MICHIGAN STRATEGIC FUND
BOARD MEETING AGENDA
SEPTEMBER 22, 2015

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

A. Consent Agenda -
- Proposed Meeting Minutes – August 25, 2015
- Burton Industries, Inc. – Tool and Die RZ Revocation – Dan Parisian
- Terex USA, LLC – Geographic RZ Revocation – Dan Parisian
- 55 Ionia Partners, LLC – MCRP Amendment – Julius Edwards
- Griswold Capitol Park, LLC – MCRP & MBT Amendments – Julius Edwards
- Compiled Delegation of Authority – Administrative Updates – Christin Armstrong
- First Fulfillment – Marketing Contract Termination – Dave Lorenz

B. Administrative -
- MSF/MEDC Memorandum of Understanding – Annual Renewal – Mark Morante
- MBD/MCR Program Funding – Annual Allocation – Mark Morante
- Michigan Film & Digital Media Office – Administrative Fund Allocation – Jenell Leonard
- Clifford Development, LLC – Loan Write Off – Christin Armstrong

C. Business Investment -
1. Entrepreneurship -
   - FY16 First Customer Program – Request to Issue RFP – Fred Molnar
   - Invest Michigan Pre-Seed Fund – Grant Amendment – Fred Molnar
2. Business Growth -
   - International Trade Programmatic Funding – Jeanne Broad & Dominic Romano
   - PTAC Grant Award Recommendations – Dustin Frigy & Sean Carlson
   - Port of Monroe/City of Monroe – 21CF/Act 381 Work Plan – Stacy Bowerman
   - Valiant International, Inc. – MBDP – Marcia Gebarowski
   - Neapco Drivelines, LLC – MBDP – Trevor Friedeberg
   - Carhartt, Inc. – MBDP – Trevor Friedeberg
   - Anderton Machining, LLC – Geographic RZ Transfer – Dan Parisian
3. Access to Capital –
   - Lutheran Homes of Michigan, Inc. – Bond Authorizing – Chris Cook

D. Community Vitality -
- Regionalized Fund Manager Agreements – CDBG Loan Program – Deb Stuart
- Revised Program Guidelines – MCRP – Deb Stuart
- HM Ventures Group 6, LLC/City of Detroit – MCRP/Act 381 Work Plan – Stacy Esbrook
- OMH Rowe/City of Grand Rapids – MCRP/Act 381 Work Plan – Ryan Kilpatrick

E. State Branding -
- McCann Erickson – Business Marketing FY16 Extension – Emily Guerrant
- Weber Shandwick – Business & Travel Marketing FY16 Extension – Emily Guerrant
- McCann Erickson – Travel Marketing FY16 Extension – Dave Lorenz
- Brand USA – Letter of Authorization – Dave Lorenz
WHEREAS, the Michigan Strategic Fund (“MSF”), at its February 2014 board meeting, approved the use of consent agendas at future board meetings pursuant to defined guidelines.

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

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

NOW, THEREFORE, BE IT RESOLVED, the MSF approves the Consent Agenda items listed below and identified in the final Consent Agenda for this board meeting, for each of which supporting documentation is attached to this Resolution.

Consent Agenda Items:

- Proposed Meeting Minutes – August 25, 2015
- Burton Industries, Inc. – Geographic RZ Revocation
- 55 Ionia Partners, LLC – MCRP Amendment
- Griswold Capitol Park, LLC – MCRP & MBT Amendments
- MSF Compiled Delegation of Authority – Administrative Updates
- First Fulfillment – Marketing Contract Termination

Ayes:

Nays:

Recused:

Lansing, Michigan
September 22, 2015
Members Present

Paul Anderson
Steve Arwood
Dan Boge
Larry Koops
Andrew Lockwood (on behalf of Treasurer Khouri)
Terri Jo Umlor
Jody DePree Vanderwel
Shaun Wilson
Wayne Wood
Mike Zimmer

Members Absent

None

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

Public Comment: Mr. Arwood asked if any members of the audience wished to address the Board. No members of the public wished to comment.

Communications: No communications

A. CONSENT AGENDA

Resolution 2015-102

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

Proposed Meeting Minutes – July 28, 2015

Jody DePree Vanderwel seconded the motion. The motion carried: 10 ayes; 0 nays; 0 recused.

B. ADMINISTRATIVE

Resolution 2015-103 Brownfield MBT/SBT Amendment Policy

Deb Stuart, Community Incentives Director, provided the Board with information regarding this action item. The Brownfield Tax Credit Program was created under the Michigan Single Business Tax Act. In 2008, the Act was amended to create the Michigan Business Tax (MBT) which replaced the Single Business Tax. Both of these tax credits were administered by the Michigan Economic Development Corporation (MEDC) on behalf of the MSF. The Michigan Business Tax was repealed on December 31, 2011, with the adoption of Corporate Income Tax (CIT). At the time of repeal, it was specified that all existing SBT and MBT tax credits would be honored.

