strategic Fund (“MSF”) Board

From: Stacy Bowerman, Senior Planning Project Manager – Business Incentives

Subject: Dicastal North America, Inc. (“Company”)
City of Greenville (“City”)
Community Development Block Grant Request
Michigan Business Development Program Performance-based Grant Request

Request
The Company and City request the approval of a Community Development Block Grant (“CDBG”) for building acquisition in the amount of $5,000,000.

The Company is also requesting approval of a Michigan Business Development Program (“MBDP”) performance-based grant in the amount of $3,500,000.

The Company anticipates that the project will result in approximately $140 million in total capital investment in the City of Greenville, Montcalm County and the creation of 300 jobs.

Background
The Company is a new entity created under CitiC Dicastal Co. Ltd. to support the manufacture of aluminum wheels in the North American market. The company was the first aluminum wheel manufacturer in Chinese mainland. After 23 years of development, the company has become the world’s leading manufacturer of aluminum wheels. The company’s customers in North America include major automotive original equipment manufacturers.

The Company has not received incentives from the MSF in the past. The City has received CDBG funding in the past to support various projects.

The Company plans open a new aluminum alloy wheel manufacturing plant at an existing facility in Greenville, Michigan. The new plant will produce 3 million wheels annually. In addition to using the existing plant, the Company will construct additions totaling approximately 100,000 square feet. The production process includes aluminum melting and refining, low pressure casting, heat treatment, machining, painting and packaging. The project will require significant capital investment and the creation of 300 new jobs related to motor vehicle parts manufacturing.

The following detail is provided in Appendix, as follows:
- Appendix A: CDBG program and screening requirements; and
- Appendix B: MBDP Program requirements.

Recommendation
MEDC Staff recommends (the following, collectively, “Recommendation”):
a) Approval of the MBDP Proposal as outlined in the attached term sheet in Appendix C (collectively, “MBDP Proposal”);

b) Closing the MBDP Proposal, subject to available funding under the MBDP at the time of closing (“Available Funding”), satisfactory completion of due diligence, (collectively, “Due Diligence”), finalization of all MBDP transaction documents, and further subject to the following terms and conditions:

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

   • MSF Fund Manager, in coordination with MEDC staff, can negotiate final milestone performance terms from that contained in the Term Sheet, and additional and other terms so long as the additional and other terms are not otherwise materially adverse to the MSF, to accommodate final signing of the Transaction Documents; and

c) Approval of a CDBG building acquisition grant agreement, in the amount of $5,000,000 be authorized for the City of Greenville for the Dicastal North America, Inc. expansion project.
APPENDIX A – CDBG PROGRAM AND SCREENING REQUIREMENTS

Program Requirements
The project was evaluated utilizing the CDBG requirements. It has been determined that the project meets the following requirements to qualify as an eligible project under the CDBG program:

- **National Objective:**
  This project qualifies for CDBG funding as the project activities are expected to result in the creation of 110 full time equivalent positions over the next two years. The business has agreed that at least 57 of the 110 positions will be held by low to moderate income persons. The project meets a national objective by providing benefit to at least 51 percent low and moderate income persons. The CDBG cost per job is $45,455, with a minimum wage of $11.06 per hour.

- **Eligible Activity:**
  This project involves eligible activities identified in Section 105(a) (17) of Title I of the Housing and Community Development Act of 1974, as amended.

CDBG Screening Guidelines
The project was evaluated utilizing the CDBG guidelines. It has been determined that the project meets the following standards to qualify as an eligible project under the CDBG program:

- **Economic Impact:**
  The economic impact of this project was evaluated. It was determined that the project would create added value to the local community by bringing in tax revenue, job creation and additional business to local and state suppliers.

- **Minimum Leverage Ratio:**
  The private leverage contribution, to be provided by the Company will equal a minimum of $139,616,538, which results in a leverage ratio of approximately 28:1 of the CDBG grant.

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

The execution of the grant agreement will be contingent on the receipt and approval of the final Part 1 Application, Part 2 Application, Terms Letter, Environmental Review, and Financial Viability and Background Check, evidencing that the applicant has completed the application process and to assure viability of the project.
APPENDIX B – MBDP Program Considerations

MBDP PROGRAM AND ITS GUIDELINES
On December 21, 2011, the MSF Board approved the Michigan Business Development Program (MBDP) and its guidelines.

SOURCE OF INFORMATION
It is the role of the Project Management staff (MEDC Staff) to review for eligibility, completeness, and adherence to MBDP 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.

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

b) The project will be located at One and Two Solar Parkway in the City of Greenville, Montcalm County, Michigan. The City of Greenville has offered a “staff, financial, or economic commitment to the project”. The municipality will serve as the Grantee for the CDBG Grant related to the project.

c) The Applicant has demonstrated a need for the funding. The Company also considered locations various locations throughout the United States, including Georgia, South Carolina, Tennessee, and Alabama. The Company evaluated cost of labor, utilities and capital investment when determining where to locate. The Company also received several competing offers from other states.

d) The Applicant plans to create 300 Qualified New Jobs above a statewide base employment level of 1.

e) Pursuant to the program guidelines, the following was taken into consideration for the proposed project: The project will result in a large private investment in Michigan, which is expected to commence immediately. The project had significant out of state competition from multiple locations throughout the United States. Additionally, the project has a projected net positive return for Michigan.
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: 9/9/2014

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

2. Company Address: 1100 North Opydyke
   Suite 100
   Auburn Hills, Michigan  48326

3. Project Address ("Project"): One and Two Solar Parkway
   Greenville, Michigan  48838

4. MBDP Incentive Type: Performance Based Grant

5. Maximum Amount of MBDP Incentive: Up to $3,500,000 ("MBDP Incentive Award")

6. Base Employment Level 1
   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.

7. Total Qualified New Job Creation: 300
   (above Base Employment Level)
   The minimum number of total Qualified New Jobs the Company shall be required to create, at 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. Each Qualified New Job must be performed for consideration by a Michigan resident (whose Michigan income taxes are withheld as required),
and eachQualified New Job must be in excess of the Base Employment Level. The final terms and conditions of the requirements for the minimum number of Qualified New Jobs that must be created, including provisions addressing disbursements of portions of the MBDP Incentive Award, shall be included in the final Agreement.

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

8. **Company Investment:** $139,616,538 for building acquisition, new construction, building renovations, machinery and equipment, furniture and fixtures, pollution control equipment, special tooling, other personal property, or any combination thereof, for the Project.

9. **Municipality supporting the Project:** City of Greenville

   a. **Municipality Support.** One of the conditions of execution of the final Agreement is the requirement that the municipality shall have committed to provide: Serve as Grantee for the Community Development Block Grant related to the Project. The municipality has provided documentation to verify that the Municipality Support condition has been met.

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

   a. **Disbursement Milestone 1:** Up to $2,500,000 Upon demonstrated verification of closing on the building(s) located at the Project by no later than December 31, 2014.

   b. **Disbursement Milestone 2:** Up to $500,000 Upon completion of Disbursement Milestone 1, and upon completed construction of the expansion at the Project by no later than December 31, 2014.

   c. **Disbursement Milestone 3:** Up to $500,000 Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, and upon demonstrated creation of 70 additional Qualified New Jobs above the Base Employment Level, by no later than March 31, 2015.

   d. **Milestone 4:** $0 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 170 Qualified New Jobs) above the Base Employment Level, by no later than March 31, 2016.

e. Milestone 5: $0
Upon completion of Disbursement Milestone 1, Disbursement Milestone 2, Disbursement Milestone 3 and Milestone 4 and upon demonstrated creation of 130 additional Qualified New Jobs (for a total of 300 Qualified New Jobs) above the Base Employment Level, by no later than March 31, 2017.

11. Term of Agreement: Execution of Agreement to March 31, 2019

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; 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 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 12, 2014, the MEDC may not be able to proceed with any recommendation to the MSF.
<table>
<thead>
<tr>
<th>Dicastal North America, Inc.</th>
<th>Acknowledged as received by:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>By:</strong></td>
<td><strong>By:</strong></td>
</tr>
<tr>
<td>___________________________</td>
<td>___________________________</td>
</tr>
<tr>
<td><strong>Printed Name:</strong></td>
<td><strong>Printed Name:</strong></td>
</tr>
<tr>
<td>___________________________</td>
<td>___________________________</td>
</tr>
<tr>
<td><strong>Its:</strong></td>
<td><strong>Its:</strong></td>
</tr>
<tr>
<td>___________________________</td>
<td>___________________________</td>
</tr>
<tr>
<td><strong>Dated:</strong></td>
<td><strong>Dated:</strong></td>
</tr>
<tr>
<td>___________________________</td>
<td>___________________________</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Michigan Economic Development Corporation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>By:</strong></td>
</tr>
<tr>
<td>___________________________</td>
</tr>
<tr>
<td><strong>Printed Name:</strong></td>
</tr>
<tr>
<td>___________________________</td>
</tr>
<tr>
<td><strong>Its:</strong></td>
</tr>
<tr>
<td>___________________________</td>
</tr>
<tr>
<td><strong>Dated:</strong></td>
</tr>
<tr>
<td>___________________________</td>
</tr>
</tbody>
</table>
The following is a summary of the highlights of the proposed project and basic terms for which the Company desires grant support from the Michigan Strategic Fund ("MSF") under the Michigan Community Development Block Grant Program ("CDBG"). While the CDBG is operated and funded through the MSF, recommendation for approval of a CDBG incentive award is presented by the Michigan Economic Development Corporation ("MEDC") to the MSF.

Date: September 11, 2014

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

2. Company Address: 1100 N. Opydyke
   Suite 100
   Auburn Hills, Michigan 48326

3. Project Address ("Project"): One and Two Solar Parkway
   Greenville, Michigan 48838

4. Project Description and Activities: CDBG Eligible Activities include the acquisition of the existing facility at One and Two Solar Parkway in Greenville, Michigan. Private Eligible Activities include additional building acquisition costs, new construction, building renovations, and machinery and equipment to support the manufacture of aluminum wheels.

5. Total Estimated CDBG Project Costs: $8,000,000

6. CDBG Grant Incentive Type: Building Acquisition – Performance-Based Grant

7. CDBG Grant Amount: $5,000,000
   In no event shall the amount of the grant assistance exceed more than 65 percent (sixty-five percent) of the total actual CDBG Project Costs. If the actual cost is less than shown in the Total Estimated Project Costs, the amount of the Grant shall be reduced on a proportional basis. The Company and Grantee shall be responsible for any cost overruns. Funds will be made available to the community on a reimbursement basis for eligible costs.

8. Minimum Company Investment: $139,616,538

9. Type of Financing for Investment: Cash Contribution by parent company (CITIC Dicastal Co., LTD)
   Loan from the Bank of China

10. Minimum Job Creation: The Company must create a minimum of 110 new jobs over the employment base established at the time of application (new jobs must meet the requirements below); and
The Company must pay at least $11.06 for the newly created jobs.

New jobs must meet the following requirements to be included:

- Must be full-time equivalent employees (working 40 hours or more) of the company;
- At least 51% of the newly created jobs must be filled by low or moderate income persons based on household income. If the project results in more new jobs than expected, then the 51 percent requirement shall apply to the higher job number.
- Jobs must be created during the term of the Grant Agreement and must continue to be documented until the project is formally closed out; and
- Located at the project site.

CDBG funds are granted based on job creation. New Jobs must be hired after the effective date of the Grant Agreement and must meet the above referenced requirements of a New Job.

11. Base Employment Level: 0

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.

12. Project Milestones: The final terms and conditions of each of the Project Milestones shall be included in the final Agreement. Before any disbursement is made to the Company through the Community, the Company must demonstrate compliance with Project Milestones, as required, and otherwise be in full compliance with all terms and conditions of the final Agreement, and further shall include:

   a) Grant Agreement Executed: October 30, 2014
   b) Property Acquisition Completed: December 31, 2014
   c) Job Creation Commencement: September 30, 2014
   d) Job Creation Completion: March 31, 2016

13. Disbursement Milestones: The final terms and conditions of each of the disbursements of any portion of the CDBG Incentive Award shall be included in the final Agreement, and further shall include:

   a. Disbursement Milestone 1: Up to $1,000,000  Upon demonstrated creation of 20 New Jobs above the Base Employment Level by no later than March 31, 2015.
   b. Disbursement Milestone 2: Up to $1,125,000  Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 25 new jobs above the Base Employment Level (of which 10...
must be made available to low or moderate income persons based on household income) by no later than September 30, 2015.

c. **Disbursement Milestone 3:** Up to $1,125,000

Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, and upon demonstrated creation of 25 new jobs above the Base Employment Level (of which 17 must be made available to low or moderate income persons based on household income) by no later than December 30, 2015.

d. **Disbursement Milestone 4:** Up to $1,750,000

Upon completion of Disbursement Milestone 1, Disbursement Milestone 2 and Disbursement Milestone 3, and upon demonstrated creation of 40 new jobs above the Base Employment Level (of which 30 must be made available to low or moderate income persons based on household income) by no later than March 31, 2016.

14. **Term of Agreement:** The term of the Agreement is from execution of the Agreement for a period of two (2) years. This term includes completing all required project activities, including job creation and investment.

15. **Community Support for Project:** A condition for execution of the final Agreement is that the municipality has agreed to be the Grantee and committed to provide: property tax abatements for real and/or personal property related to the project. The final terms and conditions evidencing this support shall be included in the final Agreement.

16. **Repayment Provisions:** It is understood and acknowledged by all parties, including the Company, that the investment and creation of jobs was an essential factor in persuading the Grantor that this project is economically viable, and further, in the absence of this commitment by the Company, this grant would not have been awarded.

The Company further acknowledges that should the private investment and job creation goals for this project not be met, the Grantee may require the repayment of the Grant up to the full amount from the Company. The MSF may require the Grantee and Company to execute a Development Agreement that will be acknowledged by the MSF outlining repayment provisions.

17. **Environmental Review:** The CDBG environmental review process must be completed and written authorization received from MEDC prior to incurring project costs and beginning any project activities. Project costs include costs to be paid for with CDBG funds and all other non-CDBG funds. Incurring costs is defined as making any commitments relevant to the project. This includes, but is not limited to, signing contracts; entering into lease/easement/purchase agreements; ordering equipment, materials, or supplies; or performing any other work. The environmental review process usually takes the
community a minimum of 60 days to complete. Incurring project costs and/or starting project activities prior to written authorization will jeopardize or cause the withdrawal of your project for funding consideration.

18. **Reporting Requirements:** The Company will be required to provide regular information to the Grantee to assure reporting requirements compliance including, but not limited to:
   a) Progress Reports beginning April 15, 2015, and every six (6) months thereafter.
   b) Final Progress Report 60 days after completion of the Term.
   c) Job Creation Summary Report, along with the corresponding Income Certification Forms, on a six month basis during the Term and at close out.

19. **Public Announcements:** The Company shall not make, or cause, any announcement of the proposed CDBG Incentive Award parameters outlined in this letter before the date of approval by the MSF of the CDBG Incentive Award, unless authorized and coordinated in advance with the MEDC.

20. **Conflicts of Interest:** Please indicate below whether or not the COMPANY(IES) associated with this proposed project have a contractual relationship with one of more of the following entities

   - Yes □ No X Michigan Economic Development Corporation
   - Yes □ No X Michigan Department of Licensing & Regulatory Affairs
   - Yes □ No X Michigan Department of Treasury
   - Yes □ No X Michigan Regional Council of Carpenters
   - Yes □ No X Michigan Association of Realtors
   - Yes □ No X Greenstone Financial
   - Yes □ No X Springfield Commercial Roofing
   - Yes □ No X Grand Angels
   - Yes □ No X PNC Financial Services Group

   If yes to any of the above, please describe the nature of the relationship.
Michigan Economic Development Corporation

By: Stacy Bowerman
Its: Development Finance Manager

Signature: ___________________________ Dated: ___________

Acknowledged as received by:
Dicastal North America, Inc.

By: ___________________________
Its: ___________________________

Signature: ___________________________ Dated: ___________

Acknowledged as received by:
City of Greenville

By: ___________________________
Its: ___________________________

Signature: ___________________________ Dated: ___________

Cc: Larry Roggenbuck, CDBG Project Manager
    Christine Whitz, Manager, CDBG, Community Incentive Programs
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, Dicastal North America, Inc. (“Company”) has requested a performance based MBDP grant of up to $3,500,000 (“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.
WHEREAS, Executive Order 1999-1, issued pursuant to Article V of the Michigan Constitution of 1963 and the laws of the State of Michigan, consolidated the State’s economic development functions and programs and their accompanying powers in the Michigan Strategic Fund (“MSF”);

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

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

WHEREAS, the County of Calhoun (the “Community”) has submitted a partial application for approval requesting funding to be used to fund the Dicastal North America, Inc. Building Acquisition 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, will create jobs and at least 51% of the newly created jobs will be held by persons of low and moderate income; and

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

NOW, THEREFORE, BE IT RESOLVED, that the MSF authorizes a grant to the Community not to exceed $5,000,000 for the payment or reimbursement of costs associated with the Project. The MSF allocates $5,000,000 from the Michigan CDBG program for the purpose of funding the Community’s proposed Project contingent upon the MSF’s continued receipt of CDBG funds and availability of adequate funds;

BE IT FURTHER RESOLVED, staff is directed to negotiate the terms of a grant agreement for the Project consistent with this Resolution. Execution of the grant agreement is contingent upon receipt and approval of the Part 1 Application, Part 2 Application, Terms Letter, Environmental Review, and Financial Viability and Background Check. The Fund Manager or MSF President is authorized to execute, on behalf of the MSF, all documentation necessary to effectuate the proposed Project; 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. Based upon a showing of good cause, staff may extend the time period for executing and returning a grant agreement for an additional 90 days.
Ayes:

Nayes:

Recused:

Lansing, Michigan
September 17, 2014
MEMORANDUM

Date: September 17, 2014

To: Michigan Strategic Fund Board

From: Christopher Cook, Business Capital Relationship Manager

Subject: Private Activity Bond – Bond Authorizing
Glastender, Inc. – Manufacturing
Not to Exceed $5,900,000 – Refunding (the “Refunding Bonds”)

Request:
Glastender (“Borrower”) is requesting private activity bond financing for the purpose of refunding the Michigan Strategic Fund’s (the “MSF”) outstanding Variable Rate Demand Limited Obligation Revenue Bond, Series 2008 Bonds issued in the original principal amount of $7,600,000.

Background:
Glastender, Inc., is a Michigan corporation that was incorporated in 1976. It is owned by its founder Jon D. Hall, Sr. and his family members. The company is a manufacturer of commercial food service equipment. Products manufactured by the company include automatic glasswashers, pass through cocktails stations, modular steel underbar equipment, beverage dispensing towers, ice cream freezers, vertical door back bar coolers, keg coolers, slide top bottle coolers, mug frosters, plate chillers, lettuce crispers, line chillers and bar die resorts, private clubs, cruise ships and private dining facilities. The company is located in Saginaw, Michigan, and employs approximately 232 individuals.

Glastender’s intention of creating 40 jobs after the 2008 Bonds was delayed due to the crash in 2008, but they were able to create 20 jobs. As the recovery continues, Glastender intends to create the remaining 20 jobs.

Request for Change of Documents:
The refunding of the prior bonds will change the current interest to 70% of LIBOR plus a spread (as of September 5, 2014 the rate was 2.41%). This change of the interest rate will result in a savings to Glastender of tax-exempt bonds versus a conventional LIBOR-based conventional loan would be about $43,000 per year or $387,000 over the nine-year life of the bonds.

Through a review of the bond documents, Bond Counsel and the Attorney General have determined that the MSF Board approval is required to amend the Loan Agreement to revise the interest rate calculations and certain repayment provisions.

Recommendation:
Based upon a determination by Clark Hill PLLC and the State of Michigan Attorney General’s office that the refunding complies with state and federal law requirements for tax-exempt financing, the staff recommends the
adoption of a Bond Authorizing Resolution in an amount not to exceed $5,900,000. The MSF will charge an issuance fee of $7,375.00.
Resolution 2014-__

Background

A. The Michigan Strategic Fund (the “Fund”) is authorized by 1984 PA 270, as amended (the “Act”), to issue bonds for the purpose of making loans to pay the costs of a project (as described in the Act).

B. Glastender, Inc., a Michigan corporation (the “Obligor”), has requested a loan from the Fund to assist the Obligor in: (i) refunding the outstanding principal amount of the Issuer’s $7,600,000 Variable Rate Demand Limited Obligation Revenue Bonds (Glastender, Inc. Project), Series 2008 (the “Refunded Bonds”), the proceeds of sale of which were used to finance the Project. The Project consisted of (i) the construction of an approximately 60,000 square foot expansion to a manufacturing facility (the “Facility”) located in Kochville Township, Saginaw County, Michigan, and related site improvements, (ii) the acquisition and installation of machinery and equipment for use at the Facility, and (iii) the costs of issuance of the Refunded Bonds.

C. The Obligor has requested the Fund to issue the Bonds in a principal amount not to exceed $_________ pursuant to this resolution (the “Resolution”), and a bond indenture (the “Indenture”), between the Fund and PNC Bank, National Association, a national banking association, as depositary (the “Bank”) relating to the Bonds to obtain funds which will be loaned to the Obligor pursuant to a loan agreement between the Fund and the Obligor (the “Loan Agreement”), to pay costs of the Project, and certain Bond issuance costs.

D. The Bonds will be issued as fully registered bonds in the denomination of $100,000 and $5,000 increments in excess thereof.

E. The Bonds will be purchased by the Bank, as a sophisticated investor, pursuant to a bond purchase agreement between the Bank, the Fund and the Obligor (the “Bond Purchase Agreement”).

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

SECTION 1. Issuance of Bonds; Limited Obligation. For the purpose of making the loan requested by the Obligor, the issuance of the Bonds is authorized.
The terms of the Bonds shall be substantially in the form contained in the Indenture, with the changes permitted or required by action of the Fund and 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. Bond Purchase Agreement

b. Loan Agreement

c. Indenture

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 $________. 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 Obligor in accordance with the Indenture.

SECTION 5. Designation of Certain Parties. The Bank’s acceptance of duties as depositary shall be evidenced by its execution of the Indenture; provided however, that in the event of a Conversion Date or a Bank Purchase Mandatory Tender Date, as those terms are defined in the Indenture, a Trustee shall be appointed and shall accept the duties of such position in accordance with the requirements of the Indenture.

SECTION 6. Authorization of Filings, Submissions and Other Documents. Any Member or Authorized Officer, as well as counsel to the Fund, is authorized to apply for or submit, execute, and deliver the other certificates, documents, opinions, and papers to any party or governmental agency as may be required by the Indenture, the Loan Agreement, or the Bond Purchase Agreement, or as may be necessary to effectuate the valid issuance, sale and delivery of the Bonds as tax-exempt bonds and otherwise as contemplated by those documents.

SECTION 7. Election Under Internal Revenue Code. The Fund elects, in accordance with section 1.103-10(b)(2)(vi) of the Income Tax Regulations, to have the provisions of the $10,000,000 limit of Section 144(a)(4) of the Internal Revenue Code of 1986, as amended, apply to the Bonds.

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 24, 2014, the authority granted by this Resolution shall lapse.

Adopted.

Ayes:

Nays:
September 17, 2014 Meeting
Lansing, Michigan

2014-0085834-A/MSF Glastender, Inc. Project/Resolution
MEMORANDUM

Date: September 17, 2014
To: Michigan Strategic Fund Board
From: Christopher Cook, Business Capital Relationship Manager
Subject: Private Activity Bond – Bond Authorizing
Four Seasons Development, LLC – Manufacturing
$2,300,000

Request:
Four Seasons Development, LLC (“Four Seasons”), is seeking private activity bond financing in a maximum principal amount of $2,300,000 for an approximately 32,184 foot expansion of an existing 71,253 square foot manufacturing facility in Saginaw, Michigan (the “Project”).

Background:
Four Seasons, a real estate development company, is headquartered in Saginaw, Michigan; it presently owns and leases to Means Industries, Inc. (“Means Industries”), a 71,253 square foot manufacturing facility located at 3715 E. Washington Road, Saginaw, Michigan. Means Industries is a subsidiary of Amsted Industries, an international company with 45 facilities in 11 countries, which manufactures industrial, railroad and vehicular products. Means Industries is a recognized leader in developing innovative products that improve the performance and safety of trucks, high performance cars (such as police cars), and sport utility vehicles. It is the highest volume manufacturer of a variety of products serving the automotive industry, including clutch plates, welded subassemblies, clutch hubs, one-way clutches/mechanical diodes, and complex engineered stampings.

The proposed expansion is necessary to accommodate new equipment necessary for the Means Industries’ patented Mechanical Diode Clutches and next generation controllable Mechanical Diodes, as well as research and development. The new process will replace obsolete product lines. The new plant expansion will permit and retention of approximately 18 production jobs and create as many as 5 engineering support positions for the new process.

Plan of Finance:
Financing will be provided through the purchase by PNC Bank, National Association (the “Bank”), of the tax-exempt bonds proposed to be issued by the Michigan Strategic Fund in the principal amount of $2,300,000 (the “Bonds”). The Bank will hold the Bonds for its own account. The Obligor on the Bonds will be Four Seasons. If the Bonds are issued in a principal amount of $2,100,000, the gross cash flow savings at a LIBOR-based tax-exempt rate over ten years would be $153,966 versus a conventional LIBOR-based taxable rate, with a net present value savings of $75,596.
Recommendation:
Based upon a determination by Clark Hill PLC, and the State of Michigan Attorney General’s office that the project complies with state and federal law requirements for tax exempt financing, the staff recommends the adoption of a Bond Authorizing Resolution in the amount not to exceed the amount of $2,300,000.
RESOLUTION TO AUTHORIZE THE ISSUANCE OF THE MICHIGAN STRATEGIC FUND MULTI-MODAL LIMITED OBLIGATION BONDS (FOUR SEASONS DEVELOPMENT, LLC PROJECT), SERIES 2014

Resolution 2014-__

Background

A. The Michigan Strategic Fund (the “Fund”) is authorized by 1984 PA 270, as amended (the “Act”), to issue bonds for the purpose of making loans to pay the costs of a project (as described in the Act).

