Call to Order

A. Adoption of Proposed MSF Meeting Minutes – March 27, 2013 [Action Item]
   Public Comment [Please limit public comment to three (3) minutes]
   Communication [Information – Elaine Jaworsky]

B. 21st Century Jobs Fund Program
   1. Great Lakes Towers, LLC d/b/a VenTower Industries – Loan Restructure Request [Action Item – Mary Bernest]
   4. Pure Michigan Urban Investment Fund
      a) Program Amendment [Action Item – Michael Flanagan]
      b) Michigan Detroit Loan Fund – Investment Recommendation [Action Item – Michael Flanagan]


D. Community Development Block Grant [CDBG] – [Action Items – Christine Whitz]
   1. City of Manistee (312 River Street) – Signature Building Grant
   2. City of Albion (Bohm Theater) – Blight Historic Preservation Grant
   3. 2013 Downtown Infrastructure Grant (DIG) Project – Multiple Communities
   4. City of Houghton (Roy’s Pasties and Bakery) – Signature Building Grant

E. Renaissance Zones – JMWingard, LLC (City of Coldwater) – Revocation [Action Item – Karla Campbell]

F. Job Creation MBT Credit Amendments – Magna US Holding [Action Item – Joshua Hundt]

G. Act 381 Brownfield Work Plan Amendment – Fulton and Division Project [Action Item – Dan Wells]


I. Quarterly Report to the Board – Credit Suisse [Information – Michael Flanagan]

Appendices – Quarterly Delegated Reports
   1. MBDP and MCRP Delegated Approval
   2. MEGA Tax Credit Administrative Amendments
   3. 21st Century Jobs Fund Loan/Grant Portfolio Delegated Authority
   4. MSDF and SSBCI Programs
   5. Updated Business Incubator Metrics for October 1, 2012 – March 21, 2013

Special Assistance: The location of this meeting is accessible to mobility-challenged individuals. Persons with disabilities needing accommodations for effective participation in the meeting should contact Elaine Jaworsky at 517.373.2727 one week in advance to request mobility, visual and hearing or other assistance.
A meeting of the Michigan Strategic Fund [MSF] Board was held on Wednesday, March 27, 2013, at the Michigan Economic Development Corporation [MEDC], Lake Michigan Room, 300 N. Washington Square, Lansing, Michigan

MEMBERS PRESENT: Steve Arwood, Ron Boji, Craig DeNooyer, Mike Finney, Sabrina Keeley, Andrew Lockwood [acting for and on behalf of Treasurer Dillon, designation attached], Bill Martin, Richard Rassel, and Shaun Wilson [via phone]

MEMBERS ABSENT: Mike Jackson, Howard Morris

CALL TO ORDER: Mr. Finney called the meeting to order at 1:33 p.m.

ADOPTION OF MSF PROPOSED MEETING MINUTES – February 27, 2013: Mr. Finney asked if there were any questions from the Board. There being none, Ms. Keeley motioned approval for the February 27, 2013 MSF Board Proposed Meeting Minutes. Ms. Arwood seconded the motion. The motion carried – 9 ayes; 0 nays; 0 recused; 2 absent.

PUBLIC COMMENT: Mr. Finney asked if there was any comment from the public. There was none.

COMMUNICATION: Elaine Jaworsky, Executive Assistant, advised the Board of the following:

1. A change has been made to the briefing memo for agenda item E-2, Federal-Mogul Corporation; and
2. A change has been made to Exhibit A of agenda item F, Administrative – Amended Background Review Policy for MSF Programs

21ST CENTURY JOBS FUND PROGRAM

[Mr. Wilson recused.]

Mike Gietzen, Development Finance Manager, provided the Board with information on this action item and introduced Mark W. Johnson, Vice President of Legal Affairs, Newell Rubbermaid.
Mr. Johnson presented background information regarding Newell Rubbermaid’s numerous product lines and stated that they are a global brand. Mr. Gietzen stated that Newell Rubbermaid plans to move into a newly constructed product design and testing facility, staffed by approximately 100 professionals dedicated to world-class creative design for the Corporation's brands. Presently the Company has design and test facilities in Illinois, Virginia, Massachusetts, Georgia, North Carolina and California that they would like to consolidate into one facility. Within three years of implementing the project, they expect to relocate into a 35,000 sq. ft. facility to house these professionals.
**Recommendation:** Staff recommends approval of the MBDP Proposal as outlined in the term sheet, closing the MBDP Proposal, subject to available funding under the MBDP at the time of closing, satisfactory completion of due diligence, finalization of all MBDP transaction documents, and further state that the commitment will remain valid for 120 days with approval for MSF Fund Manager to extend the commitment an additional 60 days.

**Board Discussion:** Mr. Finney asked if there were any questions from the Board. Mr. Arwood noted that the disbursement schedule was front loaded and asked what would happen if there was no movement. Mr. Johnson stated that the parties would separate. Mr. DeNooyer asked where their headquarters are located and Mr. Johnson replied in Georgia. Mr. Johnson noted that working with the team at the MEDC and in Michigan has been a very pleasant process. There being no further questions, Mr. Martin motioned approval for Resolution 2013-050. Ms. Keeley seconded the motion. The motion carried – 8 ayes; 0 nays; 1 recused; 2 absent.

[Mr. Wilson recused.]

**Resolution 2013-051 – Michigan Business Development Program – Southwest Michigan First Corporation**

Mike Gietzen, Development Finance Manager, provided the Board with information on this action item and introduced Jennifer Owens, Southwest Michigan First.

Ms. Owens informed the Board that they are very happy to have Newell Rubbermaid at their location and are committed to the building project. Mr. Gietzen further stated that the project will be the development of a consolidated new product design and testing facility, staffed by approximately 100 professionals dedicated to world-class creative design. Presently the business has design and test facilities in Illinois, Virginia, Massachusetts, Georgia, North Carolina and California. Within three years of implementing the project, the company expects to relocate to a 35,000 sq. ft. facility to house these professionals. Southwest Michigan First Corporation will offer a design build lease option at Western Michigan University’s Business, Technology and Research Park, with free land for the development. Southwest Michigan First proposes to provide the facility at no-cost for the first 5 years of occupancy. During this time, Newell Rubbermaid will be responsible for triple net (NNN) expenses, building upkeep and maintenance. At the end of 5 years, the company will have the option to purchase the building at cost, or lease it at market rate. Southwest Michigan First plans to construct the facility in Kalamazoo for Newell Rubbermaid and will utilize the BDP Performance-based Loan to fund the construction and 5 year term while the facility is not generating any revenue.

**Recommendation:** Staff recommends the approval of the MBDP Proposal as outlined in the term sheet, and resolution.

**Board Discussion:** Mr. Finney asked if there were any questions from the Board. Mr. Martin asked if the land was titled to Western Michigan University. Ms. Owens stated that Southwest Michigan First is purchasing the land from the University. There being no further questions, Mr. Martin motioned approval for Resolution 2013-051. Ms. Keeley seconded the motion. The motion carried – 8 ayes; 0 nays; 1 recused; 2 absent.

[Mr. Wilson returns.]

Mr. Chris Cook, Capital Services Associate, provided the Board with information regarding this action item.

Mr. Cook explained that Zehnder’s of Frankenmuth, Inc. was formed in 1856 and features a variety of products and services, including a restaurant, bakery, 18-hole golf course, and a hotel & water park ("Splash Village"). Phase I of the hotel and water park was completed in 2005 at a cost of $16 million and consisted of renovations to 146 hotel rooms and the addition of a 20,000 sq. ft. indoor waterpark. The Phase I water park attractions are designed to cater to ages 2-12. Zehnder's had planned to add Phase II in 2010, but decided to postpone due to poor economic conditions. Based on the success of Phase I and an overall improvement in the economy, Zehnder's is seeking to expand the hotel and waterpark operations by adding Phase II. The planned expansion would add 32 new hotel rooms, renovate 16 existing rooms that face the water park, and add 29,000 sq. ft. to the waterpark geared toward age’s 10-young adult. The addition will also feature an enclosed structure with a retractable roof. Zehnder's is seeking financing for $16 million of the proposed project costs, with the remaining $4.4 million to be paid by the Company. The 12/31/12 balance sheet reflects Company liquidity sufficient to provide the required equity contribution.

Recommendation: Staff recommends acknowledgment by the MSF that the Designated Information is confidential, approval of the MLPP proposal; and closing the MSF support, subject to available funding under the MLPP at the time of closing, completion of due diligence, the results of which are satisfactory to the MEDC, finalization of a Loan Participation and Servicing Agreement and Supplemental Agreement, and further subject to the following terms and conditions outlined in the Resolution and Briefing Memo.

Board Discussion: Mr. Finney asked if there were any questions from the Board. Mr. DeNooyer asked if Citizens was the only bank involved. Mr. Cook responded that they are and that Citizens is the preferred bank by Zehnder’s. There being no further questions, Ms. Keeley motioned approval for Resolution 2013-052. Mr. Arwood seconded the motion. Motion carried 9 ayes; 0 nays; 0 recused; 2 absent.

COMMUNITY DEVELOPMENT BLOCK GRANT [CDBG]

[Mr. Wilson recused.]

Resolution 2013-053 – City of Frankenmuth – Frankenmuth Splash Village

Deborah Stuart, Director, Community Incentive Programs, provided the Board with information on this action item.

Ms. Stuart stated that Zehnder’s of Frankenmuth will expand their current Splash Village Water Park & Hotel facility to create an additional 30,000 square feet of waterpark and 26-36 additional hotel rooms—more than doubling the current size of the existing tourism venue. Working with the Company, the City of Frankenmuth needs to improve its waste water collection system serving the Splash Village property to provide adequate capacity for the operation of the new hotel rooms, the new waterpark and to sustain existing service to neighboring properties. CDBG eligible activities will include the following infrastructure improvements: sanitary sewer replacement along Jefferson, Main, and Plant Streets in Downtown Frankenmuth, removal and reconstruction of all necessary public right of ways along this route, not excluding roadways or pedestrian right of ways.
This project qualifies for CDBG funding as the project activities are expected to result in the creation of 69 full time positions over the next two years, six months. The company has agreed that at least 35 of the 69 positions will be held by low to moderate income persons. The project meets a national objective by providing benefits to at least 51 percent of low and moderate income persons. The CDBG cost per job is $7,246, with an average wage of $9.70 per hour. This project involves eligible activities identified in Section 105(a)(2) of Title I of the Housing and Community Development Act of 1974, as amended.

**Recommendation:** After reviewing the proposal, MEDC staff has concluded that the project meets the minimum program requirements to be eligible under the CDBG program. Therefore, staff, recommends that a grant agreement, in the amount of $500,000, be authorized for the City of Frankenmuth.

**Board Discussion:** Mr. Finney asked if there were any questions from the Board. Mr. Arwood questioned whether the community was in an entitlement area. Ms. Stuart said that they are not and are eligible for the state CDBG allocation. There being no further questions, Mr. Arwood motioned approval for Resolution 2013-053. Mr. DeNooyer seconded the motion. The motion carried – 8 ayes; 0 nays; 1 recused; 2 absent.

[Mr. Wilson returns.]

**Resolution 2013-054 – Approval of Consolidated Plan**

Deborah Stuart, Director, Community Incentive Programs, provided the Board with information on this action item.

Ms. Stuart presented that the State of Michigan's Housing and Community Development Consolidated Plan is submitted pursuant to a HUD rule (24 CFR Part 91, 1/5/95) as a single submission covering the planning and application aspects of HUD's CDBG, Emergency Shelter Grant (“ESG”), HOME Investment Partnership (“HOME”) and Housing Opportunities for Persons with AIDS (“HOPWA”) formula programs. While the Michigan State Housing and Development Authority submits the Consolidated Plan on the State’s behalf, the MSF has authority over the Action Plan related to CDBG funds. The details on the selection criteria for each program are general in the Plan, but will be further defined in the Application Guide that will be considered for approval by the MSF at a later date. Project periods and grant amounts will be determined and tailored for each specific project proposal. Public comment period for the Plan started on February 28 and will be completed on April 2. Any public comments received that would be appropriate to be implemented and would require substantial changes to the Action Plan will be brought back to the MSF Board for consideration at the April MSF meeting.

**Recommendation:** After reviewing the programs and regulations, staff has concluded that the programs identified are in compliance with the federal CDBG regulations, and staff recommends the MSF authorize the Fund Manager to submit the final CDBG 2013 Action Plan as part of the Consolidated Plan, in coordination with the MSHDA, to HUD for their consideration.

**Board Discussion:** Mr. Finney asked if there were any questions from the Board. Mr. Arwood asked about program income. Ms. Stuart stated that Program Income is additional income that adds to the allocation. An example would be if a property is sold within the restricted time frame. There being no
further questions, Ms. Keeley motioned approval for Resolution 2013-054. Mr. Arwood seconded the motion. The motion carried – 9 ayes; 0 nays; 0 recused; 2 absent.

INDUSTRIAL DEVELOPMENT REVENUE BOND PROGRAM [IDRB]

Resolution 2013-055 – Almond Products, Inc./Pioneer Investment Company, LLC/ Pioneer Real Estate, LLC

Diane Cranmer, IDRB Specialist, provided the Board with information regarding this action item and introduced Andrew D. Hakken, Warner Norcross & Judd LLP and Gary J. Pierce, CFO, Almond Products, Inc.

Mr. Hakken stated that Almond Products, Inc., Pioneer Investment Company, L.L.C., Pioneer Real Estate, LLC, collectively the “Borrowers” are incorporated in the State of Michigan, and that the bonds were originally issued in 2008 and were secured by a letter of credit issued by Bank of America, N.A. Proceeds of the bonds were used for the construction, rehabilitation, acquisition, and installation of manufacturing facilities in Spring Lake Township, Ottawa County. The real estate facilities are owned by Pioneer Real Estate and leased to Almond Products. The personal property facilities are owned by Pioneer Investment and leased to Almond Products. Almond Products operates all of the manufacturing facilities in its business of coating parts, generally for the automotive, appliance, furniture and defense industries. Approximately 175 employees work at the facilities. Ms. Cranmer noted that the purpose of the refunding is to convert the Bonds into a direct purchase Bond for the Bank to hold for its own account upon mutually agreeable terms and conditions. This will benefit the Borrowers by significantly reducing their borrowing costs and, thereby, freeing up cash flow to operate and grow the business.

Recommendation: Based upon a determination by Warner Norcross & Judd and the State of Michigan Attorney General’s Office that the proposed refunding complies with state and federal law requirements, staff recommends the adoption of the Resolution approving the addition of a bank purchase mode to the existing or restructure documents and refunding of the prior bonds.

Board Discussion: Mr. Finney asked if there were any questions from the Board. There being none, Ms. Rassel motioned approval for Resolution 2013-055. Mr. Arwood seconded the motion. The motion carried – 9 ayes; 0 nays; 0 recused; 2 absent.

JOB CREATION MBT CREDIT AMENDMENTS

Resolution 2013-056 – Martinrea Jonesville, LLC

Stacy Bowerman, Development Finance Manager, provided the Board with information regarding this action item and introduced Pete Bertolini, Director of Operations Martinrea Jonesville.

Mr. Bertolini stated that Jonesville, LLC (the “Company”), founded in 2001, develops and manufactures state-of-the-art metal forming and fluid management systems for the automotive and industrial sectors. The Company is a Tier I automotive supplier that manufactures underbody components for multiple automobile customers such as Ford, GM, Chrysler and Honda. The Company also supplies non-automotive related components and parts to customers including John Deere. The Company currently has 1,415 employees in Michigan. Ms. Bowerman noted that on May 19, 2009, the MEGA Board approved a seven year, 100 percent Standard MEGA tax credit for up to 109 net new employees over a statewide employment base of 470 and a seven year, 100 percent Retention MEGA Tax Credit for 104 retained
employees at the Company’s Jonesville facility to support the acquisition of the former SKD facility. The project is complete and the Company is currently collecting on both credits. On January 18, 2011, the MEGA Board approved a five year, 75 percent Standard MEGA Tax Credit for an expansion at the Company’s Jonesville location to support production of automotive components. The MEGA Tax Credit is for a maximum of 168 Qualified New Jobs over statewide employment base of 1,026. The Average Weekly Wage for the project is $623. The Company is currently applying for their 2011 tax year under this credit and anticipates 90 Qualified New Jobs.

To allow for the growth in Michigan, the Company would like to increase their job creation cap on their 2011 Standard MBT Jobs Creation tax credit by 122 to allow for up to 290 qualified new jobs and revise the Project Description to include, “expansion of manufacturing operations related to production of automotive components, and create jobs in the Village of North Adams”, effective January 1, 2013.

**Recommendation:** The Michigan Economic Development Corporation recommend amending the Qualified New Jobs from 168 to 290 over the Company’s base beginning January 1, 2013, adding the Village of North Adams as a location and all other terms and conditions remain the same. amendments to the Standard MBT Jobs Creation tax credit, for three years as noted in the Resolution and Briefing Memo:

**Board Discussion:** Mr. Finney asked if there were any questions from the Board. There being none, Mr. Arwood motioned approval for Resolution 2013-056. Mr. DeNooyer seconded the motion. The motion carried – 9 ayes; 0 nays; 0 recused; 2 absent.

[Mr. Wilson recused.]

**Resolution 2013-057 – Federal-Mogul Corporation**

LeTasha Peebles, Program Specialist, provided the Board with information regarding this action item. Ms. Peebles presented that on December 27, 2004, the MEGA Board approved a 20-year, 100 percent Retention MEGA Tax Credit to Federal-Mogul Corporation (Resolution 2004-83). The project would allow the Company to retain operations and make New Capital Investment at the Greenville Manufacturing facility to reduce the lead used in manufacturing various products, and to manufacture a new product. The project would result in the maintenance by the Company and Subsidiary Companies of the statutory minimum of 1,000 Retained Jobs at the project facilities, including a minimum of 150 Retained Jobs at the Company’s Southfield World Headquarters. The credit was awarded for up to 1,866 Retained Jobs, with an average weekly wage of $1,174.

On September 1, 2012, the Federal-Mogul Corporation began operating with two end-customer focused business segments. The Powertrain (“PT”) segment focuses on original equipment products for automotive, heavy duty and industrial applications. The Vehicle Components Solutions (“VCS”) segment sells and distributes a broad portfolio of products in the global aftermarket, while also serving original equipment manufacturers. The new organizational model allows for a strong product line focus benefitting both original equipment and aftermarket customers. The division of the global Federal-Mogul business into two operating segments is expected to enhance management focus to capitalize on opportunities for organic or acquisition growth, profit improvement, resource utilization and business model optimization in line with the unique requirements of the two different customer bases. In order to utilize the new business segment, Federal-Mogul has created the additional entity known as Federal-
Mogul Vehicle Component Solutions, Inc. which will house employees included in the retained credit calculation. As a result, the Company is requesting to have the additional entity added as a Subsidiary Company. The MEGA tax credit began with the company’s tax year ending December 31, 2005 and the company has collected on all years through 2011.

**Recommendation:** The Michigan Economic Development Corporation recommends that Federal-Mogul Vehicle Component Solutions, Inc. be added to the Agreement as a Subsidiary Company for Retained Job purposes. All other terms and conditions of the original MEGA remain intact.

**Board Discussion:** Mr. Finney asked if there were any questions from the Board. Mr. Arwood asked where the facilities were when the project was originally approved. Ms. Peebles stated they were in Greenville, Southfield, Ann Arbor, Plymouth and Sparta. There being no further questions, Mr. Martin motioned approval for Resolution 2013-057. Mr. DeNooyer seconded the motion. The motion carried – 8 ayes; 0 nays; 1 recused; 2 absent.

**Resolution 2013-058 – MAHLE, Incorporated**

LeTasha Peebles, Program Specialist, provided the Board with information regarding this action item. Ms. Peebles stated that on June 27, 2008, the MEGA Board approved a 7-year, 100 percent High-Tech MEGA Tax Credit to MAHLE Industries, Incorporated (Resolution 2008-53). The project would allow the Company to expand and create jobs at its North American Technical Center to consolidate various administrative functions in the City of Farmington Hills, Oakland County. The credit was awarded for up to 155 Qualified New Jobs with an average weekly wage of $1,357 above a Base Employment Level of 338 full-time employees. On the original application submitted by the Company, the full time employees for the Novi and Farmington Hills facilities came to a total of 204. As a result, the Base Employment Level was defined in the Agreement to specifically include the two facilities noted above and was set at 204. However, the Resolution required the company to maintain 338 employees, 134 more than those working at the two facilities. Based on the items identified, MAHLE is requesting to have the Base Employment Level corrected to 204 employees who were working at the two locations at the time of application.

MAHLE Industries has also outgrown their existing facility at 23030 Haggerty Road and in June of 2012, the Company acquired an adjacent building located at 23200 Haggerty Road to accommodate the growth. Since the company continued to use both buildings, the City of Farmington Hills designated the two as a single building with the address of 23030 MAHLE Drive. With the buildings combined, MAHLE has consolidated its North American central functions into one campus at the location. Due to the inclusion of all jobs at the location, the Company will now have an additional Employer Identification Number (EIN) to add to the MEGA Credit. This EIN will still represent MAHLE Industries, Incorporated, but will exclusively house all non-management employees for payroll purposes only. Currently, the Company has 172 employees who are affected by this. As a result, MAHLE Industries is also requesting to have the additional EIN count for Base and Qualified New Job purposes. The MEGA tax credit began with the Company’s tax year ending December 31, 2011 with the option to pull the credit ahead.

**Recommendation:** The Michigan Economic Development Corporation recommends that MAHLE Industries, Incorporated Base Employment Level be amended and the additional Employer Identification
Number added to the Agreement for Base and Qualified New Job purposes. All other terms and conditions of the original MEGA remain intact.

**Board Discussion**: Mr. Finney asked if there were any questions from the Board. There being none, Ms. Keeley motioned approval for Resolution 2013-058. Mr. Rassel seconded the motion. The motion carried – 9 ayes; 0 nays; 0 recused; 2 absent.