While the Act allows for ten years to complete projects, it was policy that most projects were approved for an initial five year timeframe to complete. This allowed staff to do an evaluation at five years, if any additional time was needed. Due to the limited funding available in other MEDC programs for such projects, MEDC staff continue to recommended amendments for projects that meet Community or
Business Development goals in order for the project to be financially viable. The intent of this policy is to acknowledge current and future amendment consideration and ensure staff is continuing to operate within the MSF’s guidance. It is also the intent of this policy to allow the State to achieve project completion that fall within current goals and utilize an existing resource.

**Staff Recommendation**
MEDC Staff recommends approval of the Brownfield Tax Credit Policy pertaining to the Michigan Brownfield Credit Program for immediate implementation, and restate and amend resolution 2014-122, as described.

**Board Discussion**
Mr. Arwood asked if there were any questions from the Board. Discussion ensued pertaining to the State’s transition from small tax credit to the MBT, and subsequent program changes. There being no further questions, Larry Koops motioned for the approval of Resolution 2015-103. Paul Anderson seconded the motion. **The motion carried: 10 ayes; 0 nays; 0 recused.**

**Resolution 2015-104 CDBG Application Guide Amendment**
*Deb Stuart, Community Incentives Director, provided the Board with information regarding this action item. The Department of Housing and Urban Development (HUD) allocates CDBG funding to the State of Michigan, through the MSF, for further distribution to eligible Units of General Local Government to carry out MSF approved activities.*

Proposed changes to page 20, Section “Location” of the 2015 Application Guide, a “traditional downtown” definition is tracked below:

A traditional downtown or traditional commercial center is defined as a grouping of 20 or more contiguous commercial parcels of property that include multi-story containing buildings of historical or architectural significance. The area must have been zoned, planned, built or used for commercial development for 50+ purposes for more than 50 years. The area must consist of, primarily, zero-lot-line development and have pedestrian friendly infrastructure, and an appropriate mix of business and services. The area should have characteristics that create a sense of place.

**Staff Recommendation**
MEDC staff recommends the MSF amend the adopted CDBG Program Application Guidelines for Program Year 2015 (resolution 2015-039) to restate the definition of a “traditional downtown” as described.

**Board Discussion**
Mr. Arwood asked if there were any questions from the Board. There being none, Mike Zimmer motioned for the approval of Resolution 2015-104. Andrew Lockwood seconded the motion. **The motion carried: 10 ayes; 0 nays; 0 recused.**

**Resolution 2015-105 CDBG MOU Renewal – MSF/MSHDA**
*Deb Stuart, Community Incentives Director, provided the Board with information regarding this action item. The U.S. Department of Housing and Urban Development ("HUD") allocates Community Development Block Grant ("CDBG") funding to the State of Michigan, through the MSF, for further distribution to eligible Units of General Local Government ("UGLG") to carry out State approved activities.*

Since the MSF has approved MSHDA spending 25% of the CDBG allocation in previous agreements, staff is requesting confirmation of delegated authority to the Community Development Pipeline CDBG
Committee ("CDP Committee") for up to 25% of the CDBG project allocation for housing projects. If the funding is not utilized by MSHDA, as outlined in the Amendment, it will follow the MSF approval process. The delegation is consistent with past agreements, but this Amendment will assure the additional oversight of the CDP Committee.

Staff Recommendation
MEDC Staff recommends that the MSF authorize the MSF President to execute the attached Amendment between the MSHDA and the MSF related to CDBG Funds, and delegate authority to the CDP Committee to approve MSHDA housing projects utilizing its allocation of the State of Michigan’s CDBG funds.

Board Discussion
Mr. Arwood asked if there were any questions from the Board. There being none, Larry Koops motioned for the approval of Resolution 2015-105. Shaun Wilson seconded the motion. The motion carried: 10 ayes; 0 nays; 0 recused.

C. COMMUNITY VITALITY

Resolution 2015-106 & 107 Casamira Detroit, LLC/City of Detroit – MCRP & Act 381
Stacy Esbrook, Community Assistance Team, provided the Board with information regarding these action items. The project requests to use both the Brownfield Act 381 Program and the Michigan Community Revitalization Program ("MCRP") for the project located at 90, 100, and 680 Delaware Street in Detroit, Michigan. The Applicant plans to redevelop Casamira Apartments, a 44 unit apartment building consisting of one and two-bedroom apartments and a parking lot accommodating 45 cars covering a total of 1.17 acres. The majority (29) of the 44 units will be market-rate apartments, and the remaining 15 will be affordable units marketed to 50%-60% Area Median Income ("AMI") residents.