B. Four Seasons Development, LLC , a Michigan limited liability company, (the “Obligor”), has requested a loan from the Fund to assist the Obligor in: (i) financing an approximately 32,184 square foot addition to an existing approximately 71,253 square foot manufacturing facility located in Saginaw, Michigan (the “Project”); and (ii) paying costs incidental to the issuance of the Bonds. The Project will permit the addition of new equipment for a new product line operated by the tenant of the Project, Means Industries Inc. (“Means Industries”). The Project will be owned by the Obligor and leased to and operated by Means Industries in the production of its patented Mechanical Diode Clutches and next generation controllable Mechanical Diodes.

C. The Obligor has requested the Fund to issue the Bonds in a principal amount not to exceed $2,300,000 pursuant to this resolution (the “Resolution”), and a bond indenture (the “Indenture”), between the Fund and PNC Bank, National Association, a national banking association, as depositary (the “Bank”) relating to the Bonds to obtain funds which will be loaned to the Obligor pursuant to a loan agreement between the Fund and the Obligor (the “Loan Agreement”), to pay costs of the Project, and certain Bond issuance costs.

D. The Bonds will be issued as fully registered bonds in the denomination of $100,000 and $5,000 increments in excess thereof.

E. The Bonds will be purchased by the Bank, as a sophisticated investor, pursuant to a bond purchase agreement between the Bank, the Fund and the Obligor (the “Bond Purchase Agreement”).

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

SECTION 1. Issuance of Bonds; Limited Obligation. For the purpose of making the loan requested by the Obligor, the issuance of the Bonds is authorized.
The terms of the Bonds shall be substantially in the form contained in the Indenture, with the changes permitted or required by action of the Fund and 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. Bond Purchase Agreement
b. Loan Agreement
c. Indenture

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 $2,300,000. 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 Obligor in accordance with the Indenture.

SECTION 5. Designation of Certain Parties. The Bank’s acceptance of duties as depositary shall be evidenced by its execution of the Indenture; provided however, that in the event of a Conversion Date or a Bank Purchase Mandatory Tender Date, as those terms are defined in the Indenture, a Trustee shall be appointed and shall accept the duties of such position in accordance with the requirements of the Indenture.

SECTION 6. Authorization of Filings, Submissions and Other Documents. Any Member or Authorized Officer, as well as counsel to the Fund, is authorized to apply for or submit, execute, and deliver the other certificates, documents, opinions, and papers to any party or governmental agency as may be required by the Indenture, the Loan Agreement, or the Bond Purchase Agreement, or as may be necessary to effectuate the valid issuance, sale and delivery of the Bonds as tax-exempt bonds and otherwise as contemplated by those documents.

SECTION 7. Election Under Internal Revenue Code. The Fund elects, in accordance with section 1.103-10(b)(2)(vi) of the Income Tax Regulations, to have the provisions of the $10,000,000 limit of Section 144(a)(4) of the Internal Revenue Code of 1986, as amended, apply to the Bonds.

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 24, 2014, the authority granted by this Resolution shall lapse.

Adopted.

Ayes:

Nays:
MEMORANDUM

Date: September 17, 2014

To: Michigan Strategic Fund Board

From: Christopher Cook, Business Capital Relationship Manager

Subject: Private Activity Bond – Bond Authorizing
BMT Aerospace USA, Inc. – Manufacturing
Not to Exceed 2,600,000 – Refinancing (the “Refinancing Bonds”)

Request:
BMT Aerospace USA, Inc. (“Borrower”) is requesting private activity bond financing for the purpose of refinancing the Michigan Strategic Fund’s (the “MSF”) outstanding Limited Obligation Revenue Bond, Series 2007 Bonds issued in the original principal amount of $6,500,000 (the “2007 Bonds”).

Background:
Borrower is a manufacturer of gears and gearbox assemblies, primarily for the aerospace industry.

The proceeds of the 2007 Bonds were used by Borrower in financing the acquisition of an approximately 56,638 square foot existing manufacturing facility, the renovation and rehabilitation of the facility, and the acquisition and installation of machinery and equipment, furnishings and fixtures located at 18559 Malyn Road, City of Fraser, Macomb County, Michigan.

Since the 2007 Bonds were issued, the number of employees has increased from 96 to 135 in Fraser, Michigan specifically related to this project.

Request for Change in Documents:
GE Government Finance, Inc. has indicated the refinancing of the prior bonds will reduce the current interest rate from 5.50% to a market tax-exempt rate of 4.50%, which will result in savings of approximately $1,300 per month, $15,500 per year, and over $200,000 over the life of the loan. The term of the loan will be approximately 157 months, (co-terminous with the prior bond).

Through a review of the bond documents, Bond Counsel and the Attorney General have determined that the MSF Board approval is required to amend the Loan Agreement to revise the interest rate calculations and certain repayment provisions.

Recommendation:
Based upon a determination by Dykema Gossett PLLC and the State of Michigan Attorney General’s office that the refinancing complies with state and federal law requirements for tax-exempt financing, the staff recommends
the adoption of a Bond Authorizing Resolution in an amount not to exceed $2,600,000. The MSF will charge an issuance fee of $3,250.00.
MICHIGAN STRATEGIC FUND

RESOLUTION AUTHORIZING THE FIRST AMENDMENT TO THE
LOAN AGREEMENT AND MODIFICATION TO THE BOND

2014-___

At a meeting of the Michigan Strategic Fund (the “MSF”) held on September 17, 2014, in Lansing, Michigan, the following motion was moved and supported:

WHEREAS, in September 2007, the MSF entered into that certain Loan Agreement (Real Estate) dated as of September 1, 2007 (the “Loan Agreement”) among GE Government Finance, Inc. (“GEGF”), a Delaware corporation, as lender (with its successors and assigns, “Lender”) and as collateral agent for the benefit of Lender (“Collateral Agent”), and BMT Aerospace USA, Inc., a Michigan corporation, as borrower (“Borrower”) to provide for the issuance by the MSF of its $3,425,000 Michigan Strategic Fund Limited Obligation Revenue Bond, Series 2007A (BMT Aerospace USA, Inc. Project) (the “Bond”) for the benefit of the Borrower;

WHEREAS, GEGF has assigned to one of its affiliates, as Lender, all of GEGF’s rights, title and interest in the Bond and the Loan Agreement, and Lender has appointed GEGF as its attorney-in-fact and subservicer with respect to all matters relating to the Bond;

WHEREAS, Lender, Collateral Agent and Borrower desire to amend certain provisions of the Loan Agreement and Bond pursuant to this First Amendment for the purpose of lowering the interest rate of the Bond and thereby refinancing the Bond (the “First Amendment”); and

WHEREAS, Section 12.07 of the Loan Agreement permits the MSF, the Lender, the Collateral Agent and the Borrower to amend the Loan Agreement by written instrument;

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

1. The MSF consents to the First Amendment to the Loan Agreement and modification to the Bond in substantially the form on file with the MSF.

2. Any authorized officer is authorized to execute and deliver the First Amendment to the Loan Agreement, the modified Bond in an amount not to exceed $2,600,000, and any other documents as may be necessary or desirable to carry out the matters approved by this resolution.

3. This resolution shall become effective upon adoption. If the First Amendment and modified Bond are not executed and delivered by October 24, 2014, together with all other documentation executed pursuant to this resolution, the authority granted by this resolution shall lapse.

Adopted.
Ayes: __________________________________________
Nays: _________________________________________
Recusals: ______________________________________

September 17, 2014 Meeting
Lansing, Michigan
MEMORANDUM

Date: September 17, 2014

To: Michigan Strategic Fund Board

From: Ryan Kilpatrick, Community Assistance Team Specialist  
Brent Morgan, Manager, Brownfield and Community Revitalization Programs  
Julius L. Edwards, Debt Capital Services

Subject: Approval of a $3,100,000 Michigan Community Revitalization Program Other Economic Assistance – Loan Participation for:

Lofts on 820, LLC  
16 Monroe Center NE, Suite 200  
Grand Rapids, Michigan 49503

Macatawa Bank  
10753 Macatawa Drive  
Holland, Michigan 49422

Request
Lofts on 820, LLC (“Applicant” or “Borrower”) and Macatawa Bank (“Lender”) are requesting approval of a Michigan Community Revitalization Program incentive in the amount of $3,100,000 in the form of a Loan Participation under Other Economic Assistance. The Applicant anticipates that the project could result in eligible investment of $16,122,500 and total capital investment in the amount of $21,700,000 in the City of Grand Rapids and the creation of 40 jobs.

Background
The proposed project is being developed by 616 Development (616), the owners of 616 will hold a small minority ownership interests in this project. 616 Development, based in Grand Rapids, Michigan, is a mission-driven boutique with an emphasis on revitalizing undersized areas. The principals are Derek Coppess and Matt O’Connor. Their efforts focus on underutilized spaces in urban areas and surrounding neighborhoods. Completed projects include the upper floors of the Flanagan’s building, 1 & 7 Ionia, the Kendall Building and Lofts on Prospect (previously a Lutheran Church). The company’s community management arm 616 Lofts, manage the residential properties located in Grand Rapids.

The Applicant has previously received MSF funding for two separate projects in Grand Rapids. The Kendall Building at 16 Monroe Center and the buildings at 1 & 7 Ionia. The amount of the MCRP awards were $475,000 and $361,500 respectively. These projects are successfully completed and fully occupied. The development team was recently approved for a separate MCRP Loan Participation Incentive for the Lofts on Michigan project located east of Downtown Grand Rapids.

The Applicant plans to redevelop approximately 156,000 square foot office building located at 820 Monroe NW and 804 Bond Ave in the City of Grand Rapids. The rehabilitation of the original four-story building will provide a completely renovated structure to house 82 market rate residential units occupying approximately 66,000 square feet. There will be 18,160 square feet of space for a restaurant and other commercial/retail occupancy on the ground floor, and 13,300 square feet of office space on the first and second floors. The project will consist of a total of approximately 125,705 square feet. The former additions
to the original structure will be demolished to create space for an outdoor restaurant, tenant common area and on-site parking in the rear of the site.

The project is located in the Monroe North District of downtown Grand Rapids and qualifies for an MCRP award because it is functionally obsolete.

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

**FINANCING OPPORTUNITY – MCRP LOAN PARTICIPATION**

The project is seeking MSF participation in coordination with Macatawa Bank as the senior lender. The Lender, along with the Borrower, has requested the MSF participate in up to $3,100,000 in a $19,100,000 construction to permanent loan facility. The MSF would participate in all payments in proportion to 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 project on loan will be made on a pro-rata basis. Below outlines a summary of the development sources and the proposed structure of the loan participation.

**SUMMARY OF DEVELOPMENT SOURCES:**

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan Participation</td>
<td>$19,100,000</td>
<td>88.0%</td>
</tr>
<tr>
<td>Developer Equity</td>
<td>$2,600,000</td>
<td>12.0%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$21,700,000</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

**LOAN FACILITY**

<table>
<thead>
<tr>
<th>Component</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>MSF Facility</strong></td>
<td>MCRP Loan Participation and Servicing Agreement</td>
</tr>
<tr>
<td></td>
<td>Under “Other Economic Assistance”</td>
</tr>
<tr>
<td><strong>Borrower:</strong></td>
<td>Lofts on 820, LLC</td>
</tr>
<tr>
<td><strong>Lender:</strong></td>
<td>Macatawa Bank</td>
</tr>
<tr>
<td><strong>Total Loan Amount:</strong></td>
<td>Currently estimated at $19,100,000</td>
</tr>
<tr>
<td><strong>Lender Share:</strong></td>
<td>Currently estimated at $16,000,000, not to exceed 75% of Appraised Value</td>
</tr>
<tr>
<td><strong>MSF Share:</strong></td>
<td>Up to $3,100,000</td>
</tr>
<tr>
<td><strong>Term:</strong></td>
<td>To match that of the Lender, not to exceed 120 months with an interest only period of up to 36 months.</td>
</tr>
<tr>
<td><strong>Amortization:</strong></td>
<td>To match that of the Lender, not to exceed 276 months following the interest only period.</td>
</tr>
<tr>
<td><strong>Interest Rate:</strong></td>
<td>On the MSF Share 2.50% per annum</td>
</tr>
<tr>
<td><strong>Repayment Terms:</strong></td>
<td>On the MSF Share up to 36 months of monthly interest only payments followed by monthly principal and interest payments.</td>
</tr>
</tbody>
</table>
Up to $200,000 of the MSF Share of the loan to be forgiven at issuance of a “Certificate of Occupancy” for the entire building.

**Collateral:** To match that of the Lender, currently anticipated being a mortgage lien on the property and assignment of leases and rents. MSF Share of collateral will be subordinated to that of the Lender.

**Guarantee:** To match that of the Lender, currently anticipated to be the limited unsecured personal guarantees of 616 Holdings and Lofts on 820, LLC members. The MSF Share of guarantee will be subordinated to the Lender.

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

**Funding:** The MSF will fund up to $3,100,000 to be disbursed following closing of the Loan and other performance criteria.

**Other Conditions:** The MSF’s investment will be contingent upon a minimum owner equity contribution being made to the project equal to the lesser of 10% of budgeted project cost or $2,600,000.

**Recommendation**
The MEDC staff recommends approval of an MCRP performance-based loan participation in the amount of $3,100,000 for Lofts on 820, LLC.
APPENDIX A

**MCRP PROGRAM AND ITS GUIDELINES**

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

**SOURCE OF INFORMATION**

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

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

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

   The project will allow for the developer to rehabilitate a more than 100 year old structure to provide for 82 residential dwelling units in Downtown Grand Rapids as well as a mix of commercial office and restaurant space. It is a key goal of the City of Grand Rapids to increase the number of housing units in the downtown in order to support local commerce and improve quality of life in the City.

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

   The proposed project will be the first major residential development in the Monroe North District in nearly 10 years. The addition of 82 housing units is expected to catalyze further retail/commercial development in the area and further support downtown services. Additional development to the east of the project is likely in the future as this project is constructed and occupied.

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

   The City of Grand Rapids will be contributing an estimated $1,700,000 in Obsolete Property Rehabilitation Act tax abatements over a 10 year period.

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

   The development team has been able to secure financing of up to 75% of the appraised value of the real estate and is contributing a minimum of 10% of the total development cost as an owner equity contribution. The remaining gap is being filled with an MCRP incentive. The incentive will allow the project to be financially viable through the reduced interest rate, extended interest only period and debt forgiveness.

E. **The extent of reuse of vacant buildings, reuse of historical buildings, and redevelopment of blighted property:**
The project consists of the reuse of 156,000 square feet of a structure built in the early 1900s. There have been several building additions constructed over the last 100 years, some of which will be demolished and removed to accommodate outdoor restaurant space, tenant common space and on-site parking.

F. Creation of jobs:

The project is expected to create 20 full time jobs and 20 part time jobs with an average hourly wage estimated to be $18 for full time positions and $12 for part time positions.

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

This project has attracted $2,600,000 in private equity investment and an additional $16,000,000 in senior loan participation. The City of Grand Rapids has agreed to a $1,700,000 tax abatement over a 10 year period.

H. Whether the project is financially and economically sound:

Following achievement of stabilized operations it anticipated that the projected debt service coverage ratio (DSCR) will be above 1.20 to 1.00. Staff is comfortable with the coverage ratio due to the strength of the rental market in Grand Rapids and preleasing of the restaurant space. Additionally, the project will be supported by the personal/corporate guarantees of the ownership. The ownership group is primarily made up of individuals with significant personal wealth.

Staff performed a review of the rental assumptions for the project. Based on market information contained within an appraisal performed by CBRE and dated July 14, 2014, staff has concluded that rental and occupancy assumptions are reasonable for the project. The Grand Rapids residential rental market is strong with the average vacancy rate below 3% and high demand for rental units with comparable features.

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

The project will add 82 residential units to a 1.5 acre site which is currently occupied only by functionally obsolete office space.

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

The project will include a strong mix of residential, office and commercial restaurant space. The activation of the ground floor space as restaurant and office space will improve walkability of the site and increase foot traffic in the area to adjacent to services and amenities.

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

The project does not include any abandoned public building.

L. Whether the project promotes sustainable development:

The project includes the reuse of a 100 year old structure, an increase in residential density within the downtown and energy efficiency improvements throughout the building.
M. Whether the project involves the rehabilitation of a historic resource:

The existing building is more than 100 years old but the project site is not within a historic district and the building is not individually listed on the historic register.

N. Whether the project addresses area-wide redevelopment:

The project is expected to further catalyze growth and investment in the Monroe North district and downtown Grand Rapids in general. The Monroe North District has been slow to redevelop, but this project is expected to help prove the market for additional mixed use projects.

O. Whether the project addresses underserved markets of commerce:

There is currently a significant shortage of market rate residential housing in the downtown area. This project will address that need.

P. The level and extent of environmental contamination:

No major contamination has been identified on the site. Limited lead and asbestos removal is expected in isolated portions of the building.

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

The project site is not considered to be a historic resource.

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

The residential and commercial vacancy rates within the downtown and Monroe North district are extremely low. It is not expected that any future residential or commercial uses will disadvantage or compete with nearby 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 criteria need to be considered for this project.
MICHIGAN STRATEGIC FUND
RESOLUTION 2014-

APPROVAL OF A MICHIGAN COMMUNITY REVITALIZATION PROGRAM
LOAN PARTICIPATION AWARD TO LOFTS ON 820, LLC

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

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

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

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

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

WHEREAS, Macatawa Bank (“Lender”) has provided a loan commitment to Lofts 820, LLC and or related entities (“Proposed Borrower”) of up to $19,100,000 toward financing construction activities and infrastructure improvements to real property (“Project”);

WHEREAS, the Lender and the Proposed Borrower have requested a performance based loan participation award from the MSF under the MCRP for the Project in an amount not to exceed up to $3,100,000 (“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 17, 2014
## Exhibit A

### Loan Facility

<table>
<thead>
<tr>
<th>Description</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>MSF Facility</strong></td>
<td>MCRP Loan Participation and Servicing Agreement Under “Other Economic Assistance”</td>
</tr>
<tr>
<td><strong>Borrower:</strong></td>
<td>Lofts on 820, LLC</td>
</tr>
<tr>
<td><strong>Lender:</strong></td>
<td>Macatawa Bank</td>
</tr>
<tr>
<td><strong>Total Loan Amount:</strong></td>
<td>Currently estimated at $19,100,000</td>
</tr>
<tr>
<td><strong>Lender Share:</strong></td>
<td>Currently estimated at $16,000,000, not to exceed 75% of Appraised Value</td>
</tr>
<tr>
<td><strong>MSF Share:</strong></td>
<td>Up to $3,100,000</td>
</tr>
<tr>
<td><strong>Term:</strong></td>
<td>To match that of the Lender, not to exceed 120 months with an interest only period of up to 36 months.</td>
</tr>
<tr>
<td><strong>Amortization:</strong></td>
<td>To match that of the Lender, not to exceed 276 months following the interest only period.</td>
</tr>
<tr>
<td><strong>Interest Rate:</strong></td>
<td>On the MSF Share 2.50% per annum</td>
</tr>
<tr>
<td><strong>Repayment Terms:</strong></td>
<td>On the MSF Share up to 36 months of monthly interest only payments followed by monthly principal and interest payments.</td>
</tr>
<tr>
<td></td>
<td>Up to $200,000 of the MSF Share of the loan to be forgiven at issuance of a “Certificate of Occupancy” for the entire building.</td>
</tr>
<tr>
<td><strong>Collateral:</strong></td>
<td>To match that of the Lender, currently anticipated being a mortgage lien on the property and assignment of leases and rents. MSF Share of collateral will be subordinated to that of the Lender.</td>
</tr>
<tr>
<td><strong>Guarantee:</strong></td>
<td>To match that of the Lender, currently anticipated to be the limited unsecured personal guarantees of 616 Holdings and Lofts on 820, LLC members. The MSF Share of guarantee will be subordinated to the Lender.</td>
</tr>
<tr>
<td><strong>Fee:</strong></td>
<td>The MSF shall be paid a one-time fee equal to 1.00% of the MSF’s share of the loan. The Lender may charge the borrower for this fee.</td>
</tr>
<tr>
<td><strong>Funding:</strong></td>
<td>The MSF will fund up to $3,100,000 to be disbursed following closing of the Loan and other performance criteria.</td>
</tr>
<tr>
<td><strong>Other Conditions:</strong></td>
<td>The MSF’s investment will be contingent upon a minimum owner equity contribution being made to the project equal to the lesser of 10% of budgeted project cost or $2,600,000.</td>
</tr>
</tbody>
</table>
MEMORANDUM

Date: September 17, 2014

To: Michigan Strategic Fund Board

From: Stacy Esbrook, Community Assistance Team Specialist
Joe Martin, Structured Financial Projects Manager
Brent Morgan, Manager, Brownfield and Community Revitalization Programs
Mary Kramer, Community Development Incentives Specialist

Subject: The Griswold Project

- Griswold Capitol Park, LLC – Request for Approval of a Michigan Community Revitalization Program Equity Investment
- Request to Amend a Large Brownfield SBT Credit

Request

Griswold Capitol Park, LLC is requesting approval of a Michigan Community Revitalization Program equity investment of $4,798,000 (under MCRP Other Economic Assistance) to construct 80 residential units adjacent to the Westin Book Cadillac Hotel located off Griswold Street in the City of Detroit (Appendix A). The project is also requesting an amendment to the Brownfield SBT credit approved December 31, 2006 and amended July 30, 2008. The MCRP request is detailed further in Appendix C and the Brownfield tax credit amendment request in Appendix D.

Developer (Applicant) Background

Griswold Capitol Park, LLC (Applicant) is a commercial real estate development company formed for the purpose of redeveloping the site located at 535 Griswold Street in the City of Detroit. The entity is led by the Detroit-based Roxbury Group, LLC, which is currently redeveloping the David Whitney Building in downtown Detroit. Completed Roxbury Group projects include the Auburn, a mixed-use residential development in Detroit’s Midtown neighborhood and the Milliken State Park Outdoor Adventure Center, formerly known as the Globe Building. David DaRita and James VanDyke of the Roxbury Group are the respective President and Vice President of Griswold Capitol Park, LLC.

The Applicant previously was awarded a Brownfield SBT credit valued at $3,652,179 for the project. The Applicant has collected $1,815,975 in December of 2008 for completion of Phase 1 of the project which included the construction of a 545 space parking deck and 12,500 square feet of retail space. Moreover, the Roxbury Group has received MBT Brownfield credits for the Auburn located at 4240 Cass Avenue ($1.7m), and the Globe Trading Building located at 1801-1803 Atwater Street ($2m). Furthermore, the David Whitney project was preapproved for a $9.795m MBT Brownfield credit and $8.5 million in permanent debt financing utilizing the MCRP program. The MCRP loan for the David Whitney project is in good standing.

Project Description

The Applicant plans to construct a 5-story residential structure on top of the 10-level parking deck adjacent to the Westin Book Cadillac Hotel. The development will add 80 new residential units on approximately 0.40 acres of property located at 535 Griswold Street in the City of Detroit. The residential complex will offer one, two and three-bedroom units ranging in size from 815 square feet to 1,574 square feet. It is anticipated the project could result in eligible investment of $19,192,000 and total capital
investment in the amount of $22,806,250 in the City of Detroit and the creation of 3 jobs. The project is located in the downtown and qualifies for an MCRP award because it was blighted.

The Applicant also requests an amendment to the Brownfield SBT credit to change the scope of the project and to convert the credit from the SBT structure to the MBT structure.

Transaction Overview
Market access to traditional forms of debt remain difficult to obtain in Detroit requiring most developments to use government backed or program related investments (PRI) from the foundation community to activate the development. This project will require the use of both these sources in combination with private equity. The financial structure can be separated into three components: debt, private equity, and MCRP equity.

On the debt component, The Griswold project is utilizing the HUD 221(d)4 mortgage insurance program for residential housing, which will provide insurance to the loan originator, Pillar Capital Finance, LLC. HUD has strict and highly adverse rules related to subordinated debt. Therefore, MEDC staff is recommending the project be structured as an equity investment supported via the MCRP. The transaction will be outlined in greater detail, including key rights, obligations, cash flow distribution and sale provisions in the Summary of MCRP Terms in Appendix C.

A summary of anticipated sources to the project

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
<th>% Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pillar – Senior Loan</td>
<td>$14,555,666</td>
<td>63.82%</td>
</tr>
<tr>
<td>Brownfield Tax Credit*</td>
<td>$1,652,584</td>
<td>7.25%</td>
</tr>
<tr>
<td>DDA Sellers Note</td>
<td>$800,000</td>
<td>3.51%</td>
</tr>
<tr>
<td>Private Equity</td>
<td>$1,000,000</td>
<td>4.38%</td>
</tr>
<tr>
<td>MCRP Equity</td>
<td>$4,798,000</td>
<td>21.04%</td>
</tr>
<tr>
<td><strong>TOTAL DEVELOPMENT SOURCES</strong></td>
<td><strong>$22,806,250</strong></td>
<td><strong>100.00%</strong></td>
</tr>
</tbody>
</table>

*Brownfield tax credit based on eligible investment without contingency

Management Structure
Griswold Capitol Park, LLC will be the property owner and is the entity responsible for undertaking the redevelopment of the property, making the eligible investment and providing the cash flow to service all debt payments arising from the transaction. Griswold Capitol Park, LLC is comprised of a Managing Member, Roxbury Griswold Manager, LLC with David Da Rita as the majority owner for the controlling entity. The Managing Member is expected to carry out all ordinary business and affairs of the company. The current proposal is that MSF equity contribution will flow directly into the property owner and not through a newly created special purpose entity.

Financial Need
The project evidences need because it has maximized debt on a loan to value basis, has maximized available private equity for the market given reasonable hurdle rates, and still evidences a significant gap which without the proposed assistance no market capital can close to advance the project. Expected hurdle rates on private equity for projects in Detroit have ranged from a 15 to 25% internal rate of return (IRR), with potential for upside should the market allow for growth. Return projections through year 20, given an annual 3% growth rate, give the project just over a 25% return to the private equity. However, it should be noted that no developer fee is being taken as part of the project. It is common to “promote” the
developer through a sharing of cash flow to compensate for their risk and project guarantees. Therefore, the private equity will be split between the developer and limited partner investors reducing the overall return to the limited partners.