**ADMINISTRATIVE**

**Resolution 2013-059 – Amended Background Review Policy for MSF Programs**

Karla Campbell, Strategic Fund Manager, provided the Board with information regarding this action item.

Ms. Campbell stated that at the February 2012 MSF meeting, the MSF passed Resolution 2012-25, the Background Review Policy (Policy) for the Michigan Business Development Program (“MBD”), created under Section 88r of the MSF Act to replace the former MEGA program, and the Michigan Community Revitalization Program (“CRP”), created under Chapter 8C of the MSF Act, to replace the former Brownfield program. At the September 27, 2012 meeting, the MSF passed Resolution 2012-108, an amendment to the Background Review Policy, to better reflect the legislative intent and establish mitigating factors to consider in evaluating whether findings have a negative impact on business integrity. Since that time, it has been determined that there are unique projects where the applicant entity for the grant or loan is a non-profit entity, an institution of higher education or a municipality. When the applicant is a non-profit entity, an institution of higher education, or a municipality, the general board members are usually volunteers who do not have direct control of the applicant’s operations. To better serve these unique projects, we would recommend delegation of authority to both the MSF Chairperson and the MSF Fund Manager, to approve an exception in part or in whole to the Background Review Policy for non-profit entities, institutions of higher education, and municipalities. This would not only impact 21st Century Jobs Fund programs, but all other MSF programs where a background review requirement has been established.

**Recommendation**: MEDC and MSF staff recommends approval of the Background Review Policy to allow the MSF Chairperson and the MSF Fund Manager the delegated right to approve an exception to the Policy for non-profit entities and rescinding Resolution 2012-25 and Resolution 2012-108. Staff will report to the MSF whenever the MSF Chairperson and the MSF Fund Manager make an exception.

**Board Discussion**: Mr. Finney asked if there were any questions from the Board. Mr. Martin stated that he believed that a non-profit Board does have a fiduciary responsibility. Ms. Campbell assured him that those who have close ties to processing the money will be included in background checks. They will be certain that the entity provides assurances that there has been some sort of background check done on the Board members. Mr. Arwood asked how they looked at a municipality and a public or private university. Ms. Campbell said that the only program that would involve a municipality is CDBG and they would not do a background check in that instance. A public or private university will be viewed as a non-profit. There being no further questions. Mr. Martin motioned approval for Resolution 2013-058. Mr. Rassel seconded the motion. The motion carried – 9 ayes; 0 nays; 0 recused; 2 absent.

The meeting adjourned at 2:15 p.m.
MEMORANDUM

Date: April 24, 2013
To: MSF Board Members
From: Mary Bernest - Portfolio Manager
Subject: Great Lakes Towers, LLC d/b/a Ventower Industries
Loan Restructure Request
Choose Michigan Fund

BACKGROUND

Great Lakes Towers, LLC d/b/a Ventower Industries (“Ventower” or the “Company”) is a full service fabricator and supplier of industrial-scale wind turbine towers. Focused on original equipment manufacturers, the Company provides high quality wind towers to its customers throughout the Great Lakes Region by using readily accessible water, rail and truck transportation options for delivery. The Company redeveloped a 38 Acre Brownfield site at the Port of Monroe and built a state of the art wind tower manufacturing facility. The new, 115,000 s.f. facility was constructed on a 38-acre parcel purchased from the Port of Monroe.

Ventower’s ability to undertake this project is the result of significant federal, state and local (via the City of Monroe) financial incentives portrayed in the chart below. The project has resulted in the creation of 59 new jobs and the Company expects to employ 150 when at full capacity.

Ventower has also received other State and Federal Incentives:

<table>
<thead>
<tr>
<th>Investment</th>
<th>Amount</th>
<th>Comments</th>
<th>Current Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>MEGA</td>
<td>$3,702,000</td>
<td>100% 10 year PIT for up to 152 net new employees over the Company’s Established employment base of 0</td>
<td>Have not yet applied</td>
</tr>
<tr>
<td>Brownfield MBT Large Credit</td>
<td>$4,400,000</td>
<td>20% UDAP project based on eligible investment $22,000,000 phases</td>
<td>Received partial credit on 1 of 3 phases</td>
</tr>
<tr>
<td>Brownfield TIF State Mills</td>
<td>$2,798,688</td>
<td>Based on Eligible Activities of $5,830,000</td>
<td>Collecting</td>
</tr>
<tr>
<td>Brownfield TIF Local Mills</td>
<td>$3,031,912</td>
<td></td>
<td>Collecting</td>
</tr>
<tr>
<td>Brownfield TIF State Mills - DEQ</td>
<td>$1,000,000</td>
<td>Remediation of the factory construction site</td>
<td>Collecting</td>
</tr>
<tr>
<td>PA 198 Local Mills</td>
<td>$954,373</td>
<td>City of Monroe - 50% Real Property for 12 years</td>
<td>Collecting</td>
</tr>
<tr>
<td>DEQ Site Reclalm Loans/Grants</td>
<td>$1,000,000</td>
<td>Remediation of the factory construction site</td>
<td>Collected</td>
</tr>
<tr>
<td>Choose Michigan</td>
<td>$5,000,000</td>
<td>Convertible loan</td>
<td>Requesting restructuring</td>
</tr>
<tr>
<td>Federal Tax Credit</td>
<td>$2,553,300</td>
<td>Federal Advanced Energy Manufacturing Tax Credit (MTC) Award (Section 48C)</td>
<td>Will collect when profitable</td>
</tr>
<tr>
<td>Construction Loan</td>
<td>$3,996,000</td>
<td>5/3rd Construction loan</td>
<td>In process of restructuring</td>
</tr>
<tr>
<td>Other Federal</td>
<td>$300,000</td>
<td>EPA Revolving Loan to the Brownfield Authority</td>
<td>Active</td>
</tr>
<tr>
<td>ARRA</td>
<td>$2,250,000</td>
<td>Grant</td>
<td>Collected</td>
</tr>
<tr>
<td>EERE</td>
<td>$1,250,000</td>
<td>Loan</td>
<td>Restructured</td>
</tr>
</tbody>
</table>

CURRENT STATUS

Ventower met with a myriad of challenges when initially starting the company. Construction of the manufacturing facility cost $2.25M more than anticipated. Additionally, building took 6 months longer than anticipated. While the cost of this delay is hard to quantify, the delay coincided with the expiration of Federal Production Tax Credit (“PTC”) for the wind industry at the end of 2012, resulting in a decreased demand for towers. While the PTC was renewed by Congress in early 2013, the short-term implications were significant. Wind farm projects were put on hold, resulting in virtually no orders being placed during part of 2012 for wind turbine components - including towers. Moreover, the Company faced challenges finding skilled labor to operate the tower making equipment, further delaying their
ability to produce the towers. Significant resources were needed to be allocated to hire, train and educate the workforce.

Although they faced early challenges, the Company continues on with its plan as a supplier of choice for wind turbine towers in the Great Lakes region. The recent renewal of the PTC has significantly increased demand and added to their strong pipeline. Furthermore, given the industry landscape, Ventower has a significant advantage because of its location and proximity to US States that have Renewable Portfolio Standards (“RPS”) similar to the one in Michigan (10% by 2015). 29 US States have various levels of RPS requirements, most of which are in the Great Lakes region and Eastern US, making Ventower a logical logistical supplier. The Company continues to see strong growth as a result of the RPS and the renewal of the PTC. Active customers now include: GE, Aeronautica Wind Power, Goldwind and Nordex. The company recently signed a tower supply framework agreement with Siemens Wind Power for 5 years and is negotiating the validation order under the agreement. During its first year of operation, the Company manufactured and delivered 15 towers to customers in the utility wind turbine market and plant output has effectively been “booked” until the end of 2013. Revenue of $326,000/tower is expected at a margin of about $85,000/tower.

Ventower has significantly increased its employment since starting with 4 employees in March of 2010 (groundbreaking) to 59 today and on track to achieve employment of 75 by end of Q2 2013. Ventower has developed a number of local suppliers to participate in the wind energy growth in the region through supplies of smaller parts and consumables to Ventower. The Company has recently secured an investment of $2.5M from BC Metals and Minerals Ltd in addition to the initial $5M in matching funds. The Company also secured a $3.9M construction loan from 5/3rd Bank.

Looking ahead, the Company remains committed to expanding its presence in the region and has already started discussions with shareholders and its customers on the Phase II expansion of the Monroe facility. The expansion will involve the addition of steel fabrication, welding equipment and fixtures as well as improvements to current site and adjacent property (also a Brownfield) to accommodate added product storage and staging. Improvements are expected to cost $2M-$3M. Upon completion of Phase II expansion, throughput of tower sections is expected to reach 720 sections (equivalent to 240 towers, each with 3 sections) with employment reaching the 150 originally projected. Concurrently with Phase II expansion, the Company, based on the MEDC’s Economic Gardening Team’s recommendations, is considering undertaking diversification project(s) to add new product line(s) to its business targeting oil and gas industry as well as heavy machinery component markets.

CHOOSE MICHIGAN LOAN OVERVIEW

INVESTMENT SUMMARY

<table>
<thead>
<tr>
<th>Loan Amount:</th>
<th>$5,000,000</th>
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<tbody>
<tr>
<td>Disbursed:</td>
<td>$5,000,000</td>
</tr>
<tr>
<td>Type of Loan:</td>
<td>Convertible</td>
</tr>
<tr>
<td>Interest Rate:</td>
<td>1%</td>
</tr>
<tr>
<td>Loan Issuance Date:</td>
<td>9/30/2009</td>
</tr>
<tr>
<td>Maturity Date:</td>
<td>10/01/2012</td>
</tr>
<tr>
<td>Outstanding Balance as of 3/31/13:</td>
<td>$5,142,677.54</td>
</tr>
</tbody>
</table>

In April 2011, the MSF approved Ventower’s request to subordinate the MSF’s security interest in the Wheelabrator equipment to Wheelabrator Group, Inc. in an amount up to $400,000 and to subordinate MSF’s security interest in the Lincoln Electric equipment to Lincoln Electric Company in an amount up to $310,000. MSF will continue to be secured on equipment with a total acquisition cost of $4,465,320.00
LOAN RESTRUCTURE REQUEST

Due to the above scenario, the Company is requesting that the MEDC approve the following (collectively, the “Loan Restructure Request”):

- Defer interest and principal payments to 01/01/2014 when interest and principal will be recapitalized
- Recapitalization of interest and principal to 10/01/2012 and apply thereafter an increased interest rate from 1% to 3.75%.

Given the initial setbacks faced by Ventower, specifically related to the PTC expiration, increased cost of the facility and the higher than expected cost to train employees, the Company currently does not have the cash flows necessary to service the loan. The Portfolio Manager, however, believes that given the renewal of the PTC, the strong sales pipeline, increased production, location of the facility and growth expectations, they will be able to service the loan if given more time to start making payments. In exchange for this deferment, the MSF will receive a substantially higher interest rate. The Portfolio Manager believes that the deferment in exchange for the increased interest rate is in the best interest of both the Company and the MSF.

RECOMMENDATION

MEDC Staff respectfully recommends that the MSF approve the loan restructure as presented above. MEDC staff has analyzed both current and projected financials, the previous setbacks as well as the potential for growth and changing economic conditions and believes that it is in the best interest of the MSF to provide the company with a 15 month extension in return for an increased interest rate.
WHEREAS, Public Acts 215 and 225 of 2005 (collectively, the “Act”) established the 21st Century Jobs Trust Fund initiative;

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

WHEREAS, at its meeting on May 7, 2007, the MSF Board established a loan enhancement program as then described in MCL 125.2088d (“Choose Michigan Fund Program”);

WHEREAS, pursuant by PA No. 571 of 2008, effective January 16, 2009, MCL.125.2088d was amended to include additional loan enhancement provisions under MCL 125.2088d(6);

WHEREAS, on February 25, 2009, the MSF Board approved guidelines to be incorporated into the Choose Michigan Fund Program, including the loan enhancement provisions described in MCL 125.2088d(6) (collectively, “Program Requirements”);

WHEREAS, the Michigan Strategic Fund (“MSF”) Board and Great Lakes Towers, LLC d/b/a Ventower Industries (“Ventower” or “Company”), entered into a Convertible Loan Agreement (“Loan Agreement”) whereby the MSF agreed to loan up to $5,000,000 (the “Loan”) to Ventower under the terms and conditions set forth in the Loan Agreement, Security Agreement (“Security Agreement”), and the Promissory Note (“Note”), each dated September 30, 2009;

WHEREAS, Company has requested that the MSF amend the Loan to effectuate an extension to the grace period and new payment schedule, with terms and conditions that shall include:

(a) increasing the interest rate under the Note from 1.00% to 3.75%;

(b) extending the grace period ending date under the Note to December 31, 2013;

(c) on October 1, 2012, restating all accrued and unpaid interest on the Loan and adding it to the outstanding principal; and

(d) requiring Note payments in equal installments of principal and interest to begin on January 1, 2014 and continuing for the following 59 months.

(the aforementioned, collectively, the “Loan Amendment Request”)

WHEREAS, the MEDC has reviewed the Loan Amendment Request and has determined that the Loan Amendment Request should enhance the Company’s business interests and contribute to economic development in the State of Michigan;

WHEREAS, the MEDC recommended to the MSF Advisory Committee that the MSF approve the Loan Amendment Request;

WHEREAS, the MSF Advisory Committee recommends and the MSF desires to approve the Loan Amendment Request.

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

BE IT FURTHER RESOLVED, that the MSF Fund Manager is authorized to negotiate and execute all documents necessary to effectuate the Loan Amendment Request.

Ayes:

Nays:

Recused:

Lansing, Michigan
April 24, 2013
MEMORANDUM

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

FROM: Trevor Friedeberg, Development Finance Analyst

DATE: April 24, 2013

SUBJECT: Approval of Michigan Business Development Request for $1.5 million Performance-based Grant to:

ADP Dealer Services, Inc. (“Applicant” or “Company”)
1950 Hassell Road
Hoffman Estates, IL 60169
www.adp.com

MBDP PROGRAM AND ITS GUIDELINES
On December 21, 2011, the MSF Board approved the Michigan Business Development Program (“MBDP”) and its guidelines. The primary intended objective of the MBDP is to provide incentives to businesses that create qualified jobs, make qualified investments, or a combination of both, in Michigan.

SOURCE OF INFORMATION
It is the role of the Development Finance 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 MEDC staff.

HISTORY OF THE APPLICANT
ADP Dealer Services, Inc. is the leading provider of integrated computing solutions to truck, auto, motorcycle, marine, recreational vehicle and heavy equipment dealers worldwide and is represented in nearly 100 countries. ADP Dealer Services, Inc. is a division of Automatic Data Processing, Inc. (parent) which is one of the world’s largest providers of business outsourcing solutions and offers a wide range of human resource, payroll, and tax and benefit administration services. ADP, Inc., which is a subsidiary of the parent, has locations in Michigan and approximately 474 jobs. ADP, Inc. and ADP Dealer Services, Inc. are separate and distinct companies performing unrelated services.

The Applicant has not received any incentives from the MSF previously.
**PROJECT DESCRIPTION**
The Applicant plans to locate in the Renaissance Center in Detroit, Michigan to expand market share and presence in the Midwest United States, make investments and create jobs related to data processing, hosting, and related services. Currently, the Company has 10 home-shored employees conducting similar services.

a) The Applicant is a “Qualified Business”, as defined in MCL 125.2088r(9)(b), that will locate and operate in Michigan.
b) The project will be located in the City of Detroit. The City of Detroit has offered a “staff, financial, or economic commitment to the project” in the form of a personal property tax abatement.
c) The Applicant has demonstrated a need for the funding based on the necessity to incur costs that would not be necessary if the expansion were to occur in either Seattle or Hoffman Estates, Illinois as both of these locations are readily available to accommodate additional employees without additional leased space or renovations and improvements.
d) The Applicant plans to create 150 Qualified New Jobs above a statewide base employment level of 10.
e) The project meets the program guidelines as follows: the proposed project involves out-of-state competition; has a net positive return to Michigan; has a projected high wage level for new jobs; and the project is located in a distressed community.

**INCENTIVE OPPORTUNITY**
This project involves the creation of 150 Qualified New Jobs and a capital investment of up to $3.3 million in the City of Detroit. The requested incentive amount from the MSF is $1.5 million in the form of a performance-based grant. Please see below for more information on the recommended action.

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

a) Approval of the MBDP Proposal as outlined in the term sheet attached to the proposed Resolution (collectively, “MBDP Proposal”);
b) Closing the MBDP Proposal, subject to available funding under the MBDP at the time of closing (“Available Funding”), satisfactory completion of due diligence, (collectively, “Due Diligence”), finalization of all MBDP transaction documents, and further subject to the following terms and conditions:
   a. Commitment will remain valid for 120 days with approval for MSF Fund Manager to extend the commitment an additional 60 days.

The MSF Advisory Committee has indicated its support of the Recommendation.
WHEREAS, the Michigan legislature passed legislation establishing the 21st Century Jobs Trust Fund initiative that was signed into law;

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

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

WHEREAS, on December 21, 2011, by Resolution 2011-184, the MSF (i) created the MBDP, (ii) adopted the guidelines for the MBDP (“Guidelines”), and (iii) approved the MSF Fund Manager to negotiate the final terms and conditions of the written agreements to be used to memorialize MBDP awards on the MSF’S behalf in accordance with the Guidelines (“Transaction Documents”);

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

WHEREAS, ADP Dealer Services, Inc. (“Company”) has requested a performance based MBDP grant of up to $1.5 million (“Grant Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”);

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

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

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan
April 24, 2013
MICHIGAN BUSINESS DEVELOPMENT PROGRAM
Performance Based Grant - Term Sheet

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

Date: 3/29/2013

1. Company Name: ADP Dealer Services, Inc. ("Company" or "Applicant")

2. Company Address: 1950 Hassell Road
                   Hoffman Estates, Illinois 60169

3. Project Address ("Project"): Renaissance Center
                   Detroit, Michigan 48243

4. MBDP Incentive Type: Performance Based Grant

5. Maximum Amount of MBDP Incentive: Up to $1,500,000 ("MBDP Incentive Award")

6. Base Employment Level 10
   The number of jobs currently maintained in Michigan by the Company based on data submitted by the Company to the MEDC reflecting the Company's employment level in Michigan prior to the proposed project. The Base Employment Level, including identification of the Company data used to establish this level, shall be included in the final MBDP Incentive Award agreement ("Agreement") between the MSF and the Company.

7. Total Qualified New Job Creation: 150
   (above Base Employment Level)
   The minimum number of total Qualified New Jobs the Company shall be required to create at the Project (above the Base Employment Level), in addition to satisfying other milestones if applicable, to be minimally eligible to receive the full amount of the MBDP Incentive Award. 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.

8. Company Investment: The Company will invest approximately $3.3 million related to building renovations, annual lease costs, computers, or any combination thereof, for the Project.

9. Municipality supporting the Project: City of Detroit

a. Municipality Support. One of the conditions of execution of the final Agreement is the requirement that the municipality shall have committed to provide a property tax abatement and or other local economic development assistance. 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 $1,000,000 Upon demonstrated creation of 100 Qualified New Jobs above the Base Employment Level and verification of final approval of municipality support by no later than May 31, 2014.

b. Disbursement Milestone 2: Up to $500,000 Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 50 additional Qualified New Jobs above the Base Employment Level, by no later than December 31, 2015.


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

13. Reporting Requirements:
Periodic reporting will be required with this program. The detailed information needed from the Company will be included in the final Agreement, but will include Project reporting for such things as: amount of proposed incentive, amount of actual incentive received by Company; amount of proposed and actual Investment made by Company for Project; the committed number of new jobs and the actual number of new jobs created as a result of the Project; the educational attainment of the employees hired; the number of new patents, copyrights, or trademarks applied for and issued to the Company; the number of licensing agreements by the Company and the number of such licensing agreements entered into by the Company with Michigan based firms; and any products commercialized by the Company.

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

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

If the Company is interested in the MEDC pursuing a recommendation to the MSF for a possible MBDP Incentive Award for the Company along the above parameters, please sign and date this Term Sheet. If the MEDC does not receive the signed Term Sheet from the Company by April 3, 2013, the MEDC may not be able to proceed with any recommendation to the MSF.

ADP Dealer Services, Inc.

By: [Signature]

Printed Name: [Signature]

[Signature]

Dated: 4/1/13
Acknowledged as received by:

Michigan Economic Development Corporation

By: [Signature]  Printed Name: [Signature]

Its: Development Finance Analyst

Dated: 11/2013
MEMORANDUM

TO: Michigan Strategic Fund (“MSF”) Board

FROM: Joseph Martin, Manager, Michigan Community Revitalization and Brownfield Programs

DATE: April 24, 2013

SUBJECT: Approval of Michigan Community Revitalization Amendment Request for loan participation in the amount of $1,857,151 to:

MCRP APPLICANT
First National Bank (“Lender” or “ Applicant”)  
P.O. Box 269  
Waupaca, Wisconsin 54981

BORROWER
Veridea Group, LLC (“Borrower” or “Company”)  
925 West Washington Street  
Marquette, Michigan 49855

AMENDMENT REQUEST
On November 28, 2012, the Michigan Strategic Fund approved a $1,857,151 loan participation for the Applicant under the Michigan Community Revitalization Program’s (“MCRP”) other economic assistance provision (see attached Exhibit A). The project included the demolition of the obsolete bakery building, extensive site preparation work and infrastructure improvements, and the construction of a 23,248 square foot commercial building that is 85% pre-leased. The total investment for the project is approximately $9.7 million, and this is the first phase of an overall $31 million investment at the site.

The MSF Share of the loan funds as originally approved, and required by statute at the time, called for the disbursement of the funds at completion of the project as evidenced by a certificate of completion. The MSF share was anticipated to be bridged by an outside lender or developer equity, or combination thereof. With the passage of Public Act 395 in December of 2012, the provision was changed to allow the disbursement of MCRP awards prior to completion. Staff recommendation is to allow disbursement of the MSF share concurrent with the Lender and match their interest rate of 5.25% during the one-year construction. All other elements of the original participation remain the same and are described further in the resolution.