Casamira Detroit, LLC ("Applicant") is requesting approval of a Community Revitalization Program performance-based grant in the amount of $1,000,000. The Applicant anticipates that the project will result in eligible investment of $6,867,905, total capital investment in the amount of $10,176,032 and the creation of 2 jobs. The City of Detroit Brownfield Redevelopment Authority has submitted an Act 381 Work Plan request for the approval of local and school tax capture for eligible activities in the amount of $821,475.

Staff Recommendation
MEDC Staff recommends approval of local and school tax capture for the Act 381 non-environmental eligible activities totaling $821,745 described above. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at $400,349. Staff also recommends approval of a MCRP performance-based direct investment grant in the amount of $1,000,000 for Casamira Detroit, LLC.

Board Discussion
Mr. Arwood asked if there were any questions from the Board. Extensive discussion ensued pertaining to the eligible costs, financing structure, and the intent of the applicant once project is complete, which is to maintain ownership of the property. There being no further questions, Larry Koops motioned for the approval of Resolutions 2015-106 & 107. Andrew Lockwood seconded the motion. The motion carried: 10 ayes; 0 nays; 0 recused.
Resolution 2015- 20 Monroe Building Company, LP-Bobville – Brownfield MBT Amendment
Ryan Kilpatrick, Community Assistance Team, provided the Board with information regarding this action item. 20 Monroe Building Company Limited Partnership requests the following amendments be made to the Bobville Project in the City of Grand Rapids, originally approved for a large Urban Development Area Project Brownfield credit by the MEGA Board on December 14, 2010: Addition of Qualified Taxpayer Venue Tower, LLC; change in scope of the approved project; and request for an additional three years to complete the project.

Approximately 67 permanent, full-time jobs are anticipated to be created by the commercial and residential portions of the project at an average hourly wage of $14. The total capital investment for both phases is estimated to be $30.7 million, increasing the total capital investment on the site from $22 million in the original approval.

Staff Recommendation
The MEDC staff recommends approval of the Large Brownfield tax credit amendment request to: change the scope of the project, add qualified taxpayer Venue Tower, LLC, and extend time to complete the project until December 14, 2018.

Board Discussion
Mr. Arwood asked if there were any questions from the Board. Discussion ensued pertaining to the status of the project in relationship to the crash of the real estate market, and the dedication of both the Developer and Community to its completion. There being no further questions, Larry Koops motioned for the approval of Resolution 2015-108. Jody DePree Vanderwel seconded the motion. The motion carried: 10 ayes; 0 nays; 0 recused.

Resolution 2015-109 The Gateway at Belknap/City of Grand Rapids – Act 381 Work Plan
Ryan Kilpatrick, Community Assistance Team, provided the Board with information regarding this action item. The City of Grand Rapids Brownfield Redevelopment Authority is seeking approval of local and school tax capture for MSF eligible activities in the amount of $2,569,765. The Gateway at Belknap project will include 12,300 square feet of newly constructed retail space as well as 86 new, market rate residential units and a two-level, sub-grade parking structure. Approximately 60 permanent full-time jobs are anticipated to be created by the project at an average hourly wage of $20. The total capital investment will be approximately $18.7 million.

The school taxes will be utilized to alleviate Brownfield conditions to redevelop approximately 2.8 acres of property located at 500-508 Coit Avenue NE, 215-255 Hastings Street NE, 519-547 Clancy Avenue NE and 214 Trowbridge Street NE in the City of Grand Rapids. The City of Grand Rapids Brownfield Authority has approved $1.37 million in local tax increment finance capture to support the project and the City of Grand Rapids has approved a Neighborhood Enterprise Zone with an estimated value of $262,000 to 21 units of the residential portions of the project.

Staff Recommendation
MEDC Staff recommends approval of the request by City of Grand Rapids Brownfield Redevelopment Authority to capture local and school taxes for the MSF eligible activities totaling $2,569,765 described above. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at $1,328,312.

Board Discussion
Mr. Arwood asked if there were any questions from the Board. Discussion ensued pertaining to the need for affordable housing in the surrounding area, the target market and the demolition of the existing homes.
There being no further questions, Jody DePree Vanderwel motioned for the approval of Resolution 2015-109. Larry Koops seconded the motion. The motion carried: 10 ayes; 0 nays; 0 recused.