**Financial and Economic Analysis**
The overall rental rates for the residential units for The Griswold are currently projected at $1.95 per square foot, which will be on the higher end of rental properties. Using slightly more conservative rental rates ($1.74 per square foot), used at the time the market study was conducted projected an average of 10 units per month being leased up, or an 8-month stabilization period. This project, the Orleans Landing Project (being undertaken by McCormack Barron Salazar) and the Du Charme Project will be the first new builds outside of the core central business district and Midtown to come online. The overall central business district market is expected to open over 1,500 residential units through the end of the 2017. The market study projected at a minimum 500 to 1,666 units could be added annually and still maintain the 95% occupancy.

**Recommendation**
The MEDC staff recommends the following:

a) Approval of an MCRP performance-based Other Economic Assistance (Equity Investment) in the amount of $4,798,000 for Griswold Capitol Park, LLC. The commitment will remain valid until March 16, 2015 (180 days after approval) with approval for the MSF Fund Manager to extend the commitment an additional 180 days.

b) Approval of the Brownfield SBT Amendment to project number M-0613, to reflect the current project scope as detailed under the Project Description above and for formally convert the credit from the SBT structure to the MBT structure.
APPENDIX A

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

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

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

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

The completion of this project is a high priority for the City of Detroit. Due to the unfortunate downturn of the real estate market and the many other challenges the City has faced since the first phase of this project, the second phase has not been completed in the timeline originally planned. This project will add the level of density originally envisioned for this site and will add much needed residential units to the downtown.

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

This project is located in the heart of the Downtown’s West District and is an import piece of the West District Development Initiative (WDDI). The WDDI is a coordinated effort being sponsored by a consortium of economic development agencies including the Michigan Economic Development Corporation, Detroit Economic Development Corporation, Invest Detroit, Michigan Land Bank, Michigan State Housing Development Authority and Wayne County. This effort has already led to the successful redevelopment of the Book Cadillac Hotel and Broderick Towers and the ongoing redevelopment of the David Whitney Building and three large scale properties being redeveloped by Karp & Associates. Taken together, these projects represent over $400 million of investment in the district in the last 6 years and the development of nearly 500 residential units, 2 hotels and 25,000 square feet of first floor retail.

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

The City of Detroit is supporting this project with Neighborhood Enterprise Zone tax abatement valued at approximately $3,000,000.

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

The MCRP incentive and Brownfield credit are needed to close the financing gap of the project. The availability of debt for this project has been maximized (with a Housing and Urban Development 221(d) insured loan) and the cash flow is strengthened by the delayed increase of the property taxes. However, the project sponsors cannot close the remaining gap with traditional
equity terms and the project would not move forward without the flexible and attractive MCRP equity structure.

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

The project is replacing a blighted building with a revenue generating building that adds needed residential and retail space in the downtown.

F. Creation of jobs:

The project will create 3 jobs for the management of the property. The average rate of the new positions will be $19.50 per hour. It is also anticipated that the retail spaces in the first floor will create jobs once activated.

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

The project is being financed through the federal Housing and Urban Development’s multi-family insured mortgage program, HUD 221(d). The mortgage will be for approximately $14.5 million dollars. The City of Detroit is supporting this project with Neighborhood Enterprise Zone tax abatement valued at approximately $3,000,000. The equity partners are contributing $1.8 million in investment.

H. Whether the project is financially and economically sound:

Residential rental rates for this project range from $1.92 to a $1.96 per square feet, which is slightly aggressive for the current residential market in Capitol Park. The units are priced to reflect the growing residential demand, the strong and increasing rental rates of similar projects in the district and the timing of the activation of these units. The project’s cash flow will be sufficient to cover debt service and meet the equity return expectations needed to attract equity contributions into the project (based on the equity model described in this request).

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

The project will add five stories of residential space, which is approximately 73,000 additional square feet of rentable space in the downtown. The site design is maximizing the utility of the site by adding five stories to an existing 10-level parking deck.

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

The footprint of the structure is zero-lot line and promotes walkability with identifiable storefronts, wide sidewalks, and appropriate lighting. The increased density and foot traffic from the new residents will further promote the walkability of the neighborhood. The development is also mixed-use, providing residential and retail space to the downtown.

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

The property has been owned and operated by the Downtown Development Authority of the City of Detroit.
L. Whether the project promotes sustainable development:

Several sustainable techniques and features will be incorporated into the project, including ample use of low-e glass, deployment of state-of-the-art high efficiency VRF HVAC systems, LED lighting and use of sustainable flooring materials. The high density nature of this project promotes sustainable design practices and will in the long-term reduce the strain on the City’s infrastructure.

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

This project is not a historic rehabilitation.

N. Whether the project addresses area-wide redevelopment:

This project is a key component in the West District Development Initiative described above in section B.

O. Whether the project addresses underserved markets of commerce:

The project is adding 80 new residential units to the downtown Central Business District, which currently has a 90%+ occupancy rate. This project will help meet the growing demand for residential space, which in turn will help boost the demand for retail amenities.

P. The level and extent of environmental contamination:

There is no environmental contamination on site.

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

This project is not a historic 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.

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 need to be considered.
APPENDIX C: SUMMARY OF MCRP TERMS

**Equity Purchase**

**Applicant:** Griswold Capitol Park, LLC

**Qualification:** Blighted

**Eligible Investment:** $19,192,000

**MSF Investment:** Not to exceed $4,798,000 in MCRP Equity

**Private Equity:** Estimated at $1,000,000

**Interest Purchased:** MSF will acquire an equity interest into Griswold Capitol Park, LLC.

**“Put” Right:** The MSF will receive a “Put” right for among other things failure to adhere to MSF statutory requirements or any material misrepresentation or project failure that would have an impact on the MSF Cash Flow Distributions, Proceeds on Sale.

If exercised, Griswold Capitol Park, LLC 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.

**Cash Flow Distributions:**

1. Up to 25% cash on cash return on Private Equity (Cumulative and compounding return to private equity) – 85/15 split Private Equity to MCRP Equity
2. Above 25% cash on cash to Private Equity - 50/50 Private Equity to MCRP

**Proceeds on Sale:**

1. Return of Private Equity
2. 50/50 split Private Equity and MCRP Equity

**Membership Change:** The MSF will have certain rights to block or consent to any material change in the membership of the project owner entity.

**Sale/Liquidation:** The MSF will have certain rights to block or consent to any material liquidation or sale event.

**Timing of Funding:** The investment is authorized to fund on or about the date of the closing of the other project financing which shall include at a minimum the funding provided by the Investors to complete the capitalization of Griswold Capitol Park, LLC.

**Final Terms and Conditions:** The final terms and conditions must include:
• The MSF Investment Amount is not exceeded
• The “Put” right is substantially preserved
• The final terms comply with the MCRP Guidelines and MSF Act
APPENDIX D: SBT CREDIT AMENDMENT

The description of the project above represents the full project scope for the purposes of the MCRP application, but represents the second phase of a two-phased Brownfield SBT credit project (Phase I has been completed, and is not subject to the MCRP request). The Brownfield SBT credit project was originally approved for Griswold Capitol Park, LLC which completed the first phase of the project (jointly with 150 Michigan Avenue LLC) on December 31, 2006 for the construction of an eight story parking garage, capped by five stories of 80 residential units.

The credit approval was amended August 19, 2008 to multiphase the project and change its scope. Phase I was approved for a ten story parking structure with retail on the ground floor. Phase II was three stories of office and one story of residential (13 units). Phase I was completed with eligible investment of $19,047,223 and a credit of $1,810,646 was issued for it in December of 2008. $1,841,533 in credit remains for Phase II.

The current amendment request is to change the scope of Phase II to build five floors consisting of 80 units of residential rentals, and some site improvements. The units will range in size from one to three bedrooms. Also, the credit will be formally converted from a Brownfield SBT to a MBT credit, with a corresponding change to the percentage used to calculate the credit amount from 10% to 12.5%. The credit amount remains capped at the previously approved amount remaining after the certificate of completion was issued for Phase I, $1,841,533.

The project is a multi-phase project and will be completed in two (2) phases as described below:

**Phase I** – New construction of a 10 story parking deck and associated retail (complete); and,

**Phase II** – New construction of five floors of 80 units of residential apartments and associated site improvements.

<table>
<thead>
<tr>
<th></th>
<th>Initial Approval</th>
<th>Amendment #1</th>
<th>Amendment #2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Eligible Investment:</td>
<td>$36,521,799</td>
<td>$36,521,799</td>
<td>$37,982,738</td>
</tr>
<tr>
<td>Requested Credit Amount:</td>
<td>$3,652,179</td>
<td>$3,652,179</td>
<td>$3,652,179</td>
</tr>
<tr>
<td>Requested Credit Percentage:</td>
<td>10%</td>
<td>10%</td>
<td>12.5%</td>
</tr>
</tbody>
</table>

**COST OF ELIGIBLE INVESTMENTS BY PHASE**

**Phase I (Completed)**
- Site Improvements: 2,563,508
- New Construction: + 16,227,230
  - Phase I Total: $18,790,738

**Phase II**
- Site Improvements: 165,000
- New Construction: + 19,027,000
  - Phase II Total: $19,192,000

**TOTAL COST OF ELIGIBLE INVESTMENTS**
- Site Improvements: 2,728,508
- New Construction: + 35,254,230
  - TOTAL: $37,982,738
MICHIGAN STRATEGIC FUND
RESOLUTION 2014-
APPROVAL OF A MICHIGAN COMMUNITY REVITALIZATION PROGRAM EQUITY CONTRIBUTION AWARD TO GRISWOLD CAPITOL PARK, LLC (OR SUCH OTHER CO-APPLICANTS)
(THE GRISWOLD PROJECT)

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

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

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

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, Griswold Capitol Park, LLC, or such other entities formed or to be formed in furtherance of The Griswold project (“Applicant” or “Co-Applicants”) have requested a performance based equity contribution to one or more of the Co-Applicants in furtherance of up to $4,798,000 (“Equity Award Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”);

WHEREAS, the MEDC has recommended that the MSF approve the Equity Award Request in accordance with the Term Sheet, subject to: (i) available funding, (ii) final due diligence performed to the satisfaction of the MEDC; and (iii) execution of the Transaction Documents for the Equity Award Request within 180 days of the date of this Resolution (“Time Period”), or this Resolution shall have no effect; provided however, at the sole discretion of the MSF Fund Manager, the Time Period may be extended for up to an additional 180 days (“MCRP Award Recommendation”); and

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

BE IT FURTHER RESOLVED, the MSF Board directs that the following conditions are met; (i) the MSF Investment Amount is not exceeded, (ii) the “Put” right is substantially preserved and (iii) the final terms comply with the MCRP Guidelines and MSF Act.

Ayes:

Nays:
Recusals:

Lansing, Michigan
September 17, 2014
Exhibit A

Term Sheet

**EQUITY PURCHASE**

**Applicant:** Griswold Capitol Park, LLC

**Qualification:** Blighted

**Eligible Investment:** $19,192,000

**MSF Investment:** Not to exceed $4,798,000 in MCRP Equity

**Private Equity:** Estimated at $1,000,000

**Interest Purchased:** MSF will acquire an equity interest into Griswold Capitol Park, LLC.

**“Put” Right:** The MSF will receive a “Put” right for among other things failure to adhere to MSF statutory requirements or any material misrepresentation or project failure that would have an impact on the MSF Cash Flow Distributions, Proceeds on Sale.

If exercised, Griswold Capitol Park, LLC 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.

**Cash Flow Distributions:**

1. Up to 25% cash on cash return on Private Equity (Cumulative and compounding return to private equity) – 85/15 split Private Equity to MCRP Equity
2. Above 25% cash on cash to Private Equity - 50/50 Private Equity to MCRP

**Proceeds on Sale:**

1. Return of Private Equity
2. 50/50 split Private Equity and MCRP Equity

**Membership Change:** The MSF will have certain rights to block or consent to any material change in the membership of the project owner entity.

**Sale/Liquidation:** The MSF will have certain rights to block or consent to any material liquidation or sale event.

**Timing of Funding:** The investment is authorized to fund on or about the date of the closing of the other project financing which shall include at a minimum the funding provided by the Investors to complete the capitalization of Griswold Capitol Park, LLC.

**Final Terms and Conditions:** The final terms and conditions must include:

- The MSF Investment Amount is not exceeded
• The “Put” right is substantially preserved
• The final terms comply with the MCRP Guidelines and MSF Act
At the meeting of the Michigan Strategic Fund (“MSF”) held on September 17, 2014 in Lansing, Michigan.

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

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

WHEREAS, by Resolution 2006-106 on December 19, 2006, and amended by Resolution 2008-105, the MEGA Board awarded a Brownfield SBT Tax Credit to Griswold Capitol Park, LLC (the “Applicant”) to make eligible investment up to $36,521,799 at an eligible property in the City of Detroit (the “Project”);

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

WHEREAS, the Applicant has submitted a request to amend the scope of the Project and increase the credit percentage from 10% to 12.5% available under the Michigan Business Tax; and

WHEREAS, the Michigan Economic Development Corporation provides administrative services to the MSF, and recommends approval of the amendment by the MSF Board, provided that the maximum credit amount does not exceed $3,652,179.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board amends the Project by increasing the tax credit percentage to 12.5% provided that the maximum credit amount does not exceed $3,652,179.

BE IT FURTHER RESOLVED, that the scope of the Project is amended as follows:

Phase I – New construction of a 10 story parking deck with associated retail space;
Phase II – New construction of five floors with approximately 80 units of residential apartments with associated site improvements.

BE IT FURTHER RESOLVED, that all other provisions of Resolution 2006-106, as amended are reaffirmed and the MSF authorizes the MSF Fund Manager to implement the terms of this resolution.

Ayes:

Nays:

Recused:

Lansing, Michigan
September 17, 2014
MEMORANDUM

Date: September 17, 2014
To: Michigan Strategic Fund Board
From: Stacy Esbrook, Community Assistance Team Specialist
      Brent Morgan, Manager, Brownfield and Community Revitalization Programs
      Mary Kramer, Community Development Incentives Specialist
      Dan Wells, Brownfield Senior Program Specialist

Subject: Hallmark Ventures, LLC
     Request for Approval of a $1,000,000 Michigan Community Revitalization Program
     Performance-Based Grant, and
     City of Dearborn Brownfield Redevelopment Authority Act 381 Work Plan Request

Request
The project requests to use both the Michigan Community Revitalization Program (MCRP) and the Brownfield Act 381 Program for the project located at 22324 Michigan Avenue, Dearborn, Michigan.

Hallmark Ventures, 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 $6,569,720 and total capital investment of $8,641,020 in the City of Dearborn and the creation of 52 full-time equivalent jobs.

The City of Dearborn 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 $943,700 (Appendix A). Eligible activities including demolition and asbestos abatement that will be undertaken to alleviate Brownfield conditions on the property.

Background
The Applicant plans to demolish the existing vacant, functionally obsolete fitness center and construct a new mixed-use hotel development on approximately 0.7 acres of property located at 22324 Michigan Avenue in the City of Dearborn (Appendix B). The property is currently owned by Hallmark Ventures, LLC and was purchased out of foreclosure. The project includes new construction of a five-story hotel featuring 96 hotel rooms, totaling approximately 58,500 square feet, and includes 1,500 square feet of separate retail space for up to four retail unit bays at street level. The hotel will be a Hampton Inn, part of the Hilton Worldwide family of companies. The site will feature a valet parking/turnaround access that will not detract from the pedestrian oriented sidewalk at the front of the building and parking will be at the rear of the building.

The development team has experience in the hospitality industry by currently managing several hotels and the development of four hotels. The hotel will be owned and operated by Hallmark Ventures, LLC as part of a long-term franchise with Hilton Worldwide. Hallmark Ventures, LLC is the single purpose entity created by Bacall Development who has partnered with Truss Hospitality Development and Management to develop and manage the property. The Hilton franchise agreement for this property has been executed. Jacob and Basil Bacall are the managing members of Hallmark Ventures, LLC and Truss Hospitality Development and Management. The Applicant has not received any incentives from the MSF previously.
The project is located within the boundaries of the City of Dearborn, which is a Qualified Local Governmental Unit, and has been deemed functionally obsolete as verified by a Michigan Master Assessing Officer. The property is the subject of a Brownfield Plan, duly approved by the City of Dearborn on August 12, 2014.

The project is located in a downtown and qualifies for an MCRP award because it is functionally obsolete. The project’s statutory requirements are addressed in Appendix A, a project map is provided in Appendix B, and the Summary of Terms is included in Appendix C.

**Recommendation**
MEDC Staff recommends the following:

a) Approval of local and school tax capture for the Act 381 eligible activities totaling $943,700 described above. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at $374,366.

b) Approval of an MCRP performance-based grant in the amount of $1,000,000 for Hallmark Ventures, LLC.

The commitment will remain valid until January 15, 2015 (120 days after approval) with approval for the MSF Fund Manager to extend the commitment an additional 30 days.
APPENDIX A

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

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

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

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

The redevelopment of the site is a high priority for the City of Dearborn. Prior to the sale of the property to Hallmark Ventures, LLC, the site was under the control of a local developer who failed to attract partners who had the expertise to successfully develop the property. After the recession, the former owner lost control of all of his downtown Dearborn properties. Development of a new hotel will bring investment via tourism that will help boost local service businesses and bring more life to the downtown.

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

Although the western end of the City of Dearborn downtown is very inviting and walkable, the recession has taken its toll and it has suffered from an increase in business vacancies. This project will be the first major redevelopment in the district in the past ten years. The additional foot traffic added by the hotel and retail patrons will boost business for the existing restaurants, commercial and retail businesses in the immediate area.

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

Along with the tax increment financing, the City of Dearborn is supporting this project with exclusive access to 55 public metered parking spaces that will be dedicated to the hotel. The parking arrangement allows the developer to forego the need to build a parking deck while meeting their franchise requirements. The estimated value of the parking arrangement is $427,000 (calculated as a forgone cost for the City over 20 years, no discount rate or assumed increase in parking prices assumed).

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

Without the MCRP performance-based grant and the brownfield tax increment reimbursements, this project is not financially feasible. The development team have maximized the availability of debt for this project and given that is it a hotel, which is a riskier investment than a standard commercial tenant development, the debt service coverage ratio expectation is slightly higher. It
does not make financial sense to raise any additional equity investment for this project because standard equity returns are already maximized for this project.

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

The project cannot reuse the existing structure on the site as it cannot be reconfigured for the end use. The building to be demolished is not a historic resource.

F. **Creation of jobs and areas of high unemployment:**

In order to support the hotel operations, the project is expected to create 52 full time equivalent positions with average hourly wages of $14.00. Wages for full-time staff will range from $9.00 to $25.00 per hour, and for part-time staff will range from $9.00 to $15.00 per hour, with an overall estimated average hourly wage of $14 per hour. The retail tenants will very likely create additional jobs with similar wages.

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

The development team is providing over $2 million in equity investment and are borrowing just over $5.6 million in traditional debt from Wells Fargo to complete the project. This project does not qualify for any federal assistance programs.

H. **Whether the project is financially and economically sound:**

From materials received, staff have determined the project to be financially and economically sound.

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

The project will remove a single-story structure that takes up substantial frontage on the west downtown “Main Street.” The project will construct a five-story mixed-use hotel, significantly increasing the density on the parcel.

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

The current building presents a barren wall along the street frontage, which is unattractive to pedestrians. The project will develop up to 1,500 square feet and up to four retail bays on the first floor. Design plans call for zero-lot development and large windows for the retail units. This will create a walkable and inviting street frontage.

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

The property that will be redeveloped is not an abandoned public building.

L. **Whether the project promotes sustainable development:**

There will be several sustainable practices associated with this development, both from a construction standpoint and from the operational standpoint. Hilton Worldwide works with franchisee holders to assist with the development process to ensure “green” practices are
implemented in the building design, enhancing the guest experience and reducing energy costs. They have a sustainable measurement system called “LightStay,” which is used to calculate sustainability performance impact across their global portfolio of hotels and it delivers value to hotel owners at no cost.

LEED certification will not be sought, but LightStay provides brand construction and design standards compared to LEED-required standards.

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

The subject property is not historic.

N. Whether the project addresses area-wide redevelopment:

The City of Dearborn currently has multiple tourist attractions and other regional draws that necessitate hotel accommodations, including The Henry Ford and Greenfield Village, the University of Michigan-Dearborn and Henry Ford Community College. In addition, centrally located between East and West downtown, the City is undergoing significant upgrades to their multimodal passenger rail station, which is part of the Federal government’s long-term high speed rail project.

O. Whether the project addresses underserved markets of commerce:

There are currently no hotels in Dearborn’s western downtown. In addition to installing hotel space in the downtown, the development will add up to four additional retail businesses that will add needed amenities to the area and will increase the Walkscore® of the west downtown.

P. The level and extent of environmental contamination:

Phase 1 and Phase 2 environmental investigations have been completed and environmental remediation is not required for this redevelopment project. Asbestos abatement will be completed as part of the demolition of the existing building.

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

The subject property is not historic.

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

The project will compete with existing hotels in the Southeast Michigan region to the extent that the new hotel in Dearborn meets their location, price-point and amenity standards of the guest.

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.
ADDITIONAL STATUTORY CRITERIA UNDER ACT 381:

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

The project will not reuse the existing structure. The existing structure cannot be redeveloped to meet future mixed-use hotel plans. The building will be demolished.

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

The Brownfield Tax Increment Financing is needed to help offset the cost of preparing the site for construction of the new mixed-use hotel development. The cost of demolition and asbestos abatement will be reimbursed to the developer, which will help make the project economically feasible.

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 60,5009 non-homestead mills available for capture, with school millage equaling 24 mills (39.67%) and local millage equaling 36,5009 mills (60.33%). The requested tax capture for eligible activities breaks down as follows:

<table>
<thead>
<tr>
<th>Tax Capture</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>School tax capture (39.67%)</td>
<td>$ 374,366</td>
</tr>
<tr>
<td>Local tax capture (60.33%)</td>
<td>$ 569,334</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$ 943,700</strong></td>
</tr>
</tbody>
</table>

COST OF ELIGIBLE ACTIVITIES

<table>
<thead>
<tr>
<th>Activity</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demolition (includes Asbestos Abatement)</td>
<td>$ 818,000</td>
</tr>
<tr>
<td>Contingency (15%)</td>
<td>$ 122,700</td>
</tr>
<tr>
<td>Sub-Total</td>
<td><strong>$ 940,700</strong></td>
</tr>
<tr>
<td>Brownfield/Work Plan Preparation</td>
<td>$ 3,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$ 943,700</strong></td>
</tr>
</tbody>
</table>
APPENDIX B

Project Area
APPENDIX C

Summary of Terms

1. Company Name: Hallmark Ventures, LLC

2. Company Address: 2350 Franklin Road
   Suite 140
   Bloomfield Hills, Michigan 48302

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 involves the demolition of an existing 16,000 square foot vacant building and the construction of a new approximately 58,500 square foot five-floor hotel with 96 rooms and associated retail and meeting space.

6. Anticipated Minimum Eligible Investment: $5,255,776

   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:
   • New Building Construction
   • Site Improvements
   • Addition of Machinery, Equipment or Fixtures to the Project
   • Professional Fees

7. Start Date for Measurement of Eligible Investment: July 1, 2013

8. Project Qualifying As: Functionally Obsolete

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: Written certification from Wells Fargo, or a copy of the executed loan agreement, note and mortgage, evidencing that the applicant has closed on
financing in the minimum amount of $5,695,599; site plan approval; and a fully signed and executed construction contract.

b. Completion of the Project Progress Milestone: Issuance of permanent certificate(s) of occupancy.

10. Municipality supporting the Project (“Municipal Support”): The City of Dearborn is supporting the project with Brownfield Tax Increment Financing.

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 2014-

APPROVAL OF A MICHIGAN COMMUNITY REVITALIZATION PROGRAM GRANT
AWARD TO HALLMARK VENTURES, 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, Hallmark Ventures, LLC (“Company”) has requested a performance based grant of up to $1,000,000 (“Award Request”);

WHEREAS, the MEDC has recommended that the MSF approve the Company’s Award Request in accordance with the Term Sheet, subject to: (i) available funding, (ii) final due diligence performed to the satisfaction of the MEDC; and (iii) execution of the Transaction Documents within 120 days of the date of this Resolution (“Time Period”), or this Resolution shall have no effect; provided however, at the sole discretion of the MSF Fund Manager, the Time Period may be extended for up to an additional 30 days (“MCRP Award Recommendation”); and

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

Nays:

Recused:

Lansing, Michigan
September 17, 2014
RESOLUTION 2014- 
MICHIGAN STRATEGIC FUND

City of Dearborn Brownfield Redevelopment Authority 
22324 Michigan Avenue Project 
City of Dearborn

At the meeting of the Michigan Strategic Fund (“MSF”) held on September 17, 2014 in Lansing, Michigan.

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

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

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

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

WHEREAS, the City of Dearborn Brownfield Redevelopment Authority (the “Authority”) has submitted a work plan for property located at 22324 Michigan Avenue within the City of Dearborn, known as 22324 Michigan Avenue Project (the “Project”);

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

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

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board authorizes the Authority to capture taxes levied for school operating purposes in substantially the same proportion as the 39.67% to 60.33% ratio currently existing between school and local taxes
for non-homestead properties, to reimburse the cost of demolition, asbestos abatement, and work plan preparation as presented in the revised work plan dated June 23, 2014. 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 $940,700 for the principal activity costs of non-environmental activities and a contingency, and a maximum of $3,000 for Brownfield/Work Plan preparation, and with the capture of taxes levied for school operating purposes being limited to a maximum of $374,366.

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 Dearborn 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:

September 17, 2014
Lansing, Michigan
MEMORANDUM

Date: September 17, 2014

To: Michigan Strategic Fund Board

From: Stacy Esbrook, Community Assistance Team Specialist
      Brent Morgan, Manager, Brownfield and Community Revitalization Programs
      Dan Wells, Brownfield Senior Program Specialist

Subject: Northville Township Brownfield Redevelopment Authority
         Community Development Program — Act 381 Work Plan Approval

Request
The Charter Township of Northville Brownfield Redevelopment Authority is seeking approval of local and
school tax capture for MSF eligible activities in the amount of $23,443,127.