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

a) Approval of the MCRP Proposal as outlined in the Resolution (collectively, “MCRP Proposal”);

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

a. Commitment will remain valid for 120 days with approval for MSF Fund Manager to extend the commitment an additional 30 days.
MEMORANDUM

DATE: November 28, 2012

TO: Michigan Strategic Fund Board Members

FROM: Katharine V. Czarnecki, Community Development Manager
       Joseph Martin, Brownfield and Community Revitalization Program Manager

SUBJECT: Approval of Act 381 Work Plan and Michigan Community Revitalization Request
          857 West Washington Street Project
          City of Marquette, County of Marquette

ACT 381 APPLICANT
City of Marquette Brownfield Redevelopment Authority

MCRP APPLICANT
First National Bank (“Lender” or “Applicant”)  
P.O. Box 269  
Waupaca, Wisconsin  54981  
www.fnbwaupaca.com

BORROWER
Veridea Group, LLC (“Borrower” or “Company”)  
925 West Washington Street  
Marquette, Michigan  49855  
www.verideagroup.com

INCENTIVE REQUEST
The project requests to use both the Brownfield Act 381 Program and the Michigan Community Revitalization Program (“MCRP”) for the project located at 857 West Washington Street in Marquette. The City of Marquette 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 $14,279,514. First National Bank and the Veridea Group, LLC is requesting $1,857,151 in the form of other economic assistance under MCRP, not to exceed 25% of Eligible Investment that is currently estimated at $7,428,605. The Brownfield Act 381 Program covers the entire site in order to prepare it for development and the MCRP request covers Phase 1 of the development which includes demolition, site preparation and new construction of one of the commercial buildings and the parking garage, as describe in more detail below.

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

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

**HISTORY OF THE MCRP BORROWER**

The Veridea Group is a real estate development company is solely owned by Robert Mahaney and serves Marquette, Michigan and the Upper Great Lakes Region. Since the early 1990s, Veridea Group has acquired, developed, owned and managed quality retail, office, lodging and residential properties. With experience gained from over 40 completed projects exceeding 500,000 square feet and $75 million in value, Veridea Group has become one of the Upper Peninsula’s largest providers of premier leaseholds properties. Veridea has previous experience in the revitalization of blighted and obsolete properties, most notably, properties adjoining the site requesting incentives Veridea's owners and management team have over 60 years combined experience in real estate development, banking and public accounting.

The Applicant and Borrower have not received any incentives from the MSF previously.

**PROJECT DESCRIPTION**

The Borrower plans to construct approximately 150,000 square feet of space in four phases, each phase encompassing a building. Intended uses across the four phases include retail, office/professional, a regional bank headquarters, residential, restaurant and entertainment on approximately three acres of property located at 857 West Washington Street in the City of Marquette. Two three-story commercial buildings will be constructed at the street, and in order to achieve high density urban use, a 292 stall underground parking garage is also planned that will underlay a four-story mixed use office and residential building that is set back from the street (“Overall Development”). The overall private investment in the project is estimated to be $31 million. The property is currently owned by Veridea Group.

Phase 1 of the Overall Development includes the demolition of the obsolete bakery building, extensive site preparation work and infrastructure improvements, and the construction of the first commercial building and a portion of the parking garage. This 23,248 square foot office building is 85% pre-leased. Tenants will include a bank establishing a new regional headquarters, an Illinois-based architectural firm opening its first Michigan office, and Veridea Group, whose growth requires new facilities. The MCRP request is limited to Phase 1 of the Overall Project, which totals approximately $9.7 million of the overall $31 million investment.

a) The Overall Development, including Phase 1, is located within the boundaries of the City of Marquette, which is a Qualified Local Governmental Unit, and has been deemed functionally obsolete as verified by a level III assessor. The property is the subject of a Brownfield Plan, duly approved by the City of Marquette on June 25, 2012.

b) The Borrower plans to make an Eligible Investment of $7,428,605 on Phase 1 for the demolition, new construction, site improvements, architectural, engineering, and surveying and a contingency as authorized under MCRP. The City of Marquette has offered a financial commitment to the Project by approving capture of $7,501,029 in local taxes under the Act 381 Work Plan.

c) The Overall Development, including Phase 1, is located in a traditional commercial center and gateway into downtown. Preference was given to project based on its high density, mixed-use nature and integration into a local multi-modal pathway that leads into downtown Marquette.

**FINANCING OPPORTUNITY**
The Lender is proposing to finance a $7,512,064 five (5) year term loan (“Loan”) to the Borrower to finance the Project. The Lender has requested MSF participation support up to $1,857,151 of the note (“MSF Share”). Upon the purchase of the participation, the MSF will forgive $357,151 setting the repaid portion of the loan at $1,500,000. The forgiven portion must be used by Lender to pay down the principal of the loan.

The MSF will enter into a written agreement with the Lender to purchase the MSF Share upon completion of Phase 1. Completion includes, but not limited to, certificate of completion. The Lender share of the Loan requires monthly payments of interest during the construction period of 12 months and monthly principal and interest payments in years 2 through 5. The MSF share of the note extends monthly interest only payments through the first 3 years, with principal and interest in years 4 and 5. The MSF Participation will share all principal and interest payments and other collections under the Loan in proportion to their respective percentage interests in the Loan.

**Whether the project is financially and economically sound:**
The Project is 85% pre-leased, with the anchor tenant mBank (a regional financial institution) providing a high quality credit tenant and stable cash flows to service debt and provide a return to the Borrower. Combined with extensive development experience, credit history of the Borrower, and balance sheet guarantors (Robert and Mary Mahaney), the project is determined to be financial and economically sound.

**The applicant's financial need for a community revitalization incentive:**
The MSF Share, including the forgivable loan, reduced rate and extended interest only payments, allows the project to have adequate Debt Service Coverage Ratios during the term of the loan. The MSF Share permits the Borrower to obtain credit for the high cost associated with the redevelopment project that would exceed standard lending guidelines. The originally proposed loan amount by the Lender was only $5,654,813, which is roughly only 57% of the project costs. The low loan to cost ratios are caused by the high cost of financing non-income generating brownfield activities (primarily underground parking). With the MSF Share, the loan to cost value increased to 77%. The developer fee valued at $278,186 will be deferred and paid through project cash flow. No other related party fees were identified in the underwriting material.

**Loan Facility**

**Borrower:** Veridea Group, LLC  
**Lender:** First National Bank  
**Loan Amount:** Up to $7,512,064  
**Lender Share:** Up to $5,654,913  
**MSF Share:** Up to $1,857,151  

Up to $357,151 of the participated balance forgiven at purchase and be used to pay down the principle of the loan.  
Up to $1,500,000 resulting participated debt (cumulatively the MSF Share not to exceed 25% of eligible investment)
Payment Terms: 5 year term / 20 year amortization / both Share’s
Lender Share – year one interest only, year’s 2-5 principal and interest
MSF Share – years 1-3 interest only, year’s 4-5 principal and interest.
MSF will receive payments upon purchase of the participated share in proportion
to their respective interest in the Loan.
MSF will participate in refinance or renewal event, not to exceed a total of 20
years.

Rate: Lender Share – 5.25% during year 1, 5% fixed years 2-5
MSF Share – 1% years 1-5

Fees: $1,200 annual fee to MSF

Collateral: Lead Lender will take as collateral the following assets:
- 1st mortgage on property
- 1st lien on all business assets on property
- Assignment of Rents and Leases
- Any chattel, fixture, and/or personal property filings or liens deemed
necessary by Lender
(Claims on collateral will apply first to Lead Lender Sand then to the MSF Share)

Guarantee: Lead Lender will take unlimited personal guarantee of Robert and Mary
Mahaney
(Guarantee applies Pari Passu to all loan participants as acceptable by the Lead
Lender)

MICHIGAN STRATEGIC FUND CONSIDERATIONS FOR MCRP PHASE 1
As required under the program, the following criteria shall be considered by the MSF, as MEDC Staff
believes each is reasonably applicable to proposed project:

A. The importance of the project to the community in which it is located and overall benefit to
the public:
The rehabilitation of this downtown gateway property will return a privately owned building,
formerly owned by the Sara Lee Corporation, which has been vacant since 2009, back into
productive use.

B. If the project will act as a catalyst for additional revitalization of the community in which it
is located:
This project will contribute to the continuing revitalization efforts of the underutilized and highly
visible commercial Washington Street corridor and encourage like development increasing
density and connectivity to downtown.

C. The amount of local community and financial support for the project:
The City of Marquette has provided $7,501,029 in financial support through brownfield tax
increment financing for the project, as described in detail above.
D. The extent of reuse of vacant buildings, reuse of historical buildings, and redevelopment of blighted property:
This project will demolish a vacant and functionally obsolete factory to build a new commercial building and bring the property back into productive use. Additional phases will include mixed-uses.

E. Creation of jobs and areas of high unemployment:
This project is expected to create approximately 18 new, full-time jobs expected to pay approximately $50,000-$80,000 annually, which is above the $44,239 median income for the County. Marquette County unadjusted jobless rate was 6.2% in September, 2012.

F. The level of private sector and other contributions, including, but not limited to, federal funds and federal tax credits:
The private sector contribution to the Phase 1 is expected to be over $9 million. Overall project investment in phases 1-4 is expected to be approximately $31 million.

G. Whether the project increases the density of the area:
The revitalization of this property is a key component to increasing the density of occupied properties and viable businesses in the Washington Street corridor through its accessibility, mixed-use, and multi-story nature.

H. Whether the project promotes mixed-use development and walkable communities:
The development includes a commercial component that eliminates a pedestrian dead zone and reinforces the pedestrian link between the surrounding neighborhoods, downtown Marquette, and a main bike path, the Linear Park. The Linear Park fronts along the property’s entire southern boundary and no safe access to the Linear Park currently exists from this section of Washington Street. Veridea’s site plan is designed to encourage walkability by linking the development directly into the Linear Park and creating an “urban streetscape” and terrace facing the Linear Park, thereby encouraging pedestrian traffic into the development. This linkage will be extended across Washington Street at the intersection.

I. Whether the project converts abandoned public buildings to private use:
The project consists of a vacant and functionally obsolete private property that will be used for private use with increased occupancy in a mixed-use, high density, new construction project.

J. Whether the project promotes sustainable development:
Sustainability is a goal and a practice that is integrated in all aspects of the project. The project will significantly increase the area’s density; address containment or abatement of hazardous materials on site; maximize recycling of demolition debris; filter storm water run-off into bioswales, graywater, or detention systems; reduce heat island effect by minimizing surface parking and maximizing landscaping; promote alternative transportation on site; utilize porous pavement and an integrated stormwater management system for parking lot and roof runoff; utilize local building materials, efficient light and plumbing fixtures, natural daylighting, and share HVAC systems where possible; utilize solar energy and high efficiency insulation; and promote high indoor air quality through the use of natural ventilation.

K. Whether the project involves the rehabilitation of a historic resource:
No contributing historic resources are involved in the project.
L. **Whether the project addresses area-wide redevelopment:**
   This project fits into the ongoing redevelopment efforts consistent with City’s Master Plan which recognizes the importance of this location, and encourages high density development in the West Washington corridor.

M. **Whether the project addresses underserved markets of commerce:**
   Commercial tenants will include a bank establishing a new regional headquarters, an Illinois-based architectural firm opening its first Michigan office, and Veridea Group, whose growth requires new facilities. No bank currently serving Marquette has a headquarters in the area. The market also has very limited architectural services, and in fact, Veridea currently goes outside the area for these needs.

N. **The level and extent of environmental contamination and due care and remediation activities:**
   A Phase II Environmental Site Assessment conducted in May 2012 did not identify the presence of contamination in excess of Michigan Department of Environmental Quality (DEQ) Generic Residential Cleanup Criteria. While the property was not identified as a Part 201 Facility, there may be unidentified environmental due care activities that may be necessary during redevelopment. As such, an allocation for environmental eligible activity expenses is included in the Brownfield Plan and, if necessary, will be the subject of a separate Act 381 Work Plan for DEQ Environmental Eligible Activities.

O. **If the rehabilitation of the historic resource will meet the federal Secretary of the Interior's standards for rehabilitation and guidelines for rehabilitating historic buildings (36 CFR 67):**
   No contributing historic resources are involved in the project.

P. **Whether the project will compete with or affect existing Michigan businesses within the same industry:**
   The property will be occupied as commercial and residential and will not result in negatively affecting existing Michigan business, as much of these markets are underserved in the area.

Q. **Any other additional criteria approved by the board that are specific to each individual project and are consistent with the findings and intent of this chapter:**
   There are not additional criteria specific to this project.

**MICHIGAN STRATEGIC FUND CONSIDERATIONS FOR ACT 381**

a) **Reuse of functionally obsolete buildings and/or redevelopment of blighted property:**
   The building has been determined to be functionally obsolete and is not economically feasible to reuse it for its original, or any other purpose. The project does include redevelopment of the three acre parcel abandoned in 2009 by Sara Lee Corporation.

b) **Cost gap that exists between the property and a similar greenfield property:**
   The property is burdened with a 75 year old obsolete industrial building that contains lead and asbestos containing materials that needs to be removed and the site prepared to be brought to a developable state. These costs alone exceed $2 million. A greenfield site was not specifically considered as an alternative to this project.

c) **Whether project will create a new brownfield property in the State:**
   No new Brownfields will be created by this project.

d) **Other Factors Considered:**
No additional factors need to be considered for this project.

**INCENTIVE OPPORTUNITY**

**MCRP:** Phase 1 involves $7,428,605 in Eligible Investment and total private capital investment of up to $9,739,433 in the City of Marquette. The total requested MCRP incentive amount from the MSF is $1,857,151, in the form of a loan participation with $357,151 of the participated balance forgiven at the time of purchase.

**Act 381 TIF:** There are 50.5653 non-homestead mills available for capture, with school millage equaling 24 mills (47.47%) and local millage equaling 26.5635 mills (52.53%). The requested tax capture for eligible activities breaks down as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>School tax capture (47.47%)</td>
<td>$6,778,485</td>
</tr>
<tr>
<td>Local tax capture (52.53%)</td>
<td>$7,501,029</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$14,279,514</strong></td>
</tr>
</tbody>
</table>

**COST OF ELIGIBLE ACTIVITIES**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demolition</td>
<td>$500,000</td>
</tr>
<tr>
<td>Lead or Asbestos Abatement</td>
<td>$ 28,000</td>
</tr>
<tr>
<td>Infrastructure Improvements</td>
<td>$ 6,737,000</td>
</tr>
<tr>
<td>Site Preparation</td>
<td>+ $1,451,257</td>
</tr>
<tr>
<td>Sub-Total</td>
<td>$ 8,716,257</td>
</tr>
<tr>
<td>Contingency (15%)</td>
<td>+ $1,307,438</td>
</tr>
<tr>
<td>Sub-Total</td>
<td>$10,023,695</td>
</tr>
<tr>
<td>Interest (5%)</td>
<td>+ $ 4,244,318</td>
</tr>
<tr>
<td>Sub-Total</td>
<td>$14,268,013</td>
</tr>
<tr>
<td>Brownfield/Work Plan Preparation</td>
<td>$ 10,000</td>
</tr>
<tr>
<td>Review Cost</td>
<td>+ $ 1,500</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$14,279,514</strong></td>
</tr>
</tbody>
</table>

**RECOMMENDATIONS**

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

1. Approval of local and school tax capture for the Act 381 eligible activities totaling $14,279,514 described above. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at $6,778,485.
2. Approval of an MCRP loan participation, subordinated to lead lender on collateral totaling $1,857,151 with $357,151 of the participated balance forgiven at the time of the purchase.
3. Closing the MCRP Proposal, subject to available funding under the MCRP at the time of closing (“Available Funding”), completion of due diligence, the results of which are satisfactory to the MEDC (collectively, “Due Diligence”), finalization of all MCRP transaction documents, and further subject to the following terms and conditions:
   a. Commitment will remain valid for 120 days with approval for MSF Fund Manager to extend the commitment an additional 30 days.

The MSF Incentives Subcommittee has indicated its support of the Recommendation.
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 No. 2011-185, the MSF (i) created the MCRP, (ii) adopted the guidelines for the MCRP, as later amended (“Guidelines”), and (iii) approved the MSF Fund Manager to negotiate the final terms and conditions of the written agreements to be used to memorialize MCRP awards on the MSF’S behalf in accordance with the Guidelines (“Transaction Documents”);

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

WHEREAS, First National Bank (“Lender”) has provided a loan commitment to Veridea Group, LLC and/or related entities (“Proposed Borrower”) of up to $7,529,813 toward financing construction activities and infrastructure improvements to real property (“Project”);

WHEREAS, on November 28, 2012, by Resolution No. 2012-168, the MSF approved a loan participation award for the Proposed Borrower for the Project;

WHEREAS, certain terms and conditions of the proposed loan participation award previously approved by the MSF have changed and the Lender has now requested a performance based loan participation from the MSF under the MCRP for the Project in an amount not to exceed up to $1,857,151 (“Award Request”), along with other general terms and conditions for the Award Request which are outlined in the term sheet attached as Exhibit A (“Term Sheet”);

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

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

NOW, THEREFORE, BE IT RESOLVED, that Resolution No. 2012-168 is rescinded in its entirety;

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

BE IT FURTHER RESOLVED, the MSF Board approves the MSF Fund Manager to negotiate the final terms and conditions of, and sign, all Transaction Documents necessary to effectuate the MCRP Award Recommendation.

Ayes:

Nays:

Recused:

Lansing, Michigan
April 24, 2013
EXHIBIT A

Borrower: Veridea Group, LLC

Lender: First National Bank

Loan: Up to the principal amount of $7,529,813 (the “Loan”)

Loan Type: Term Loan

Loan Term: Five (5) years (or 60 months); amortized over twenty (25) years

Lender Share: An amount not to exceed the lesser of (i) $5,654,913 or (ii) seventy-five percent (75%) of the Loan (the “Lender Share”)

MSF Share: An amount not to exceed the lesser of (i) $1,857,151 or (ii) twenty five percent (25%) of the Loan (“MSF Share”). The MSF Share shall be disbursed by the MSF to the Lender in accordance with the written agreement.

Up to $357,151 forgiven upon satisfaction of milestones and be used to pay down the principle of the MSF Share. The milestones shall include, but not limited to, receipt of the certificate of occupancy.

Collateral: Lead Lender will take as collateral the following assets:
- 1st mortgage on property
- 1st lien on all business assets on property
- Assignment of Rents and Leases
- Any chattel, fixture, and/or personal property filings or liens deemed necessary by Lender

(Claims on collateral will apply first to Lead Lender Sand then to the MSF Share)

Additional Terms

1. **Closing of the Loan Documents.** The Loan is anticipated to be closed, with all the Loan Documents fully executed by all required parties and dated, on or before June 30, 2013;

2. **Other Terms:** The Lender shall require the loan documents to include terms and conditions that effectuate the following:
(a) **Interest Rate:**

i. The non-default Loan interest rate to be charged by the Lender to the Borrower on the Lender Share is anticipated to be no more than: (i) 5.25% per annum during the first 12 months of the Loan; and (ii) 5% per annum during months 13 through 60 of the Loan; and

ii. The non-default Loan interest rate to be charged by the Lender to the Borrower on the MSF Share is anticipated to be no more than (i) 5.25% per annum during the first 12 months of the Loan; and (ii) 1% per annum during months 13 through 60 of the Loan;

(b) **Payments Required of Borrower:**

i. The non-default rate of payments to be charged by the Lender to the Borrower on the Lender Share is anticipated to be no more than: (1) interest only monthly payments during the first 12 months of Loan; and (2) equal monthly payments of principal and interest during months 13 through 60 of the Loan; and

ii. The non-default rate of payments to be charged by the Lender to the Borrower on the MSF Share, after application of the Forgivable Portion of the MSF Share against the principal balance of the Loan, shall be no more than: (1) interest only monthly payments during the first 59 months of the Loan and (2) the outstanding balance of the MSF Share, including all interest, fees and penalties thereon, on the 60th month anniversary of the date of the Loan;

(c) **Guarantees.** Payment and performance of the Loan shall include the unlimited personal guarantees of Robert Mahaney and Mary Mahaney, jointly and severally.
MEMORANDUM

DATE:   April 24, 2013
TO:   MSF Board
FROM:  Mike Flanagan – Manager, Equity Capital Programs
SUBJECT: Program Amendment: Pure Michigan Urban Investment Program

BACKGROUND
On July 25, 2012 the MSF Board approved the creation of the Pure Michigan Urban Investment Program (the “PMUIP” or “Program”). The Program was designed to invest in one or more Urban Investment Funds which will then target investments/loans into small, growth-oriented businesses in Michigan’s urban core areas. The evidence is clear that urban core businesses in Michigan, and nationally, are drastically underserved by the private capital markets. This Program was designed to help offset this problem in order to assist urban core communities in Michigan grow their economies and employment base.

PROGRESS REPORT
The Capital Markets team has been working with several potential investment fund managers that are qualified to manage an urban investment fund. Staff has encountered some challenges in this process, including securing investment from other institutions that would provide critical mass to a fund. Staff plans to continue to work with stakeholders, most critically with major foundations, to achieve a long-term fund structure that can satisfy the needs of different investors while also having a meaningful impact on Michigan’s urban cores. Staff believes that a permanent fund structure devoted to Michigan’s urban areas is the optional goal.

However, during the course of this process, staff has been approached by a number of risk capital funds interested in co-investing in urban core companies that fit the goals of this program and have immediate capital needs. Staff believes that making loan participation available through the Program is advisable to offer flexibility to meet the urban market demand that exists now. While a permanent urban fund may take additional time to develop, the Program can still achieve many of its economic development goals through loan participation. An amendment to this effect would cause the Program to mirror the structure of the federal SSBCI Programs, which currently allow for direct investment into fund(s), and is proving successful through these tracks.