**Resolutions 2015-110 & 111 Holiday Townhouse/City of East Lansing – Act 381 & MBT Amendments**

Marilyn Crowley, Community Assistance Team, provided the Board with information regarding these action items. The project involves the redevelopment of approximately 1.5 acres of property located at 308-346 West Grand River Drive in the City of East Lansing. Holiday Townhouse, LLC requests the following amendments be made to the Holiday Townhouse Project, originally approved by the MEGA Board Chairperson on May 16, 2006: add Qualified Taxpayer Gateway of East Lansing, LLC, and change the scope of the previously approved project for Phase III. The previously approved credit amount of $1,042,943 remains as approved. Approximately 5 permanent full-time jobs are anticipated to be created by the retail portion of the project at an average hourly wage of $10. The total capital investment will be approximately $8.5 million for Phase III, with a total of $20 million for Phases I-III, well above the original estimate of $12 million in 2006.

To complete Phase III, eligible activity costs are expected to be approximately $1,896,800, increasing the total by $1,815,149 to $3,678,762. Phase III costs include demolition, site preparation, infrastructure improvements, and Brownfield plan preparation. Approximately $1.6 million is for a multistory parking deck with 62 spaces.

**Staff Recommendation**

MEDC Staff recommends the approval of the requested Brownfield MBT amendments to add Qualified Taxpayer Gateway of East Lansing, LLC, and change the scope of the previously approved project for Phase III. Phase III will be considered complete at the time the core and shell is finished and the rough inspection sign-off by City of East Lansing building inspectors for electrical, plumbing, mechanical and framing is obtained. MEDC also recommends approval of the request by City of East Lansing Brownfield Redevelopment Authority to amend the work plan to capture local and school taxes for the MSF eligible activities totaling $3,668,065 described above. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at $1,255,212.

**Board Discussion**

Mr. Arwood asked if there were any questions from the Board. There being none, Andrew Lockwood motioned for the approval of Resolutions 2015-110 & 111. Mike Zimmer seconded the motion. The motion carried: 10 ayes; 0 nays; 0 recused.

**D. STATE BRANDING**

Kelly Wolgamott & Michelle Grinnell of the Pure Michigan Travel & Tourism team provided the board with information regarding the following action items.

**Resolution 2015-112 McCann-Erickson Marketing Contract Amendment**

This request is for the MSF Board to approve an additional $1,714,096.33, FY2015 funds to the existing contract with McCann Erickson USA, Inc. for tourism marketing and advertising services in the amount of $25,125,530.88. This amount is for production, Michigan media support, Brand USA/PPC/fall media and Detroit Airport international signage.

**Staff Recommendation**

MEDC Staff recommends that the MSF Board allocate $1,714,096.33, and authorize the Fund Manager to
enter into an extension of the contract agreement with McCann Erickson USA, Inc. for travel marketing and advertising services.

**Board Discussion**

Mr. Arwood asked if there were any questions from the Board. Discussion ensued pertaining to how State appropriated funding flows through the MSF. There being no further questions, Paul Anderson motioned for the approval of Resolution 2015-112. Jody DePree Vanderwel seconded the motion. The motion carried: 10 ayes; 0 nays; 0 recused.

**Resolution 2015-113 Weber-Shandwick Marketing Contract Amendment**

This request is for the MSF Board to approve additional FY2015 funds to the existing contract with Weber Shandwick for public relations content and planning for Travel Michigan in the amount of $100,000. The amended contract amount for Travel Michigan PR services is $1,035,175.

**Staff Recommendation**

MEDC Staff recommends that the MSF Board allocate $100,000 and authorize the Fund Manager to enter into an extension of the contract agreement with Weber Shandwick, for Travel Michigan public relations services.

**Board Discussion**

Mr. Arwood asked if there were any questions from the Board. There being none, Larry Koops motioned for the approval of Resolution 2015-113. Wayne Wood seconded the motion. The motion carried: 10 ayes; 0 nays; 0 recused.

**Resolution 2015-114 Pure Michigan Travel Guide Contract Award**

On February 24, 2015, the MSF authorized the release of an RFP is to enter into a contract with a full-service, integrated marketing partner and publisher for development, sales, production and proactive distribution of three seasonal Official State of Michigan Travel Guides, featuring articles with a focus on high quality content, editorial expertise, compelling photography and innovative—but proven—proactive distribution solutions. Seven proposals were received in response to the Pure Michigan Travel Guide RFP. Responses were evaluated based upon a two-step selection process. The JEC evaluated all proposals and ranked the proposal from Meredith Corporation for Midwest Living with highest score. Of the price proposals that were opened, Meredith also was the lowest bid.