Background
The school taxes will be utilized to redevelop approximately 415 acres of property located on the southwest
corner of 7 Mile Road and Haggerty Road in Northville Township. The project will redevelop the site of a
former Northville Psychiatric Hospital which opened in 1952 and closed in 2004. The hospital has remained
vacant since 2004 and is in a general state of disrepair. The property contains historic landfills that include
suspected medical waste, a former incinerator used to burn medical waste and both lead paint and asbestos
interior finishes on buildings and tunnels.

The redevelopment of the Property includes both a private and public redevelopment plan. REIS-Northville
LLC and REIS-MOB I LLC are single-purpose entities created by Schostak Brothers & Company, and are
currently redeveloping 82 acres on the corner of 7 Mile and Haggerty Roads. They have already constructed
a 100,000 square foot University of Michigan ambulatory care facility that opened for business in July,
2014 and they are currently developing additional retail, which makes up about 50% of their controlled
property. In total, the development team anticipates up to 450,000 square feet of commercial and retail
space at the corner of 7 Mile Road and Haggerty Road.

The remainder of the property (+/-333 acres) is owned by the Charter Township of Northville, which will
finance the conversion of the former state hospital campus into a large public park with a trail system. The
Township completed a community visioning exercise in 2011 to seek input on redevelopment plans for the
site. The eligible activity costs associated with this request are for the redevelopment of the Township
portion of the property and include; the demolition of 20 existing buildings, pads, utilities, parking lots,
tunnels, and site improvements; lead and asbestos abatement of 20 existing buildings and tunnels; a 15%
contingency and a 4.5% interest on principal costs.

Approximately 100 permanent full-time jobs are anticipated to be created by the commercial portion of the
project at an average hourly wage of $31.00. The total capital investment will be approximately $130
million.
**Property Eligibility**
The project is located within the boundaries of the Charter Township of Northville, which is not a Qualified Local Governmental Unit, and has been determined to be a facility as verified by the Michigan Department of Environmental Quality (DEQ) on August 26, 2014. The property is the subject of a Brownfield Plan, duly approved by the Charter Township of Northville on September 20, 2012.

**Other State and Local Assistance to the Project**
The approved Brownfield Plan includes local-only reimbursement for site preparation and infrastructure improvements on the private portion of the site. The Charter Township of Northville will reimburse REIS-Northville LLC and REIS-MOB I LLC 100% of tax revenue generated from local-only increment for 10 years or until $10,000,000 has been reimbursed, whichever comes first.

**Tax Capture Breakdown**
There are 44.7123 non-homestead mills available for capture, with school millage equaling 24 mills (53.68%) and local millage equaling 20.7123 mills (46.32%). Tax increment capture will begin in 2014 and is estimated to continue for 30 years. The requested tax capture for MSF eligible activities breaks down as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>School tax capture (53.68%)</td>
<td>$12,584,271</td>
</tr>
<tr>
<td>Local tax capture (46.32%)</td>
<td>$10,858,856</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$23,443,127</strong></td>
</tr>
</tbody>
</table>

**Cost of MSF Eligible Activities**

<table>
<thead>
<tr>
<th>Activity</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demolition</td>
<td>$7,135,000</td>
</tr>
<tr>
<td>Lead or Asbestos Abatement</td>
<td>+8,031,310</td>
</tr>
<tr>
<td><strong>Sub-Total</strong></td>
<td><strong>15,166,310</strong></td>
</tr>
<tr>
<td>Contingency (15%)</td>
<td>+2,274,947</td>
</tr>
<tr>
<td><strong>Sub-Total</strong></td>
<td><strong>17,441,257</strong></td>
</tr>
<tr>
<td>Interest (4.5%)</td>
<td>+5,981,870</td>
</tr>
<tr>
<td><strong>Sub-Total</strong></td>
<td><strong>23,423,127</strong></td>
</tr>
<tr>
<td>Brownfield/Work Plan Preparation</td>
<td>+20,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$23,443,127</strong></td>
</tr>
</tbody>
</table>

**Recommendation**
The MEDC staff recommends approval of the request by Northville Township Brownfield Redevelopment Authority to capture local and school taxes for the MSF eligible activities totaling $23,443,127 described above. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at $12,584,271.
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 public will benefit primarily with the increase in taxes generated from the private development on the property, which will transform the former State hospital property into a public green space. The Township hosted an extensive public vision session to create a clear master plan for the site that calls for the conversion of the site into a public park with a large trail system. The residents of Northville are looking forward to having a vacant and vandalized eyesore removed from their community. Redevelopment of the site will result in cost savings for the local police department which is frequently called to the site for trespassers.

The public will also benefit from the new University of Michigan Ambulatory clinic on the corner of 7 Mile and Haggerty Roads that opened in July, 2014. The investment into the clinic and the retail development underway has already jump started the tax increment revenue on the Property.

b) Jobs Created (Excluding Construction and other Indirect Jobs):
This project is expected to create 100 new, full-time jobs in for the ambulatory care facility and the commercial/retail facilities on the site. The private developer anticipates up to 250 additional jobs could be created once the full 82 acres are developed.

c) Area of High Unemployment:
The Charter Township of Northville unadjusted jobless rate was 2.2% in July 2014.

d) Level and Extent of Contamination Alleviated:
Historic landfill areas are present on the site that contain suspected medical wastes. A former incinerator that use to burn medical waste is also present on the property. Asbestos and lead paint is present within the buildings which must be abated prior to demolition. The project will remediate all environmental contamination to DEQ clean up criteria standards and all buildings will be removed and properly disposed of.

e) Reuse of Functionally Obsolete Buildings and/or Redevelopment of Blighted Property:
All buildings currently on the site will be demolished.

f) Cost Gap that Exists between the Property and a Similar Greenfield Property:
The Brownfield state tax capture is needed to offset the extraordinary high cost of demolition and lead and asbestos abatement required to ready the site for development. Without MSF participation in the brownfield tax increment financing the Township will be not be able to finance the cost of redeveloping the site in a reasonable timeframe.

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 work plan is financially and economically sound.

i) Other Factors Considered:
No additional factors need to be considered for this project.
MAP OF PROJECT AREA
RESOLUTION 2014-
MICHIGAN STRATEGIC FUND

Charter Township of Northville Brownfield Redevelopment Authority
Former Northville Psychiatric Hospital Property Redevelopment
Charter Township of Northville

At the meeting of the Michigan Strategic Fund ("MSF") held on September 17, 2014 in Lansing, Michigan.

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

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

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

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

WHEREAS, the Charter Township of Northville Brownfield Redevelopment Authority (the “Authority”) has submitted a work plan for property located at the 415 acres southwest of the intersection of 7 Mile Road and Haggerty Road within the Charter Township of Northville, known as the Former Northville Psychiatric Hospital Property Redevelopment (the “Project”);

WHEREAS, that the Charter Township of Northville is not a “qualified local governmental unit,” but is eligible to provide demolition and lead and asbestos removal as provided under 2007 PA 204;

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

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

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board authorizes the Authority to capture taxes levied for school operating purposes in substantially the same proportion as the 53.68% to 46.32% ratio currently existing between school and local taxes for
non-homestead properties, to reimburse the cost of demolition, lead and asbestos abatement as presented in the revised Work Plan dated August 26, 2014. 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 $17,441,257 for the principal activity costs of non-environmental activities and a contingency, a maximum of $5,981,870 in interest, and a maximum of $20,000 for Brownfield/Work Plan preparation, and with the capture of taxes levied for school operating purposes being limited to a maximum of $12,584,271.

**BE IT FURTHER RESOLVED,** the demolition and lead and asbestos abatement, as described in the work plan dated August 26, 2014 and submitted to the Michigan Economic Development Corporation on August 26, 2014 must commence no later than January 1, 2017, or the capture of taxes levied for school operating purposes must be returned to the respective taxing bodies.

**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 Charter Township of Northville as appropriate, maintaining adequate records regarding: a) all taxes captured for the project; and b) receipts or other appropriate documentation of the cost of eligible activities. The records shall be made available for review upon request by MSF or MEDC staff.

**BE IT FURTHER RESOLVED,** that the MSF Board requires any tax capture generated from taxes levied for school operating purposes but not used for the reimbursement of the eligible activities described in the work plan dated August 26, 2014 and submitted to the Michigan Economic Development Corporation on August 26, 2014 must be returned to the respective taxing bodies.

**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 $5,981,870 related to the eligible activities for the Project, but payment of interest shall not be greater than the actual amount of interest the Charter Township of Northville incurs to finance eligible activities.

Ayes:

Nays:

Recused:

September 17, 2014
Lansing, Michigan
MEMORANDUM

Date: September 17, 2014

To: Michigan Strategic Fund (MSF) Board

From: Rosalyn Jones, Community Assistance Team Specialist
Lisa Green, Program Specialist, Community Development Block Grant (CDBG)
Christine Whitz, Manager, CDBG Program

Subject: CDBG Program
City of Sturgis-West Chicago Development Project
City of Sturgis, County of St. Joseph

Request
The City of Sturgis is requesting $1,088,337 in Community Development Block Grant (CDBG) funds for a building rehabilitation project, involving three buildings in the heart of the downtown. CDBG eligible activities include structural work, façade, roof, and interior improvements. The City of Sturgis expects that this project could result in private investment of $1,682,235 and the creation of 50 jobs.

Background
Harrison Investment Properties, LLC is looking to rehabilitate three downtown zero lot line buildings located at 107, 109-111, and 113 West Chicago Road in Sturgis. The developer created Wings of Sturgis as a separate entity to operate a franchised bar and grille type restaurant on the first floor of the building located at 109-111. Wings Etc. is a full-service restaurant and sports bar, bringing a new product offering to the downtown and responding to a void in the local market. An existing retail business, Camburn Appliance, will relocate from 109 W. Chicago to the first floor of 113.

Without CDBG assistance, the project would be cost prohibitive. The buildings are in substantial disrepair, e.g. roof and water damage. CDBG funding will be used to correct structural issues, rehabilitate the buildings, and restore the buildings’ historical character.

The City of Sturgis will administer the grant and contribute $150,000 to the project by burying the electrical lines behind the buildings. The removal of the overhead lines will significantly contribute to the aesthetics of the area and provide for improved access into the rear of the properties.

Program Requirements
The project was evaluated utilizing the CDBG requirements. It has been determined that the project meets the following requirements to qualify as an eligible project under the CDBG program:

- **National Objective:**
  This project qualifies for CBDG funding as the project activities are expected to result in the creation of 50 full time equivalent positions over the next two years. The business has agreed that at least 51% of the 50 positions will be held by low to moderate income persons. The project meets a national objective by providing benefit to at least 51 percent low and moderate income persons. The CDBG cost per job is $21,767 with an average wage of $7.25 per hour.
• **Eligible Activity:**
  This project involves eligible activities identified in Section 105(a) (4) of Title I of the Housing and Community Development Act of 1974, as amended.

**Screening Guidelines**
The project was evaluated utilizing the CDBG guidelines. It has been determined that the project meets the following standards to qualify as an eligible project under the CDBG program:

- Located in a highly visible location
- Located in a DDA
- Prior use of downtown development incentives
- Local organizational capacity to successfully complete this project
- The community has adopted a downtown development plan
- The project will consist of three buildings that have the following characteristics:
  - Multi-story Building
  - Mixed-use components
  - Appear to be eligible for Historic Designation
  - Partially or completely vacant buildings being returned to active use

• **Minimum Local Participation:** The City of Sturgis will make an anticipated contribution of $150,000 which is five percent (5%) of the total acquisition, façade, and rehabilitation costs. The funds will be provided by the City of Sturgis public utility. Additionally, the City will administer the CDBG grant.

• **Minimum Leverage Ratio:** The private leverage contribution, to be provided by Harrison Investment Properties, LLC equals $1,682,235.00, which results in a leverage ratio of approximately 1.5:1 of the CDBG grant.

• **Financial Viability and Background Check:** The businesses receiving the benefit from this project have completed a background check with no concerns and have been determined to be financially viable.

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

**Recommendation**
The MEDC Staff recommends:

- A CDBG Rehabilitation grant agreement in the amount of $1,088,337 be authorized for the City of Sturgis for the West Chicago Development Project.
- Any disbursement of CDBG grant funds is contingent upon Sturgis Bank & Trust Company closing on their loan for the project.
WHEREAS, Executive Order 1999-1, issued pursuant to Article V of the Michigan Constitution of 1963 and the laws of the State of Michigan, consolidated the State’s economic development functions and programs and their accompanying powers in the Michigan Strategic Fund (“MSF”); 

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

WHEREAS, the CDBG program has policies, criteria, and parameters which are enumerated in the 2013 Consolidated Plan (the “Criteria”) authorized by Resolution 2013-054, and the 2013 Application Guide (the “Guide”) authorized by Resolution 2013-080. Included in those Criteria and Guide are guidelines for grants;

WHEREAS, the City of Sturgis (the “Community”) has submitted a complete application for approval requesting funding to be used to fund the Downtown Mixed Use 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, will create jobs and at least 51% of the newly created jobs will be held by persons of low and moderate income; and

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

NOW, THEREFORE, BE IT RESOLVED, that the MSF authorizes a grant to the Community not to exceed $1,088,337 for the payment or reimbursement of costs associated with the Project. The MSF allocates $1,088,337 from the Michigan CDBG program for the purpose of funding the Community’s proposed Project contingent upon the MSF’s continued receipt of CDBG funds and availability of adequate funds;

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

Nayes:

Recused:

Lansing, Michigan
September 17, 2014
MEMORANDUM

Date: September 17, 2014

To: MSF Board Members

From: Leslie Hornung, Senior VP Marketing & Public Relations

Subject: Business Marketing and Advertising Services Contract Extension Recommendation

REQUEST
This request is for the MSF Board to approve a one year extension of an existing contract with McCann Erickson USA, Inc. for business marketing and advertising services in the amount of $3,238,685. This amount is inclusive of media placement costs, ad production and agency fees.

BACKGROUND
On September 21, 2011, the MSF Board approved issuance of a business marketing and advertising RFP (“Pure Michigan RFP”) and authorized the MSF Fund Manager to appoint a Joint Evaluation Committee (“JEC”) to review the proposals. The MSF subsequently awarded the business marketing and advertising contract with McCann Erickson USA, Inc., for the period of January 1, 2012 to September 30, 2014, with the option to extend the contract for two additional one-year terms.

During the initial contract term, McCann Erickson has successfully integrated the nationally recognized Pure Michigan brand into MEDC’s business attraction efforts. MEDC and McCann have launched a comprehensive national business attraction campaign focused on C-suite executives and site selectors. In addition to the national campaign, micro-campaigns have been created in support of talent attraction and retention, Pure Michigan Business Connect and the newly formed Auto initiative. These comprehensive campaigns are supported through a combination of print and digital advertising, video, web and collateral creation. McCann has been a strategic partner with MEDC in creating a holistic approach to our marketing efforts, aligning each component underneath the Pure Michigan umbrella. Please see the attached campaign highlights.

RECOMMENDATION
The MEDC recommends that the MSF Board allocate $3,238,685, and authorize the Fund Manager to enter into an extension of the contract agreement with McCann Erickson USA, Inc. for business marketing and advertising services.
Pure Michigan Results

**Business Attraction / Site Selectors**
Leads from site selectors  +100% increase  
Projects from site selectors  +100% increase

- 27% of the jobs created and 30% of the investment from attraction projects that we have landed since FY 2013 were sourced by a site consultant, representing nearly 1,400 jobs and $200M in private investment in FY 2014

- From FY 2013 to 2014, there was a 99% increase in job creation from projects sourced by site consultants and a 450% increase in investment

- 50% of attraction’s top 10 opportunities in the pipeline are sourced by site consultants representing 2,302 potential new jobs and $182 million in investment

**Message Effectiveness November 2013 / Forbes Magazine**
78% - Found print ad useful and informative  
57% - Visited Michiganbusiness.org in past year  
89% - Impression of Michigan changed favorable in past year  
79% - Consider placing business in Michigan in next 3 years

**Web traffic By the Numbers 2013-2014**

<table>
<thead>
<tr>
<th>Category</th>
<th>2013</th>
<th>2014</th>
<th>Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. visits (non-Michigan)</td>
<td>+22.60%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>International visits</td>
<td>+27.86%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paid search visits</td>
<td>+44.54%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Digital/banner visits</td>
<td>+208.65%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Visits via social media</td>
<td>+17.96%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Digital Campaign Metrics**

**Business Attraction**
“Contact us”  +300%  

**Pure Michigan Business Connect**
Increase in account creations  +930%  

**Talent Attraction/Retention**
Job Seeker Profile Creations  +25%

**State Rankings**

<table>
<thead>
<tr>
<th>Magazine</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>Results Available</th>
</tr>
</thead>
</table>
| Overall                      | 23   | 16   |       | results available in 2015  
| Executive Survey             | 26   | 20   |       |
| Competitiveness              | 27   | 8    |       |

**Pollina Corporate Real Estate Inc.**
Pro-Business Report 39  18

**CNBC**
Best States for Business 33  29  26

**Awards**
- 2013 MarCom Gold Award - Association of Marketing & Communication Professionals
MICHIGAN STRATEGIC FUND

RESOLUTION
2014-

MCCANN-ERICKSON USA, INC. CONTRACT FOR BUSINESS MARKETING (Amendment #3)

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

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

WHEREAS, on November 30, 2011, the Michigan Strategic Fund (“MSF”) approved the use of McCann-Erickson USA, Inc. as the vendor for a business marketing and advertising campaign for a period of three years, with the option for two additional one year extensions;

WHEREAS, the MSF and McCann-Erickson USA, Inc. desire to exercise the option for the first additional one year term and to allocate $3,238,685 in funding of the contract for the additional year to provide services for business marketing and advertising campaign for the period of October 1, 2014 to September 30, 2015;

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

WHEREAS, the MEDC recommends that the MSF exercise the first additional one year term and to allocate $3,238,685 in funding of the contract for the additional year to provide services for business marketing and advertising campaign for the period of October 1, 2014 to September 30, 2015.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board amends the McCann-Erickson USA, Inc. contract by exercising the first additional one year period of October 1, 2014 to September 30, 2015 and allocating an amount to not exceed $3,238,685 for the additional term of services and codifies all previous amendments; and

BE IT FURTHER RESOLVED, that the MSF Fund Manager is authorized to execute the amendment to the McCann-Erickson USA, Inc. contract consistent with the terms of this resolution.

Ayes:

Nays:

Recused:

Lansing, Michigan
September 17, 2014
MEMORANDUM

Date: September 17, 2014
To: MSF Board Members
From: Leslie Hornung, Senior VP Marketing & Public Relations
Subject: Tourism Marketing and Advertising Services Contract Extension Recommendation

REQUEST
This request is for the MSF Board to approve a one-year extension of an existing contract with McCann Erickson USA, Inc. for tourism marketing and advertising services in the amount of $23,411,434.55. This amount is inclusive of media placements, ad production and agency fees.

BACKGROUND
On September 21, 2011, the MSF Board approved a tourism marketing and advertising RFP (“Pure Michigan RFP”) and authorized the MSF Fund Manager to appoint a Joint Evaluation Committee (“JEC”) to review the proposals. The MSF subsequently awarded the tourism marketing and advertising contract with McCann Erickson USA, Inc., for the period of January 1, 2012 to September 30, 2014, with the option to extend the contract for two additional one-year terms.

During the initial contract term, McCann Erickson has led the creative development and strategy that powers the nationally recognized Pure Michigan travel brand. The Pure Michigan brand has been honored with dozens of industry awards and is recognized across the travel industry as a tourism marketing leader. Every year, the campaign demonstrates its success through the annual increase of return on investment; these impressive results are outlined in the attached document.

RECOMMENDATION
The MEDC recommends that the MSF Board allocate $23,411,434.55, and authorize the Fund Manager to enter into an extension of the contract agreement with McCann Erickson USA, Inc. for travel marketing and advertising services.
Pure Michigan Results

Impact of Pure Michigan Travel Promotion

$18.7 billion in travel spending in Michigan in 2013, based on D.K. Shifflet data
- Leisure travel spending up 3.6 percent from 2012 to 2013
- $13.8 billion in leisure travel spending statewide last year (record)

According to Longwoods International, $1.2 billion in out-of-state visitor spending in 2013 was attributable to the Pure Michigan campaign.

In 2013, campaign ROI was $6.66:1. Pure Michigan’s cumulative return on investment since 2006 is $4.50 for every dollar spent on out-of-state advertising.

Michigan has moved from 50th in occupancy in 2005 to 33rd in 2013

2014 Budget
$29 million
- $1.7 million regional winter buy
- $13 million national spring/summer
- $3.6 million regional spring/summer
- $1.7 million regional fall
- $4 million international (including Toronto)
- All other marketing, including PR, publications, social media and website).

By the Numbers
9 million web visits in 2013 - #1 state tourism website for 7th year in a row

682,443 fans on Facebook

118,000 followers on Twitter

114,000 followers on Instagram and more than 1 million Instagram photos with hashtag #puremichigan

#1 travel brand on Instagram (according to Totems)

Industry Participation
41 advertising partners representing nearly the entire state have joined the Pure Michigan advertising campaign.

Private and Public Collaborations
Michigan Department of Natural Resources
Secretary of State
Coca Cola
Major League Fishing
Hudsonville Ice Cream

Michigan Department of Agriculture
Absopure
Kroger
Bassmaster
MICHIGAN STRATEGIC FUND

RESOLUTION

2014-

MCCANN-ERICKSON USA, INC. CONTRACT FOR TRAVEL MARKETING (Amendment #4)

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

WHEREAS, Public Act 270 of 1984, MCL 125.2088b(2)(d), provided for annual appropriations as provided by law from the Trust Fund may be used for promotion of tourism in this state;

WHEREAS, on November 30, 2011, the Michigan Strategic Fund (“MSF”) approved the use of McCann-Erickson USA, Inc. as the vendor for travel marketing and promotional campaign for the promotion of tourism for a period of three years, with the option for two additional one year extensions;

WHEREAS, the MSF and McCann-Erickson desire to exercise the option for the first additional one year term and to allocate $23,411,434.55 in funding of the contract for the additional year to provide services for the promotion of tourism through an integrated travel marketing and promotional campaign for the period of October 1, 2014 to September 30, 2015;

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

WHEREAS, the MEDC recommends that the MSF exercise the first additional one year term and to allocate $23,411,434.55 in funding of the contract for the additional year to provide services for the promotion of tourism through an integrated travel marketing and promotional campaign for the period of October 1, 2014 to September 30, 2015.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board amends the McCann-Erickson USA, Inc. contract by exercising the first additional one year period of October 1, 2014 to September 30, 2015 and allocating an amount to not exceed $23,411,434.55 for the additional term of services and codifies all previous amendments; and

BE IT FURTHER RESOLVED, that the MSF Fund Manager is authorized to execute the amendment to the McCann-Erickson USA, Inc. contract consistent with the terms of this resolution.

Ayes:

Nays:

Recused:

Lansing, Michigan
September 17, 2014
Date: September 17, 2014

To: MSF Board Members

From: Leslie Hornung, Senior VP Marketing & Public Relations

Subject: Public Relations Services Contract Extension Recommendation

REQUEST
This request is for the MSF Board to approve a one year extension of an existing contract with Weber Shandwick for public relations services for MEDC in the amount of $1,446,490 for the period of October 1, 2014-September 31, 2015. This contract includes PR services for both travel ($935,175) and business ($511,315).

BACKGROUND
On September 21, 2011, the MSF Board approved issuance of a public relations services Request for Proposal (“RFP”) and authorized the MSF Fund Manager to appoint a Joint Evaluation Committee (“JEC”) to review the proposals. The MSF subsequently awarded the public relations contract to Weber Shandwick, for the period of January 1, 2012 to September 30, 2014, with the option to extend the contract for two additional one-year terms.

During the initial contract term, Weber Shandwick has achieved significant media coverage for the State of Michigan, but has also established Pure Michigan as a national leader across all major social media platforms. The Pure Michigan brand has been honored with dozens of industry awards and is recognized across the travel industry as a marketing leader. Every year, the campaign demonstrates its success through the annual increase of return on investment for travel marketing; these impressive results are outlined in the attached document.

RECOMMENDATION
The MEDC recommends that the MSF Board allocate $1,446,490 and authorize the Fund Manager to enter into an extension of the contract agreement with Weber Shandwick for public relations services.
Weber Shandwick Travel PR Successes

- **National Pie Day Campaign** – To highlight Michigan’s culinary offerings and agriculture industry, Weber Shandwick developed a campaign to bring a slice of Michigan’s pie industry to national media outlets leveraging National Pie Day on January 23, 2013. A national TV segment was secured on FOX & Friends, the number one cable morning show, and pie deliveries were conducted to more than 40 New York-based TV, radio, print and online media. Day-of and continued campaign coverage included: Sirius XM, Elvis Duran and the Morning Show: New York Z100, The Chew, Conde Nast’s Jaunted, TravelandLeisure.com, TheDailyMeal.com, GQ, Zagat and more. To date the campaign has received over 46,000,000 media impressions and 861,127 social media impressions. For Pure Michigan’s social media outlets, National Pie Day garnered more than 800 new Pure Michigan Twitter followers, nearly 600 #PureMichiganPie tweets, 343 contestant entries, 5,416 blog views and a Facebook reach of more than 25,000. @GTPie also gained 488 Twitter followers due to the promotion.