RECOMMENDATIONS
In order to maximize the effectiveness of this program, and provide impact to urban core communities in the near term, staff is requesting the MSF Board approve:

- An amendment to the Program guidelines, attached to the Resolution, permitting funds to be utilized for any of the following:
  - Loan participation with risk capital providers
  - Investment into one or more risk capital funds
- Delegation of authority to any two of the following: MSF Chairperson, or the MSF Fund Manager, or the MSF State Treasurer Director (collectively “Delegates”) to approve funding requests of $3 million or less. Funding requests of $1,000,001 to $3 million will also require a recommendation from the MSF Advisory Committee to the Delegates, with any two required to act.
WHEREAS, Public Acts 215 and 225 of 2005 (the “Act”) established the 21st Century Jobs Fund initiative;

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

WHEREAS, pursuant to Section 88d of the Act, the MSF created the Michigan Supplier Diversification Fund (“MSDF”) as a loan enhancement program;

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

WHEREAS, at its July 25, 2012 meeting, the MSF approved the Pure Michigan Urban Investment Program (“PMUIP” or “Program”) and guidelines (the “PMUIP Guidelines”) under the MSDF;

WHEREAS, the MEDC recommends that the MSF (1) approve the revised Program guidelines contained in Exhibit A to this resolution (the “PMUIP Amended Guidelines”); (2) delegate to the MSF Fund Manager the authority to develop and approve the application and evaluation process under the Program; and (3) delegate the authority to make all decisions with respect to awards, in accordance with the Act, the PMUIP Guidelines and the award thresholds set forth in the table below (sections (2) and (3) of this clause, collectively, the “Delegation of Authority”); as follows:

<table>
<thead>
<tr>
<th>Level of Award under the Program</th>
<th>Delegates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Award less than or equal to an original amount of $1,000,000</td>
<td>Any two (2) of the following required to act: a. MSF Fund Manager, or b. MSF Chairperson, or c. the State Treasurer Director</td>
</tr>
<tr>
<td>Awards equal to an original amount of $1,000,001 to $3,000,000</td>
<td>MSF Advisory Committee recommendation to the following, two (2) of which are required to act: a. MSF Fund Manager, or b. MSF Chairperson, or c. the State Treasurer Director</td>
</tr>
<tr>
<td>Awards with an original amount of $3,000,001 or more</td>
<td>Full MSF Board upon recommendation of the MSF Advisory Committee</td>
</tr>
</tbody>
</table>

WHEREAS, the MSF desires to approve the PMUIP Amended Guidelines and the Delegation of Authority.

NOW, THEREFORE, BE IT RESOLVED, that the MSF approves the PMUIP Amended Guidelines and the Delegation of Authority; and

BE IT FURTHER RESOLVED, the MSF Fund Manager is authorized to negotiate and sign all final documents necessary to effectuate awards made in accordance with the Act, the PMUIP Guidelines and the Delegation of Authority.

Ayes:
Nays:
Recused:

Lansing, Michigan
April 24, 2013
GENERAL GUIDELINES

- Under the Pure Michigan Urban Investment Program (“Program”), up to $10 million from the MSF Investment Fund may be used for any of the following:
  - Loan participation with risk capital providers
  - Investment in one or more urban investment funds in Michigan (“Qualified Funds”)

- Target investments in businesses located within Eligible Urban Core Areas in Michigan (“Qualified Businesses”).

- Target investments to underserved businesses with capital needs below $5 million with immediate growth prospects.

- May utilize multiple transaction structures for investments in Qualified Businesses, including senior secured debt, subordinated or mezzanine debt, and/or equity securities.

- Report to the MSF quarterly the economic development and financial results of its activities. Reporting requirements will be further developed; however, the recipient agrees to provide any and all necessary information which the MSF may reasonably request as a part of this report.

- The review of all opportunities will include due diligence, including without limitation and as applicable to the particular character of the investment: description of the opportunity, ownership of the company, financial standing, prospects for job retention and/or growth, leverage, description of the organization or fund and its historical performance, financial returns of and on the capital contribution and any reporting required by state or federal law, policy or as a result of the use of specific sources of funds.

- All repayments including principal, interest, fees & charges, and recoveries shall be returned to the Program for recapitalization.

GUIDELINES FOR FUND INVESTMENT

- Awarded funds must adhere to all of the following:
  - Execute an agreement with the Michigan Strategic Fund.
  - Fund(s) shall be required to provide the MSF a seat(s) on its Advisory Board.
  - Management team must invest its own capital into the fund consistent with industry standards.
  - MSF capital shall be deployed to awarded fund(s) through capital calls which must be drawn proportionately and concurrently with other investors in the fund(s).

- The MSF shall have the ability to limit its return on investment if deemed necessary by the MSF or its delegates.

- Investment from the MSF into or alongside an approved investment or lending organization shall not represent more than thirty three percent (33%) of the total fund size.
GUIDELINES FOR LOAN PARTICIPATION

• The Program may cooperate in supplying capital alongside private sector professionally managed risk capital organizations or funds.

• Risk capital organizations or funds will provide sufficient verification of their history and track record that the MSF Board and/or its delegate(s) may have reasonable comfort in the organization or funds ability to properly make investments and manage risk.

• The review of all projects will include due diligence to the satisfaction of the Program, including without limitation and as applicable to the particular character of the investment: description of the opportunity, ownership of the company, financial standing, prospects for job retention and/or growth, leverage including non-Program risk capital as well as senior lender debt and any new equity being contributed at the time of the capital contribution, description of the organization or fund and its historical performance, financial returns of and on the capital contribution and any reporting required by state or federal law, policy or as a result of the use of specific sources of funds, in particular SSBCI.

• The participating risk capital provider shall be considered the “lead risk capital fund” and shall retain no less than 50.1% of the total loan balance at all times. The lead risk capital fund shall, under the terms of the Loan Participation and Servicing Agreement, service, document, perfect liens, collect interest, fees and principal; and in all other respects manage the loan.

• The Program portion of a participation loan, or Program “advance”, shall charge interest no later than 36 months after the closing of the loan agreement at the risk capital rate of interest.

• The Program portion of a participation loan, or Program “advance”, shall require principal repayment begin no later than 36 months after the closing of the loan agreement.

• To the extent the Program purchases a portion of a loan, convertible loan, or direct equity investment, the Program may limit its returns in order to benefit both the borrower and the private supplier of risk capital with which the Program is cooperating. Such limitations shall be negotiated on a transaction by transaction basis.

• Participating risk capital funds will be required to collect and supply such information as may be required in order to determine the number of jobs created at the project and the return on investment.
MEMORANDUM

DATE: April 24, 2013

TO: MSF Board

FROM: Capital Markets Team


Michigan Urban Investment Program

On July 25, 2012, the MSF Board approved the Pure Michigan Urban Investment Program (“PMUIP” or “Program”) and its guidelines. The primary objective of the PMUIP is to increase the availability of capital to businesses with the highest potential for growth and economic impact in Michigan’s urban core areas. The success of Michigan’s urban areas is critical to the success of the state as a whole.

Urban areas in Michigan are in effect capital deserts. The Program seeks to address the significant capital gap for urban businesses which are most likely to employ minority and chronically unemployed citizens. The Program can achieve this objective by investing in one or more Urban Investment Fund(s) which will then target investments/loans into growth-oriented businesses in Michigan’s urban core areas.

Background

Since Program approval, MEDC staff has been in contact with multiple potential fund managers, and several private and non-profit investors interested in contributing to an Urban Investment Fund. We were specifically interested in identifying funds that will:

- Invest in lower middle market companies with capital needs of $500,000 to $5 million range, which are currently underserved or ignored by the traditional senior debt and mezzanine markets.
- Invest exclusively in companies in urban core areas in Michigan or with a significant presence in the urban core.
- Have the ability to raise significant leverage from outside investors.

Staff launched a Request for Applications (“RFA”) via the MEDC website in November 2012, to allow interested fund managers to apply. Two applications were received by the December 31, 2012 deadline.

Review Process

Upon receipt of applications, MEDC legal staff conducted an initial screening to ensure applicants had met the minimum eligibility criteria for the Program. Eligible applications were forwarded for final review by MEDC legal to the Program Joint Evaluation Committee (“JEC”) that was approved by the MSF Fund Manager. The JEC evaluated the applications based on the JEC scoring criteria approved by the MSF Fund Manager and conducted a consensus scoring of the applicants (see “JEC Consensus Scoring Page” attached). Based on these results, the JEC is recommending the Michigan Detroit Loan Fund, LLC (Applicant A) for award.

Opportunity

The Michigan Detroit Loan Fund (the “Fund” or “MDLF”) was formed by Invest Detroit, a leading economic and community development organization based in Detroit. The Fund is designed to achieve financial and economic development goals by providing financing for established second stage companies in the manufacturing, distribution and service sectors of the urban core areas of Metropolitan Detroit.
The fund will achieve its economic development goals by fostering the growth of second stage businesses in Detroit’s urban core areas, which in turn will provide neighborhood stability and job growth. The MDLF expects to generate gross IRR’s on its loans of 10% to 17.0%. Based on a three-year deployment of its capital and using a 10% default rate, MDLF projects returns to the investors partners of up to 2% to 5% along with full return of capital. In general, these efforts are designed to create jobs, increase the tax base and provide for an improved quality of life in the communities served. Additionally, the Fund’s mission is consistent with Detroit’s overall strategic framework for growth, Detroit Future City, developed by a partnership of key stakeholders in the region.

**Proposed Fund Structure:**

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<table>
<thead>
<tr>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td><strong>Total Targeted Capital:</strong></td>
<td>Minimum first close of $15 million</td>
</tr>
<tr>
<td><strong>First Close:</strong></td>
<td>December 31, 2013</td>
</tr>
<tr>
<td><strong>Targeted IRR:</strong></td>
<td>10% - 17%</td>
</tr>
<tr>
<td><strong>Returns to Investors:</strong></td>
<td>2% - 5%</td>
</tr>
<tr>
<td><strong>Investment Focus:</strong></td>
<td>Established companies in the manufacturing, distribution and service sectors</td>
</tr>
<tr>
<td><strong>Transaction Size:</strong></td>
<td>$500 thousand to $2 million</td>
</tr>
<tr>
<td><strong>Geography:</strong></td>
<td>Detroit metropolitan urban core areas</td>
</tr>
</tbody>
</table>

**Management Team:**

The principals of the PMDLF will be David Blaszkiewicz, Edward Miller and Karl Bell.

- **David Blaszkiewicz**, President of Invest Detroit, leads the strategic direction of Invest Detroit’s managed funds and collaborates with the public, private and philanthropic sectors to develop partnerships and strategic plans to support community development and job creation. To date he has co-managed the deployment of over $73 million to projects with total capital commitments of $414 million in Detroit. He recently led the successful effort to effect legislation that designates Downtown Detroit’s West District area as eligible for enhanced State Historic Tax Credits to spur investment in blighted neighborhoods. He was formerly with Detroit Renaissance, now known as Business Leaders for Michigan, where he served as Director of Finance and Secretary/Treasurer, having joined the private, non-profit leadership organization of CEOs in 1990. In 1994, he assisted with the creation of the Detroit Investment Fund and became its President in 2001.

- **Edward Miller**, Vice Chairman of Invest Detroit and its Board of Directors, Chairman of Invest Detroit’s Investment Committee, is a 30-year veteran of the banking industry, formerly Executive Vice President at Standard Federal Bank where he was responsible for developing its commercial banking activities. From 1995 through 2000, the commercial banking team at Standard Federal increased loans outstanding from $200 million to $1.2 billion while maintaining an above average credit quality. Prior to joining Standard Federal, Mr. Miller spent 25 years with Comerica Bank and held executive management positions in Retail/Business Banking, Trust and Investment Management, Strategic Planning and Corporate Development. To date he has co-managed the deployment of over $73 million to projects and oversees loans and investments totaling more than $68M. In addition, he serves on numerous non-profit and foundation boards and has been actively engaged in managing programs that deploy capital in Detroit.

- **Karl Bell**, Senior Vice President of Invest Detroit, has over 25 years of commercial banking and underwriting experience at various banks which includes small business, middle market and large corporate lending, challenged assets, and non-profit lending. Prior to joining Invest Detroit in 2006, he served as Vice President and Senior Managing Director of the Municipals and Non-Profit and Healthcare Groups at Fifth Third Bank which also included relationship responsibility for charter schools and universities. In this capacity he managed a team of bankers responsible for over $150
Management Organization:
The Detroit Investment Fund was created and funded in 1995 by some of Michigan’s most successful business leaders. The Detroit Investment Fund (DIF) has raised $48.5 million from 28 investors with the purpose of investing in companies or projects that will stimulate economic development in the City of Detroit. Its major investors included General Motors, Ford, Chrysler, Masco Corp., J.P. Morgan Chase, Bank of America, Blue Cross Blue Shield of Michigan, DTE Energy, and Comerica Bank among others. In 2006, DIF’s management team completed a follow-on capital raise of $6.6 million through an offering to its limited partners, Board Member companies, and new corporate investors. In 2010, the Detroit Investment Fund board and management team enhanced and transitioned the capabilities of the DIF to create Invest Detroit, which now serves as an umbrella entity for DIF and other for-profit and non-profit managed funds including Detroit Investment Fund Real Estate Ventures, L.L.C, Detroit Urban Retail Loan Fund, L.L.C, Auburn Master Tenant Commercial, L.L.C, Auburn REO, L.L.C, and Edman Milton REO, L.L.C.

Over the past 17 years, Invest Detroit entities have supported significant investment in Detroit through loans and investments totaling $140.2 million which have leveraged total investment of $808.5 million in 35 commercial and industrial transactions and 77 real estate development transactions. These efforts resulted in the creation of over 2,796 jobs and the development of 1.8 million square feet of commercial space, 3.5 million square feet of residential space, and 2,721 units of housing. Since 1999, DIF has extended 29 commercial and industrial loans totaling $40.1 million, 15 of which have been repaid in full generating an average IRR of 13.9%.

MSF Investment Structure:
The Joint Evaluation Committee supports a $5 million commitment from the MSF to the Michigan Detroit Loan Fund in the form of Class B shares. Class B shares will be designed to offer “first-loss” protection of up to 75% of losses to the Fund. This first loss protection is critical to incentivizing Class A investors to invest in a fund that focuses exclusively on urban core businesses. However, staff believes that the Fund has a high probability of providing a financial return by the end of the Fund. The Fund must raise at least $10 million in the form of Class A shares from additional investors in order to conduct a first close.

Recommendation
The JEC and MEDC Staff believe that the Invest Detroit team has a strong track record and deep community and industry knowledge, making them an excellent candidate to manage an Urban Investment Fund. MEDC Staff recommends the following to the MSF Board:

- Approval of a commitment up to $5 million in the Michigan Detroit Loan Fund, which shall not be vested until the Fund has conducted a first close of at least $15 million by December 31, 2013.

- Delegation of authority to the MSF Fund Manager to negotiate and finalize all terms, conditions, investment agreements and all other related agreements for the Michigan Detroit Loan Fund in accordance with the Urban Investment Fund guidelines

Attachments
- Michigan Detroit Loan Fund, LLC – Slide Presentation
- JEC Consensus Scoring Page
<table>
<thead>
<tr>
<th></th>
<th>Applicant A</th>
<th>Applicant B</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Management</strong></td>
<td>71/90</td>
<td>0/90</td>
</tr>
<tr>
<td><strong>Ability to Leverage Additional Funds</strong></td>
<td>21/30</td>
<td>0/30</td>
</tr>
<tr>
<td><strong>Investment Strategy</strong></td>
<td>33/45</td>
<td>11/45</td>
</tr>
<tr>
<td><strong>Investment Process</strong></td>
<td>47/60</td>
<td>2/60</td>
</tr>
<tr>
<td><strong>In-State Commitment</strong></td>
<td>30/30</td>
<td>0/30</td>
</tr>
</tbody>
</table>

**Grand Total Score**

<table>
<thead>
<tr>
<th></th>
<th>202/255</th>
<th>13/255</th>
</tr>
</thead>
</table>

**Grand Total Percentages**

|                     | 79%       | 5%     |
Michigan
Detroit Loan Fund, LLC

Invest Detroit
600 Renaissance Center, Suite 1710
Detroit, MI 48243

Michigan Economic Development Corporation
300 North Washington Square
Lansing, MI 48913
Improving Access to Capital

Inner city businesses are undercapitalized by 20 to 50% during their growth phase as compared to average businesses. This financing gap significantly limits the ability of inner city businesses to scale up and create jobs in their communities.

- Low to Moderate income level borrowers have historically struggled to access capital throughout the credit cycle

- Access to capital remains a significant barrier to growth for many inner city businesses

Source: Inner City 100 Survey, 2004-2008, ICIC analysis
Second Stage Businesses

In order to maximize economic development in the urban-core, capital must be accessible to second stage growth-oriented businesses, which make up a disproportionate share of job growth and retention.

United States 1995-2009

- Average percentage of establishments
  - Stage 4 (500+): 0.1
  - Stage 3 (100-499): 0.6
  - Stage 2 (10-99 employees): 10.9
  - Stage 1 (2-9 employees): 59.5
  - Self-employed (1 employee): 28.9

- Average percentage of jobs represented
  - Stage 4 (500+): 14.5
  - Stage 3 (100-499): 15.6
  - Stage 2 (10-99 employees): 36.2
  - Stage 1 (2-9 employees): 29.1
  - Self-employed (1 employee): 4.5

Source: Edward Lowe Foundation
## Executive Summary

### Objective
The Michigan Detroit Loan Fund (the “Fund”) will invest in second stage businesses located in metropolitan Detroit in an effort to provide much needed access to capital to businesses most likely to employ minority and chronically unemployed citizens.

### Manager
Detroit Development Ventures, Inc., a subsidiary of the Invest Detroit Foundation, will be the Manager of the Fund.

### Membership
The Fund currently expects to target at least $15 million in commitments:
- Up to $5 million of capital will be provided by the Michigan Strategic Fund (“MSF”) in the form of Class B Shares which will offer first-loss protection and repayment subordination to Class A Shareholders.
- The Fund is seeking additional Class A Shareholders to reach at least $10 million in additional commitments in order to hold its first close.

### Target Market
The Fund will target lower middle market commercial and industrial opportunities with strong revenue and job growth potential. Investments will range from $500,000 to $2 million each.
Michigan Detroit Loan Fund: Senior Investment Team

**David Blaszkiewicz**  
*Managing Director*  
Background: Director of Finance & Secretary/Treasurer  
Detroit Renaissance

**Chip Miller**  
*Managing Director*  
Background: EVP  
Standard Federal; Comerica (multiple executive level roles)

**Karl Bell**  
*Managing Director*  
Background: Vice President & Senior Managing Director Fifth Third
The MSF along with one or more private or non-profit institutions may provide up to $25 million.
Innovative Fund Mechanism

The Fund will pool public, private, and non-profit investors in order to lower the blended cost of capital of the Fund, allowing the Fund to profitably invest in opportunities that would otherwise be below the normal size or return threshold, or above the typical credit risk threshold.

<table>
<thead>
<tr>
<th>Private Fund</th>
<th>Public/Private Fund</th>
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<tbody>
<tr>
<td><strong>Large Company</strong></td>
<td><strong>Large Company</strong></td>
</tr>
<tr>
<td>• Proposed $10 million Loan</td>
<td>• Proposed $10 million Loan</td>
</tr>
<tr>
<td>• Ave. LP Hurdle Rate = 15%</td>
<td>• Ave. LP Hurdle Rate = 8%</td>
</tr>
<tr>
<td>• Administration Cost = $100,000 (1%)</td>
<td>• Administration Cost = $100,000 (1%)</td>
</tr>
<tr>
<td>• <strong>Required Return = 16%</strong></td>
<td>• <strong>Required Return = 9%</strong></td>
</tr>
<tr>
<td><strong>Small Company</strong></td>
<td><strong>Small Company</strong></td>
</tr>
<tr>
<td>• Proposed $1 million Loan</td>
<td>• Proposed $1 million Loan</td>
</tr>
<tr>
<td>• Ave. LP Hurdle Rate = 15%</td>
<td>• Ave. LP Hurdle Rate = 8%</td>
</tr>
<tr>
<td>• Administration Cost = $100,000 (10%)</td>
<td>• Administration Cost = $100,000 (10%)</td>
</tr>
<tr>
<td>• <strong>Required Return = 25%</strong></td>
<td>• <strong>Required Return = 18%</strong></td>
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</table>
### Proposed Summary Terms

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<th>Total Targeted Capital:</th>
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<tr>
<td>Manager</td>
<td>Detroit Development Ventures, Inc.</td>
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<tr>
<td>Fees:</td>
<td>2.25% of the Fund’s committed capital</td>
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<td>Commitment Period:</td>
<td>36 Month Drawdown Period</td>
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<tr>
<td>Geography</td>
<td>100% of capital invested in Detroit metro urban areas</td>
</tr>
<tr>
<td>Closings</td>
<td>First Close June 2013</td>
</tr>
</tbody>
</table>
Fund Structure: First Loss Agreement

Underscoring our focus on capital preservation for Class A investors, the Fund is designed to include a “First Loss” Agreement provided by the Michigan Strategic Fund.

• The Michigan Strategic Fund (“MSF”) can invest as a Class B investor and potentially offer first loss protection to Class A investors up to 75% of invested capital.

• The First Loss agreement would provide credit support to the entire Fund, serving to attract other private and non-profit investors to invest exclusively in Detroit metro urban areas.

We Are Addressing an Important Void in Detroit: Growth Capital for Small Business
Double Bottom Line Approach to Investment

The Fund will generate returns for investors AND catalyze local economic development with high emphasis on job creation

• **Provide Growth Capital:** Detroit Loan Fund money must be used to grow the business.

• **Fill a Capital Void Left Behind By Banks:** Detroit Loan Fund focuses on under-banked small businesses seeking <$5M of growth capital.