**Staff Recommendation**

MEDC Staff recommends that the MSF award the official Pure Michigan Travel Guide to Meredith Corporation for Midwest Living. The contract period will be effective from approximately October 1, 2015 to September 30, 2018, with an allocation of up to $800,000.00 for each fiscal year of the three-year contract term, and the option of two, additional one-year extensions.

**Board Discussion**

Mr. Arwood asked if there were any questions from the Board. There being none, Dan Boge motioned for the approval of Resolution 2015-114. Paul Anderson seconded the motion. The motion carried: 10 ayes; 0 nays; 0 recused.

Wayne Wood dropped off the call at 11:07 am.

Mr. Arwood adjourned the meeting at 11:10 am.
MEMORANDUM

Date: September 22, 2015
To: Michigan Strategic Fund Board
From: Dan Parisian, Compliance Specialist
Subject: Burton Industries, Inc.
Tool and Die Recovery Zone – Revocation

Action
The Michigan Economic Development Corporation (“MEDC”) is recommending the revocation of the Tool and Die Recovery Zone for Burton Industries, Inc. (the “Company”) by the Michigan Strategic Fund (“MSF”) Board. The Company’s fifteen-year Recovery Zone term is currently set to expire at the conclusion of 2024.

Background
The MSF Board originally designated a Tool & Die Recovery Zone for Burton Industries, Inc. located in the Township of Atlas, as a member of the Michigan Adaptive Coalition (the “Collaborative”) in 2009.

The MEDC was notified by the Atlas Township Supervisor that the Company was no longer a participating member of the Michigan Adaptive Coalition Collaborative and, in fact, had ceased operations. By ceasing participation in the Collaborative, the Company is no longer eligible to receive the benefits of a Tool & Die Recovery Zone.

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

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

Recommendation
MEDC Staff recommends the MSF Board revoke the Tool and Die Recovery Zone designation for Burton Industries, Inc. effective for tax year 2016.
WHEREAS, the Michigan Renaissance Zone Act (the “Act”), 1996 PA 376, as amended, authorizes the Michigan Strategic Fund (“MSF”) Board to designate up to thirty-five (35) tool and die renaissance recovery zones (“Recovery Zone”) anywhere in the State of Michigan;

WHEREAS, on December 19, 2009, the MSF Board approved a Tool & Die Recovery Zone designation for Burton Industries, Inc. as a member of the Michigan Adaptive Coalition Collaborative at its site in the Township of Atlas, Genesee County located at 6202 South State Road, Goodrich, Michigan 48438 (the “Property”);

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

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

WHEREAS, the MEDC received notification from the Atlas Township Supervisor that the Company has ceased operations and participation with the Michigan Adaptive Coalition Collaborative; and

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

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board revokes the Tool and Die Recovery Zone designation for Burton Industries, Inc. for the Property located in Township of Atlas, Genesee County at 6202 South State Road, Goodrich, Michigan 48438, effective on December 31, 2015 for property tax purposes and January 1, 2016 for all other purposes; and

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

Date: September 22, 2015
To: Michigan Strategic Fund Board
From: Dan Parisian, Program Specialist
Subject: Mid-Michigan Economic Growth Corridor Renaissance Zone
Village of Farwell, Clare County
Revocation of Renaissance Zone Time Extension – Terex USA, LLC

Action
Michigan Economic Development Corporation (“MEDC”) Staff requests the Michigan Strategic Fund (“MSF”) Board to approve a resolution revoking the Renaissance Zone time extension designation for Terex USA, LLC’s site in the Village of Farwell Subzone located in the Village of Farwell. Nine (9) years remain on the Company’s extension term which is currently set to expire on December 31, 2024.

Background
The Village of Farwell Subzone within Mid-Michigan Economic Growth Corridor Renaissance Zone has been in effect since 2000 and was set to expire on December 31, 2014. On May 20, 2009, the Michigan Strategic Fund Board (the “MSF”) awarded a time extension to Woodsman, LLC, giving the company a Renaissance Zone designation for an additional ten (10) years. Woodsman, LLC entered into a development agreement (the “Agreement”) with the MSF agreeing to the creation of eighty-seven (87) new full-time jobs and capital investment of $1.1 million.

Terex USA, LLC (the “Company”), a subsidiary of Terex Corporation, which specializes in manufacturing drum-style brush chippers, purchased Woodsman, LLC on May 23, 2011 and a transfer of the zone was approved on December 19, 2012. The Company assumed the requirements set forth in the Agreement signed by Woodsman, LLC.

The Company failed to create at least eighty-seven (87) new jobs by December 31, 2014 as required per the Agreement and a 90-day cure period was initiated on June 1, 2015. The cure period has since lapsed and no response was received from Terex USA, LLC.