- **Pure Michigan Mario Batali Partnership** - In the fall of 2011, Weber Shandwick launched a partnership with seasonal Michigan resident and celebrity chef, Mario Batali, to highlight the myriad four season offerings Michigan offers, as well as focusing on key vertical markets such as culinary. The partnership included a dynamic media day in Michigan on June 28, 2012, punctuated by the creation of three all-new “Made in Michigan” recipes by the chef. The plan was to achieve a quick surge of publicity to be sustained with long-lead coverage throughout the summer. To date, Pure Michigan’s partnership with Mario Batali has resulted in more than 96 million impressions including:
  - SMT which produced 30 television, radio and internet interviews
  - Culinary media tour of Batali’s favorite Northern Michigan foodie spots which yielded 21 media attendees including national travel and food writers as well as regional media; included a special one-hour cooking experience with Batali
  - PureMichigan.org chat where Batali shared tips on travel and cooking which brought 1,452 visits to the blog and answered 57 consumer questions
  - “Made in Michigan” day promotion on the official Pure Michigan social channels, including Facebook, Twitter, YouTube, Google+ and Pinterest, where live photos, updates and recipes were shared
  - Batali also shared updates on his Facebook and Twitter pages, tagging Pure Michigan
  - Two videos – Mario Batali’s Favorite Places in Northern Michigan and Mario Batali’s Recipes and Michigan-inspired Dishes – which have garnered nearly 16K views

- **NYLON Guys Feature Article** - After a year in the making (NYLON’s participation in the Detroit press trip, followed by several editor independent press trips), PR efforts resulted in a five-page feature in the January 2013 issue of NYLON Guys. “Street Style Detroit” encouraged readers to visit Detroit and took them on a journey through the unknowns and unique style of the city. Reaching more than 100,000 readers in print, as well as an additional 30,000 readers online, the article highlighted press trip stops such as...
The Heidelberg Project, Detroit’s Eastern Market, The Renaissance Center and Corktown. NYLON Guy’s influential article was one of the many resulting from press trips, which positioned Detroit as a “comeback city.”

- **Saveur** – As a result of continued work with *Saveur* editors and an independent press trip in fall 2012, part of Weber Shandwick’s ongoing independent press trip initiatives, “Upper Crust,” a three page feature article about the culinary glories of Michigan’s Route 41 ran in the October issue of *Saveur* (UVPM: 258,998/Circ: 331,378). The article takes readers on a journey through the culinary glories of Michigan’s Route 41. Regional delights from pasties to whitefish are highlighted throughout the piece, a recipe for Povitica is shared for readers to try at home and several accompanying images help tell the UP’s culinary story.

- **Tulip Time 2014** - To celebrate the 85th Anniversary of Holland’s Tulip Time Festival, The Weather Channel’s national morning show, “AMHQ (America’s Morning Headquarters) with Sam Champion,” was secured for a remote live broadcast the week of the festival. Forecasting the weather and also aiming to energize and share news/events that shape their viewers’ day, AMHQ was the perfect fit to showcase the beauty of the spring season through Tulip Time and the best of Michigan. Weather Channel meteorologist Kait Parker took viewers on a journey through Holland’s festivities during four segments and multiple program teasers that aired on May 7 between the 7 a.m. and 10 a.m. hours. The Reach: 400,000 morning viewers & 35,000,000 website UVPM
  - Segments featured: Windmill Island Gardens, Town Criers, Dutch Dancers, dogs in Dutch costumes, and interviews with Gwen Auwerda, Tulip Time’s executive director, and Governor Rick Snyder.
  - The broadcast was also promoted heavily by AMHQ’s social media platforms and Weather Channel’s website, with pre-promotion on May 6 and continued conversation on May 7. The broadcast and social promotion shined a spotlight on the Holland’s unique traditions and picturesque town, as well as introduced viewers to Michigan’s wealth of travel offerings.

  - Invited more than 600 Condé Nast editors, reporters and publishers to attend the “Taste of Michigan” lunch to learn of the state’s wealth of travel offerings; both chefs sold out of their signature dishes – Walleye Tacos and Whitefish Fritas
  - Held giveaway during event for Pure Michigan cookbooks and a grand prize stay at the Inn at Black Star Farms
  - Distributed Michigan recipe cards and a one-page Michigan fact sheet to media

- **Travel Massive** - To raise destination awareness among travel media, bloggers and industry influencers in a key, drive-to market, Pure Michigan hosted Travel Massive—a monthly travel influencer “Meet Up”. The event was attended by more than 50 travel enthusiasts who mingled with representatives from the destination to learn first-hand
travel news and offerings. More than half of the attendees included influential bloggers and contributors to Toronto Star, Travel +Escape, Dreamscapes, AOL Travel Canada, About.com, Matador Network, Vacay.ca, Toronto Standard, FoodNetwork.ca and West Jet’s inflight magazine UP!

- **Good Housekeeping** - As a result of our ongoing relationship with Good Housekeeping (Circulation: 4,396,795 / UVPM: 1,050,404) we coordinated a fashion shoot in Detroit for a feature story with the actress Judy Greer who was born in Detroit. The October 2014 issue slated to be published in mid-September will focus on fashion/travel in the metro-Detroit area.

- **Deskside briefings** - Coordinated editorial appointments in New York, Toronto and Chicago with influential travel and lifestyle media for MEDC representatives to promote seasonal offerings and events.


### Awards & Accolades

**2013 HSMAI (Hospitality Sales & Marketing Association International) Adrian Awards**

*Honoring outstanding achievements in advertising, public relations and digital marketing in the travel industry.*

- Entry Title: Street Style Detroit (NYLON Guys) - Award: Platinum and “Best in Show”
- Entry Title: Family Circle, "Farm to Fork" (FamilyCircle) - Award: Gold
- Entry Title: As American As Apple Pie: Michigan Celebrates National Pie Day With Fox & Friends - Award: Bronze
- Entry Title: Pure Michigan – Choose Your Own Adventure Winter Video Series - Award: Silver
- Entry Title: Visual Storytelling with Instagram - Award: Silver

**2012 HSMAI (Hospitality Sales & Marketing Association International) Adrian Awards**

*Honoring outstanding achievements in advertising, public relations and digital marketing in the travel industry.*

- Entry Title: Just Back: Detroit (New York Post) - Award: Gold
- Entry Title: Pure Michigan and Travel Wisconsin Team Up for Great Mitten Debate - Award: Gold
- Entry Title: Great American City: Detroit (New York Daily News) - Award: Silver
- Entry Title: Mario Batali "Made in Michigan" Media Day - Award: Bronze
**Pure Michigan Social Media Growth 2011 – 2014**

**Facebook:**
- January 2011 – 328,870 Fans
- August 2014 – 684,706 Fans (18,990% increase from January 2011)

**Twitter:**
- January 2011 – 20,000 Followers
- August 2014 – 120,135 Followers (500% increase from January 2011)

**Pure Michigan Blog:**
- January 2011 – 11,345 Visits
- July 2014 – 94,349 Visits (731% increase from January 2011)

*Google Analytics tracking code experienced a bug in August 2014

**Launch of New Social Media Platforms**

**Pinterest:** Launched January 2012

- August 2014
  - 13,522 Followers (17% increase from January 2014)
  - 700 Pins
  - 35 Boards

**Instagram:** Launched July 2012

- August 2014
  - 118,322 Followers (45% increase from January 2014)
  - 1,005,000+ photos have been tagged with the #puremichigan hashtag on Instagram.
  - Pure Michigan remains the most followed state tourism page in the country.

**Annual Pure Michigan Moments Photo Contest**

**1st Annual Pure Michigan Moments Photo Contest:**
- Contest Dates: October 22 – November 9, 2013
- 3,330 entries submitted
- 54,300 votes on entries
- 14,373 new Facebook fans acquired
- 800 sign-ups for the official Pure Michigan newsletter

**2nd Annual Pure Michigan Moments Photo Contest:**
- Contest Dates: November 1 – November 17, 2013
- 3,041 entries submitted
- 56,211 votes on entries
- 13,680 new Facebook fans acquired
- 571 sign-ups for the official Pure Michigan newsletter
Pure Michigan Instagram Beach Challenge
- 1,933 entries submitted
- 2,030 new followers on Instagram
- 326 sign-ups for the official Pure Michigan newsletter
- 10,828 visits to contest landing page on michigan.org

Social Media Awards
- ESTO Mercury Award for top social media presence in 2012
- HSMAI Silver Award for Best Use of Instagram in 2013
- Mashie Awards Finalist for Best Use of Instagram in 2013
- Travel + Leisure SMITTY Award for Best Overall Use of Social Media by a Tourism Board/DMO/Marketing Association in 2014

Weber Shandwick Business PR Successes

Major Coverage
- Three national hits on Fox News related the June 2014 DREAMJOB’s event at Ford Field.
- Work Style Magazine -- Detroit’s comeback, specifically within manufacturing, for international business publication.
- Assisted with international media efforts surrounding the September 2013 China Investment Mission and the March 2014 Europe Mission, including interviews with China Economic Herald and AutomobilWoche. Overall, their efforts resulted in more than 300 business placements tied to these mission, and more than 900 million impressions, communicating a very positive message about Detroit and Michigan.
- To counteract the negative news and perceptions surrounding Detroit’s bankruptcy news, Weber Shandwick pitched positive stories about business and investment in the city, resulting in two stories on money.cnn.com (29,407,293 unique visitors per month).
  - Weber Shandwick pitched PBS News Hour on Detroit’s resurgence and the untold story, resulting in the segment, Detroit residents work to engage the community with signs of hope, resurgence, both broadcast (1,500,000 viewership) and online (5,032,025 UVPM)
- Efforts to highlight the Community Ventures program on a national scale resulted in a 2-part story in the National Journal (1,071,700 unique visitors per month) which included an op-ed from Governor Snyder, How Michigan Has Flipped the Job Switch, on the program as well as an interview with Detroiter, Travis Butler, who found employment through the program - The Simple Power of a $12-an-hour Job
- As a way to support entrepreneurs and tell the Michigan business story, individual success stories are used to highlight thriving businesses in Michigan. As a result of media outreach, Weber Shandwick secured national, top tier interviews and feature stories including:
Ferndale’s Treat Dreams was featured in a print and online story in *Money Magazine* (1,908,509 circulation) and Money.Cnn.com. Banker finds sweeter career: Making ice cream shows how Scott went from a corporate career into an entrepreneur successfully and the growth of his business.

For *Inc.’s How I Did It* (716,872 monthly unique visitors), Weber Shandwick secured an interview with Michigan-based Warrior Sports and CEO Dave Morrow. Why Warrior Sports Manufactures in Detroit and focuses on why Dave chose to bring manufacturing back to the States, specifically the Midwest and Michigan, and how the robust manufacturing community is an asset to businesses, due to the quality and ability to operate smoothly compared to manufacturing overseas.

For Fox & Friend’s Who’s Hiring, TRW was featured as a company hiring for more than 100 jobs for a broadcast (1.5 million viewers) and online video segment (4,256,031 unique visitors per month). The segment mentioned the resurging automotive industry and living in Michigan.

- An effort was placed on highlighting changes in Michigan’s business climate to influential site selection and industry trade magazines. As a result, Weber Shandwick has secured coverage in
  - *Chief Executive*: State Economies Are Improving in the Upper Great Lakes
  - *Business Xpansion*: Michigan Advances Pro-Business Image
  - *Chief Executive*: Is Right to Work the Right Move

**Press Trips and Events**

- Think Tank/Influencer tour in April 2014 in Washington D.C. with Mike Finney and Steve Arwood to address perceptions and communicate positive updates to Michigan’s business climate to influential third party organizations that conduct state business climate rankings. Weber Shandwick coordinated meetings with the **Tax Foundation, Mercatus Center and GWU, Council on Competitiveness and the National Journal.**
- Speaking opportunity for Michael Finney at the 2013 Atlantic Washington Ideas Forum.

**National Rankings**

- While Michigan did not move in **2012 Forbes Best States for Business rankings**, Weber helped to highlight changes in Michigan’s business climate by placing an op-ed, Governor Snyder on Reinventing Michigan: More than Meets the Eye, to coincide with the rankings (17,190,282 unique visitors per month)
- In July 2013, Michigan moved 4 spots up in **CNBC’s Top States rankings**. Weber Shandwick helped to elevate awareness of Michigan’s improved business climate once again through an op-ed placement, The Comeback State: Michigan’s Reinvention. (6,099,218 unique visitors per month)
Weber Shandwick Travel PR Successes

- **National Pie Day Campaign** – To highlight Michigan’s culinary offerings and agriculture industry, Weber Shandwick developed a campaign to bring a slice of Michigan’s pie industry to national media outlets leveraging National Pie Day on January 23, 2013. A national TV segment was secured on FOX & Friends, the number one cable morning show, and pie deliveries were conducted to more than 40 New York-based TV, radio, print and online media. Day-of and continued campaign coverage included: Sirius XM, Elvis Duran and the Morning Show: New York Z100, The Chew, Conde Nast’s Jaunted, TravelandLeisure.com, TheDailyMeal.com, GQ, Zagat and more. To date the campaign has received over 46,000,000 media impressions and 861,127 social media impressions. For Pure Michigan’s social media outlets, National Pie Day garnered more than 800 new Pure Michigan Twitter followers, nearly 600 #PureMichiganPie tweets, 343 contestant entries, 5,416 blog views and a Facebook reach of more than 25,000. @GTPie also gained 488 Twitter followers due to the promotion.

- **Pure Michigan Mario Batali Partnership** - In the fall of 2011, Weber Shandwick launched a partnership with seasonal Michigan resident and celebrity chef, Mario Batali, to highlight the myriad four season offerings Michigan offers, as well as focusing on key vertical markets such as culinary. The partnership included a dynamic media day in Michigan on June 28, 2012, punctuated by the creation of three all-new “Made in Michigan” recipes by the chef. The plan was to achieve a quick surge of publicity to be sustained with long-lead coverage throughout the summer. To date, Pure Michigan’s partnership with Mario Batali has resulted in **more than 96 million impressions** including:
  - SMT which produced 30 television, radio and internet interviews
  - Culinary media tour of Batali’s favorite Northern Michigan foodie spots which yielded 21 media attendees including national travel and food writers as well as regional media; included a special one-hour cooking experience with Batali
  - PureMichigan.org chat where Batali shared tips on travel and cooking which brought 1,452 visits to the blog and answered 57 consumer questions
  - “Made in Michigan” day promotion on the official Pure Michigan social channels, including Facebook, Twitter, YouTube, Google+ and Pinterest, where live photos, updates and recipes were shared
  - Batali also shared updates on his Facebook and Twitter pages, tagging Pure Michigan
  - Two videos – Mario Batali’s Favorite Places in Northern Michigan and Mario Batali’s Recipes and Michigan-inspired Dishes – which have garnered nearly 16K views

- **NYLON Guys Feature Article** - After a year in the making (*NYLON’s* participation in the Detroit press trip, followed by several editor independent press trips), PR efforts resulted in a five-page feature in the January 2013 issue of *NYLON Guys*. “Street Style Detroit” encouraged readers to visit Detroit and took them on a journey through the unknowns and unique style of the city. Reaching more than 100,000 readers in print, as well as an additional 30,000 readers online, the article highlighted press trip stops such as
The Heidelberg Project, Detroit’s Eastern Market, The Renaissance Center and Corktown. NYLON Guy’s influential article was one of the many resulting from press trips, which positioned Detroit as a “comeback city.”

**Saveur** – As a result of continued work with Saveur editors and an independent press trip in fall 2012, part of Weber Shandwick’s ongoing independent press trip initiatives, “Upper Crust,” a three page feature article about the culinary glories of Michigan’s Route 41 ran in the October issue of Saveur (UVPM: 258,998/Circ: 331,378). The article takes readers on a journey through the culinary glories of Michigan’s Route 41. Regional delights from pasties to whitefish are highlighted throughout the piece, a recipe for Povitica is shared for readers to try at home and several accompanying images help tell the UP’s culinary story.

**Tulip Time 2014** - To celebrate the 85th Anniversary of Holland’s Tulip Time Festival, The Weather Channel’s national morning show, “AMHQ (America's Morning Headquarters) with Sam Champion,” was secured for a remote live broadcast the week of the festival. Forecasting the weather and also aiming to energize and share news/events that shape their viewers’ day, AMHQ was the perfect fit to showcase the beauty of the spring season through Tulip Time and the best of Michigan. Weather Channel meteorologist Kait Parker took viewers on a journey through Holland’s festivities during four segments and multiple program teasers that aired on May 7 between the 7 a.m. and 10 a.m. hours. The Reach: 400,000 morning viewers & 35,000,000 website UVPM

- Segments featured: Windmill Island Gardens, Town Criers, Dutch Dancers, dogs in Dutch costumes, and interviews with Gwen Auwerda, Tulip Time’s executive director, and Governor Rick Snyder.
- The broadcast was also promoted heavily by AMHQ’s social media platforms and Weather Channel’s website, with pre-promotion on May 6 and continued conversation on May 7. The broadcast and social promotion shined a spotlight on the Holland's unique traditions and picturesque town, as well as introduced viewers to Michigan’s wealth of travel offerings.


- Invited more than 600 Condé Nast editors, reporters and publishers to attend the “Taste of Michigan” lunch to learn of the state’s wealth of travel offerings; both chefs sold out of their signature dishes – Walleye Tacos and Whitefish Fritas
- Held giveaway during event for Pure Michigan cookbooks and a grand prize stay at the Inn at Black Star Farms
- Distributed Michigan recipe cards and a one-page Michigan fact sheet to media

**Travel Massive** - To raise destination awareness among travel media, bloggers and industry influencers in a key, drive-to market, Pure Michigan hosted Travel Massive—a monthly travel influencer “Meet Up”. The event was attended by more than 50 travel enthusiasts who mingled with representatives from the destination to learn first-hand
travel news and offerings. More than half of the attendees included influential bloggers and contributors to Toronto Star, Travel +Escape, Dreamscapes, AOL Travel Canada, About.com, Matador Network, Vacay.ca, Toronto Standard, FoodNetwork.ca and West Jet’s inflight magazine UP!

- **Good Housekeeping**- As a result of our ongoing relationship with Good Housekeeping (Circulation: 4,396,795 / UVPM: 1,050,404) we coordinated a fashion shoot in Detroit for a feature story with the actress Judy Greer who was born in Detroit. The October 2014 issue slated to be published in mid-September will focus on fashion/travel in the metro-Detroit area.

- **Deskside briefings**- Coordinated editorial appointments in New York, Toronto and Chicago with influential travel and lifestyle media for MEDC representatives to promote seasonal offerings and events.


**Awards & Accolades**

**2013 HSMAI (Hospitality Sales & Marketing Association International) Adrian Awards**
*Honoring outstanding achievements in advertising, public relations and digital marketing in the travel industry.*

- Entry Title: **Street Style Detroit (NYLON Guys)** - Award: Platinum and “Best in Show”
- Entry Title: Family Circle, "Farm to Fork" (FamilyCircle) - Award: Gold
- Entry Title: As American As Apple Pie: Michigan Celebrates National Pie Day With Fox & Friends - Award: Bronze
- Entry Title: Pure Michigan – Choose Your Own Adventure Winter Video Series - Award: Silver
- Entry Title: Visual Storytelling with Instagram - Award: Silver

**2012 HSMAI (Hospitality Sales & Marketing Association International) Adrian Awards**
*Honoring outstanding achievements in advertising, public relations and digital marketing in the travel industry.*

- Entry Title: Just Back: Detroit (New York Post) - Award: Gold
- Entry Title: Pure Michigan and Travel Wisconsin Team Up for Great Mitten Debate - Award: Gold
- Entry Title: Great American City: Detroit (New York Daily News) - Award: Silver
- Entry Title: Mario Batali "Made in Michigan" Media Day - Award: Bronze
Pure Michigan Social Media Growth 2011 – 2014

Facebook:
- January 2011 – 328,870 Fans
- August 2014 – 684,706 Fans (18,990% increase from January 2011)

Twitter:
- January 2011 – 20,000 Followers
- August 2014 - 120,135 Followers (500% increase from January 2011)

Pure Michigan Blog:
- January 2011 - 11,345 Visits
- July 2014 – 94,349 Visits (731% increase from January 2011)
*Google Analytics tracking code experienced a bug in August 2014

Launch of New Social Media Platforms
Pinterest: Launched January 2012
August 2014
- 13,522 Followers (17% increase from January 2014)
- 700 Pins
- 35 Boards

Instagram: Launched July 2012
August 2014
- 118,322 Followers (45% increase from January 2014)
- 1,005,000+ photos have been tagged with the #puremichigan hashtag on Instagram.
- Pure Michigan remains the most followed state tourism page in the country.

Annual Pure Michigan Moments Photo Contest
1st Annual Pure Michigan Moments Photo Contest:
- Contest Dates: October 22 – November 9, 2013
- 3,330 entries submitted
- 54,300 votes on entries
- 14,373 new Facebook fans acquired
- 800 sign-ups for the official Pure Michigan newsletter

2nd Annual Pure Michigan Moments Photo Contest:
- Contest Dates: November 1 – November 17, 2013
- 3,041 entries submitted
- 56,211 votes on entries
- 13,680 new Facebook fans acquired
- 571 sign-ups for the official Pure Michigan newsletter
Pure Michigan Instagram Beach Challenge
- 1,933 entries submitted
- 2,030 new followers on Instagram
- 326 sign-ups for the official Pure Michigan newsletter
- 10,828 visits to contest landing page on michigan.org

Social Media Awards
- ESTO Mercury Award for top social media presence in 2012
- HSMAI Silver Award for Best Use of Instagram in 2013
- Mashie Awards Finalist for Best Use of Instagram in 2013
- Travel + Leisure SMITTY Award for Best Overall Use of Social Media by a Tourism Board/DMO/Marketing Association in 2014

Weber Shandwick Business PR Successes

Major Coverage
- Three national hits on Fox News related the June 2014 DREAMJOB’s event at Ford Field.
- Work Style Magazine -- Detroit’s comeback, specifically within manufacturing, for international business publication.
- Assisted with international media efforts surrounding the September 2013 China Investment Mission and the March 2014 Europe Mission, including interviews with China Economic Herald and AutomobilWoche. Overall, their efforts resulted in more than 300 business placements tied to these mission, and more than 900 million impressions, communicating a very positive message about Detroit and Michigan.
- To counteract the negative news and perceptions surrounding Detroit’s bankruptcy news, Weber Shandwick pitched positive stories about business and investment in the city, resulting in two stories on money.cnn.com (29,407,293 unique visitors per month).
  - Weber Shandwick pitched PBS News Hour on Detroit’s resurgence and the untold story, resulting in the segment, Detroit residents work to engage the community with signs of hope, resurgence, both broadcast (1,500,000 viewership) and online (5,032,025 UVPM)
- Efforts to highlight the Community Ventures program on a national scale resulted in a 2-part story in the National Journal (1,071,700 unique visitors per month) which included an op-ed from Governor Snyder, How Michigan Has Flipped the Job Switch, on the program as well as an interview with Detroiter, Travis Butler, who found employment through the program - The Simple Power of a $12-an-hour Job
- As a way to support entrepreneurs and tell the Michigan business story, individual success stories are used to highlight thriving businesses in Michigan. As a result of media outreach, Weber Shandwick secured national, top tier interviews and feature stories including:
Ferndale’s Treat Dreams was featured in a print and online story in *Money Magazine* (1,908,509 circulation) and Money.Cnn.com. Banker finds sweeter career: Making ice cream shows how Scott went from a corporate career into an entrepreneur successfully and the growth of his business.

For *Inc.’s How I Did It* (716,872 monthly unique visitors), Weber Shandwick secured an interview with Michigan-based Warrior Sports and CEO Dave Morrow. Why Warrior Sports Manufactures in Detroit and focuses on why Dave chose to bring manufacturing back to the States, specifically the Midwest and Michigan, and how the robust manufacturing community is an asset to businesses, due to the quality and ability to operate smoothly compared to manufacturing overseas.

For Fox & Friend’s Who’s Hiring, TRW was featured as a company hiring for more than 100 jobs for a broadcast (1.5 million viewers) and online video segment (4,256,031 unique visitors per month). The segment mentioned the resurging automotive industry and living in Michigan.

- An effort was placed on highlighting changes in Michigan’s business climate to influential site selection and industry trade magazines. As a result, Weber Shandwick has secured coverage in
  - *Chief Executive*: State Economies Are Improving in the Upper Great Lakes
  - *Business Xpansion*: Michigan Advances Pro-Business Image
  - *Chief Executive*: Is Right to Work the Right Move

**Press Trips and Events**

- Think Tank/Influencer tour in April 2014 in Washington D.C. with Mike Finney and Steve Arwood to address perceptions and communicate positive updates to Michigan’s business climate to influential third party organizations that conduct state business climate rankings. Weber Shandwick coordinated meetings with the Tax Foundation, Mercatus Center and GWU, Council on Competitiveness and the National Journal.
- Speaking opportunity for Michael Finney at the 2013 Atlantic Washington Ideas Forum.

**National Rankings**

- While Michigan did not move in 2012 *Forbes Best States for Business rankings*, Weber helped to highlight changes in Michigan’s business climate by placing an op-ed, Governor Snyder on Reinventing Michigan: More than Meets the Eye, to coincide with the rankings (17,190,282 unique visitors per month)
- In July 2013, Michigan moved 4 spots up in CNBC’s *Top States rankings*. Weber Shandwick helped to elevate awareness of Michigan’s improved business climate once again through an op-ed placement, The Comeback State: Michigan’s Reinvention. (6,099,218 unique visitors per month)
WHEREAS, Public Act 489 of 2000, MCL 12.251 to 12.260, created the Michigan Trust Fund Act, of which the 21st Century Jobs Trust Fund (“Trust Fund”) is established;

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

WHEREAS, on August 24, 2011, the Michigan Strategic Fund (“MSF”) approved the use of Weber Shandwick Worldwide as the vendor for the public relations and digital marketing program for a period of three years, with the option for two additional one year extensions;

WHEREAS, the MSF and Weber Shandwick Worldwide desire to exercise the option for the first additional one year term and to allocate $1,446,490 in funding of the contract for the additional year to provide services for the public relations activities and promotional events in the targeted geographic, industry, and audience markets for the period of October 1, 2014 to September 30, 2015;

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

WHEREAS, the MEDC recommends that the MSF exercise the first additional one year term and to allocate $1,446,490 in funding of the contract for the additional year to provide services for the public relations activities and promotional events in the targeted geographic, industry, and audience markets for the period of October 1, 2014 to September 30, 2015.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board amends the Weber Shandwick Worldwide contract by exercising the first additional one year period of October 1, 2014 to September 30, 2015 and allocating an amount to not exceed $1,446,490 for the additional term of services; and

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

Ayes:

Nays:

Recused:

Lansing, Michigan

September 17, 2014
MEMORANDUM

Date: September 17, 2014
To: MSF Board
From: Leslie Hornung, Senior Vice President Marketing and Public Relations
Subject: Amendment to Meredith Corporation Contract - Official State Travel Guides

BACKGROUND
In August 2012, the MEDC issued a contract to Meredith Corporation in response to a Request for Proposal (RFP) to produce Michigan’s official state seasonal travel guides. The purpose of the RFP was to enter into a contract with a full-service, integrated marketing partner and publisher for the development, sales, production and proactive distribution of three seasonal Official State of Michigan Travel Guides, featuring articles with a focus on high quality content, editorial experience, compelling photography and innovative – but proven – proactive distribution solutions.