• **Promote Local Economic Development:** In addition to jobs, our companies are investing in R&D, their physical plants, and acquisitions.

• **Offer a Consultative Approach:** Our principals provide valuable business guidance. We use our experience to deliver value-add insights on achieving growth, avoiding pitfalls, and building strong teams.
Impact investors can be broadly classified into two groups based on their primary objective: “impact first investors”, who seek to optimize social or environmental impact with a floor for financial returns, and “financial first investors”, who seek to optimize financial returns with a floor for social or environmental impact.

- The Fund will utilize an impact first approach to target investment returns.
- Investments underwritten to yield investment level returns of 10-17%, compared with most mezzanine firms in the 18-22% range to companies with lower overall risk profile.

Source: Monitor Institute, “Investing for Social and Environmental Impact: A Design for Catalyzing an Emerging Industry”
Investment Strategy

The Fund will provide flexible funding options at highly attractive rates and value added assistance to help second stage businesses in the Detroit metropolitan urban core to reach their corporate goals. Investments will be made across a broad range of sectors including industrial manufacturing, business services, retail, health care, technology and consumer products.

Transaction Profile
• The Fund will target investments of $500,000 to $2.0 million in cash flow positive or near cash flow positive companies with revenues of at least $1.5 million.

Operational Profile
• Thorough business plan with a clearly defined growth strategy
• Strong and talented management team
• Defensible market position and sound reputation with customers, suppliers and employees

Transaction Structure
• Senior secured debt with a current cash coupon paid monthly
  • interest rate and required principal amortization determined on a deal-by-deal basis
  • UCC perfected lien on assets
  • financial covenants (e.g. fixed charge coverage and maximum leverage)
• Unsecured, non-amortizing subordinated debt to the extent that cash flow and enterprise value support
  • typically a cash interest component plus additional payment-in-kind interest (“PIK”)
  • low total leverage of 1.0x-2.5x
• Equity may be included depending on the risk characteristics of the transaction
  • upside through additional PIK or warrant structure paid on a multiple of cash flow in the event of a refinance, sale or liquidation
  • may also utilize a royalty structure paid on a percentage of incremental revenue or cash flow
Investment Process

The Manager along with economic development partners will act in a coordinated manner to efficiently source new opportunities, perform an initial screen, fully underwrite and reach a final approval vote by the principals of the Fund.
Benefits to the Company

• Provides capital to metro Detroit businesses that are overlooked or avoided by commercial banks and most private investment funds

• Provides commitment size (<$5 million) which is below the threshold for most lower middle market mezzanine firms

• Attractive cost of funds for small, fast growing businesses
  • Gross return rate of 10%-17% is significantly lower than current market providers would target for companies with the proposed criteria and commensurate risk profile
  • Funds that target this segment (below “lower middle market”) typically seek returns in the 25%+ range through higher cash coupon rates and a majority stake in the company

• Interest from debt financing is tax deductible
Appendix
**Founding:** The Detroit Investment Fund (DIF), was created and funded in 1995 by members of Business Leaders for Michigan (originally Detroit Renaissance). Investors include General Motors, Ford, Chrysler, Masco, JP Morgan Chase, Comerica, BCBS, DTE, and others.

**Purpose:** To invest in companies or projects that will stimulate economic development in the City of Detroit.

**Impact:** Investments totaling $140.2 million which have leveraged total investment of $808.5 million in 35 commercial and industrial transactions and 77 real estate development transactions, resulting in 2,796 jobs and the development of 1.8 million square feet of commercial space, 3.5 million square feet of residential space, and 2,721 units of housing.

**Affiliates:** The DIF Board formed Invest Detroit in 2010 to serve as the umbrella organization overseeing multiple affiliates including the Lower Woodward Housing Fund, the Urban Retail Loan Fund, the Predevelopment Loan Fund, the New Markets Tax Credit Fund, and the First Step Fund. Collectively, Invest Detroit and its affiliates are working daily to grow and improve the community and economy of Detroit.
MEDC Loan Enhancement Deal-Flow

The Michigan Economic Development Corporation (“MEDC”) is focused on increasing the availability of capital in Michigan. The MEDC, through the loan enhancement programs it administers on behalf of the Michigan Strategic Fund (“MSF”), currently addresses some of the capital needs of small businesses in urban areas.

• MSF loan enhancement programs, with limited funding, have been able to serve a small portion of this urban market. This portfolio of loans provides a strong indication of the quantity and quality of opportunities available in or near the urban core. To date, the MSF has provided loan enhancement to:
  • 99 small businesses in or near urban areas
  • Representing $7.1 million in public support
  • Leveraging $32.8 million in private dollars
  • Creating or retaining 1,118 jobs
  • No defaults or losses in this portfolio to date

• According to our experience, these figures only represent a small fraction of the need. We believe this market is still drastically underserved and requires additional funding through the appropriately structured vehicle.
Loan Enhancement Programs: Urban Deal-Flow
WHEREAS, Public Acts 215 and 225 of 2005 (the “Act”) established the 21st Century Jobs Fund initiative;

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

WHEREAS, pursuant to MCL.125.2088d(1) the MSF created the Michigan Supplier Diversification Fund (“MSDF”) as a loan enhancement program;

WHEREAS, at its July 25, 2012 meeting, the MSF approved the Pure Michigan Urban Investment Program (“PMUIP” or “Program”) and guidelines (the “PMUIP Guidelines”) under the MSDF and authorized the MSF Fund Manager to (1) appoint a Joint Evaluation Committee (“JEC”) to review proposals and to make recommendations to the MSF Board for awards under the PMUIP and (2) to develop and approve the application and evaluation process under the PMUIP, each in accordance with the PMUIP Guidelines and the Act, to be used by the JEC in reviewing applications and making award recommendations to the MSF Board under the PMUIP;

WHEREAS, in accordance with the PMUIP Guidelines, the Act and the authority delegated by the MSF Board, the MSF Fund Manager issued a Request for Applications (“RFA”), appointed a JEC and approved the scoring and evaluation criteria for the PMUIP;

WHEREAS, two (2) qualified fund managers submitted application materials for consideration under the RFA;

WHEREAS, the JEC evaluated both proposals in accordance with the PMUIP Guidelines, the requirements of the RFA, including all statutory requirements, and the scoring and evaluation criteria approved by the MSF Fund Manager;

WHEREAS, the Michigan Detroit Loan Fund (the “Detroit Loan Fund”) received the highest score through the JEC scoring and evaluation;

WHEREAS, the JEC and the MEDC recommend that the MSF Board approve an award of up to $5,000,000 under the PMUIP to the Detroit Loan Fund (the “Detroit Loan Fund Award”), which shall not be vested unless the Detroit Loan Fund conducts a first close of at least $15,000,000, inclusive of the MSF award, by December 31, 2013; and

WHEREAS, the MSF Board has reviewed the recommendation and desires to approve the Detroit Loan Fund Award.

NOW, THEREFORE, BE IT RESOLVED, subject to compliance with the Act and completion of civil and criminal background checks, the MSF Board approves the Detroit Loan Fund Award; and

BE IT FURTHER RESOLVED, the MSF Fund Manager is authorized to negotiate and sign all final documents necessary to effectuate the Detroit Loan Fund Award.

Ayes:

Nays:

Recused:

Lansing, Michigan
April 24, 2013
MEMORANDUM

DATE: April 24, 2013

TO: Michigan Strategic Fund Board Members

FROM: Diane Cranmer

SUBJECT: Private Activity Bond – Bond Authorizing
Prefix Corporation and co-borrowers: Prefix Coatings LLC and 3500 Joslyn Road, LLC
$5,215,000 – Manufacturing – New Financing

COMPANY BACKGROUND
Prefix Corporation and its related entities: Prefix Coatings LLC and 3500 Joslyn Road, LLC (“Prefix”) formed in the State of Michigan on November 4, 1980. Prefix is owned by Mr. Kim Zeila and is located at 1300 West Hamlin Road, Rochester Hills, Oakland County. The proposed project will operate a low volume, modular build component manufacturing/custom paint facility for the Dodge Viper vehicle line. Prefix indicates it is a modular component manufacturer that will be Tier1 for Chrysler on the new vehicle. Prefix will take raw components for the exterior, finish and partially assemble and then ship a sequenced full car exterior to Chrysler. Prefix indicates it will world class value add-manufacturing finish/hand paint to the exterior components (e.g., hoods, doors, side panels) of the vehicle in state-of-the-art paint rooms. Prefix will then ship the finished parts to the Chrysler Conner Avenue Plant in Detroit for final assembly. Prefix employed 89 employees at the time of the original application; due to hiring for this project/program, they are now at 214 employees.

PROJECT DESCRIPTION
Prefix indicates the project will include the acquisition of land and an existing approximately 130,000 square foot facility, the rehabilitation of the facility and the acquisition and installation of machinery and equipment located at 3500 Joslyn Road, Auburn Hills, Oakland County, and the acquisition and installation of machinery and equipment to be located at 1300 West Hamlin Road, Rochester Hills, Oakland County. The project will utilize the former Kmart building.

PROJECT EVALUATION

1. JOB CREATION
Prefix anticipates creating approximately 130 new jobs at project completion. Prefix has now hired 115 for this project/program.

2. EMPLOYMENT INFORMATION
The average hourly wage of all the jobs being created (hourly and salary) is $17.00 per hour. The fringe benefits provided to the new hires by the company include paid vacation, paid holidays, 401(k), health insurance (including medical, dental and vision), life insurance, accidental death and dismemberment, tuition reimbursement, short-term disability, bank at work, and financial planning assistance.
3. ADDITIONAL STATE AND LOCAL ASSISTANCE
Prefix indicates it has created an Industrial Rehabilitation Zone for the renovations to the building and also an Economic Development Zone for the purchase and installation of new equipment. Also, Prefix was approved in 2012 for an 8 year tax abatement from the City of Auburn Hills.

ADDITIONAL INFORMATION

Bond Counsel:
Clark Hill PLC

Proposed Placement of the Bond Issue:
PNC Bank will directly purchase the bonds.

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, staff recommends the adoption of a Bond Authorizing Resolution in the amount of NTE $5,215,000.
MEMORANDUM

Date:        April 24, 2013
To:          Michigan Strategic Fund Board Members
From:        Daniel Leonard, Community Assistance Team Specialist
              Deborah Stuart, Community Development Incentives Director
Subject:     Community Development Block Grant Program
              312 River Street Signature Building Project
              City of Manistee, Manistee County, MI

BACKGROUND
The City of Manistee is requesting $330,000 in Community Development Block Grant (CDBG) funds for the acquisition of a signature building within their traditional downtown core in Manistee County that will result in job creation. The following provides a summary of the proposed improvements for the property.

- Property Address: 312 River Street, Manistee, MI

The property will be acquired by Blue Fish Kitchen, LLC for the purpose of opening a full-service restaurant. The owner will invest extensively into rehabilitation of the property, not only because certain finishes and layouts are desired, but also due to the fact that the property has fallen into disrepair over the period of vacancy. Rehab activities include roof repair, flooring replacement, new layout of kitchen area, new fixtures, significant cleaning, exterior façade work and more. Again, given the historic nature of the structure and the extended time the building has been vacant the applicant will utilize the proposed grant dollars to rehabilitate and stabilize the physical building, retool the infrastructure to support the new commercial restaurant and renovate the interior.

BUSINESS BACKGROUND
The proposed new business is the product of an existing successful restaurant endeavor in Big Rapids known as the Blue Cow, LLC. Maintaining the current business model from Big Rapids, the Blue Fish Kitchen will maintain its well-known ‘farm to table’ menu and will comprise a full-service commercial restaurant during the project’s first phase. Over the course of the second year, within the confines of the CDBG grant agreement, a second phase will develop the upper commercial space into a banquet center.

NATIONAL OBJECTIVE
The project qualifies for CBDG funding as the project activities are expected to result in the creation of 22 full time equivalent positions over the next two years. The company has agreed that at least 12 of the 22 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 $15,000/job, with an average wage of $11.82/hr.

ELIGIBLE ACTIVITY
This project involves eligible activities identified in Section 105(a)(1) 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:

**Project Type:** This project was selected because the community demonstrated that projects are located in a traditional downtown and is located in a Downtown Development Authority as well as a defined national and locally designated historic district. All improvements will meet the Secretary of Interior’s Standards for Rehabilitation and the community has also shown the local organizational capacity to successfully complete this project.

This project was evaluated and given priority based on the following merits:

- The project is a signature, troubled building in the downtown which serves as the gateway to Manistee’s other historic structures and commercial entities.
- A significant multi-story, zero lot line building, that has been vacant since 2009.
- The use will address an underserved market as described within a recently completed comprehensive market analysis of Downtown Manistee, including local and regional trade areas where eating and drinking establishments were identified as one of the top market opportunities for business expansion and recruitment within Manistee’s service area.
- The property has sufficient parking from nearby city parking lots where there are multiple surface lots within a two block radius of the site as well as adjacent on-street parking opportunities.
- A full time downtown development professional is able to administer the project.

**Minimum Local Participation:**
The private and local match contribution for the property is noted in Attachment A and equals $600,000, which results in a leverage ratio of over 2:1 of the CDBG grant. The match for the acquisition of the project is 26%. Private contributions include cash equity and a bank loan and will fund acquisition and rehabilitation build out. Specifically, the Manistee DDA is providing a loan of $70,000 and a façade grant of $15,000 for rehabilitation of the building.

**Financial Viability and Background Check:**
All businesses receiving the benefits from this project have completed a background check with no concerns and have been determined to be financial viable.

**PROJECT BUDGET**
See Attachment A.

**RECOMMENDATION**
After reviewing the proposal, MEDC staff has concluded that the project meets the minimum program requirements to be eligible under the CDBG program. Therefore, staff, recommends that a grant agreement, in the amount of $330,000 be authorized for the City of Manistee.
1. Applicant: City of Manistee

2. Project Title: 312 Street Signature Building

3. Project Cost Elements

4. Project Funding Sources (identify all other funding sources).

<table>
<thead>
<tr>
<th>Activities</th>
<th>CDBG</th>
<th>Private</th>
<th>DDA</th>
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<tbody>
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<td>Liquor License &amp; Personal Property</td>
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<td>Acquisition</td>
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<tr>
<td>Building Rehab/Improvements</td>
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<td>$315,000</td>
<td>$15,000</td>
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<td></td>
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<tr>
<td><strong>TOTAL</strong></td>
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<td><strong>$585,000</strong></td>
<td><strong>$15,000</strong></td>
<td><strong>$930,000</strong></td>
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RESOLUTION 2013-______

APPROVAL OF CITY OF MANISTEE SIGNATURE BUILDING 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 2012 Program Guidelines, as amended (the “Criteria”) and the 2012 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 City of Manistee (the “Community”) has submitted a complete application for approval requesting funding to be used to fund the 312 River Street Signature Building 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 $330,000 for the payment or reimbursement of costs associated with the Project. The MSF allocates $330,000 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. 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 120 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
April 24, 2013
MEMORANDUM

Date: April 24, 2013
To: Michigan Strategic Fund Board Members
From: Lisa Pung, Community Assistance Team Specialist
Deborah Stuart, Community Development Incentives Director
Subject: Community Development Block Grant Program
Blight Elimination-Historic Preservation
City of Albion, County of Calhoun

BACKGROUND
The City of Albion is requesting $342,000 in Community Development Block Grant (CDBG) funds for blight elimination in Calhoun County.

The following provides a summary of the proposed activities for the project:

- Friends of the Bohm Theatre – P.O. Box 156, Albion
  The historic preservation of the 1929, Bohm Theatre Restoration Project will act as a catalyst in the revitalization of downtown Albion. CDBG funded activities include mechanical and electrical upgrades that will eliminate blighted conditions. Private activities include architecture/engineering, interior demolition, rehabilitation, equipment, and construction management.

NATIONAL OBJECTIVE
Proposed projects must meet the national objective of elimination or prevention of slums and blight on a spot or area wide basis. This project is eligible, as it meets the definition of blight as defined in the Brownfield Redevelopment Financing Act 381 of 1996, MCL 125.2652 (e)(i-iv) and (vii). CDBG funded activities include mechanical and electrical upgrades that will eliminate blighted conditions to address the fire hazard and to address the utilities being rendered ineffective so that the property is unfit for its intended use. The project includes the full interior, historic rehabilitation of the property.

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:

Project Type:
Funding priority was given to this project due to the holistic nature of the rehabilitation of the project and the local organization capacity to successfully complete the project. Additionally, the project has been evaluated and given priority based on:
- The project’s location within traditional Downtown, high pedestrian area.
- The project being a privately owned historic property listed in the National Register of Historic Places.
- The owner providing an overall match that significantly exceeds the required minimum.

**Minimum Local Participation:**
The match contribution for this project is noted in Attachment A and equals $1,263,000 which is seventy-eight percent (78%) of the total project cost and will be provided by the Friends of the Bohm Theatre. The matching funds will include bank financing from Comerica Bank, a Michigan Council for Arts and Cultural Affairs Grant and a Jeffris Family Foundation Grant.

**Financial Viability and Background Check:**
The business receiving the benefits from this project has completed a background check with no concerns and has been determined to be financially viable.

**PROJECT BUDGET**
See Attachment A.

**RECOMMENDATION**
After reviewing the proposal, MEDC staff has concluded that the project meets the minimum program requirements to be eligible under the CDBG program. Therefore, staff, recommends that a grant agreement, in the amount of $342,000 be authorized for the City of Albion for the Friends of the Bohm Theatre Restoration Project. The Friends of the Bohm Theatre shall provide to the MEDC documentation that it has closed on the Comerica Bank loan prior to executing the grant agreement.
## MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

### PROJECT BUDGET

**MICHIGAN COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM**

1. Applicant: City of Albion  
2. Project Title: Friends of the Bohm Theatre Restoration Project  

3. **Project Cost Elements**

<table>
<thead>
<tr>
<th>Activities</th>
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<th>Private</th>
<th>MCACA</th>
<th>TOTAL</th>
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Total  

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<td>$1,218,000</td>
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<td>$1,605,000</td>
</tr>
</tbody>
</table>
MICHIGAN STRATEGIC FUND
RESOLUTION 2013- _________

APPROVAL OF CITY OF ALBION BLIGHT ELIMINATION 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 (the “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 (the “CDBG”) program;

WHEREAS, the CDBG program has policies, criteria, and parameters which are enumerated in the 2012 Program Guidelines, as amended (the “Criteria”) authorized by Resolution 2012-028, and the 2012 Application Guide (the “Guide”) authorized by Resolution 2012-067. Included in those Criteria and Guide are guidelines for Blight Elimination grants;

WHEREAS, the City of Albion (the “Community”) has submitted a complete application for approval requesting funding to be used to fund the Friends of the Bohm Theatre Restoration Project (the “Project”);

WHEREAS, CDBG program staff reviewed the proposed Project in light of the Criteria, Guide and HUD regulations and concluded the Project is eligible for funding, is not speculative in nature, is economically sound, is ready to proceed, and will eliminate specific conditions of blight or physical decay on a spot basis not located in a designated slum or blighted area; and

WHEREAS, staff recommends that a grant agreement, contingent upon Friends of the Bohm Theatre’s receipt of Comerica Bank Financing, 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 $342,000 for the payment or reimbursement of costs associated with the Project, and, allocates $342,000 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; and

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 120 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
April 24, 2013
MEMORANDUM

Date: April 24, 2013

To: Michigan Strategic Fund Board Members

From: Deborah Stuart, Community Development Incentives Director

SUBJECT: Community Development Block Grant Program
2013 Downtown Infrastructure Grant (DIG) Project

Background: The Community Development Block Grant (CDBG) program announced a competitive round of CDBG funding in December 2012. Eligible communities could submit Part I Applications for Downtown Infrastructure Grants (DIG). This was the third offering of the Downtown Infrastructure Grants since the program was introduced.

The purpose of the DIG program is to assist low and moderate income communities seeking to improve the infrastructure quality of their traditional downtown district. The MSF received 43 Part I Applications requesting a total of $20,039,038 with a total of $9,185,766 in matching funds identified. The projects recommended have completed a full application and majority of their environmental review. This allows them to start construction immediately following the grant agreement being signed.

National Objective: In order to qualify for CBDG funding, populations of communities or program areas must be at least 51 percent low and moderate income as determined by census data provided by the U.S. Department of Housing and Urban Development or an income survey. It has been determined that all of the recommended applicants meet this criterion.

Eligible Activity: All of the projects being recommended involve eligible activities identified in Section 105(a)(2) of Title I of the Housing and Community Development Act of 1974, as amended.

Screening Guidelines: All of the projects being recommended demonstrated that they are located in a traditional downtown; the community provided a cash match of at least ten percent; the community had not received a 2011 DIG grant; the community has a maintenance plan for the proposed projects; and the project is able to be completed within one year of the grant agreement sign date.

The projects being recommended were scored and given priority based on the community providing matching funds above ten percent; the community not having any open grants that have not been drawn down; the project being located in a Downtown Development Authority or similar type district; and the incorporation of innovative design elements.