Recommendation
MEDC Staff recommends that the MSF Board approve the revocation of Terex USA, LLC’s Renaissance Zone time extension designation for their site in the Village of Farwell, effective December 30, 2015 for property tax purposes, and immediately for other tax purposes.
WHEREAS, Public Act 116 of 2008 amended the Michigan Renaissance Zone Act (the “Act”), 1996 PA 376, as amended, to authorize the Michigan Strategic Fund (“MSF”) to extend the duration of renaissance zone status for one or more portions of an existing renaissance zone for a period of time not to exceed fifteen (15) years, provided that the extension will increase capital investment or job creation and the affected county consents to the extension;

WHEREAS, on May 20, 2009, the MSF Board approved a Renaissance Zone time extension for Woodsman, LLC for the Village of Farwell Subzone in the Mid-Michigan Economic Growth Corridor Renaissance Zone on parcel 041-023-400-16 (the “Zone”);

WHEREAS, on December 19, 2012, the MSF Board approved a transfer of the Zone from Woodsman, LLC to Terex USA, LLC (the “Company”).

WHEREAS, Section 4(7) of the Act requires a development agreement be entered into between the MSF, the real property owner, and the Company, which requires numerous milestones with regards to job creation and new investment;

WHEREAS, Section 4(7) of the Act allows the MSF Board to revoke the time extension designation if the MSF Board determines that increased capital investment or job creation will not begin within one (1) year of granting the extension or otherwise violates the terms of the written development agreement; and

WHEREAS, the Michigan Economic Development Corporation (“MEDC”) provides administrative services for the renaissance zone program, and was notified by the Company through annual reporting, that the Company failed to create at least eighty-seven (87) new jobs within the Zone by December 31, 2014 as required per the Development Agreement;

WHEREAS, pursuant to the development agreement, staff on behalf of the MSF, has sent notice to the Company initiating a 90-day cure period to cure its noncompliance or it will recommend revocation and the 90-day cure period has since lapsed;

WHEREAS, the MEDC has also notified the Company’s Resident Agent and the Company of its recommendation that the Company’s Renaissance Zone time extension designation be revoked;

WHEREAS, the MEDC recommends that the MSF Board approves for recommendation to the State Administrative Board the revocation of the Company’s Renaissance Zone time extension designation.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board approves the revocation of the Company’s Renaissance Zone time extension designation, effective December 30, 2015 for property tax purposes and immediately for all other purposes; and

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

Nays:

Recused:

Lansing, Michigan
September 22, 2015
MEMORANDUM

Date:   September 22, 2015
To:   Michigan Strategic Fund (MSF) Board
From:   Julius L. Edwards, Capital Access Specialist
Subject: Amendment to Approval of up to $4,325,000 in a Michigan Community Revitalization Program Other Economic Assistance – Loan Participation for 55 Ionia Partners, LLC and Macatawa Bank.

Request
Staff is requesting to amend the original February 24, 2015 approval to fix a clerical error, changing the amortization period from 276 months to 300 months. All other terms of the original approval will remain the same.

The new terms will reflect the following:

**LOAN FACILITY**

**MSF Facility**  MCRP Loan Participation and Servicing Agreement Under “Other Economic Assistance”

**Borrower:**  55 Ionia Partners, LLC

**Lender:**  Macatawa Bank

**Total Amount of Loans:**  Currently estimated at $24,325,000

**Lender Share:**  $20,000,000 (82.2%)

**MSF Share:**  Up to $4,325,000 (17.8%)

**Term:**  To match that of the Lender, not to exceed 120 months with an interest only period of up to 30 months.

**Amortization:**  To match that of the Lender, not to exceed 276 300 months following the interest only period.

**Interest Rate:**  On the MSF Share 3.00% per annum

**Repayment Terms:**  On the MSF Share up to 30 months of monthly interest only payments followed by monthly principal and interest payments.
Collateral: To match that of the Lender, currently anticipated being a security position in all assets of the Borrower (including the Development Support Policy Reimbursements), a mortgage lien on the property and assignment of leases and rents. MSF Share of collateral will be subordinated to that of the Lender.

Guarantee: To match that of the Lender, currently it is anticipated that the loan will not be guaranteed. The MSF Share of guarantee will be subordinated to the Lender.

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

Funding: The MSF will fund up to $4,325,000 to be disbursed following closing of the Loan and other performance criteria.

Other Conditions: 196 Investors, LLC will be a Co-Borrower on the loan during construction and until the project has reached stabilization as defined by the Lender.

The MSF’s investment will be contingent upon a minimum owner equity contribution being made to the project in a minimum of $9,505,000.