Per Resolution 2012-99, the contract terms are from October 1, 2012 – September 30, 2015 with an allocation of $1.5 million.

VENDOR SELECTION BACKGROUND
Three proposals were received in response to the RFP to produce the state travel guide. The review process for these proposals went through two separate rounds of evaluation and scoring. After an initial review by the Joint Evaluation Committee (JEC), a new JEC made up of members with no previous association with awarding contracts for the travel guide was appointed by the MSF Fund Manager and all of the original proposals were reevaluated and rescoring. The JEC again ranked the proposal received from Meredith Corporation the highest among the three proposals.

The JEC determined Meredith Corporation best met the goals and objectives of the RFP and offered a core editorial team with extensive knowledge of the Michigan tourism product, honed over a 20-plus year history working with Travel Michigan. Specifically, the proposal demonstrated a proven track record selling advertising space to the Michigan travel industry, helping to defray the costs associated for Travel Michigan; familiarity with the broad spectrum of travel industry offerings, both categorically and geographically; a well-articulated advertising strategy without overlapping markets and databases; and, extensive, long-term relationships with the Michigan travel industry. Meredith Corporation also showed the strongest distribution strategy, offering a targeted plan that was consistent with the current Travel Michigan advertising markets.
The JEC found Meredith Corporation’s database opportunities best met the scope and scale outlined in the RFP and that the company had the ability to proactively deliver up to 650,000 copies of the travel guide to individual households, in markets consistent with the Travel Michigan target demographics.

The technical proposal demonstrated that Meredith Corporation was best able to meet the goals and objectives of the RFP and offered the best value to the MSF and the state of Michigan. Further, neither of the other bids demonstrated the ability to meet the level or targeted nature of distribution in out-of-state markets in line with the Travel Michigan advertising campaign.

Additional factors considered included:

- Meredith Corporation owns 85 million database names from across the United States, with a strong concentration in Travel Michigan’s current target markets as well as a proven track record distributing through this database.
- Meredith Corporation’s added-value components demonstrated marketing ingenuity and an ability to reach a large sector of out-state markets.

While Meredith Corporation is headquartered in Des Moines, the travel guides are printed in Michigan at Quad Graphics in Midland; ad sales staff are Michigan-based; and, many of the editorial-staff is Michigan-based. Further, Meredith Corporation employs more than 230 employees in the state of Michigan with locations in Ferndale, Flint, Saginaw and Troy, paying more than $600,000 in Michigan income taxes, and purchased 1,540 tons of paper from Verso Paper Corporation in Quinnesec, MI at an estimated value of $1.2 million in FY2014.

**CONTRACT BACKGROUND**

The terms of the contract signed DATE are from October 1, 2012 – September 30, 2015. However, the exhibit to the agreement, which addressed the contract scope of work, only included the first year of the contract – the 2013 spring/summer, fall and winter guides.

The MEDC is amending the scope of work in the exhibit to include five additional guides: the 2015 spring/summer travel guide, the 2015 fall travel guide and production work on the 2015 winter guide. This amended scope of work will carry the contract through to September 30, 2015.

Additionally, the amended scope of work includes a new monthly work plan report and a new monthly advertising sales revenue report. These reports will provide a clear summary of work accomplished in the previous month; a detailed description of any concerns, or anticipated concerns, that need to be brought to the attention of the contract manager; notice of any significant deviation from previously agreed upon work plans; and, both the gross and net sales revenue across advertising categories.
Further, the new scope of work requires a signed work authorization before work can begin on each new guide. This requirement brings the contract in line with current operating procedures.

**RECOMMENDATION**

While Travel Michigan has traditionally produced a single, annual four-season travel guide, the 2012 RFP represented a pilot to launch a family of seasonal travel publications to better highlight Michigan’s four-season offerings. The allocation of $1.5 million approved by the MSF was used to pay for the 2013 spring/summer publication, the 2013 fall publication, the 2013 winter publication laid out in the original scope of work as well as the pre-production costs on the 2014 spring/summer publication.

Travel Michigan was able to stretch its first year allocation of $1.5 million into 2014, covering some of the pre-production costs for the 2014 spring/summer guide. Additionally, due to the popularity of the guides, there was increased demand from the industry for advertising in the guides – helping to offset Travel Michigan costs.

To complete the terms of the contract in order to meet the demand for the official seasonal travel publications through the end of FY2015, we are asking for approval on the amended scope of work in the contract exhibit, as well as an allocation of $1.2 million to carry funding for this increased scope of work through to the end of the current contract. This includes production costs on five publications included in the new scope of work: the 2014 fall and 2014 winter guides, the 2015 spring/summer travel guide, the 2015 fall travel guide and pre-production costs on the 2015 winter guide.

**Funding Request Breakdown:**

<table>
<thead>
<tr>
<th>Issue</th>
<th>Allocation</th>
<th>Fiscal Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014 Fall</td>
<td>$100,000 (estimate)</td>
<td>FY2014</td>
</tr>
<tr>
<td>2014 Winter</td>
<td>$100,000 (estimate)</td>
<td>FY2014</td>
</tr>
<tr>
<td>2015 Spring/Summer</td>
<td>$850,000 ($500,000 pre-production + estimated balance of $350,000)</td>
<td>FY2015</td>
</tr>
<tr>
<td>2015 Fall</td>
<td>$100,000 (estimate)</td>
<td>FY2015</td>
</tr>
<tr>
<td>2015 Winter</td>
<td>$50,000 pre-production (estimate)</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1.2 million</strong></td>
<td></td>
</tr>
</tbody>
</table>
WHEREAS, Public Act 489 of 2000, MCL 12.251 to 12.260, created the Michigan Trust Fund Act, of which the 21st Century Jobs Trust Fund (“Trust Fund”) is established;

WHEREAS, Public Act 270 of 1984, MCL 125.2088b(2)(d), provided for annual appropriations as provided by law may be used for promotion of tourism in this state;

WHEREAS, on August 22, 2012, the Michigan Strategic Fund (“MSF”) approved the use of Meredith Corporation as the vendor for the official State of Michigan Travel Guide;

WHEREAS, the MSF and Meredith Corporation desire to increase the amount of the contract to complete an additional five publications for the remainder of 2014 and 2015, by $1,200,000 to continue the promotion of tourism activities in an expanded travel guide and provide additional reports;

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

WHEREAS, the MEDC recommends that the MSF increase the contract amount to expand the official travel guide for the promotion of tourism activities in this state.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board amends the Meredith Corporation contract, by increasing the amount from $1,500,000 to an amount not to exceed $2,700,000.

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

Ayes:

Nays:

Recused:

Lansing, Michigan
September 17, 2014
MEMORANDUM

Date: September 17, 2014
To: Michigan Strategic Fund Board
From: Mark Morante, MSF Fund Manager
Subject: Renewal of Memorandum of Understanding between the Michigan Strategic Fund and the Michigan Economic Development Corporation and Allocation of the 4% Annual Appropriation from the 21st Century Jobs Funds

Request
This is a request to reauthorize the Memorandum of Understanding (MOU) between the Michigan Strategic Fund (MSF) and Michigan Economic Development Corporation (MEDC) for FY 2015.

Staff is also requesting that the MSF allocate the 4% Annual Appropriation from the 21st Century Jobs Funds to the MSF to provide services for 21st Century Jobs Funds programs.

Background
On January 25, 2006, the Michigan Strategic Fund (the “MSF”) and the Michigan Economic Development Corporation (the “MEDC”) entered into a Memorandum of Understanding (the “MOU”) for the purpose of specifying responsibilities between the MSF and the MEDC in administering the 21st Century Jobs Trust Fund (the “21st CJTF”) initiative. The MOU was amended each successive year to our current fiscal year.

Recommendation
MEDC staff recommends that the MOU be amended to extend the effective date of the MOU through September 30, 2015.

MEDC staff also recommends that the MSF authorize the expenditure of 4% of the annual appropriation from the 21st CJTF for administrative expenses for fiscal year 2014-2015.
MICHIGAN STRATEGIC FUND BOARD
RESOLUTION 2014- 

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, and October 23, 2013 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, 2015; 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 2014-2015.

NOW, THEREFORE, BE IT RESOLVED, subject to the control and direction of the MSF Board, the MEDC shall provide administrative services through September 30, 2015 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, 2014 through September 30, 2015; 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 2014-2015.

Ayes:

Nays:

Recused:

Lansing, Michigan
September 17, 2014
MEMORANDUM

Date: September 17, 2014

To: Michigan Strategic Fund Board

From: Mark Morante, MSF Fund Manager

Subject: Allocation of Funds from the 21st Century Jobs Fund for the Michigan Business Development Program and the Michigan Community Revitalization Program

Request
This is a request to authorize the allocation of funds in the amount of $130 million from the 21st Century Jobs Fund to the Michigan Strategic Fund (MSF) to operate the Michigan Business Development and the Michigan Community Revitalization Programs for FY 2015.

Background
Each year, the MSF must request these funds to operate the above mentioned programs. Public Act 252 of 2014 appropriated $21 million to the 21st Century Jobs Fund and $109 million to the General Fund for business attraction and community development. Legislation requires that a minimum of $20 million be spent on the Michigan Community Revitalization Program.

Recommendation
MEDC recommends that the State Treasurer transfer $130 million from the 21st Century Jobs Trust Fund to the MSF, according to the budget office spending plan, for the operation of the Michigan Business Development Program and the Michigan Community Revitalization Program for Fiscal Year 2015.
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”) for 21st Century Jobs Trust Fund programs;

WHEREAS, under MCL 125.2088r and MCL 125.2090b, the MSF shall create and operate the Michigan Business Development Program (“MBD Program”) and the Michigan Community Revitalization Program (“MCR Program”);

WHEREAS, on October 26, 2011, the MSF created the MBD Program and the MCR Program;

WHEREAS, MCL 12.258 provides that the MSF Board may request the state treasurer to transfer appropriated funds from the 21st Century Jobs Trust Fund to the MSF 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, 2011 PA 252 places funds appropriated for business attraction and community development in the 21st Century Jobs Trust Fund;

WHEREAS, the MEDC recommends that the MSF allocate $130 million from the 21st Century Jobs Trust Fund from the appropriations to the MSF, with at least $20 million of the funds to be spent on projects under the MCR Program; and

WHEREAS, after consideration of that recommendation, the MSF Board desires to allocate $130 million from the 21st Century Jobs Trust Fund to the MSF for the purposes of the MBD Program and the MCR Program, with at least $20 million to be spent on projects under the MCR Program.

NOW, THEREFORE, BE IT RESOLVED, the MSF Board requests the state treasurer to transfer $130 million from the 21st Century Jobs Trust Fund to the MSF for the MBD Program and MCR Program, provided that no more than 60 percent of the funds are transferred before April 1, 2015; and
BE IT FURTHER RESOLVED, the MSF Board allocates $130 million from the 21st Century Jobs Trust Fund to the MSF for the MBD Program and MCR Program, with at least $20 million to be spent on projects under the MCR Program, as the funds are transferred.

Ayes:

Nays:

Recused:

Lansing, Michigan
September 17, 2014
MEMORANDUM
Date: September 17, 2014
To: Michigan Strategic Fund Board
From: Amy Lux, Renaissance Zone Program Specialist
Subject: Reauthorization of Delegation of Authority
Next Michigan Program

Action
The Michigan Economic Development Corporation ("MEDC") is recommending the Michigan Strategic Fund ("MSF") Board reauthorize the delegation of authority to the MSF Fund Manager or the MSF President for certain tasks related to the administration of the Next Michigan Program.

Background
The Next Michigan Program is designed to empower regional inter-governmental bodies, called Next Michigan Development Corporations ("NMDCs"), to provide certain economic incentives to eligible Next Michigan Businesses ("NMBs") in order to support the logistics-based industry in the state. NMBs are those that transport or receive products or supplies via multi-modal transportation, such as air, rail, water, or road.

NMDCs may also make recommendations to the MSF Board for the designation of Next Michigan Renaissance Zones. However, prior to that recommendation, the Renaissance Zone statute requires the following procedural steps by the MSF Board:

a) Approval of the MSF Board’s application process for NMDCs to recommend eligible NMBs for a Next Michigan Renaissance Zone;
b) Approval of the NMDCs’ local application process for recommending eligible NMBs
c) Approval of preliminary marketing zone boundaries, within which a Next Michigan Renaissance Zone may potentially be located; and
d) Appointment of a committee to review applications on behalf of NMBs seeking a Next Michigan Renaissance Zone designation.

Previously, the authority to make slight changes to the MSF’s application process and these other procedural steps were delegated to the MSF Fund Manager, until the compiled delegation of authority resolution approved by the MSF Board on July 22, 2014 superseded any previous delegations. In order to keep the Next Michigan Program running efficiently, the MEDC requests reauthorization of these delegations of authority. The MSF Board would still retain the sole authority to ultimately approve any Next Michigan Renaissance Zones.

Recommendation
MEDC Staff recommends the MSF Board reauthorize the following delegations of authority to the MSF Fund Manager or the MSF President with respect to the Next Michigan Program:

a) Modifications to the Next Michigan Renaissance Zone Process and the Application for Certifying a Qualified Next Michigan Business within a Next Michigan Renaissance Zone;
b) Approval of the next Michigan development corporations’ process for identifying and recommending eligible next Michigan businesses
c) Designation of the boundaries of the next Michigan renaissance zones for which eligible next Michigan businesses may locate within the boundaries of a next Michigan development district; and

d) Appointments to a committee to review applications to certify an eligible next Michigan business as a qualified eligible next Michigan business, that includes the MSF Fund manager, the renaissance zone specialist and a representative from the MEDC business development team.
MICHIGAN STRATEGIC FUND

RESOLUTION

2014-

STRATEGIC FUND DELEGATION OF AUTHORITY: NEXT MICHIGAN RENAISSANCE ZONES

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

WHEREAS, under Article II, Section 1 of the Amended and Restated Bylaws adopted by the MSF Board on April 22, 2014, the MSF Board may delegate by resolution those functions and authority it deems necessary or appropriate to the President, Vice-President, Staff, the MEDC, or others, unless otherwise prohibited by law;

WHEREAS, under Article III, Section 1 of the Bylaws, the MSF President will provide for compilations of all general delegated authority; standard processes; and standard policies, in force (the "Strategic Fund Compiled Resolutions" or "SFCR"); and

WHEREAS, the MSF Board wishes to set forth delegated authority regarding Next Michigan renaissance zones;

NOW, THEREFORE, BE IT HEREBY RESOLVED, that the MSF Board delegates the following authority effective July 22, 2014:

10.4-2 – Renaissance Zones - Next Michigan Program

(1) The MSF Fund Manager or the MSF President may approve the following with respect to Next Michigan Renaissance Zones:

(a) Modifications to the Next Michigan Renaissance Zone Process and the Application for Certifying a Qualified Next Michigan Business within a Next Michigan Renaissance Zone;

(b) Next Michigan Development Corporations’ application process for eligible Next Michigan Businesses;

(c) Next Michigan renaissance zones and their boundaries; and

(d) Appointments to a committee to review applications to certify an eligible Next Michigan business as a qualified eligible next Michigan business, that shall include the MSF Fund Manager, the renaissance zone specialist and a representative from the MEDC business development team.
BE IT FURTHER RESOLVED, the MSF President shall compile and publish the above delegated authority as required under Article III of the Bylaws.

Ayes:

Nays:

Recused:

Lansing, Michigan
September 17, 2014
MEMORANDUM

Date: September 17, 2014
To: Michigan Strategic Fund Board
From: Deanna Richeson, Director, Export Strategy
Subject: Pure Michigan Export Program – FY15 Funding Request

Request
The Michigan Economic Development Corporation (MEDC) Staff requests $3.93 million to support the Pure Michigan Export program. These funds are available through MCL 125.2088b(4) in the Michigan Strategic Fund (MSF) Act for business development and business marketing costs. Approved funds will be utilized as follows:

**Pure Michigan Export Program**
MI-STEP - Export Promotion Incentives and Services $ 1,630,000
Foreign Trade Offices $ 975,000
Export Network Partners $ 600,000
Marketing, Research, and Administration $ 456,142
International Trade Shows/Events $ 268,900

**Total Pure Michigan Export Program Request** $ 3,930,042

**Background**
The Pure Michigan Export program assists Michigan based companies to expand their customer base through a variety of international trade services that lead to international market expansion. The program focus is on small and medium-sized enterprises, which by the United States Small Business Association’s definition are companies with less than 500 employees, but will also assist larger companies if the assistance will have a clear and identifiable economic impact. Through its strategic statewide network of export partners, the Pure Michigan Export 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.

In FY14, the Pure Michigan Export Program was supported by $2.9 million of MSF allocated State of Michigan funds. For the period October 1, 2011 through June 30, 2014, the Pure Michigan Export Program assisted 791 companies, resulting in more than $326 million ($21.2 million – FY12, $132.3 million – FY13, and $173 million – FY14 YTD) in facilitated export sales, exceeding cumulative annual targets totaling $316 million.

The Pure Michigan Export Program received notification on 8/29/2014 of a grant award in the amount of $500,000 from the United States Small Business Administration, Office of International Trade (“SBA”), which combined with the $166,667 MSF match, results in a $666,667 FY15 State Trade Export Promotion (STEP) program.
**Pure Michigan Export Program Summary**

Pure Michigan Export Program – The Pure Michigan Export program provides direct reimbursements to qualified small and medium-sized export (SME) companies to develop or expand export-related activities via cost reimbursement of 50 percent of allowable export-related activities to a maximum of $12,000.

Export Network Partners – Regional export network host organizations (RENs) and international service providers coordinate the Pure Michigan Export program applications and delivery of services in collaboration with the MEDC and its strategic export partners.

Foreign Trade Offices – To help companies access foreign markets, the MEDC has established offices in Canada, Brazil, Mexico, and China. The Michigan Foreign Trade Offices provide services that include Governor delegation support, market research, agent/distributor/representative searches, end-user searches, matchmaking services for buyer missions, and trade mission support. Based on demand by Michigan companies looking for additional export market support, this budget expands international on-the-ground support by adding one office in Europe to cover the European markets and one in the United Arab Emirates to cover the Gulf region.

Please see **Exhibit-1** and **Exhibit-2** below for additional information regarding the Pure Michigan Export Program.

**Recommendation**

- Staff recommends approval of $3.93 million to support activities of the Pure Michigan Export program utilizing funds from the 21st Century Jobs Fund as provided in MCL 125.2088b(4);

- Authorize the Memorandum of Understanding between the Michigan Strategic Fund and the Michigan Economic Development Corporation to provide administrative services for the Pure Michigan Export program;

- Approve the proposed eligibility and application guidelines and grant template;

- Approve the grant amounts to the following recipients:

  - **Regional Export Network hosts:** $340,000 total
    - Automation Alley – $170,000;
    - Van Andel Global Trade Center – $75,000;
    - Northwest Michigan Council of Governments – $45,000
    - Saginaw Valley State University - $50,000

  - **Small Business Services:** $260,710 total
    - Michigan Small Business and Technology Development Center – $115,000;
    - Michigan State University-International Business Center – $59,885;
    - Foster Swift Collins - $25,825
    - Advance Resource Consulting - $25,000
    - International Business Technology - $35,000

  - **International Trade Services Abroad:** $955,000 total
    - Council of Great Lakes Governors – $800,000;
    - Europe Office TBD - $155,000
INTRODUCTION

Great news! The MEDC Export Team continues to surpass our facilitated export sales goals. Last quarter, the team reported the best quarter to date with sales of $48.9 million. For quarter three, we are proud to report an impressive $83.1 million. This is over double the quarterly sales target, and has exceeded the annual sales goal of $158.8 by $13.8 million. And we still have one quarter remaining!

This edition of the quarterly report will feature:

- Q3 Results and Success
- New LinkedIn Page
- Recent tradeshows and missions
- Upcoming Events

The goal of this report is to strengthen our communication and collaboration with our export partners by sharing events, export opportunities and results. Our program successes would not be possible without the continued support of our partners.

If you have any successes or stories you would like to include in future quarterly reports, please e-mail Natalie Schiefer, schiefern@michigan.org.

FY14 Q3 EXPORT RESULTS

EXPORT SALES METRIC

The MEDC Export team measures its success and program effectiveness through facilitated export sales. This figure is gathered through quarterly sales confirmations submitted by companies that have received assistance from the MEDC export team. This includes, but is not limited to, referrals or financial assistance that led to foreign market sales trips, foreign/domestic international trade show participation, matchmaking services, website development, U.S. Department of Commerce services, Michigan Small Business Development Center services and Michigan State University’s International Business Center services.

In Quarter 3, the MEDC Export Program reports $83.1 million in facilitated export sales, with a YTD total of $172,622,597!
In the first three quarters of FY14, export sales totaled over $172.6 Million, already 8.7% over the annual goal.

**EXPORT SALES BY REGION**

**YTD FY14 Quarterly Facilitated Export Sales by Region $172.6 Million**

In the first three quarters of FY14, the Southeast region reported the most export sales with $102.9 million. West region reported $29.3 million, Central region $24.9 million, and North region with $15.4 million. Together, the program has increased export sales leading to the creation of over 863 Michigan jobs*.  

*Figure is rounded.
FY14 Economic Diversification by Industry

208 Companies Total

- Manufacturing, 86
- Automotive, 16
- Life Science, 15
- Electronics, 11
- Manufacturing - Advanced, 14
- Business Services, 8
- IT, 4
- Wood Products, 4
- Plastics, 6
- Defense, 5
- Food Processing, 5
- Environmental, 3
- Agriculture, 3
- Chemicals, 3
- Printing and Publishing, 2
- Metal Stamping and Fabrication, 1
- Energy, 1
- Aerospace, 1
- Media Advertising, 1

*MEDC considers $200,000 in export sales = 1 job, The International Trade Administration considers $197,000 = 1 job.
FOLLOW US ON LINKEDIN
The Export Team is now on LinkedIn! We welcome all partners, companies and those interested in international trade to follow our page. You can find our page under the Michigan Economic Development Corporation LinkedIn company site on the right side or by following the link: www.linkedin.com/company/export-assistance.

Help us promote international trade events and resources by sharing the page with your networks! To submit an international trade event or content idea, please contact schiefern@michigan.org.
RECENT TRADESHOWS & EVENTS

TRADE MISSION TO MEXICO

MEDC Export team and Regional Export Network Automation Alley led a trade delegation to 3 cities in Mexico; Guanajuato, Queretaro and Puebla. The mission included a delegation of 8 Michigan companies encompassing logistics, tooling, manufacturing equipment, material handling and prototype development. David DeAvila, International Trade Development Manager for Mexico, represented the MEDC on the trip.

The eight companies participating included:
- AcTech North America
- Fluxtrol, Inc.
- Fullerton Tool Company
- Magnetic Products, Inc.
- Native American Logistics Worldwide
- Ultimation Industries, LLC
- Vantage Plastics
- Clayton & McKervey, PC

The eight companies participated in 88 meetings coordinated by the Michigan Mexico Center with the assistance of Automation Alley.

Many of the companies returned with immediate RFPs or prospects for export business. Collectively, the estimated export sales from this trip is approximately two million dollars over the next 12-18 months.
KEY BARRIERS TO TRADE WITH MEXICO

1. IP protection
2. Preference of local manufacturing versus U.S. imports
3. Competition as a result of other countries’ foreign direct investment (Japan, for example, has recently moved entire production facilities into Mexico.)

TOP 3 INSIGHTS FOR MEXICO

1. The transportation infrastructure in Mexico is emerging. Queretaro, for example, has made significant investments in railway infrastructure to support product logistics into the various automotive and aerospace clusters.
2. Mexico’s government is supporting increased trade including the streamlining of tax codes.
3. Mexico has started to establish "Aerospace Clusters" in key geographic regions to mimic the success of the Automotive Clusters found throughout the country. These new clusters offer excellent opportunities for Michigan companies to pursue and grow exports to the aerospace industry.

TESTIMONIAL

“This trip surpassed my expectations! It was more than just setting us up on meetings and sending us on our way. We were well prepared by Automation Alley, and the hard work put in by Efren and his team [Michigan Mexico Center], along with taking us to all the meetings was amazing. To add to that, we also developed new relationships with existing customers, which was great for us as well.”

Megan Robinson, Vantage Plastics

GLOBAL PETROLEUM SHOW

MEDC and the Global Trade Alliance of Northern Michigan led a delegation of eight Michigan companies to participate in the Calgary Global Petroleum Show, representing a wide variety of products with applications in the oil and gas sector. The MEDC partnered with the U.S. Commercial Service who provided space in the U.S. Pavilion, a Doing Business in Canada breakfast briefing, and VIP Networking events. All of the companies will receive financial assistance through MI-STEP (Michigan State Trade Export Promotion). Seven companies received matchmaking assistance by the Michigan Canada Center, facilitating 25 meetings at the show.

The participating companies product range was quite diverse and included wastewater clarification, air and gas cleaning equipment, wash water containment and recycling systems, frack pump housing fabrication, material handling equipment, data collection technology and specialty gear boxes.

Participating companies included:
- Monroe Environmental
- IR Telemetrics
- Green Forces
- Moran Iron Works
- Port Calcite Collaborative
- Cone Drive
- Pettibone/ ARDCO
- Superior Fabrication
- Riveer Environmental

The Michigan booth space within the U.S. Pavilion highlights the companies exhibiting at the show and the extensive history Michigan has in the oil and gas industry. Photo courtesy of Chris Bosio.
The Michigan Canada Center provided a range of value added services for each of the companies participating in the mission including briefing, logistics assistance and market information. They were also on site at the show throughout the mission to provide logistics assistance and appointment adjustments as needed.