Recommendation: A list of the nine recommended projects is attached as Exhibit A to the resolution and totals $4,472,531. The list includes the CBDG applicants, project description, percentage of low and moderate income people living in the community, amount requested, match commitment, the score they received, and a description of the proposed project. Staff recommends that grant agreements totaling $4,472,531 be authorized for the nine projects listed in Exhibit A of the resolution.
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 2012 Program Guidelines, as amended (the “Criteria”) and the 2012 Application Guide (the “Guide”). The MSF by Resolution 2012-028 authorized and approved the Consolidated Plan and the Criteria, and by Resolution 2012-67 authorized and approved the Guide which included guidelines for grants;

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

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

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

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board authorizes separate grant agreement be entered into with each community not to exceed the respective amounts listed in Exhibit A for the payment or reimbursement of costs associated with the Projects. The MSF allocates $4,472,531 from the Michigan CDBG program for the purpose of funding the Communities’ proposed Projects contingent upon the MSF’s continued receipt of CDBG funds and availability of adequate funds;

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

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

ADOPTED

Ayes:

Nays:

Recused:

Lansing, Michigan
April 24, 2013
## Exhibit A
### Downtown Infrastructure Grants
#### Recommended Projects

Program Year 2012

<table>
<thead>
<tr>
<th>Applicant</th>
<th>Project Description</th>
<th>Percent Low/Mod</th>
<th>CDBG Request</th>
<th>Total Match</th>
<th>Score</th>
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</thead>
<tbody>
<tr>
<td>City of Hart</td>
<td>Parking and Streetscape Improvements</td>
<td>56.4</td>
<td>$294,000</td>
<td>$196,000</td>
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<td>City of Iron River</td>
<td>Street Improvements</td>
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<td>$559,000</td>
<td>$245,000</td>
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<td>City of South Haven</td>
<td>Street Improvements</td>
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<td>Village of Lyons</td>
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<td>City of Grand Haven</td>
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<td>City of Croswell</td>
<td>Streetscape Improvements</td>
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<td>City of Imlay City</td>
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<td>City of Tawas</td>
<td>Downtown Parking and Walkway Improvements</td>
<td>71.3</td>
<td>$368,682</td>
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</table>

| Total                      | $4,472,531                                               | $3,353,464      |
MEMORANDUM

Date: April 24, 2013

To: Michigan Strategic Fund Board Members

From: Jen Tucker, Community Assistance Team Specialist
Deborah Stuart, Community Development Incentives Director

Subject: Community Development Block Grant Program
Roy’s Pasties and Bakery Signature Building Project
City of Houghton, County of Houghton

BACKGROUND
The City of Houghton is requesting $110,000 in Community Development Block Grant (CDBG) funds for the acquisition of a building within the downtown district in Houghton County that will result in job creation.

The following provides a summary of the proposed improvements for the property:

- Property Address: 305 Lakeshore Drive, Houghton.

The proposed $795,000 downtown redevelopment project will transform a vacant, blighted building into a premier retail and residential location, that will create eight new FTE jobs. Through acquisition, partial rehabilitation and partial new construction, the building will house a 3,200 square foot bakery on the first floor with space for two future apartment units on the second floor. The proposed project will allow Roy’s Pasties and Bakery to increase production, storage, and retail space, as well as their hours of operation and website sales capacity. The grant is required to assist with the acquisition of the property.

BUSINESS BACKGROUND:
Roy’s Pasties and Bakery, Inc. is a locally owned and operated bakery, which currently leases a space in the outskirts of the City of Houghton. Due to capacity limitations and product demand, the business is unable to meet customer needs due to the physical constraints of the shop, both in production and retail.

NATIONAL OBJECTIVE
The project qualifies for CDBG funding as the project activities are expected to result in the creation of eight full time equivalent positions over the next two years. The company has agreed that at least five of the eight 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 $13,750, with an average wage of $9.75/ hour.

ELIGIBLE ACTIVITY
This project involves eligible activities identified in Section 105(a)(1) 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:
Project Type:
This project was selected because the community demonstrated that project is located in the Downtown Development Authority. All improvements will meet the Secretary of Interior’s Standards for Rehabilitation where applicable, and the community has also shown the local organizational capacity to successfully complete this project. This project was evaluated and given priority based on:

- The project will rehabilitate a long-time vacant, blighted, troubled building in the downtown that will have the following characteristics:
  - Reuse will address an underserved market
  - Zero lot line building
  - Walkable and accessible
  - Mixed use
  - Completely vacant building being returned to active use
  - Located in a DDA or other like district
- The community has successful prior use of downtown development incentives (TIFs, abatements, etc.)
- The community has a full-time downtown development professional or community staff member able to administer the project
- The community has adopted a downtown development plan

Minimum Local Participation:
The private match contribution for the project is noted in Attachment A and equals $685,000 which results in a leverage ratio of 6:1 of the CDBG grant, or 86% of the total project costs and will be provided by the business owners. The match for the acquisition portion of the project is 24%. however, considering the large match for the remainder of the project, which totals 86% of the total project costs, Staff recommends waiving the minimum requirement on the acquisition of 25%.

Financial Viability and Background Check:
All businesses receiving the benefits from this project have completed a background check with no concerns and have been determined to be financial viable.

PROJECT BUDGET
See Attachment A.

RECOMMENDATION
After reviewing the proposal, MEDC staff has concluded that the project meets the minimum program requirements to be eligible under the CDBG program. Therefore, staff, recommends that a grant agreement, in the amount of $110,000, be authorized for the City of Houghton.
# PROJECT BUDGET

MICHIGAN COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

Michigan Economic Development Corporation

<table>
<thead>
<tr>
<th>1. Applicant: City of Houghton</th>
<th>2. Project Title: Roy’s Pasties and Bakery Signature Building Project</th>
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</thead>
<tbody>
<tr>
<td>3. Project Cost Elements</td>
<td>4. Project Funding Sources (identify all other funding sources).</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Activities</th>
<th>CDBG</th>
<th>Private</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Architecture and/or Engineering</td>
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<td>$ 60,000</td>
<td>$60,000</td>
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<tr>
<td>Property/Easement Acquisition</td>
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<td>$35,000</td>
<td>$145,000</td>
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<tr>
<td>Rehabilitation</td>
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<td>$540,000</td>
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<tr>
<td>Furnishings</td>
<td>$0</td>
<td>$50,000</td>
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</table>

TOTAL $110,000 $685,000 $795,000
MICHIGAN STRATEGIC FUND
RESOLUTION 2013- ________

APPROVAL OF CITY OF HOUGHTON SIGNATURE BUILDING 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 2012 Program Guidelines, as amended (the “Criteria”) and the 2012 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 City of Houghton (the “Community”) has submitted a complete application for approval requesting funding to be used to fund the Roy’s Pasties and Bakery Signature Building 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 $110,000 for the payment or reimbursement of costs associated with the Project. The MSF allocates $110,000 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. 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 120 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
April 24, 2013
MEMORANDUM

Date:        April 24, 2013
To:          Michigan Strategic Fund Board Members
From:        Deborah Stuart, Community Development Incentives Director
              Amy Lux, Renaissance Zone Program Specialist
Subject:     Revocation of an existing Renaissance Zone Time Extension
              Border to Border Renaissance Zone
              City of Coldwater
              JMWingard, LLC

COMPANY BACKGROUND
JMWingard, LLC (the “Company”) was established in 2008 to renovate the former Kerr Building in the City of Coldwater. This property is highly visible, situated in the downtown area of the City. The Company received a 10-year time extension designation on a portion of the Border to Border Renaissance Zone housing the Kerr Building (the “Property”) on December 15, 2010.

OUTSTANDING ISSUES
In exchange for the extra years of Renaissance Zone benefits, the Company entered in to a Development Agreement (the “Agreement”) with the Michigan Strategic Fund (“MSF”) and the real property owners, the Coldwater Downtown Development Authority, outlining specific milestones regarding job creation, capital investment, and a project commencement deadline. The Company agreed to create 18 new full-time jobs and to expend $3.075 million in capital investment on the Property by January 31, 2012 and January 31, 2013, respectively. Also, within a year of designation, by December 15, 2011, the terms of the Agreement impose an obligation to commence the project associated with the Renaissance Zone designation.

Due to a failure to secure financing, the Company has not met either the job creation or capital investment milestones and has not yet commenced construction of the project in violation of the terms of the Agreement. In a letter dated June 5, 2012, the Michigan Economic Development Corporation (“MEDC”) notified the Company of their non-compliance and informed them of the initiation of the 90-day cure period, as required by the Agreement. The cure period has since lapsed and the Company has confirmed their continuing non-compliance, granting the MSF contractual authority to revoke the designation.

Further, the MSF has statutory authority, via the Renaissance Zone Act (the “Act”), to revoke the designation based on both the Company’s failure to comply with the terms of the Agreement and because the increased job creation and capital investment associated with the project did not begin within a year of the designation date. The Company reported in their required progress report filed with the MEDC that no capital investment or job creation has occurred as of December 31, 2012.

Because of the importance of the project to the City of Coldwater, the MEDC has attempted to give the Company some additional time to secure the financing necessary for the project, with an aim toward amending rather than recommending revocation of the designation. However, while the Company has recently submitted to the MEDC a letter of interest by a financial institution interested in funding the project, too many deficiencies exist to amend the Agreement in a way that would be faithful to the Act.

RECOMMENDATION
The MEDC recommends the MSF Board revoke the Renaissance Zone time extension awarded to JMWingard, LLC, effective January 1, 2014. As the company has been forthcoming regarding their project’s lack of success, repayment of previous abated taxes is not requested.
WHEREAS, Section 4(7) of the Michigan Renaissance Zone Act (the “Act”), 1996 PA 376, as amended, authorizes the Michigan Strategic Fund (“MSF”) to extend the duration of renaissance zone status for portions of the an existing renaissance zone if the extension will increase capital investment or job creation;

WHEREAS, on December 15, 2010, the MSF Board approved a Time Extension designation for a portion of the Border to Border Renaissance Zone for JMWingard, LLC (the “Company”) for a development site in the City of Coldwater (“the Property”) beginning January 1, 2011, and a development agreement (the “Agreement”) was entered into between the MSF, the Company, and the real property owners, the Coldwater Downtown Development Authority, which committed the Company to numerous milestones with regards to job creation, new investment, and a project commencement deadline;

WHEREAS, Section 4(7) of the Act allows the MSF to revoke the Extension of Time designation for the Renaissance Zone if the MSF determines: (1) the increased capital investment or job creation will not begin within one year of the granting of the extension; or (2) there is a violation of the Agreement;

WHEREAS, the Company has failed to commence the project associated with Time Extension Renaissance Zone designation within one year of the granting of the extension, in violation of the terms of Section 6 of the Agreement;

WHEREAS, the Michigan Economic Development Corporation (“MEDC”) provides administrative services for the renaissance zone program, and was notified by the Company that due to difficulty securing financing, no capital investment or job creation occurred at the Property within one year of the granting of the extension;

WHEREAS, pursuant to the development agreement, staff on behalf of the MSF has sent notice to the Company to cure its noncompliance or it will recommend revocation, and the 90 – day cure period has since lapsed, required via Section 7 of the Agreement;

WHEREAS, the MEDC recommends the MSF Board approve the revocation of the Company’s Time Extension Renaissance Zone designation.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board approves the revocation of the Company’s Time Extension Renaissance Zone designation; and

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

Ayes:

Nays:

Recused:

Lansing, Michigan
April 24, 2013
MEMORANDUM

Date: April 24, 2013

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

From: Jeremy Webb, Program Specialist
Joshua Hundt, Development Finance Manager

Subject: Briefing Memo – Magna US Holding, Inc.
Addition of Subsidiary Businesses for Base Employment Level and Qualified New Jobs

COMPANY NAME
Magna US Holding, Inc.
600 Wilshire Drive
Troy, MI 48084

BACKGROUND
A 100 percent Standard MEGA Credit for seven years was awarded to Magna Holding of America, Inc. on April 20, 2010 (Resolution 2010-057), as amended July 20, 2010 (Resolution 2010-112). The MEGA later approved a transfer of the credit from Magna Holding of America, Inc. to Magna US Holding, Inc., effective December 21, 2011. The Credit was awarded for up to 508 Qualified New Jobs, with an average weekly wage of $669, above the Base Employment Level of 774 full-time employees in Michigan. The project location was set for the City of Troy, City of Auburn Hills, City of Lansing, and the Charter Township of Shelby. The City of Troy and the City of Auburn Hills have approved a P.A. 198 tax abatement for Magna US Holding, Inc.

Soon after this credit was approved, it was discovered that two project related entities, Magna Powertrain USA, Inc. and Magna E-Car Systems of America, Inc., were not included in the board resolution for the purpose of Base Employment Level and Qualified New Jobs as related to this project. Both Magna Powertrain USA, Inc. and Magna E-Car Systems of America, Inc. are Subsidiary Businesses of Magna US Holding, Inc. In 2010, the MEDC was in support of making a recommendation to the MEGA Board to have these entities added. However, a formal amendment request was not brought to the MEGA Board for approval at that time. The addition of these two entities does not change the overall structure of the project nor modify any other aspects of the current MEGA.

STATUS OF PROJECT
Magna US Holding, Inc. and its subsidiaries created approximately 267 Qualified New Jobs above the Base Employment Level of 774 for the 2011 tax year. They have greatly exceeded the required 150% federal minimum wage of $10.88 an hour by paying their employees an average $31.33 an hour. They have also exceeded their Average Weekly Wage requirement of $669 with a wage of $1,253.

RECOMMENDATION
Based on the factors described above, the Michigan Economic Development Corporation recommends that Magna Powertrain USA, Inc. and Magna E-Car Systems of America, Inc. be added as Subsidiary Businesses of Magna US Holding, Inc. for the purpose of Base Employment Level and Qualified New Jobs. All other aspects of the original MEGA, as amended, remain as is.

The MSF Advisory Committee has indicated its support of the Recommendation.
RESOLUTION 2013-
MICHIGAN STRATEGIC FUND

Magna US Holding, Inc.
Addition of Subsidiary Businesses for Base Employment and Qualified New Jobs

WHEREAS, the Michigan Legislature created the Michigan Economic Growth Authority (“MEGA”) under the Michigan Economic Growth Authority Act, 1995 PA 24, as amended, with the authority to authorize tax credits under the Michigan Business Tax Act, 2007 PA 36, as amended (a “Tax Credit”);

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

WHEREAS, in Resolution 2010-057, adopted on April 10, 2010, as amended (“Resolution”), the MEGA Board authorized a Tax Credit for Magna US Holding, Inc. (the “Company”) of 100 percent for a period of seven consecutive years, beginning no later than the Company’s tax year ending December 31, 2011;

WHEREAS, the Resolution included the following subsidiaries for the purpose of maintaining the Base Employment Level and creating Qualified New Jobs: Magna Powertrain of America, Inc., Magna Powertrain Lansing, LLC, Magna Seating of America, Inc., and Magna Services of America, Inc.;

WHEREAS, the Company’s subsidiaries, Magna Powertrain USA, Inc. and Magna E-Car Systems of America, Inc. were in existence at the time of the application, but were not included in the Resolution;

WHEREAS, Magna Powertrain Lansing, LLC has since changed its name to MPT Lansing, LLC;

WHEREAS, the Company desires to add Magna Powertrain USA, Inc. and Magna E-Car Systems of America, Inc. as Subsidiary Businesses, to be counted for the Base Employment Level and Qualified New Jobs; 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 Company, and its Affiliated Businesses, maintain a minimum of 774 full-time jobs in Michigan and create a minimum of 50 Qualified New Jobs at the project.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board authorizes an amendment to change the name of Magna Powertrain Lansing, LLC to MPT Lansing, LLC, as well as add Magna Powertrain USA, Inc. and Magna E-car Systems of America, Inc. as Affiliated Businesses.

BE IT FURTHER RESOLVED, that all other provisions of Resolution 2010-057, as amended, are reaffirmed and the MSF authorizes the staff of MEGA to implement the terms of this resolution.

Ayes:
Nays:
Recused:

April 24, 2013
Lansing, Michigan
MEMORANDUM

Date: April 24, 2013

To: Michigan Strategic Fund

From: Dan Wells, MEDC – Brownfield Program Specialist

Subject: Act 381 Work Plan Amendment Approval
City of Grand Rapids Brownfield Redevelopment Authority
Fulton and Division Project
City of Grand Rapids, County of Kent

APPLICANT
City of Grand Rapids Brownfield Redevelopment Authority

Contact: Kara Wood, City of Grand Rapids

ACT 381 WORK PLAN REQUEST
The City of Grand Rapids Brownfield Redevelopment Authority has submitted an amended Act 381 Work Plan (hereinafter Work Plan) request to increase the eligible activity costs from the originally approved amount of $534,025 to $2,475,140.

PROJECT DESCRIPTION
The original approval for the work plan on this project was on March 14, 2006 for the new construction of a ten story, mixed-use building on two vacant lots. Due to the deterioration of the economy in 2008-2009, the project was not initiated, the site has remained vacant, and one of the parcels approved under the original work plan (243 Commerce Avenue) has been removed from the project. This project now includes redevelopment of a single parcel with two addresses (240 Ionia Avenue and 48 Williams Street) on approximately 0.35 acres of property located at in the City of Grand Rapids.

The property is currently owned by 240 Ionia Avenue LLC, which is wholly owned by Brookstone Capital LLC. The project includes construction of a seven story, approximately 105,000 square foot building with an integrated three story private parking deck with 74-80 spaces. The parking deck will occupy half of the ground floor—splitting the floor with 4,600 square feet of retail that fronts the street—and floors one and two. The remaining four floors will contain 40 work force and 8 market rate one to two bedroom residential units (approximately 60,000 square feet).

In addition, the City has approved a payment in lieu of taxes on the property for 35 years with an annual savings of approximately $180,000 per year.

Approximately five permanent full-time jobs are anticipated to be created by the retail portion of the project and two permanent full-time jobs are anticipated to be created by the residential portion at an average hourly wage of $13. The total capital investment will be approximately $15 million.
TAX CAPTURE BREAKDOWN
There are 45,4524 non-homestead mills available for capture, with school millage equaling 24 mills (52.8%) and local millage equaling 21.4524 mills (47.2%). The requested tax capture for MSF eligible activities breaks down as follows:

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<th>Amount</th>
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<tr>
<td>School tax capture (52.8%)</td>
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<tr>
<td>Local tax capture (47.2%)</td>
<td>$1,168,266</td>
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<td><strong>TOTAL</strong></td>
<td><strong>$2,475,140</strong></td>
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COST OF MEGA ELIGIBLE ACTIVITIES

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<th>Amount</th>
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<td>Infrastructure Improvements</td>
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<td>+ 133,700</td>
</tr>
<tr>
<td>Sub-Total</td>
<td>$2,143,600</td>
</tr>
<tr>
<td>Contingency (15%)</td>
<td>+ 321,540</td>
</tr>
<tr>
<td>Sub-Total</td>
<td>$2,465,140</td>
</tr>
<tr>
<td>Brownfield/Work Plan Preparation</td>
<td>10,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$2,475,140</strong></td>
</tr>
</tbody>
</table>

RECOMMENDATION
The MEDC recommends approval of local and school tax capture for the MSF eligible activities totaling $2,475,140 described above. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at $1,306,874.
WHEREAS, 2002 PA 727 amended 1996 PA 381, MCL 125.2651 et seq, to empower local brownfield redevelopment authorities to request the Michigan Economic Growth Authority Board (“MEGA”) to approve a brownfield project work plan and, thereby, capture taxes levied for school operating purposes for the project;

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

WHEREAS, the MEGA Board approved a Work Plan request for the Project, known as Fulton and Division Redevelopment Project (the “Project”), by Resolution 2006-11 on March 14, 2006, authorizing the Authority to capture taxes levied for school operating purposes based on a maximum of $534,025 in eligible costs;

WHEREAS, the qualified taxpayer wishes to amend the scope of the Project by incorporating a parking ramp and deck into the building of the Project and increasing the maximum amount for eligible costs;

WHEREAS, the City of Grand Rapids Brownfield Redevelopment Authority (the “Authority”) is requesting MSF approval to capture additional taxes levied for school operating purposes to provide for the reimbursement of the cost of eligible activities on an eligible property; and

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

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board authorizes a project scope amendment for the Authority to capture taxes levied for school operating purposes in substantially the same proportion as the 52.8% to 47.2% ratio currently existing between school and local taxes for non-homestead properties, to reimburse the cost of infrastructure improvements and site preparation as presented in the revised Work Plan dated April 9, 2013. Any change in millage that increases the capture percentage of school operating taxes by more than 5 percentage points must be approved by the MSF Board. The authorization is based on the Authority capturing all available local operating mills for the term of the capture period. The authorization for the capture of taxes levied for school operating purposes is based on a maximum of $2,465,140 for the principal activity costs of non-environmental activities and a contingency, and a maximum of $10,000 for Brownfield/Work Plan preparation and MSF review costs, and with the capture of taxes levied for school operating purposes being limited to a maximum of $1,306,874.

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

April 24, 2013
Lansing, Michigan
Michigan Strategic Fund
Alternative Energy Personal Property Tax Exemption
2010

Applicant Name: Kalamazoo Solar, LLC
Contact Name: Samuel T Field
Property Location: 13362 East L Ave
                   Kalamazoo, MI  49053
Local Taxing Unit: Charleston Township
Local School District: Galesburg Augusta Schools
Original Cost of Personal Property: $735,000

Business Activity:
Kalamazoo Solar LLC is a solar energy facility that purchased, installed, and
operates a photovoltaic electric generation system to sell back to the grid.

Basis for Certification:
The company purchased a 158.8 kW DC STC (147 kW AC) photovoltaic electric
generation system which qualifies as an alternative energy system. They are
generating and putting into a usable form energy generated from an alternative
energy system which qualifies as an alternative energy technology.

According to the initial assessment for this property, the 158.8 kW DC STC (147
kW AC) photovoltaic electric generation system was placed on the tax rolls as of
December 31, 2009 as real property. That disqualified the property from being
eligible. The applicant appealed the assessment to the Michigan Tax Tribunal.
A decision issued on December 21, 2012 stated that the Property was in fact
personal property. It was also determined that the property should not have
been assessed to Richard C. Schmitt as it was at the time, and instead, should
have been assessed to Kalamazoo Solar, LLC.