Recommendation
Staff recommends approval of the amendment as presented.
**MEMORANDUM**

**Date:** February 24, 2015  
**To:** Michigan Strategic Fund Board  
**From:** Brent Morgan, Manager, Community Revitalization and Brownfield Programs  
Julius Edwards, Capital Services  
Ryan Kilpatrick, Community Assistance Team Specialist  
**Subject:** 55 Ionia Partners, LLC and Macatawa Bank  
Michigan Community Revitalization Program  
Request for Approval of up to $4,325,000 in Other Economic Assistance - Loan Participation

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**Request**

55 Ionia Partners, LLC (“Applicant” or “Borrower”) and Macatawa Bank (“Lender”) are requesting approval of a Michigan Community Revitalization Program incentive in the amount of the lesser of $4,325,000 or 20% of “Eligible Investment” in the form of a Loan Participation under Other Economic Assistance. The Applicant anticipates that the project could result in eligible investment of $25.3M and total capital investment in the amount of $34.4 M in the City of Grand Rapids and the creation of 25 jobs.

Traditionally, projects of this size and nature have been difficult for private developers to justify redeveloping without some form of additional financial assistance aside from traditional financing mechanisms to make the project financially feasible. Similar difficult to redevelop properties are located one block to the east of this site and have been a continued blight on the downtown for a number of years. The building being redeveloped has been vacant since 2008. The development team has taken the necessary steps to secure $20,000,000 in senior financing. Additionally, the project has secured $170,000 in other grants and is contributing over $9.5M in owner equity to the project. The project owner views this project as a long-term hold and the MCRP incentive will allow the project to produce a minimal annual cash-on-cash return of under 6% prior to sale.

**Background**

55 Ionia Partners, LLC will be managed by the RDV Corporation. The RDV Corporation is a private investment and financial management firm for the family of Mr. Richard M. DeVos and provides investment management, estate planning, tax and personal services, and foundation administration to the DeVos family. The firm was incorporated in 1991 and is based in Grand Rapids, Michigan. Rockford Construction Group will be supervising the construction of the project. Rockford is one of the top 400 contractors in the nation with projects in 44 states. Rockford has successfully developed numerous properties in Grand Rapids, including the Cherry Street Landing, Blue Cross Blue Shield building (adjacent to The Morton), the Grand Rapids Police Department, the Peck Building, and Front Row Condominiums. Rockford is committed to revitalizing blighted properties, evidenced by their rehabilitated headquarters located in the former Miller Products brownfield site on the west side of Grand Rapids.
The Applicant has not received any incentives from the MSF previously. However, Rockford Construction did receive a $1,000,000 grant and brownfield participation on the recent construction of their headquarters in downtown Grand Rapids.

The Applicant plans to renovate a 13 story building in the central business district of downtown Grand Rapids. The project will include 38,000 square feet of ground floor retail and second story office, as well as 111 market rate residential units on approximately 0.10 acres of property located at 55 Ionia in the City of Grand Rapids. The top two floors of the project will consist of for-sale condominium units which are not being considered for MEDC support.

The project is located in a downtown and qualifies for a MCRP award because it is a functionally obsolete structure.

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

**FINANCING OPPORTUNITY – MCRP LOAN PARTICIPATION**

The project is seeking MSF participation in coordination with Macatawa Bank as the senior lender. The Lender, along with the Borrower, has requested the MSF participate in up to $4,325,000 in $24,325,000 of construction to permanent loan financing. The MSF would participate in all payments in proportion to its share of the financing, but would allow the collateral to apply first to the Lender’s share in an event of liquidation.

There are a couple of things that are unique to the transaction. The first being, the loans will not be subject to traditional real estate underwriting. The primary variances are the Lender is not requiring an appraisal or title work until construction completion and project stabilization. This is mitigated by 196 Investors (must maintain $40,000,000 of unencumbered liquidity) acting as a Co-Borrower during construction and lease up. Additionally, a condition for conversion to permanent financing is providing clear title to the property. MEDC staff believes due to the inclusion of 196 Investors as a Co-Borrower during construction and stabilization these variances pose a very minimal risk to the project. The second unique aspect to the transaction, is the fact the Lender has closed and begun to disburse on $20,000,000 of the financing for the project. The MSF will be purchasing 100% of a separate $4,325,000 note. Although this is a deviation from the norm it does not present additional risk to the project or the MSF Share of the financing.