**UPCOMING EVENTS**

**Trade Mission, China- August 19-27**
Nine companies will be participating in a multi-sector trade mission to China August 19-27. The companies travelling to Shanghai, Guangzhou, Shenzhen, Hong Kong will be offered in-country briefings, matchmaking services, turn-key business service support, interpreter and on-site guides, customized itinerary, and accommodation and travel arrangements.

**Second Annual Global Trade Days, Michigan- October 13-17**
Be a part of Michigan’s comeback story and join us at Global Trade Days the week of October 13, 2014. Global Trade Days is the MEDC Export Team’s annual road show throughout Michigan to promote Michigan exports. Country market experts from the dynamic export markets of Brazil, Canada, China, Mexico and UAE will show Michigan companies how to export there. They will also be available for scheduled 1-on-1 meetings with Michigan companies to discuss specific products.

*For more information, please contact Natalie Schiefer, schiefers@michigan.org or visit www.michiganbusiness.org/export.*
EXPORT PROGRAM FY13/FY14

Executive Summary

Why promote exports?
1) Exports sustain thousands of Michigan businesses
   • Over 14,800 exported from Michigan in 2011
   • 90% of these companies were small and medium enterprises (SMEs)
   • Michigan SMEs generated over $11.2 billion of exports in 2011, 22.1% of Michigan’s $51 billion exports
2) More stable jobs – companies with international customers have diversified portfolios
   • $200,000 in exports = 1 new job
3) Higher paying jobs – companies that export pay on average higher wages
4) Since 2010, Michigan’s total exports have grown from $44.8 Billion to $58.4 billion

FY2013 PERFORMANCE METRICS

- During the first quarter of FY2014, export sales totaled $41.3 Million - Just over a quarter of the annual target.
- Year on year export sales increased by 524% since FY2012.
- The Pure Michigan Export team exceeded its FY2013 facilitated export sales goal by $51M.
Results by Region- FY2013
The Michigan Export Program assisted nearly 500 companies throughout the fiscal year. Assisted companies were tracked by level of export readiness (Tier 1-2-3) and region (North–West–Central–South). MEDC assistance to agricultural companies was tracked as a separate sector. Tier 1 companies are early stage and referred to SBTC for general business or financial assistance. Tier 2 firms are new-to-export. These second stage companies have a track record of domestic sales but are not proactively exporting. Tier 3 firms are seasoned exporters and experience shorter sales cycles with export sales than Tier 2 new exporters.

Export Sales by REN Region - FY2013
Southeast region (hosted by Automation Alley), led FY2013 export sales with $54.6M, followed by the Central region (hosted by Lansing Regional Chamber of Commerce) with $28.5M, West region (hosted by Van Andel Global Trade Center) with $26.2M, and North Region(hosted by Northwest Michigan Council of Governments) with $23M.

For FY2013, actual export sales exceeded goal by 62.7%.
Companies Entering Export Markets - FY2013
In FY2013, 223 companies received STEP grants. These companies entered 61 countries.

Foreign Office Activity - FY2013
MEDC established four foreign offices through our partnership with the Council of Great Lakes Governors (CGLG), which is headquartered in Chicago. These foreign offices are shared by CGLG member states’ leveraged resources. CGLG’s purpose in developing these shared trade offices is to advance the Great Lakes region’s international trade initiatives and provide responsive and comprehensive services to small and medium-sized companies interested in expanding their sales on a global scale. Michigan now shares CGLG offices in Brazil, Canada, China, and Mexico. In the future, Michigan could join the other CGLG foreign offices, at a cost based on services requested for each office.

China Office:
- 60 companies received services
- Michigan Governor, Rick Snyder led a successful trade mission to Shanghai, Chongqing and Beijing from September 3-13, 2013
• $36.8 million in market facilitated export sales for FY2013

**Mexico Office:**
- Established in October 2013- no sales yet reported

**Canada Office:**
- 30 companies received services
- Michigan Governor, Rick Snyder led a successful trade mission to the Toronto and Montreal markets from November 25-30,2012
- Trade mission in June 2013 to Calgary
  - Led by Northwest Council of Governments with MEDC Export funds
  - Attended GO Expo trade show
- $21.8 million in market facilitated export sales for FY2013

**Brazil Office:**
- 50 companies received services
- Michigan Lieutenant Governor Calley led a successful trade mission to São Paulo from May 12-17, 2013
  - Led by Van Andel Global Trade Center with MEDC Export funds
- $5.9 million in market facilitated export sales for FY2013

**EXPORT UPDATE - FY2014**
In FY2014, the Pure Michigan Export program received $4.9 million in Michigan Strategic Fund (MSF) funds to continue and enhance its service offerings.

The Pure Michigan Export Program goals:
1) Increase number of SME exporters in Michigan
2) Increase the value and volume of exports from Michigan
3) Expand Michigan exports to new global markets
Pure Michigan Export Program Metrics- FY2014

The Export Program’s FY2014 goal is to reach $159 million in export sales directly attributable to assistance by the Pure Michigan Export team. As of December 31, 2013, FY2014 export sales stand at $41. million.

<table>
<thead>
<tr>
<th></th>
<th>% of Deployed Budget</th>
<th>New Intakes and Existing Active Co’s</th>
<th># Active clients</th>
<th># Work orders/referrals X 1.2</th>
<th># Export actions/projects X 2.5</th>
<th># Co’s with facilitated exports</th>
<th>$ Export facilitated sale (millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Michigan</td>
<td>100%</td>
<td>600</td>
<td>200</td>
<td>240</td>
<td>500</td>
<td>70</td>
<td>$158.8</td>
</tr>
<tr>
<td>Southeast</td>
<td>38%</td>
<td>231</td>
<td>77</td>
<td>92</td>
<td>193</td>
<td>27</td>
<td>$60</td>
</tr>
<tr>
<td>Southeast</td>
<td>13%</td>
<td>71</td>
<td>24</td>
<td>28</td>
<td>59</td>
<td>9</td>
<td>$20</td>
</tr>
<tr>
<td>West</td>
<td>20%</td>
<td>122</td>
<td>41</td>
<td>49</td>
<td>101</td>
<td>14</td>
<td>$32.16</td>
</tr>
<tr>
<td>North</td>
<td>15%</td>
<td>89</td>
<td>30</td>
<td>35</td>
<td>74</td>
<td>10</td>
<td>$23.44</td>
</tr>
<tr>
<td>Central</td>
<td>15%</td>
<td>88</td>
<td>29</td>
<td>35</td>
<td>73</td>
<td>10</td>
<td>$23.2</td>
</tr>
<tr>
<td>Foreign Offices</td>
<td>100%</td>
<td>-</td>
<td>221</td>
<td>206</td>
<td>400</td>
<td>72</td>
<td>$42.22</td>
</tr>
<tr>
<td>MI-Brazil</td>
<td>25%</td>
<td>-</td>
<td>50</td>
<td>45</td>
<td>80</td>
<td>6</td>
<td>$3.5</td>
</tr>
<tr>
<td>MI-Canada</td>
<td>13%</td>
<td>-</td>
<td>24</td>
<td>28</td>
<td>60</td>
<td>20</td>
<td>$9.6</td>
</tr>
<tr>
<td>MI-China</td>
<td>32%</td>
<td>-</td>
<td>55</td>
<td>48</td>
<td>150</td>
<td>30</td>
<td>$19.8</td>
</tr>
<tr>
<td>MI-Mexico</td>
<td>30%</td>
<td>-</td>
<td>92</td>
<td>85</td>
<td>110</td>
<td>16</td>
<td>$9.32</td>
</tr>
</tbody>
</table>
Testimonials

“The China trade mission was a successful trip for Classic Design Concepts. The MBC assistance allowed us to focus on business and evaluating our opportunities. The mix and quality of the companies we were matched with was impressive. Having transportation, interpreters and other logistics set up for us was a huge advantage; I was not distracted from business to address these issues. The fact that we were in China with the State of Michigan I believe gave us access to companies we otherwise wouldn’t have. Chloe our coordinator at MCC worked very hard on our behalf and I felt was vested in our success.”

Lori Huisman, President
Classic Design Concepts (Southeast Michigan)

“The mission was a great success for us, not only from the orders we received, but also because we were able to evaluate the market from different perspectives (distribution, manufacturing, marinas, government, users) We couldn’t have covered as much ground in such little time without a well-organized trip. Our sincere thanks to you and the Michigan team.”

Roch Lambert, President
Rec Boat Holdings (Northern Michigan)
“Thank you for all of your hard work and communication on this mission. We recognize that this is not an easy program to put together, or to manage. We have had some very valuable appointments on this trip that we feel would not have been likely had it not been for the Governor’s presence along with the work you and your team have done to promote Michigan business in China.

We are very appreciative of the efforts of all involved as well as the commitment of our Governor to our state. As a company we recognize the work that we have in front of us to achieve results from this effort, but this is typical of the architectural market. The mission trips have been very helpful in providing us with tools to not only provide visibility in the Chinese marketplace, but also to assist in the navigation of doing business in China which is quite complicated. We were very pleased to have the opportunity to return for the second time. We look forward to keeping you and the others at the Michigan Center China and MEDC informed of our progress.”

Park Kersman, President
Lorin Industries (West Michigan)
SECOND AMENDED MEMORANDUM OF UNDERSTANDING
BETWEEN
THE MICHIGAN STRATEGIC FUND
AND
THE MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

This Second Amended Memorandum of Understanding (“MOU”) is entered into as of September 17, 2014 between the Michigan Strategic Fund (“MSF”) and the Michigan Economic Development Corporation (“MEDC”) to set forth the parties’ duties, functions and responsibilities with respect to the administration of the Pure Michigan Export Program (“Pure Michigan Export Program”) and the State Trade and Export Promotion Grant Program (“STEP”) pursuant to the Export Promotion Act of 2010, Public Law 111-240, Sections 4221-4228, and any program established there under (“STEP Program”) and state laws, and effective October 1, 2014, amends and replaces the existing Amended Memorandum of Understanding effective as of September 27, 2012.

The MSF shall retain ultimate control and direction over the Pure Michigan Export Program and the STEP Program and related activities. Pursuant to this MOU, the MEDC, under the direction and control of the MSF Board, shall provide administrative services associated with the Pure Michigan Export Program and the STEP Program, matching funding and related activities to the MSF. It is the intent of the parties that the MSF and the MEDC will work together to ensure that administrative services are conducted in such a way as to maximize economic benefit to the State of Michigan.

I. PURPOSE
The purpose of this MOU is to specify the responsibilities between the MSF and the MEDC in administering the Pure Michigan Export Program and the STEP Program.

II. MSF RESPONSIBILITIES
The MSF agrees to:

A. Pursuant to MSF Resolution 2014-___ and its declared intent at the September 17, 2014 MSF Board Meeting, the MSF engages the MEDC to provide administrative services to the MSF for the Pure Michigan Export Program and the STEP Program;

B. In consideration for those services as provided below, the MSF shall reimburse the MEDC for administrative services and associated expenses provided in connection with the Pure Michigan Export Program out of Pure Michigan Export Program funds and with the STEP Program out of STEP Program funds. The MEDC shall provide the MSF with a quarterly invoice describing all authorized expenditures the MEDC incurs in connection with the Pure Michigan Export Program and the STEP Program, including but not limited to MEDC’s authorized administrative costs. Expenses subject to reimbursement may not exceed that allowable by state and federal law; and

C. The MSF shall make available to the MEDC the grant proceeds received from the United States Small Business Administration, Office of International Trade in the amount of $500,000 for eligible reimbursements and expenses in connection with the STEP Program.

D. The MSF shall make available to the MEDC funds in the amount of $3,930,042 for eligible reimbursements and expenses in connection with the Pure Michigan Export Program, including its use as the required match to the federal grant proceeds received for the STEP Program.

III. MEDC RESPONSIBILITIES
The MEDC agrees to:

A. Administer all daily operations of the Pure Michigan Export Program and the STEP Program;
B. Ensure compliance with all requirements of the STEP enabling legislation, all applicable state and federal laws and regulations in connection therewith, and any MSF resolutions addressing the Pure Michigan Export Program or the STEP Program. Among its responsibilities, the MEDC shall use its best efforts to ensure compliance with state and federal merit staffing requirements, if any, applicable to the STEP Program being serviced by this MOU;

C. Prepare and present program reports on a periodic basis to the MSF Board and as requested and prepare any additional reports required by enabling legislation, MSF resolutions, or law;

D. Properly manage, review and monitor all Pure Michigan Export Program and STEP Program resolutions approved by the MSF Board in compliance with applicable state and federal laws, rules, regulations and program requirements;

E. Maintain appropriate financial records and source documents for all Pure Michigan Export Program and STEP Program funds disbursed at the direction of the MSF Board;

F. After disclosure to and as directed in consultation with the MSF Board, review audit reports and take appropriate actions to assist with federal and state audit findings and questioned costs;

G. Submit invoices for reimbursement to the MSF on a quarterly basis detailing the project expenditures and administrative costs to date;

H. Not incur obligations in excess of the funding authorized by the MSF Board for the STEP Program;

I. Coordinate its administrative services with all other state and federal agencies and departments that have any responsibilities in connection with the administration of the STEP Program or this MOU;

J. The MEDC shall make available to the MSF for the STEP Program the match funds or services in the amount of $166,667 for eligible reimbursements and expenses in connection with the STEP Program; and

K. The MEDC shall fund and provide during the term of this MOU a Managing Director, a Director of International Trade Management, International Trade Manager (ITM) positions in each of four regions (2 - Southeast; 1 - West; 1 - Central; 1 - North), a statewide China ITM, a statewide Mexico ITM, one International Trade Analyst, a Grant Administrator to coordinate all required information and reports for the United States Small Business Administration, Office of International Trade, and nine student interns.

IV. DURATION OF MOU
This MOU remains in effect until terminated in writing by the parties, or by giving the other party 90 days written notice of such termination.
V. INDEMNIFICATION
The MSF and the MEDC must each seek its own legal representation and bear its own costs, including judgments, in any litigation that may arise from the performance of this MOU. It is specifically understood and agreed that none of the parties will indemnify the others in any litigation.

VI. MODIFICATION OF AGREEMENT
The MSF and the MEDC agree that this MOU may be amended, in writing, by the parties. The modification must be signed by the representative of each party or his/her authorized designee.

The signatories below warrant that they are empowered to enter into this Agreement

MICHIGAN ECONOMIC DEVELOPMENT CORPORATION,
a public body corporate

Dated: _______________  By: _________________________________
    Michael A. Finney
    President & CEO

MICHIGAN STRATEGIC FUND,
an agency of the State of Michigan

Dated: _______________  By: _________________________________
    Mark Morante
    MSF Fund Manager
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 (the “Pure Michigan Export Program”);

WHEREAS, under the Michigan Strategic Fund Act, MCL 125.2001 et seq. (“Act”), and in particular Section 88b of the 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, under the Act, in particular Sections 88b(4), not more than five (5%) percent of the annual appropriation from the 21st century jobs trust fund may be used for business development and business marketing costs (“BDBM Funds”);

WHEREAS, the Michigan Economic Development Corporation (“MEDC”) provides administrative services to the MSF for a variety of programs overseen by the MSF, recommends the continuation of the Pure Michigan Export Program and the acceptance of the federal FY15 State Trade Export Promotion (STEP) award of $500,000 to increase the number of Michigan small businesses that are exporting, increase the value of exports for those small businesses that are currently exporting, and to expand their customer base by marketing to persons or entities outside of the State of Michigan (“MI-STEP Program”);

WHEREAS, the MEDC recommends the continuation of the MI-STEP Program, the federally funded component of the Pure Michigan Export Program, and approval of the guidelines for the MI-STEP Program, as set forth below:

(i) Eligibility and Application Guidelines. That the MSF adopt and approve the proposed MI-STEP Eligibility and Application Guidelines, attached as Exhibit 1 to be utilized for the operation of the MI-STEP Program (the “MI-STEP Program Guidelines”).

WHEREAS, based on the recommendation of the MEDC, the MSF Board desires to adopt and approve the MI-STEP Program Guidelines for the MI-STEP Program;

WHEREAS, the MEDC recommends that the MSF authorize the preparation of a MI-STEP Program Grant Application and Agreement consistent with the MI-STEP Program Guidelines for the MI-STEP Program; and

WHEREAS, the MEDC recommends that the MSF approve the use of $3,930,042 of BDBM Funds for a Pure Michigan Export Program budget, including its use as the required match to the STEP award.

NOW, THEREFORE, BE IT RESOLVED, the MSF hereby adopts and approves the MI-STEP Program Guidelines for the MI-STEP Program;
BE IT FURTHER RESOLVED, that the MSF hereby authorizes the preparation of an MI-STEP Program Grant Application and Agreement consistent with the MI-STEP Program Guidelines for the MI-STEP Program; and

BE IT FURTHER RESOLVED, that the MSF hereby authorizes the use of $3,930,042 of BDBM Funds for a Pure Michigan Export Program budget, including its use as the required match to the STEP award.

Ayes:  
Nayes:  
Recused:

Lansing, Michigan  
September 17, 2014
MEMORANDUM

Date: September 17, 2014
To: Michigan Strategic Fund Board
From: Deanna Richeson, Director, Export Strategy
Subject: FY2015 Pure Michigan Export Program - Small Business Services Funding

Recommendation

Action
The MEDC requests that the MSF Board approves funding of $260,000 to the Michigan – Small Business Development Center (MI-SBDC), Foster Swift Collins & Smith PC, Michigan State University – International Business Center (MSU-IBC), IBT Partners, and Advance Resources and Consulting, L.L.C (ARC) to provide small business services to Michigan based companies through the Pure Michigan Export Program in FY15.

Background
On May 27, 2014 the MSF Board approved the release of the FY2015 Pure Michigan Export Program Small Business Services Request for Proposals in the amount of $250,000. Eight proposals were received, see Exhibit A. The written reviews were completed and the JEC met to discuss and agreed to a consensus score, and recommended funding five of the six highest scoring proposals.

Recommendation
MEDC Staff recommends that the MSF Board approve $260,000 to be awarded to the Michigan – Small Business Development Center (MI-SBDC), Foster Swift Collins & Smith PC, Michigan State University – International Business Center (MSU-IBC), IBT Partners, Advance Resources and Consulting, L.L.C (ARC) to provide the following contracted services:

- **MI-SBDC**: 1) International search engine optimization (SEO). 2) Early stage export counseling and profitability assessments.

- **Foster Swift Collins & Smith PC**: 1) Legal essentials to exporting tool kit, which includes trademark/service mark readiness analysis, export control overview compliance training, and foreign agent/distributor contract terms analysis checklist. 2) Legal essentials to exporting online resource infrastructure development, which includes surveying exporters and export service providers to identify key areas of international trade where new-to-export companies need education and inventorying “the best of” the existing free and federal government online resources available and create an online infrastructure to organize these materials.

- **MSU-IBC**: 1) Michigan Export Growth Program (MEGP), which assists small to medium-sized Michigan companies by identifying global markets and engaging in those markets with their products/services through the compilation of country and industry specific market research reports. 2) International trade seminars and workshops for companies and Michigan based economic development professionals.

- **IBT Partners**: European Union (EU) search engine optimization (SEO) implementation.

- **ARC**: 1) Foreign trade delegation briefings on general travel security best practices, specific security and IP protection threats in the country visited, and monitoring of the security situation and provision
of travel security alerts throughout the period of the delegation’s travel in the foreign country. 2) Joint training events with Pure Michigan Export Program Regional Export Network (REN) Hosts.

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

<table>
<thead>
<tr>
<th>Organization</th>
<th>Requested Amount</th>
<th>Final Score</th>
<th>Recommended Award</th>
</tr>
</thead>
<tbody>
<tr>
<td>MI-SBDC</td>
<td>$200,000</td>
<td>165</td>
<td>$115,000</td>
</tr>
<tr>
<td>Foster Swift Collins &amp; Smith PC</td>
<td>$26,500</td>
<td>164</td>
<td>$25,825</td>
</tr>
<tr>
<td>MSU-IBC</td>
<td>$112,999</td>
<td>159</td>
<td>$59,175</td>
</tr>
<tr>
<td>IBT Partners</td>
<td>$170,000</td>
<td>157</td>
<td>$35,000</td>
</tr>
<tr>
<td>*Tejara</td>
<td>$66,000</td>
<td>157</td>
<td>$0</td>
</tr>
<tr>
<td>ARC</td>
<td>$116,800</td>
<td>147</td>
<td>$25,000</td>
</tr>
<tr>
<td>Prima Civitas</td>
<td>$85,000</td>
<td>129</td>
<td>$0</td>
</tr>
<tr>
<td>KC Mehta Consulting, LLC</td>
<td>$93,900</td>
<td>115</td>
<td>$0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$871,199</strong></td>
<td><strong>N/A</strong></td>
<td><strong>$260,000</strong></td>
</tr>
</tbody>
</table>

*Please note that Tejara Center proposed a start-up incubator program, and was referred to MEDC’s incubator/accelerator program for funding consideration.
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, MCL 125.2088k requires that the MSF Board establish a competitive process to award grants;

WHEREAS, at its May 27, 2014 meeting, the MSF Board authorized the issuance of the Pure Michigan Export Program Small Business Services Request for Proposals (the “Pure Michigan Export Program Small Business Services RFP”);

WHEREAS, the 21st Century Jobs Trust Fund legislation required that proposals received in response to the Pure Michigan Export Program Small Business Services RFP be reviewed by a joint evaluation committee (“JEC”);

WHEREAS, eight proposals were received in response to the Pure Michigan Export Program Small Business Services RFP;

WHEREAS, the JEC has evaluated all proposals in accordance with the requirements of the RFP, including all statutory requirements, and the scoring and evaluation criteria adopted by the MSF Board on May 27, 2014;

WHEREAS, the JEC determined that five proposals satisfied the requirements of the RFP, including all statutory requirements, and earned sufficient scores under the scoring and evaluation criteria adopted by the MSF Board; and

WHEREAS, the JEC recommends that the entities identified in Exhibit A to this resolution receive awards in the amounts listed (the “Pure Michigan Export Program Small Business Services RFP”).

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board approves the Pure Michigan Export Program Small Business Services Awards;

BE IT FURTHER RESOLVED, the MSF Board may, at its sole discretion, extend the grant periods of the Pure Michigan Export Program Small Business Services Awards for up to an
additional two years and may increase the amount of the Pure Michigan Export Program Small Business Services Awards, subject to available funds; and

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

Ayes:

Nays:

Recused:

Lansing, Michigan
September 17, 2014
## Exhibit A

<table>
<thead>
<tr>
<th>Entity</th>
<th>Funding Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Michigan – Small Business Development Center (MI-SBDC)</td>
<td>$115,000</td>
</tr>
<tr>
<td>Foster Swift Collins &amp; Smith PC</td>
<td>$25,825</td>
</tr>
<tr>
<td>Michigan State University – International Business Center (MSU-IBC)</td>
<td>$59,175</td>
</tr>
<tr>
<td>IBT Partners</td>
<td>$35,000</td>
</tr>
<tr>
<td>Advance Resources and Consulting, L.L.C (ARC)</td>
<td>$25,000</td>
</tr>
</tbody>
</table>
MEMORANDUM
Date: September 17, 2014
To: Michigan Strategic Fund Board
From: Deanna Richeson, Director, Export Strategy
Subject: FY2015 Pure Michigan Export Program - Regional Export Network (REN) Host Funding Recommendation

Action
The MEDC requests that the MSF Board approves funding of $340,000 to the Northwest Michigan Council of Governments (NWMCOG), Automation Alley, Grand Valley State University - Van Andel Global Trade Center (GVSU-VAGTC), and Saginaw Valley State University (SVSU) to act as Regional Export Network hosts in each of the Regional Export Networks (REN) for the Pure Michigan Export Program, which are comprised of one or more of the Michigan Economic Development Corporation (MEDC) - Collaborative Development Councils (CDC) prosperity regions.

Background
On May 27, 2014 the MSF Board approved the release of the FY2015 Pure Michigan Export Program REN host Request for Proposals in the amount of $350,000. Eight proposals were received, see Exhibit-A. The written reviews were completed and the JEC met to discuss and agree to a consensus score, and recommended funding four of the highest scoring proposals.

Recommendation
MEDC Staff recommends that the MSF Board approve $340,000 to be awarded to the Northwest Michigan Council of Governments (NWMCOG), Automation Alley, Grand Valley State University - Van Andel Global Trade Center (GVSU-VAGTC), and Saginaw Valley State University (SVSU) to provide the following contracted services:

- **NWMCOG:** 1) REN capacity building activities, including program promotion, local partner outreach, and educational events/seminars. 2) Planning, managing, and execution of trade mission to Canada and attendance at the Global Petroleum Show in Calgary, June 8-12, 2015.
- **Automation Alley:** 1) Planning, managing, and execution of trade missions to Saudi Arabia/UAE, Colombia/Chile, and Mexico. 2) Development and execution of conferences and peer-networking events to educate and create awareness of market and industry diversification opportunities for Michigan companies expanding overseas. 3) Development and dissemination of marketing materials to promote international trade missions and promotional outreach events.
- **GVSU-VAGTC:** 1) Completion of detailed international market research reports to identify potential new markets for Michigan businesses to help Michigan export growth. 2) Pure Michigan Export Program promotion and marketing. 3) Development and execution of “Advanced” International Traffic and Arms Regulations (ITAR) trainings. 4) Development and execution of “Doing Business in South Korea” educational event/seminar.
- **SVSU:** 1) REN capacity building activities, including program promotion, local partner outreach, business outreach and recruitment. 2) ExporTech workshops delivered to select companies to assist
them in developing international trade expertise and enter markets with high sales potential for their products.