However, the Commission only has jurisdiction to correct assessments that were
made in the year that the incorrect report was discovered and the two preceding
assessment years. As the ruling was received in 2013, the State Tax
commission lacks jurisdiction to tax the photovoltaic electric generation system
for the tax year 2010 and it remains off the tax roll for 2010.
Michigan Strategic Fund
Resolution 2013-
Kalamazoo Solar, LLC

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, Kalamazoo Solar (the “Company”), is a business entity located at 13362 East L Avenue, Kalamazoo, Michigan, 49053;

WHEREAS, the Company has applied for certification of personal property as Alternative Energy Personal Property under the Michigan NextEnergy Authority Act, 2002 PA 593 in 2010;

WHEREAS, the property, as originally assessed by Charleston Township did not qualify because it was classified as real rather than personal property and had been previously subject to taxation under the general property tax act;

WHEREAS, the applicant appealed the assessment to the Michigan State Tax Tribunal;

WHEREAS, the Michigan State Tax Tribunal issued a decision judgment classifying the property in question as personal property and removing it from the 2010 tax rolls;

WHEREAS, the authority shall certify property defined as an Alternative Energy System under the Michigan NextEnergy Authority Act, 2002, PA 593;

WHEREAS, the Company’s Alternative Energy Personal Property is related to the generation of electricity using a photovoltaic energy system which is a defined Alternative Energy System under 2002, PA 593;

WHEREAS, personal property of a business that is not an alternative energy technology business that is used solely for the purpose of researching, developing, or manufacturing an alternative energy technology or which is qualified as an Alternative Energy System, that has not previously been subject to collection of taxes, and has not previously been exempted from taxes under the general property tax act, is eligible for certification;

WHEREAS, the Company has provided a list of such property purchased in calendar year 2010 valued at $735,000 that is attached to this resolution; and

WHEREAS, the Michigan Economic Development Corporation provides administrative services to the MNEA, and has reviewed the application and recommends approval the certification by the MSF Board.

NOW, THEREFORE, BE IT RESOLVED, that the MSF certifies that Kalamazoo Solar, LLC’s property as listed on the attached schedule is certified as Alternative Energy Personal Property and is exempt from taxes levied before January 1, 2013, provided that the local Assessor determines that the property listed:

1) is properly classified as personal rather than real property;
2) has not been previously subject to taxation under the general property tax act; and
3) has not previously been exempted from taxes under the general property tax act.

BE IT FURTHER RESOLVED that notice of these certifications will be forwarded to the Company, the secretary of the local school district, and the treasurer and assessor of the local tax collecting unit in which the Company and the Alternative Energy Personal Property are located.

Ayes:
Nays:
Recused:

April 24, 2013
### Property Only Company Identification Information

<table>
<thead>
<tr>
<th>Name of Company making application</th>
<th>Kalamazoo Solar LLC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Address of facility</td>
<td>13362 East L Ave</td>
</tr>
<tr>
<td>City, State, Zip Code</td>
<td>Galesburg, MI 49053</td>
</tr>
<tr>
<td>Primary NAICS code</td>
<td>221119</td>
</tr>
</tbody>
</table>

**EIN**  
27-0491496

Describe the type of business or principle product at this facility.

158.8 kW DC (147 kW AC) photovoltaic electric generation system

<table>
<thead>
<tr>
<th>Name of employee completing this application</th>
<th>Samuel T. Field</th>
</tr>
</thead>
<tbody>
<tr>
<td>Title of employee completing this application</td>
<td>Manager/Member</td>
</tr>
<tr>
<td>Phone number of employee completing this application</td>
<td>269-343-5581</td>
</tr>
<tr>
<td>Email address of employee completing this application</td>
<td><a href="mailto:samfield@mac.com">samfield@mac.com</a></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Name of officer authorized to approve this application</th>
<th>Samuel T. Field</th>
</tr>
</thead>
<tbody>
<tr>
<td>Title of officer authorized to approve this application</td>
<td>Manager/Member</td>
</tr>
<tr>
<td>Phone number of officer approving this application</td>
<td>269-343-5581</td>
</tr>
<tr>
<td>Email address of officer approving this application</td>
<td><a href="mailto:samfield@mac.com">samfield@mac.com</a></td>
</tr>
</tbody>
</table>

Enter the tax year for this Listing

2010

Please Enter the Name and Address where you would like the MEDC to return your Tax Certificate

<table>
<thead>
<tr>
<th>Name of Company/Consulting Firm/ Accounting Firm</th>
<th>Kalamazoo Solar LLC</th>
</tr>
</thead>
<tbody>
<tr>
<td>To the Attention of</td>
<td>Samuel T. Field</td>
</tr>
<tr>
<td>Address</td>
<td>248 West Michigan Ave</td>
</tr>
<tr>
<td>City</td>
<td>Kalamazoo</td>
</tr>
<tr>
<td>State</td>
<td>Michigan</td>
</tr>
<tr>
<td>Zip Code</td>
<td>49007</td>
</tr>
</tbody>
</table>
Michigan Next Energy Authority

Concurrence with the decision of the Michigan NextEnergy Authority Board by local taxing authorities and school districts is required. As part of the Authority's responsibility, it sends certified notices to the Treasurer, Assessor, and Secretary of the School Board for each location where property issued an exemption by the board is located.

Below please supply the requested information about your local jurisdictions for each location. If you have more than three locations, please contact the Authority administrator for assistance with the form.

<table>
<thead>
<tr>
<th>Location of</th>
<th>Address 1</th>
<th>Property #1</th>
<th>15362 East L Ave</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>City/Village/Township</td>
<td>Gatesburg</td>
<td>49053</td>
</tr>
<tr>
<td>Treasurer</td>
<td>Name</td>
<td>Mary Balsam Kalamazoo County Treasurer</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Address 1</td>
<td>201 West Kalamazoo Ave</td>
<td></td>
</tr>
<tr>
<td></td>
<td>City/Village/Township</td>
<td>Kalamazoo</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Zip Code</td>
<td>49007</td>
<td></td>
</tr>
<tr>
<td>Assessor</td>
<td>Name</td>
<td>Diane Gajor</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Address 1</td>
<td>P.O. Box 228</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Address 2</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>City/Village/Township</td>
<td>Gatesburg (Charleston Township)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Zip Code</td>
<td>49053</td>
<td></td>
</tr>
<tr>
<td>School Board</td>
<td>Name</td>
<td>Beth Wilson</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Address 1</td>
<td>Sec. Gatesburg Augusta Schools</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Address 2</td>
<td>1075 N 37th Street</td>
<td></td>
</tr>
<tr>
<td></td>
<td>City/Village/Township</td>
<td>Gatesburg</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Zip Code</td>
<td>49053</td>
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</table>

<table>
<thead>
<tr>
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<th>Property #2</th>
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<tbody>
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<td></td>
<td>City/Village/Township</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Treasurer</td>
<td>Name</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Address 1</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Address 2</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>City/Village/Township</td>
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<td></td>
</tr>
<tr>
<td></td>
<td>Zip Code</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assessor</td>
<td>Name</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Address 1</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Address 2</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>City/Village/Township</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Zip Code</td>
<td></td>
<td></td>
</tr>
<tr>
<td>School Board</td>
<td>Name</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Address 1</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Address 2</td>
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<td></td>
<td>City/Village/Township</td>
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<td></td>
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<td></td>
<td>Zip Code</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Location of</th>
<th>Address 1</th>
<th>Property #3</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>City/Village/Township</td>
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</tr>
<tr>
<td>Treasurer</td>
<td>Name</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Address 1</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Address 2</td>
<td></td>
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</tr>
<tr>
<td></td>
<td>City/Village/Township</td>
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<td></td>
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<tr>
<td></td>
<td>Zip Code</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assessor</td>
<td>Name</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Address 1</td>
<td></td>
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</tr>
<tr>
<td></td>
<td>Address 2</td>
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<td></td>
<td>City/Village/Township</td>
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<td></td>
<td>Zip Code</td>
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<tr>
<td>School Board</td>
<td>Name</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Address 1</td>
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<td></td>
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<tr>
<td></td>
<td>Address 2</td>
<td></td>
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</tr>
<tr>
<td></td>
<td>City/Village/Township</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Zip Code</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Exempt Personal Property Information Sheet

### Equipment Description - Item 1

<table>
<thead>
<tr>
<th>Equipment Name</th>
<th>Description of Equipment (Below)</th>
<th>Location (from Property Location Information Tab)</th>
<th>Location 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Photovoltaic electric generation system</td>
<td>158.8 kW DC (STC 147 kW AC) Photovoltaic electric generation system</td>
<td>735,000</td>
<td>735,000</td>
</tr>
</tbody>
</table>

**Purpose**

Grid tied generation of electricity as part of the Consumers Energy EARPS

**Cost, Installed, Including Cost & Freight**

735,000

**Date Acquired**

2/17/10

**When Acquired, equipment was:**

New

**If used, where was property located at the time of purchase?**

Not Applicable

**If relocated, taxing authority from which equipment was relocated:**

Not Applicable

The equipment listed above is eligible for Alternative Energy Personal Property Tax Exemption status because:

It is an alternative-energy system.

If the property is eligible for the Alternative Energy Personal Property Tax Exemption because it is either an alternative energy system, an alternative energy vehicle, or an alternative energy technology, describe how/why this property meets the statutory definition found in the Michigan NextEnergy Guidebook:

It is a photoelectric energy system which makes it, by definition, "Alternative Energy Personal Property."

---

### Equipment Description - Item 2

<table>
<thead>
<tr>
<th>Equipment Name</th>
<th>Description of Equipment (Below)</th>
<th>Location (from Property Location Information Tab)</th>
<th>Location 1</th>
</tr>
</thead>
</table>

**Purpose**

**Cost, Installed, Including Cost & Freight**

**Date Acquired**

**When Acquired, equipment was:**

**If used, where was property located at the time of purchase?**

**If relocated, taxing authority from which equipment was relocated:**

The equipment listed above is eligible for Alternative Energy Personal Property Tax Exemption status because:

If the property is eligible for the Alternative Energy Personal Property Tax Exemption because it is either an alternative energy system, an alternative energy vehicle, or an alternative energy technology, describe how/why this property meets the statutory definition found in the Michigan NextEnergy Guidebook.
Michigan Next Energy Authority
Signature and Authorization Section

I am authorized by the company to complete and transmit this Personal Property Tax Exemption Request.

I certify that to the best of my knowledge information contained in this transmission is complete and accurate.
I agree that this electronic transmission may be used in lieu of a paper transmission.
The company acknowledges that any material misrepresentation of company information on this listing may render the company ineligible for a tax credit or exemption or result in the revocation of any credit or exemption agreement executed in reliance on the information contained herein.
I understand that the MEDC and MNEA may audit this listing and its supporting data under the terms of the MNEA Certification and Authorization process.

Signature of employee or paid tax services provider who completed this application form.  

Date of Signature Above 10/29/10

Signature of officer authorized by the company to apply for MNEA Tax Credit Certificates.

Date of Signature Above 10/29/10
**Important Information**

This document has been prepared, at the request of The Michigan 21st Century Investment Fund ("MI 21st CIF"), for its general informational purposes in connection with its investment in a program (the “Program”) with the Customized Fund Investment Group (“CFIG”) of Credit Suisse Asset Management (“CSAM”) and may not be used or reproduced for any other purpose. This document is for informational purposes only and all information contained herein is subject to revision and completion. This document does not constitute or form part of an offer to issue or sell, or of a solicitation of an offer to subscribe or buy, any securities or other financial instruments, nor does it constitute a financial promotion, investment advice or an inducement or incitement to participate in any product, offering or investment. Any such offer will be made only by means of the Program’s confidential private placement memorandum and is subject to the terms and conditions contained therein and in the limited partnership agreement (or other organizational documents) of the Program, as amended, restated or modified. The information set forth herein does not purport to be complete. In addition, this document does not constitute nor shall it or the fact of its distribution form the basis of, or be relied on in connection with, any investment contract.

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Michigan 21st Century Investment Fund Summary

- Since 2006, the MI 21st CIF has committed $109.0 million to 13 funds and one company.

By U.S. dollars invested

**MI 21st CIF Commitment Breakout**

- **Arboretum Ventures** II and III, $17.5, 16.1%
- **Arsenal Ventures** II, LP, $5.0, 4.6%
- **Early Stage Partners** II, LP, $6.0, 5.5%
- **MK Capital** II, LP, $4.5, 4.1%
- **Nth Power Fund IV, L.P.** $10.0, 9.2%
- **RPM Ventures** II, L.P., $6.0, 5.5%
- **Mezzanine** 16.3%
- **Private Equity** 27.9%
- **Venture Capital** 55.8%

**Fund Managers**

- **Arboretum Ventures**
- **Quad Partners**
- **Early Stage Partners**
- **Relativity Capital**
- **Maranon Mezzanine**
- **Pegasus Partners**
- **Midwest Mezzanine**
- **Venture Investors**
- **Nth Power**
- **Arsenal Ventures**
- **MK Capital**
Michigan 21st Century Investment Fund Summary (Cont’d)

- As of December 31, 2012 the underlying funds have drawn approximately 70.4% of their capital commitments or $76.7 million
- Many funds have multiple years remaining in the investment period
- Credit Suisse is actively assessing Michigan investment plans and activity for all fund managers

**Years Remaining in Investment Period**
*As of December 31, 2012*

<table>
<thead>
<tr>
<th>Years Remaining</th>
<th>1 to 2 years</th>
<th>2 to 4 years</th>
<th>4 + years</th>
</tr>
</thead>
<tbody>
<tr>
<td>$62.5 million drawn (58.2% of commitments)</td>
<td>$77.9 million committed (72.5%)</td>
<td>$4.5 million committed (4.2%)</td>
<td>$25.0 million committed (23.3%)</td>
</tr>
<tr>
<td>Venture Investors IV, L.P.</td>
<td>Maranon Mezzanine Fund, L.P.</td>
<td>Relativity Fund, L.P.</td>
<td>Early Stage Partners II, L.P.</td>
</tr>
<tr>
<td>RPM Ventures II, L.P.</td>
<td>MK Capital II, L.P.</td>
<td>Arsenal Ventures II, L.P.</td>
<td>Arboiteum Ventures III, L.P.</td>
</tr>
<tr>
<td>Pegasus Fund V, L.P.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Note: Total exclude $1.7 million investment in Microposite Inc.*
As of April 2012, the Michigan 21st Century Investment Fund managers (Fund Managers) have invested $112.4 million into 26 Michigan-based portfolio companies which have 819 Michigan employees. Michigan 21st Century Investment fund managers have invest nearly 1.50x the amount they have drawn from the Fund.

Michigan-Based Portfolio Companies
Michigan-Based Portfolio Companies (Cont’d)

- Overall, $626.8 million of equity has been invested into these 26 portfolio companies by all syndicate partners. This represents a 5.58x leveraging of the MI 21st CIF underlying fund manager investments.

- These portfolio companies continue to be diversified across sectors, including life sciences, manufacturing, healthcare, IT, waste services and media.

- Arboretum Ventures has been the most active manager to-date with over $31.7 million invested into 10 unique Michigan-based companies.

- Pegasus V has invested the most dollars in the State with $34.0 million into Re Community Holdings, Inc.

*Note: There are three fund managers that have yet to make an investment into Michigan; Arsenal Ventures, Quad Partners and the Relativity Fund.*
# Michigan Venture Capital and Private Equity Ecosystem

## Regionally Targeted Initiatives
- Michigan 21ˢᵗ Century Investment Fund
- Venture Michigan Fund I
- Venture Michigan Fund II
- Renaissance Venture Capital Fund
- InvestMichigan! Growth Capital Fund
- InvestMichigan! Growth Capital Fund II
- InvestMichigan! Mezzanine Fund

## Firms with Michigan Presence
- 20 Michigan headquartered venture capital firms (¹)
- 27 venture capital firms with a Michigan presence (¹)
- Overall, 74 private equity firms that are headquartered in or have a presence in Michigan (²)
- 100+ investment professionals

## Portfolio Companies
- 76 active venture capital backed companies (¹)
- Average investment of over $600M annually in Michigan-based portfolio companies since 2007
- Over 7,000 Michigan jobs supported by Regionally Targeted Initiatives

<table>
<thead>
<tr>
<th>$900+ million</th>
<th>$4+ billion</th>
<th>$600+ million annually</th>
</tr>
</thead>
</table>

## Michigan Venture Capital Under Management

<table>
<thead>
<tr>
<th>Year</th>
<th>Cumulative Invested Capital ($ millions)</th>
<th>Michigan-based Venture Firms</th>
<th>Venture Capital Firms With Michigan Presence</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>$2.4B</td>
<td>$1.5B</td>
<td>$0.9B</td>
</tr>
<tr>
<td>2008</td>
<td>$2.6B</td>
<td>$1.6B</td>
<td>$1.0B</td>
</tr>
<tr>
<td>2009</td>
<td>$2.4B</td>
<td>$1.3B</td>
<td>$1.1B</td>
</tr>
<tr>
<td>2010</td>
<td>$2.6B</td>
<td>$1.4B</td>
<td>$1.2B</td>
</tr>
<tr>
<td>2011</td>
<td>$3.0B</td>
<td>$1.5B</td>
<td>$1.5B</td>
</tr>
</tbody>
</table>

## Michigan 21st Underlying Michigan Portfolio Companies

<table>
<thead>
<tr>
<th>Year</th>
<th># of Michigan Companies</th>
<th>Invested Capital ($ millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>1</td>
<td>$68.8</td>
</tr>
<tr>
<td>2007</td>
<td>5</td>
<td>$16.2</td>
</tr>
<tr>
<td>2008</td>
<td>12</td>
<td>$33.5</td>
</tr>
<tr>
<td>2009</td>
<td>14</td>
<td>$41.7</td>
</tr>
<tr>
<td>2010</td>
<td>17</td>
<td>$50.8</td>
</tr>
<tr>
<td>2011</td>
<td>24</td>
<td>$102.3</td>
</tr>
<tr>
<td>2012</td>
<td>26</td>
<td>$112.4</td>
</tr>
</tbody>
</table>

---

Michigan VC Investment 2005 – Present

In 2005, venture capital investments in Michigan represented 0.9% of total U.S. venture capital investments by volume; through 2012, this share increased to 1.1%.

- The following chart displays the number of deals done and the amount invested from 2004 through November 2012:

![Chart showing venture capital investments and deals from 2004 to 2012.]

- Average before program: $152.9 million invested/year, 39 deals/year
- Average after program: $221.3 million invested/year, 57 deals/year

Source: Venture Economics as of December 2012
Michigan PE Investment 2004 – Present

In 2004, private equity investments in Michigan represented 0.9% of total U.S. private equity investments by volume; through 2012, this share increased to 1.3%.

- The following chart displays the number of deals done and the amount invested from 2004 through November 2012:

Source: Venture Economics as of December 2012
MEMORANDUM

DATE: April 24, 2013

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

FROM: Amy Deprez, Director, Development Finance
       Joseph Martin, Manager, Brownfield and MCRP


On December 21, 2011, the MSF Board approved the Michigan Business Development Program (“MBDP”) and the Michigan Community Revitalization Program (“MCRP”). Both programs allow for delegated approval of projects that have incentives of $1 million of less. Listed below is a synopsis of the delegated deals that were approved during the 2nd quarter of the 2013 fiscal year.

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

MBDP APPROVALS

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Approval Date</th>
<th>Location</th>
<th>Incentive Approved</th>
<th>Jobs</th>
<th>Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Two Men and A Truck Intl’</td>
<td>1/9/13</td>
<td>Ingham</td>
<td>$350,000</td>
<td>95</td>
<td>$3,951,900</td>
</tr>
<tr>
<td>Fair Oaks Farms Brands, Inc.</td>
<td>1/18/13</td>
<td>Ottawa</td>
<td>$900,000</td>
<td>133</td>
<td>$127,563,150</td>
</tr>
<tr>
<td>Black &amp; Veatch Corporation</td>
<td>1/23/13</td>
<td>Washtenaw</td>
<td>$435,000</td>
<td>78</td>
<td>$13,488,723</td>
</tr>
<tr>
<td>Baker Aerospace Tooling &amp; Machining, Inc.</td>
<td>1/28/13</td>
<td>Macomb</td>
<td>$800,000</td>
<td>188</td>
<td>$9,856,650</td>
</tr>
<tr>
<td>Herbruck Poultry Ranch</td>
<td>2/14/13</td>
<td>Ionia</td>
<td>$500,000</td>
<td>55</td>
<td>$17,150,000</td>
</tr>
<tr>
<td>Lyons Consulting Group</td>
<td>3/1/13</td>
<td>Washtenaw</td>
<td>$300,000</td>
<td>30</td>
<td>$1,142,833</td>
</tr>
<tr>
<td>Challenge Manufacturing Company</td>
<td>3/11/13</td>
<td>Allegan</td>
<td>$1,000,000</td>
<td>180</td>
<td>$10,290,000</td>
</tr>
<tr>
<td>Hanwha L&amp;C Alabama</td>
<td>3/12/13</td>
<td>Monroe</td>
<td>$300,000</td>
<td>70</td>
<td>$12,000,000</td>
</tr>
<tr>
<td>Detroit Thermal Systems, LLC</td>
<td>3/21/13</td>
<td>Wayne</td>
<td>$750,000</td>
<td>382</td>
<td>$27,073,125</td>
</tr>
</tbody>
</table>

MCRP APPROVALS

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Approval Date</th>
<th>Location</th>
<th>Incentive Approved</th>
<th>Jobs</th>
<th>Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Heart of Howell</td>
<td>1/30/2013</td>
<td>Howell</td>
<td>$375,868.00</td>
<td>19</td>
<td>$2,498,242.00</td>
</tr>
<tr>
<td>1205 West Fulton, LLC</td>
<td>2/20/2013</td>
<td>Grand Rapids</td>
<td>$207,190.00</td>
<td>5</td>
<td>$1,230,040.00</td>
</tr>
<tr>
<td>521, LLC</td>
<td>2/21/2013</td>
<td>Spring Lake</td>
<td>$70,535</td>
<td>9</td>
<td>$440,162.00</td>
</tr>
<tr>
<td>Blue Star 2, LLC*</td>
<td>3/5/2013</td>
<td>Benton Harbor</td>
<td>$823,250</td>
<td>10</td>
<td>$987,200.00</td>
</tr>
<tr>
<td>Gulfshore Investments LLC</td>
<td>3/27/2013</td>
<td>Bay City</td>
<td>$1,000,000</td>
<td>30</td>
<td>$7,727,593.00</td>
</tr>
</tbody>
</table>

* Amendment to increase incentive from $595,000 to $823,250.
MEMORANDUM

Date: April 24, 2013

To: Michigan Strategic Fund Board

From: Joshua Hundt
Manager – Development Finance

Subject: Quarterly Reports of MEGA Tax Credit Administrative Amendments

As authorized in October 2010, by MEGA Board Resolution 2010-184, and Per Executive Order 2012-9, all the authority, powers, duties, functions and responsibilities of the Michigan Economic Growth Authority, created under 1995 PA 24, MCL 207.801 to 207.810, are now transferred to the Michigan Strategic Fund, the Fund Manager of the Michigan Strategic Fund the has the authority to execute certain MEGA Tax Credit amendments under the following conditions:

- Addition of a related entity for base employment level purposes only that is in existence and operational in Michigan;
- Amendment of the beginning year that a company is eligible to receive a tax credit prospectively for no more than one year and adjusting the remaining years accordingly;
- Amending the project location provided that the new location is within the same taxing jurisdiction as originally approved;
- Transferring the tax credit provided that the transferee submits the appropriate documents and assumes all the duties and responsibilities of the company and that the transferee is a related company to the transferor;
- Company name changes, federal employer identification number changes, or a combination of both.

In the second quarter of 2013, the following amendment has been executed by the Fund Manager of the Michigan Strategic Fund on behalf of the Michigan Strategic Fund Board:

- Continental Automotive Systems, Inc.; amended the project location to add an additional location within the same taxing jurisdiction as originally approved.

All documentation related to the changes to the above-mentioned MEGA Credit is on file with the MEDC Program Administration.
BACKGROUND
On January 25, 2012, the Michigan Strategic Fund (“MSF”) Board approved by resolution a delegation of authority for decisions with regard to awards under the (i) Company Formation and Growth Fund, (ii) 21st Century Jobs Fund 2006 and 2008 business plan competition rounds, as well as its predecessor programs, Michigan Technology Tri-Corridor Fund program and Michigan Life Sciences Corridor Fund program, and (iii) those loans awarded under the Choose Michigan program, including the authority to approve loan restructure requests (“Delegation of Authority”). Under the Delegation of Authority, actions related to awards with an original amount of $1,000,000 or less may be approved by the MSF Chairperson, the MSF Fund Manager and the MSF State Treasurer Director, with only one required to act. Actions related to awards with an original amount of $1,000,001 to $3,000,000 are reviewed by the MSF Investment Subcommittee before presentation to the delegates for final approval. Actions related to awards with an original amount of $3,000,001 are presented to the full MSF Board.

In addition, under Executive Order No. 2010-8, the Governor abolished the Strategic Economic Investment and Commercialization (“SEIC”) Board and all powers, duties, and functions of the SEIC Board were transferred to the MSF. On October 27, 2010 the MSF Board delegated to the MSF Chairperson or the MSF State Treasurer Director the authority to approve final disbursements and no-cost amendments to grants and other contracts previously administered by the SEIC Board under the 21st Century Jobs Fund and its predecessor programs.

APPROVALS BY AUTHORIZED DELEGATE
Between January 1, 2013 and March 31, 2013 the following actions were approved by one of the authorized MSF Board members:

<table>
<thead>
<tr>
<th>Organization</th>
<th>Action(s)</th>
<th>Award Amount (full award amount)</th>
<th>Disbursed Amount (actual amount disbursed)</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unifab Corporation</td>
<td>Disposition of Assets</td>
<td>$150,000</td>
<td>$150,000</td>
<td>February 21, 2013</td>
</tr>
<tr>
<td>University of Michigan</td>
<td>No Cost Extension</td>
<td>$1,228,172</td>
<td>$1,129,920</td>
<td>March 7, 2013</td>
</tr>
<tr>
<td>Rapid BioSense, LLC</td>
<td>Write-Off ($26,075.93</td>
<td>$50,000</td>
<td>$50,000</td>
<td>March 13, 2013</td>
</tr>
<tr>
<td></td>
<td>balance as of 03/07/13)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
ABOUT THE COMPANIES

Unifab Corporation
Unifab Corporation began operations in 1940 as Kalamazoo Coaches, Inc. At its inception the company manufactured 16-18 passenger buses known as the "Pony Cruiser". As the automobile became the preferred mode of personal transportation, the demand for Pony Cruisers declined. Kalamazoo Coaches amended its Articles of Incorporation to become Unifab Corporation in March, 1952. One of Unifab Corporation's strategic foci is biomedical caging and equipment. Unifab's goal is to provide caging and equipment that benefits the welfare of the animal, allow collection of precise data and makes the job of technical staff easier. The company specializes in helping customers incorporate new and proven designs into their facilities, and can help retrofit existing equipment.

UM Grant Titled “Wearable Miniaturized Neutron Detector for Nuclear Material Tracking and Personnel Protection”
The core technology being developed in this project is a wearable solid state neutron detector which would signal the presence of thermal neutrons via a boron capture process. Key milestones yet to be completed include packaging the detector prototype and marketing the technology through formation of a business start-up entity.

Rapid BioSense
Rapid BioSense, LLC was founded in 2005 with the purpose of licensing and commercializing a novel biosensor developed at MSU. The Company licensed a patent application for the device, which was subsequently denied by the USPTO. Rapid BioSense hired a PhD from the lab of the inventor, built a lab, and raised approximately $500,000 in federal SBIR grants to fund technology development. The initial business development was funded through MUCI grants as well as a RSPPA loan of $50,000 to the company. After several years in the lab the Company was unable to reproduce the published results from MSU. Rapid BioSense worked for several more years to engineer a set of technical solutions for the device, but were ultimately unsuccessful. The company has since been dissolved, and the sole employee has moved on to another opportunity.
BACKGROUND
On May 20, 2009, the MSF Board approved the Michigan Loan Participation Program (“MLPP”) guidelines, and on June 24, 2009, the Michigan Collateral Support Program (“MCSP”). Both programs are housed under the Michigan Supplier Diversification Fund (“MSDF”), and are funded by the state’s 21CJF initiative. The MSF Board must approve MSDF requests over $2.5 million, and as delegated by the MSF Board on March 28, 2012, requests for collateral support or loan participation of $2.5 million or less may be approved by any two of the following: MSF Chairperson, or the MSF Fund Manager, or the MSF State Treasurer Director.

On May 25, 2011, the MSF Board approved the Michigan Business Growth Fund (“MBGF”), and its two programs, the Collateral Support Program (“MBGF-CSP”), and the Loan Participation Program (“MBGF-LPP”). The MBGF, and its programs were created under, and funded by, the federal government’s State Small Business Credit Initiative (“SSBCI”). The MSF Board must approve MBGF requests over $2.5 million, and as delegated by the MSF Board on May 25, 2011, requests for collateral support or loan participation of $2.5 million or less may be approved by any two of the following: MSF Chairperson, or the MSF Fund Manager, or the MSF State Treasurer Director.

APPROVALS BY AUTHORIZED DELEGATES
Between January 1 – March 31, 2013 the following actions were approved by the MSF Chairperson and MSF Fund Manager, subject to due diligence, and available funding:

<table>
<thead>
<tr>
<th>Organization</th>
<th>Request Type</th>
<th>MSF Support</th>
<th>Loan Amount</th>
<th>Action</th>
<th>Date Approved</th>
<th>Closed</th>
</tr>
</thead>
<tbody>
<tr>
<td>PNP Investments, LLC</td>
<td>MBGF-CSP</td>
<td>$168,000</td>
<td>$728,000</td>
<td>Approved by Chair and Fund Manager</td>
<td>January 11, 2013</td>
<td>Y</td>
</tr>
<tr>
<td>Reliable Aftermarket Parts, Inc.</td>
<td>MBGF-CSP</td>
<td>$217,065</td>
<td>$435,000</td>
<td>Approved by Chair and Fund Manager</td>
<td>January 11, 2013</td>
<td>N</td>
</tr>
<tr>
<td>C&amp;B Investments, LLC</td>
<td>MBGF-CSP</td>
<td>$178,000</td>
<td>$483,000</td>
<td>Approved by Chair and Fund Manager</td>
<td>January 22, 2013</td>
<td>Y</td>
</tr>
<tr>
<td>Steel Master, LLC</td>
<td>MBGF-CSP</td>
<td>$154,000</td>
<td>$310,000</td>
<td>Approved by Chair and Fund Manager</td>
<td>March 8, 2013</td>
<td>N</td>
</tr>
<tr>
<td>Synergies Plus, LLC</td>
<td>MBGF-CSP</td>
<td>$249,500</td>
<td>$500,000</td>
<td>Approved by Chair and Fund Manager</td>
<td>March 8, 2013</td>
<td>Y</td>
</tr>
<tr>
<td>Glov Enterprises, LLC</td>
<td>MBGF-CSP</td>
<td>$270,000</td>
<td>$750,000</td>
<td>Approved by Chair and Fund Manager</td>
<td>March 26, 2013</td>
<td>N</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>$1,236,565</td>
<td>$3,206,000</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Organization</th>
<th>Request Type</th>
<th>MSF Support</th>
<th>Loan Amount</th>
<th>Action</th>
<th>Date Approved</th>
<th>Closed</th>
</tr>
</thead>
<tbody>
<tr>
<td>CRT Medical Systems, Inc.</td>
<td>MSDF-LPP</td>
<td>$232,750</td>
<td>$475,000</td>
<td>Approved by Chair and Fund Manager</td>
<td>January 29, 2013</td>
<td>N</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>$232,750</td>
<td>$475,000</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
MEMORANDUM

Date: April 24, 2013
To: Michigan Strategic Fund Board
From: Paula Sorrell, Managing Director, Entrepreneurial Services

BACKGROUND
Section 1034(1) of the FY12 Omnibus Appropriations Act, Public Act 63 of 2011, requires that a portion of the funds appropriated to the Michigan Strategic Fund (MSF) for innovation and entrepreneurship be used for business incubators and accelerators located in the following governmental units: Houghton County, Kent County, Macomb County, Oakland County, Washtenaw County, a city with a population greater than 650,000, and a Midland County satellite site of an incubator located in Isabella County. Section 1034(7) of the Act requires each applicant to develop a dashboard of indicators to measure the effectiveness of the business incubator and accelerator programs and to submit a copy of the dashboard indicators to the MSF. The Act further requires the MSF to transmit the dashboard indicators to the Senate and House Subcommittees on General Government, Senate and House Fiscal Agencies, and the State Budget Office.

RESULTS
The business incubators agreed to submit monthly the following dashboard of indicators via completing a Google Docs spreadsheet:

- Dollars leveraged, new companies created, companies expanded, companies served – tech companies, companies served – traditional companies, jobs created, jobs retained, people/companies attending events, types of capital received – MEDC funds, SBIR/STTR, other federal funds, venture capital, angel funds, bank/loan, owner investment, new sales, and other.

Results for fiscal year 2012 are included in Exhibit A. Through legislation and approved by the MSF Board, the business incubators received $7.3 million dollars in fiscal years 2011 and 2012. (Awarded grant dollars from both years are shown because dollars awarded in one year may be spent over a number of years.) This resulted in 168 new companies created, 678 jobs created, and $96 million of new capital received for the companies that the incubators serve. These results indicate that the business incubators are leveraging the MSF approved funding to accelerate the creation and growth of new companies.

FY 2013 UPDATES
Per the MSF Board request in January 2013, included in Exhibit B are the updated business incubator metrics for the first six months of the state’s Fiscal Year 2013. For the first six months, 69 new companies were created, 269.5 jobs were created, and $41 million of new capital was received for the companies that the incubators serve. If we use this activity to extrapolate the entire year, FY 2013’s results would be 80% of FY 2012.
Exhibit A
Performance Metrics for Fiscal Year 2012

<table>
<thead>
<tr>
<th>Business Incubators</th>
<th>2011 &amp; 2012 MSF Grants</th>
<th>$$ Leveraged = Match received because of MEDC grant</th>
<th>New Companies created</th>
<th>Companies Served - TECH Companies</th>
<th>Companies Served - TRADITIONAL Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ann Arbor Spark</td>
<td>$100,000</td>
<td>$0</td>
<td>55</td>
<td>0</td>
<td>462</td>
</tr>
<tr>
<td>Detroit TechTown</td>
<td>$437,500</td>
<td>$0</td>
<td>1</td>
<td>0</td>
<td>403</td>
</tr>
<tr>
<td>Detroit TechTown's partner Bizdom U</td>
<td>$437,500</td>
<td>$0</td>
<td>8</td>
<td>19</td>
<td>95</td>
</tr>
<tr>
<td>Detroit Creative Corridor Center</td>
<td>$100,000</td>
<td>$0</td>
<td>0</td>
<td>17</td>
<td>57</td>
</tr>
<tr>
<td>E. Lansing/Lansing LEAP</td>
<td>$250,000</td>
<td>$0</td>
<td>28</td>
<td>4</td>
<td>179</td>
</tr>
<tr>
<td>Flint Kettering</td>
<td>$150,000</td>
<td>$0</td>
<td>31</td>
<td>11</td>
<td>108</td>
</tr>
<tr>
<td>Grand Rapids WMSTI &amp; GVSU</td>
<td>$600,000</td>
<td>$0</td>
<td>1</td>
<td>1</td>
<td>174</td>
</tr>
<tr>
<td>Hart Starting Block</td>
<td>$250,000</td>
<td>$0</td>
<td>9</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td>Houghton MTEC</td>
<td>$850,000</td>
<td>$69,500</td>
<td>13</td>
<td>6</td>
<td>154</td>
</tr>
<tr>
<td>Kalamazoo SMIC</td>
<td>$700,000</td>
<td>$0</td>
<td>2</td>
<td>9</td>
<td>141</td>
</tr>
<tr>
<td>Midland MMIC</td>
<td>$500,000</td>
<td>$100,000</td>
<td>1</td>
<td>6</td>
<td>192</td>
</tr>
<tr>
<td>Mt. Pleasant CMURC</td>
<td>$450,000</td>
<td>$0</td>
<td>8</td>
<td>23</td>
<td>224</td>
</tr>
<tr>
<td>Muskegon MAREC</td>
<td>$100,000</td>
<td>$0</td>
<td>0</td>
<td>1</td>
<td>31</td>
</tr>
<tr>
<td>Newaygo Stream</td>
<td>$250,000</td>
<td>$195,000</td>
<td>4</td>
<td>21</td>
<td>2</td>
</tr>
<tr>
<td>Sterling Heights Macomb OUInc</td>
<td>$750,000</td>
<td>$0</td>
<td>4</td>
<td>2</td>
<td>257</td>
</tr>
<tr>
<td>Troy Automation Alley</td>
<td>$875,000</td>
<td>$0</td>
<td>3</td>
<td>5</td>
<td>425</td>
</tr>
<tr>
<td>Ypsilanti Ann Arbor Spark East</td>
<td>$500,000</td>
<td>$0</td>
<td>0</td>
<td>0</td>
<td>15</td>
</tr>
<tr>
<td><strong>TOTAL Business Incubators</strong></td>
<td><strong>$7,300,000</strong></td>
<td><strong>$364,500</strong></td>
<td><strong>168</strong></td>
<td><strong>128</strong></td>
<td><strong>2,919</strong></td>
</tr>
</tbody>
</table>

TOTAL $7,300,000 | $364,500 | 168 | 128 | 2,919 | 3,357
## Exhibit A

### Performance Metrics for Fiscal Year 2012

(Continued)

<table>
<thead>
<tr>
<th>Business Incubators</th>
<th>Jobs created</th>
<th>Jobs retained</th>
<th>People/Companies Attending Events</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ann Arbor Spark</td>
<td>15</td>
<td>268</td>
<td>2,020</td>
</tr>
<tr>
<td>Detroit TechTown</td>
<td>33</td>
<td>1,105</td>
<td>811</td>
</tr>
<tr>
<td>Detroit TechTown's partner Bizdom U</td>
<td>23</td>
<td>156</td>
<td>996</td>
</tr>
<tr>
<td>Detroit Creative Corridor Center</td>
<td>46</td>
<td>377</td>
<td>10,941</td>
</tr>
<tr>
<td>E. Lansing/Lansing LEAP</td>
<td>33</td>
<td>11</td>
<td>632</td>
</tr>
<tr>
<td>Flint Kettering</td>
<td>47</td>
<td>0</td>
<td>691</td>
</tr>
<tr>
<td>Grand Rapids WMSTI &amp; GVSU</td>
<td>46</td>
<td>115</td>
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<tr>
<td>Hart Starting Block</td>
<td>41</td>
<td>74</td>
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<tr>
<td>Houghton MTEC</td>
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<tr>
<td>Kalamazoo SMIC</td>
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<td>668</td>
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<tr>
<td>Midland MMIC</td>
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<td>781</td>
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<tr>
<td>Mt. Pleasant CMURC</td>
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<tr>
<td>Muskegon MAREC</td>
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<tr>
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<tr>
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<td>34</td>
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<tr>
<td>Troy Automation Alley</td>
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<td>3,307</td>
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<td>147</td>
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<td><strong>TOTAL Business Incubators</strong></td>
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<td><strong>6,276</strong></td>
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</tbody>
</table>
## Exhibit A

Performance Metrics for Fiscal Year 2012

(Continued)

### Types of Capital Received - For Companies Served by the Organization

<table>
<thead>
<tr>
<th>Business Incubators</th>
<th>MEDC Funds</th>
<th>SBIR/STTR, other Fed</th>
<th>Venture Capital</th>
<th>Angel Funds</th>
<th>Bank / Loan</th>
<th>Owner investment</th>
<th>New Sales</th>
<th>Other</th>
<th>Total Capital Received</th>
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<td>$19,518,297</td>
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<td>$4,472,490</td>
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</tr>
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<td>$0</td>
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<td>$338,775</td>
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<td>$755,491</td>
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<td>$0</td>
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<td>$11,076</td>
<td>$364,689</td>
<td>$0</td>
<td>$737,781</td>
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</tr>
<tr>
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<td>$50,000</td>
<td>$1,450,000</td>
<td>$6,500,000</td>
<td>$0</td>
<td>$0</td>
<td>$200,000</td>
<td>$1,620,000</td>
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<td>$0</td>
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<tr>
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<td>$0</td>
<td>$0</td>
<td>$0</td>
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<td>$16,780,182</td>
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<td>$473,997</td>
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<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
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<tr>
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<td>$0</td>
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<td>$500,000</td>
<td>$1,579,750</td>
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<td>$5,116,000</td>
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<td>$3,081,400</td>
<td>$1,050,000</td>
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<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$10,000</td>
<td>$0</td>
<td>$10,000</td>
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</table>

**TOTAL Business Incubators**

$4,011,067 | $8,870,579 | $26,636,297 | $8,631,898 | $2,828,266 | $6,729,228 | $15,494,274 | $23,137,740 | $96,339,349
## Exhibit B

Performance Metrics for
October 1, 2012 – March 31, 2013

<table>
<thead>
<tr>
<th>Business Incubators</th>
<th>2011 &amp; 2012 MSF Grants Approved in January 2013</th>
<th>$$$ Leveraged = Match received because of MEDC grant</th>
<th>New Companies created</th>
<th>Companies Served - TECH Companies</th>
<th>Companies Served - TRADITIONAL Companies</th>
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</thead>
<tbody>
<tr>
<td>Ann Arbor Spark</td>
<td>$100,000</td>
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<td>$0</td>
<td>0</td>
<td>0</td>
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<tr>
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<td>$0</td>
<td>6</td>
<td>16</td>
<td>107</td>
</tr>
<tr>
<td>Detroit Creative Corridor Center</td>
<td>$100,000</td>
<td>$0</td>
<td>0</td>
<td>0</td>
<td>10</td>
</tr>
<tr>
<td>E. Lansing/Lansing LEAP</td>
<td>$250,000</td>
<td>$0</td>
<td>7</td>
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<td>89</td>
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<td>0</td>
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<tr>
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<td>$600,000</td>
<td>$0</td>
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<td>3</td>
<td>110</td>
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<tr>
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<td>$250,000</td>
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<td>0</td>
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<td>Houghton MTEC</td>
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<tr>
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<td><strong>$8,042,000</strong></td>
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Exhibit B

Performance Metrics for October 1, 2012 – March 31, 2013

(Continued)

<table>
<thead>
<tr>
<th>Business Incubators</th>
<th>Jobs created</th>
<th>Jobs retained</th>
<th>People/Companies Attending Events</th>
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<td>1307</td>
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<td>Detroit TechTown’s partner Bizdom U</td>
<td>35</td>
<td>55</td>
<td>604</td>
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<td>Detroit Creative Corridor Center</td>
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<td>49</td>
<td>1152</td>
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<tr>
<td>E. Lansing/Lansing LEAP</td>
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<tr>
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<tr>
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<td>Mt. Pleasant CMURC</td>
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<tr>
<td>Muskegon MAREC</td>
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<td>Newaygo Stream</td>
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<td>Sterling Heights Macomb OUInc</td>
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<td><strong>TOTAL Business Incubators</strong></td>
<td><strong>269.5</strong></td>
<td><strong>3,298.5</strong></td>
<td><strong>10,832</strong></td>
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</tbody>
</table>
### Exhibit B

**Performance Metrics**

**for**

October 1, 2012 – March 31, 2013

(Continued)

<table>
<thead>
<tr>
<th>Business Incubators</th>
<th>MEDC Funds</th>
<th>SBIR/STTR, other Fed</th>
<th>Venture Capital</th>
<th>Angel Funds</th>
<th>Bank / Loan</th>
<th>Owner investment</th>
<th>New Sales</th>
<th>Other</th>
<th>Total Capital Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ann Arbor Spark</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
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<td>$1,000</td>
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<td>Grand Rapids WMSTI &amp; GVSU</td>
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<td>$0</td>
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<tr>
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<td><strong>$1,976,183</strong></td>
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