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

<table>
<thead>
<tr>
<th>Organization</th>
<th>Requested Amount</th>
<th>Final Score</th>
<th>Recommended Award</th>
</tr>
</thead>
<tbody>
<tr>
<td>Northwest Michigan Council of Governments</td>
<td>$56,682</td>
<td>167.8</td>
<td>$45,000</td>
</tr>
<tr>
<td>Automation Alley</td>
<td>$178,937</td>
<td>162.2</td>
<td>$170,000</td>
</tr>
<tr>
<td>Michigan State University/International Business Center</td>
<td>$103,850</td>
<td>153</td>
<td>$0</td>
</tr>
<tr>
<td>Grand Valley State University/ Van Andel Global Trade Center</td>
<td>$93,000</td>
<td>152.4</td>
<td>$75,000</td>
</tr>
<tr>
<td>Saginaw Valley State University</td>
<td>$99,518</td>
<td>142.4</td>
<td>$50,000</td>
</tr>
<tr>
<td>Davenport College</td>
<td>$150,000</td>
<td>111.2</td>
<td>$0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$681,987</strong></td>
<td>N/A</td>
<td><strong>$340,000</strong></td>
</tr>
</tbody>
</table>
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, MCL 125.2088k requires that the MSF Board establish a competitive process to award grants;

WHEREAS, at its May 27, 2014 meeting, the MSF Board authorized the issuance of the Pure Michigan Export Program Regional Export Network (REN) Host Request for Proposals (the "Pure Michigan Export Program REN RFP");

WHEREAS, the 21st Century Jobs Trust Fund legislation required that proposals received in response to the Pure Michigan Export Program REN RFP be reviewed by a joint evaluation committee ("JEC");

WHEREAS, six proposals were received in response to the Pure Michigan Export Program REN RFP;

WHEREAS, the JEC has evaluated all proposals in accordance with the requirements of the RFP, including all statutory requirements, and the scoring and evaluation criteria adopted by the MSF Board on May 27, 2014;

WHEREAS, the JEC determined that four proposals satisfied the requirements of the RFP, including all statutory requirements, and earned sufficient scores under the scoring and evaluation criteria adopted by the MSF Board; and

WHEREAS, the JEC recommends that the entities identified in Exhibit A to this resolution receive awards in the amounts listed (the "Pure Michigan Export Program REN RFP").

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board approves the Pure Michigan Export Program REN Awards;

BE IT FURTHER RESOLVED, the MSF Board may, at its sole discretion, extend the grant periods of the Pure Michigan Export Program REN Awards for up to an additional two years and may increase the amount of the Pure Michigan Export Program REN Awards, subject to available funds; and
BE IT FURTHER RESOLVED, that MSF Fund Manager or the MSF Chairperson, with only one required to act and in coordination with MEDC Staff, is authorized to the negotiate final terms and conditions of the Pure Michigan Export Program REN Awards and to execute all documents necessary to effectuate the Pure Michigan Export Program REN Awards.

Ayes:

Nays:

Recused:

Lansing, Michigan
September 17, 2014
## Exhibit A

<table>
<thead>
<tr>
<th>Entity</th>
<th>Funding Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Northwest Michigan Council of Governments (NWMCOG)</td>
<td>$45,000</td>
</tr>
<tr>
<td>Automation Alley</td>
<td>$170,000</td>
</tr>
<tr>
<td>Van Andel Global Trade Center (VAGTC)</td>
<td>$75,000</td>
</tr>
<tr>
<td>Saginaw Valley State University (SVSU)</td>
<td>$50,000</td>
</tr>
</tbody>
</table>
MEMORANDUM
Date: September 17, 2014
To: Michigan Strategic Fund Board
From: Deanna Richeson, Director, Export Strategy
Subject: FY2014 Pure Michigan Export Program - International Trade Services Funding Recommendation

Action
The MEDC requests that the MSF Board approves funding of $955,000 to provide international trade services to Michigan based companies through the Pure Michigan Export Program in FY15.

Background
On May 27, 2014 the MSF Board approved the release of the FY2015 Pure Michigan Export Program International Trade Services Request for Proposals in the amount of $900,000. Thirty-four proposals were received, see Exhibit A. The written reviews were completed and the JEC met to discuss and agree to a consensus score, and recommended funding of the highest scoring proposal. The highest scores were assigned to the Council of Great Lakes Governors (Canada, Mexico, China, Brazil and Europe), Channels (Middle East North Africa MENA region), OCO and International Business Development Group (Europe). Exhibit A shows the scores for each proposal, with CGLG scoring highest for Mexico, China and Brazil with 168 and second highest for Canada with 151.4; Channels for the MENA region with 164.2; IDBP for Europe (169), CGLG for Europe (168) and OCO for Europe (162.4). The top three Europe candidates will participate in a second round of interviews before MEDC recommends final award for the European trade office.

Recommendation
MEDC Staff recommends that the MSF Board approve $955,000 to be awarded to the Council of Great Lakes Governors (CGLG) and a European contractor to provide the following contracts services:

- **$800,000 Council of Great Lakes Governors (CGLG):** 1) Review product(s) and provide company-specific assessment for marketability. 2) Conduct company/product-specific market research on a selective basis. 3) Recommend market entry strategies. 4) Provide pricing information and competitive analysis. 5) Conduct agent, distributor and partner (Joint venture and strategic alliance) searches. 6) Provide logistical support/visits with companies on a selective basis. 7) Review promotional marketing documents for language translation purposes. 8) Provide general legal information. 9) Provide general financial information. 10) Provide basic information reports on foreign companies. 11) Organize and participate in official Michigan trade delegations to target market(s), including governor-led missions.

- **TBD $155,000 for Europe office:** TBD
### Exhibit A - Scores of Proposals (Sorted in Descending Order)

<table>
<thead>
<tr>
<th>Organization</th>
<th>Proposed Market</th>
<th>Requested Amount</th>
<th>Final Score</th>
<th>Recommended Award</th>
</tr>
</thead>
<tbody>
<tr>
<td>International Business Development Group</td>
<td>European Union</td>
<td>$167,500</td>
<td>169</td>
<td>*TBD</td>
</tr>
<tr>
<td>CGLG</td>
<td>Brazil</td>
<td>$157,040</td>
<td>168.8</td>
<td>$130,000</td>
</tr>
<tr>
<td>CGLG</td>
<td>European Union</td>
<td>$125,000</td>
<td>168.6</td>
<td>*TBD</td>
</tr>
<tr>
<td>CGLG</td>
<td>Mexico</td>
<td>$100,000</td>
<td>165</td>
<td>$185,000</td>
</tr>
<tr>
<td>Channels</td>
<td>Middle East/North Africa</td>
<td>$173,100</td>
<td>164.2</td>
<td>$155,000</td>
</tr>
<tr>
<td>CGLG</td>
<td>China</td>
<td>$105,000</td>
<td>164</td>
<td>230,000</td>
</tr>
<tr>
<td>Export Market Research Services (EMRS)</td>
<td>European Union</td>
<td>$262,500</td>
<td>162.4</td>
<td>$0</td>
</tr>
<tr>
<td>OCO</td>
<td>European Union</td>
<td>$149,000</td>
<td>162.4</td>
<td>*TBD</td>
</tr>
<tr>
<td>IBT Partners</td>
<td>European Union</td>
<td>$78,000</td>
<td>161.2</td>
<td>$0</td>
</tr>
<tr>
<td>Kinetic Cubed</td>
<td>Canada</td>
<td>$150,000</td>
<td>158.4</td>
<td>$0</td>
</tr>
<tr>
<td>Kinetic Cubed</td>
<td>Brazil</td>
<td>$150,000</td>
<td>158.4</td>
<td>$0</td>
</tr>
<tr>
<td>Salveo</td>
<td>Canada</td>
<td>$100,000</td>
<td>157.4</td>
<td>$0</td>
</tr>
<tr>
<td>CIDEP</td>
<td>Canada</td>
<td>$156,560</td>
<td>156.6</td>
<td>$0</td>
</tr>
<tr>
<td>Kinetic Cubed</td>
<td>European Union</td>
<td>$150,000</td>
<td>155.4</td>
<td>$0</td>
</tr>
<tr>
<td>Tractus</td>
<td>China</td>
<td>$189,000</td>
<td>155.2</td>
<td>$0</td>
</tr>
<tr>
<td>IC Inteligência</td>
<td>Brazil</td>
<td>$141,100</td>
<td>154</td>
<td>$0</td>
</tr>
<tr>
<td>CGLG</td>
<td>Canada</td>
<td>$75,000</td>
<td>151.4</td>
<td>100,000</td>
</tr>
<tr>
<td>Salveo</td>
<td>Mexico</td>
<td>$90,000</td>
<td>150.4</td>
<td>$0</td>
</tr>
<tr>
<td>Company</td>
<td>Location</td>
<td>Amount</td>
<td>Growth</td>
<td>Fee</td>
</tr>
<tr>
<td>-------------------------------</td>
<td>-------------------------</td>
<td>---------</td>
<td>--------</td>
<td>-------</td>
</tr>
<tr>
<td>AIM Pacifics</td>
<td>Taiwan</td>
<td>$177,700</td>
<td>147.4</td>
<td>$0</td>
</tr>
<tr>
<td>Tractus</td>
<td>Hong Kong</td>
<td>$133,200</td>
<td>144</td>
<td>$0</td>
</tr>
<tr>
<td>Business Development Partners</td>
<td>Mexico</td>
<td>$140,500</td>
<td>142</td>
<td>$0</td>
</tr>
<tr>
<td>Strait Aero</td>
<td>Taiwan</td>
<td>$156,850</td>
<td>139</td>
<td>$0</td>
</tr>
<tr>
<td>Salveo</td>
<td>China</td>
<td>$120,000</td>
<td>138.2</td>
<td>$0</td>
</tr>
<tr>
<td>Phoenix</td>
<td>China</td>
<td>$169,360</td>
<td>135.6</td>
<td>$0</td>
</tr>
<tr>
<td>EuroPartnerships</td>
<td>European Union</td>
<td>$118,080</td>
<td>134.6</td>
<td>$0</td>
</tr>
<tr>
<td>Salveo</td>
<td>Brazil</td>
<td>$110,000</td>
<td>128.8</td>
<td>$0</td>
</tr>
<tr>
<td>CGLG</td>
<td>Taiwan</td>
<td>$119,515</td>
<td>115.8</td>
<td>$0</td>
</tr>
<tr>
<td>VanGuard/Grupo Prodensa</td>
<td>Mexico</td>
<td>$150,000</td>
<td>109</td>
<td>$0</td>
</tr>
<tr>
<td>P3</td>
<td>European Union</td>
<td>$1,044,000</td>
<td>82</td>
<td>$0</td>
</tr>
<tr>
<td>Monte Jade</td>
<td>China</td>
<td>NA</td>
<td>70.8</td>
<td>$0</td>
</tr>
<tr>
<td>PKM/Prima Civitas</td>
<td>Middle East/North Africa</td>
<td>$150,000</td>
<td>70</td>
<td>$0</td>
</tr>
<tr>
<td>P3</td>
<td>Mexico</td>
<td>$102,000</td>
<td>51.4</td>
<td>$0</td>
</tr>
<tr>
<td>P3</td>
<td>China</td>
<td>$135,000</td>
<td>51.4</td>
<td>$0</td>
</tr>
<tr>
<td>P3</td>
<td>Canada</td>
<td>$168,000</td>
<td>51.4</td>
<td>$0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>NA</strong></td>
<td><strong>$5,513,005</strong></td>
<td><strong>NA</strong></td>
<td><strong>$955,000</strong></td>
</tr>
</tbody>
</table>
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, MCL 125.2088k requires that the MSF Board establish a competitive process to award grants;

WHEREAS, at its May 27, 2014 meeting, the MSF Board authorized the issuance of the Pure Michigan Export Program International Trade Services Request for Proposals (the “Pure Michigan Export Program International Trade Services RFP”);

WHEREAS, the 21st Century Jobs Trust Fund legislation required that proposals received in response to the Pure Michigan Export Program International Trade Services RFP be reviewed by a joint evaluation committee (“JEC”);

WHEREAS, 34 proposals were received in response to the Pure Michigan Export Program International Trade Services RFP;

WHEREAS, the JEC has evaluated all proposals in accordance with the requirements of the RFP, including all statutory requirements, and the scoring and evaluation criteria adopted by the MSF Board on May 27, 2014;

WHEREAS, the JEC determined that five proposals satisfied the requirements of the RFP, including all statutory requirements, and earned sufficient scores under the scoring and evaluation criteria adopted by the MSF Board; and

WHEREAS, the JEC recommends that the entities identified in Exhibit A to this resolution receive awards in the amounts listed (the “Pure Michigan Export Program International Trade Services RFP”).

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board approves the Pure Michigan Export Program International Trade Services Awards;

BE IT FURTHER RESOLVED, the MSF Board may, at its sole discretion, extend the grant periods of the Pure Michigan Export Program International Trade Services Awards for up to
an additional two years and may increase the amount of the Pure Michigan Export Program International Trade Services Awards, subject to available funds; and

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

Ayes:

Nays:

Recused:

Lansing, Michigan
September 17, 2014
## Exhibit A

<table>
<thead>
<tr>
<th>Entity</th>
<th>Funding Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Council of Great Lakes Governors (CGLG)</td>
<td>$805,000</td>
</tr>
<tr>
<td>TBD for European trade office</td>
<td>$150,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$955,000</strong></td>
</tr>
</tbody>
</table>
MEMORANDUM

Date: September 17, 2014
To: Michigan Strategic Fund Board
From: Deanna Richeson, Director, Export Strategy
Subject: Pure Michigan Export Program – FY15 Grant Proposal to Small Business Administration (SBA) State Trade and Export Promotion (STEP) Program

Request
The Michigan Economic Development Corporation (MEDC) Staff requests the MSF Board approve the application submitted to the SBA for STEP Program funding, the Amended Memorandum of Understanding with the MEDC for the MEDC to provide the identified administrative services and matching funds for the STEP Program, and the proposed eligibility and application guidelines and grant template.

Background
The SBA’s State Trade and Export Promotion (STEP) program assists Small and Medium-Sized Enterprises (SMEs) which by SBA’s definition must have less than 500 employees. STEP began as a 3-year program to support President Obama’s call to jump start job growth by doubling U.S. exports in five years, and is now in its third funding year.

Forty percent of the SBA’s annual STEP funding ($3.2 million) was the 40% carried out in the third year? was set aside for the top ten exporting states, with Michigan ranking 8th. The SBA required a 25% match and allowed only state entities to apply.

The State of Michigan’s year-3 proposal named the Michigan Strategic Fund (“MSF”) as the applicant and the 25% match was committed by the MSF. Governor Rick Snyder by letter dated May 15, 2014, endorsed and designated the MSF as the State of Michigan’s official applicant for the STEP Program.

Michigan’s STEP application was submitted in May. Based on SBA’s award letter dated August 29, 2014, Michigan’s STEP award is $500,000. MSF’s 25% match of $166,667 brings the STEP program budget to $666,667. Michigan is one of three states to receive the maximum award allowed for FY2015.

Proposal Summary
The STEP program allows states to incentivize SMEs to begin to export, or to expand their current exports, by reimbursing 50% on allowable export-related activities. In alignment with SBA’s goal to maximize the use of existing federal and state export resources, Michigan in year-3 will continue to integrate and expand services currently provided by the U.S. Department of Commerce (US-DOC), SBA, Michigan Department of Agriculture and Rural Development (MDARD) and Michigan Small Business Development Center (MI-SBDC) with services delivered by regional and local service providers. SBA funds, along with public and private resources, will support the following goals:

- Increase the number of small business exporters in Michigan
- Increase the value and volume of exports from Michigan
- Expand Michigan exports to new markets, raising competitiveness in the global marketplace
Michigan’s pathway to reach $500 million in facilitated export sales by FY2017 includes a plan to assist 500 small business clients in FY2015. The export program will direct 88% of the $666,667 grant funding to SME incentives (51% direct incentives and 37% small business services).

Achieving $500 million in facilitated export sales by FY2017 will be accomplished by:

- Multi-faceted marketing and outreach effort
- Collaboration with other MEDC business units, such as Pure Michigan Business Connect
- Innovative use of technology
- Coordinating export readiness assessment
- Coordinating the counseling, training and support services related to readiness
- Facilitating SME access to capital and support services related to financial readiness
- Facilitating SME connections to new markets and foreign buyers
- Supporting SME advancement through the export continuum – from “interested in exporting” to “fully engaged in exporting”

To create awareness among Michigan SMEs of opportunities for overseas market expansion, a statewide marketing campaign employing social and traditional media will be expanded. Information on export and trade services, event calendars listing training workshops, trade shows, foreign buyer and trade missions and instructions on how to access services will be maintained on MEDC’s website and widely linked to Pure Michigan Export partner portals.

Regional Export Networks (RENs) will be utilized to coordinate efficient and effective delivery of STEP export services, supported by MEDC’s partnerships with US-DOC, SBA, MI-SBDC, MSU-IBC, Van Andel Global Trade Center (VAGTC), Automation Alley, Northwest Michigan Council of Governments (NWMCOG) and Saginaw Valley State University (SVSU). To add capacity in each region, facilitate robust communications and encourage timely service delivery, Pure Michigan Export has funded International Trade Manager (ITM) positions in each of four regions (2 - Southeast – Automation Alley; 1 - West – VAGTC; 1 - Central – SVSU; 1 - Northern - Northwest Michigan Council of Governments) plus one statewide China ITM and Mexico ITM. ITMs work closely with their REN and foster regional and statewide collaboration. ITMs are responsible for coordinating, implementing, monitoring and reporting export activity resulting from services funded by this program. Pure Michigan Export also funds a Managing Director, a Director of International Trade Management, an International Trade Analyst, a Grant Administrator to coordinate all required information and reports for the United States Small Business Administration, Office of International Trade, and nine student interns.

**Recommendations**

MEDC Staff recommends that the MSF Board ratify and approve the application submitted to the SBA for STEP Program funding. MEDC Staff also recommends that the MSF approve the Amended Memorandum of Understanding with the MEDC for the MEDC to provide the identified administrative services and matching funds for the STEP Program. In accordance with the above information, MEDC Staff recommends re-approval of the proposed eligibility and application guidelines and grant template used last year.
FY15 Michigan - State Trade and Export Promotion (MI-STEP) 
Program Eligibility and Application Guidelines

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 online application intake 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.
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. Has in effect a strategic plan for exporting, per SBA guidelines.
4. Represent significant potential impact to the regional economy.
5. Have two years of domestic sales.
6. Register profit during the last year (venture capital and government grants do not qualify as sales revenue).
7. Provide an EIN number linked to a Michigan address.
8. 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 respond to MI-STEP Program quarterly surveys and provide export sales totals, export transactions and business activities resulting from the Pure Michigan Export Program.
3. All funds are pre-approved based on submitted application.
4. Companies are reimbursed for 50 percent of pre-approved expenses.
5. The Michigan Strategic Fund (MSF) retains final authority in the allocation of MI-STEP Program funds.
6. Funds for the MI-STEP Program are subject to availability.
7. Recommendations by economic development organizations may be required.

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. Overseas trade mission participation
2. International or domestic trade show participation
3. Foreign market sales trips
4. U.S. Department of Commerce services
5. Website and/or marketing material translation services
6. Agent, distributor and/or customer searches
7. Foreign market research
8. Foreign Market Product Certification

Section 2 – The Application Process

A – Following is a summary of the application and approval process for the Pure Michigan Export Program:

1. Interested companies complete and submit the online intake form at http://medc.force.com/ExportAssistance.
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)
B – Program Guidelines

1. Eligible expenses must be approved in advance by the International Trade Manager (ITM).
2. 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.
3. 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.
4. Companies must submit the MI-STEP Program Grant Application to the ITM prior to the event/activity for which funding is sought.
5. Companies will receive MEDC’s quarterly survey to track export activity results.

C – 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 directed to export@michigan.org.
Michigan Economic Development Corporation (MEDC)
Michigan - State Trade and Export Promotion (MI-STEP) Program
Grant Application and Agreement with
[Insert Full Company Name]
[Insert Full Company Address]

A complete application includes:
- A completed Exporting Strategic Plan
- A completed Export Activity Summary
- A proposed Budget for the Export Activity
- A signed SBA Self Representation as an “Eligible Small Business Concern” Form
- A signed Debarment Certification Form
- A signed MI-STEP Program Grant Agreement

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. Eligible companies may qualify for up to $12,000 (Tier 2 $7,000; Tier 3 $12,000) in assistance to offset a portion of their export marketing-related costs.

Eligibility

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.
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. Has in effect a strategic plan for exporting, per SBA guidelines.
4. Represent significant potential impact to the regional economy.
5. Have two years of domestic sales.
6. Register profit during the last year (venture capital and government grants do not qualify as sales revenue).
7. Provide an EIN number linked to a Michigan address.
8. 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).

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 Program 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 Program Grant Application to the ITM prior to the event/activity for which funding is sought.

Revised – 9/10/2014
4. Funds will be approved for eligible, specific and measurable export initiatives that require financial support. Company agrees to measure and share the results of the MI-STEP Program initiative for which they receive funding with the MEDC.

5. Company agrees to respond to quarterly MI-STEP Program Activity Surveys and provide export activity status and outcomes resulting from the MI-STEP Program for a period of two years following funded activity.

6. This agreement is subject to the terms and conditions of the U.S. SBA Notice of Award, SBA OIT-STEP-2014-01.

7. Eligible reimbursements are those in which the company invests at least 50 percent of the cost of the event or activity.

8. 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 include prices adjusted into USD at the exchange rate current to the date of purchase.

9. 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 MEDCs 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.

10. 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.

11. The company shall not assign, transfer, convey, subcontract, or otherwise dispose of any duties or rights under this agreement.

12. The company and MEDC hereby agree that the faxed 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.

13. 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.

Allowable Uses of MI-STEP Program Funds

MI-STEP Program 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:

- Overseas trade mission participation
- International or domestic trade show participation
- Foreign market buyer missions
- U.S. Department of Commerce services
- Website and/or marketing material translation services
- Match-Making and Appointment Setting

Revised – 9/10/2014
Translation and Interpreter Services
Foreign Market Research
Foreign Market Product Certification
Customer, Agent, or Distributor Searches

*Prospective applicants are encouraged to propose any export marketing-related activities that they believe will benefit and enhance their ability to launch and grow export operations.

Export Summary

Exporting Strategic Plan:

1. Briefly describe your product or service.
2. Please list the international markets you intend to pursue.
3. What led you to choose each international market?
4. What objectives do you aim to achieve in your prospective export markets?
5. What is the timeframe for meeting these objectives? (Specify by month or quarter)?
6. How appropriate or culturally compatible is the product or service you wish to export and what market research have you performed?
7. What is your competitive advantage in each of your prospective markets?
8. How capable is your company in supporting both market entry and market expansion with respect to your financial capabilities, production capacity and business development/marketing?
9. What knowledge or experience do you have with the international trade procedures in your prospective markets? How are you working to ensure your strategy is a success? (U.S. export requirements, foreign market import market requirements, logistics, export financing, etc.)

Title of Export Activity: (“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 Program funding (Note: Export activity must be completed by 9/30/2015 or the expiration date – whichever comes first). Explain the role this activity plays in your Exporting Strategic Plan.

Success Measures: 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.):

Revised – 9/10/2014
Travel Budget

Budgeting and Justification

Per-Diem Rates can be found at: [http://aoprals.state.gov/web920/per_diem.asp](http://aoprals.state.gov/web920/per_diem.asp)

For guidelines regarding airfare, please see: [http://www.gsa.gov/portal/content/103191](http://www.gsa.gov/portal/content/103191)

Activity Name:

Dates:

Name and Title of Traveler(s):

<table>
<thead>
<tr>
<th>Item</th>
<th>Description &amp; Calculations</th>
<th>Amount (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Airfare:</td>
<td>Indicate number of people traveling. If you intend to send more than one traveler, please justify. Name of U.S. Airline</td>
<td>$$$</td>
</tr>
<tr>
<td></td>
<td>Include a general flight itinerary with airport of departure, any transfer airports, a final destination and the names of any airlines used.</td>
<td></td>
</tr>
<tr>
<td>Hotel:</td>
<td>Number of persons multiplied by the number of nights at the regional Federal Per-diem Rate</td>
<td>$$$</td>
</tr>
<tr>
<td>Trade Show:</td>
<td>Trade show participations fee, booth shipping (include shipping carrier), booth set-up, electricity, etc.</td>
<td>$$$</td>
</tr>
<tr>
<td>Ground Transportation:</td>
<td>Taxis, busses, trains, etc.</td>
<td>$$$</td>
</tr>
<tr>
<td>Gold Key Services:</td>
<td></td>
<td>$$$</td>
</tr>
<tr>
<td>Miscellaneous:</td>
<td></td>
<td>$$$</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>$$$</strong></td>
</tr>
</tbody>
</table>

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

Revised – 9/10/2014
**Non-Travel Budget**

<table>
<thead>
<tr>
<th>Activity Name:</th>
<th>Dates:</th>
<th>Description &amp; Calculations</th>
<th>Amount (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Market Entry Strategy</strong></td>
<td></td>
<td>To ensure reasonable costs, please include quotes from three companies. Briefly justify the bid you chose.</td>
<td>$$$</td>
</tr>
<tr>
<td><strong>Market Research</strong></td>
<td></td>
<td>To ensure reasonable costs, please include quotes from three companies. Briefly justify the bid you chose.</td>
<td>$$$</td>
</tr>
<tr>
<td><strong>Logistics &amp; Planning</strong></td>
<td></td>
<td>To ensure reasonable costs, please include quotes from three companies. Briefly justify the bid you chose.</td>
<td>$$$</td>
</tr>
<tr>
<td><strong>Printing</strong></td>
<td></td>
<td>Specify the quantity to the best of your knowledge. (Number of pages per brochure, the number of brochures, etc.)</td>
<td>$$$</td>
</tr>
<tr>
<td><strong>Development of Marketing Materials</strong></td>
<td></td>
<td>Name the marketing service provider, public relations firm, advertising agency, etc. To ensure reasonable costs, please include quotes from three companies. Briefly justify the bid you chose.</td>
<td>$$$</td>
</tr>
<tr>
<td><strong>Translation</strong></td>
<td></td>
<td>To ensure reasonable costs, please include quotes from three companies. Briefly justify the bid you chose.</td>
<td>$$$</td>
</tr>
<tr>
<td><strong>Miscellaneous:</strong></td>
<td></td>
<td></td>
<td>$$$</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td>$$$</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Authorized Company Representative/Title</th>
<th>Date</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Authorized MEDC Export Representative/Title</th>
<th>Date</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>SBA Approval Date</th>
<th>MEDC Initial</th>
<th>Tracking #</th>
</tr>
</thead>
</table>

Effective Date

Expiration Date

<table>
<thead>
<tr>
<th>Authorized MSF Certifying Official</th>
<th>Date</th>
</tr>
</thead>
</table>