Other financing sources for the project include a $400,000 EPA Revolving Loan Fund loan from the City of Grand Rapids Economic Development Office, other grants totaling $170,000 and an owner equity contribution of approximately $9,505,000. All sources of financing for the project are summarized below:

**SUMMARY OF DEVELOPMENT SOURCES:**

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Macatawa Bank Share</td>
<td>$20,000,000</td>
<td>58.1%</td>
</tr>
<tr>
<td>MSF Share</td>
<td>$4,325,000</td>
<td>12.6%</td>
</tr>
<tr>
<td>EPA Revolving Loan Fund Loan</td>
<td>$400,000</td>
<td>1.2%</td>
</tr>
<tr>
<td>Other Grants</td>
<td>$170,000</td>
<td>0.5%</td>
</tr>
<tr>
<td>Developer Equity</td>
<td>$9,505,000</td>
<td>27.6%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$34,400,000</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

**LOAN FACILITY**

MSF Facility: MCRP Loan Participation and Servicing Agreement Under “Other Economic Assistance”
**Borrower:** 55 Ionia Partners, LLC  
**Lender:** Macatawa Bank  
**Total Amount of Loans:** Currently estimated at $24,325,000  
**Lender Share:** $20,000,000 (82.2%)  
**MSF Share:** Up to $4,325,000 (17.8%)  
**Term:** To match that of the Lender, not to exceed 120 months with an interest only period of up to 30 months.  
**Amortization:** To match that of the Lender, not to exceed 276 months following the interest only period.  
**Interest Rate:** On the MSF Share 3.00% per annum  
**Repayment Terms:** On the MSF Share up to 30 months of monthly interest only payments followed by monthly principal and interest payments.  
**Collateral:** To match that of the Lender, currently anticipated being a security position in all assets of the Borrower (including the Development Support Policy Reimbursements), a mortgage lien on the property and assignment of leases and rents. MSF Share of collateral will be subordinated to that of the Lender.  
**Guarantee:** To match that of the Lender, currently it is anticipated that the loan will not be guaranteed. The MSF Share of guarantee will be subordinated to the Lender.  
**Fee:** The MSF shall be paid a one-time fee equal to 1.00% of the MSF’s share of the loan. The Lender may charge the borrower for this fee.  
**Funding:** The MSF will fund up to $4,325,000 to be disbursed following closing of the Loan and other performance criteria.  
**Other Conditions:** 196 Investors, LLC will be a Co-Borrower on the loan during construction and until the project has reached stabilization as defined by the Lender. The MSF’s investment will be contingent upon a minimum owner equity contribution being made to the project in a minimum of $9,505,000.  

**Recommendation**  
The MEDC staff recommends approval of an MCRP performance-based loan participation in the amount of $4,325,000 for 55 Ionia Partners, LLC.
WHEREAS, the Michigan legislature amended the Michigan Strategic Fund Act, MCL 125.2011 et. seq., to add Chapter 8C (being MCL 125.2090a – MCL 125.2090d) to enable the Michigan Strategic Fund (“MSF”) to create and operate the Michigan Community Revitalization Program (“MCRP”) to provide incentives in the form of grants, loans and other economic assistance for redevelopment of communities in Michigan;

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

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

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

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

WHEREAS, by Resolution 2015-013 on February 24, 2015 the MSF Board awarded a CRP Other Economic Assistance – Loan Participation to 55 Ionia Partners, LLC and or related entities (“Proposed Borrower”) of up to $4,325,000 of $24,325,000 of total loans from Macatawa Bank (“Lender”) toward construction activities and infrastructure improvements to real property (“Project”);

WHEREAS, the MEDC has recommended that the MSF approve the amendment recommendation in accordance with Exhibit A (“Amended Term Sheet”), with all other requirements remaining in place from the original approval (the foregoing, collectively, the “MCRP Award Recommendation”);

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

ADOPTED

Ayes:
Nays:
Recused:

Lansing, Michigan
September 22, 2015
Exhibit A

**LOAN FACILITY**

**MSF Facility**  
MCRP Loan Participation and Servicing Agreement  
Under “Other Economic Assistance”

**Borrower:**  
55 Ionia Partners, LLC

**Lender:**  
Macatawa Bank

**Total Amount of Loans:**  
Currently estimated at $24,325,000

**Lender Share:**  
$20,000,000 (82.2%)

**MSF Share:**  
Up to $4,325,000 (17.8%)

**Term:**  
To match that of the Lender, not to exceed 120 months with an interest only period of up to 30 months.

**Amortization:**  
To match that of the Lender, not to exceed 300 months following the interest only period.

**Interest Rate:**  
On the MSF Share 3.00% per annum

**Repayment Terms:**  
On the MSF Share up to 30 months of monthly interest only payments followed by monthly principal and interest payments.

**Collateral:**  
To match that of the Lender, currently anticipated being a security position in all assets of the Borrower (including the Development Support Policy Reimbursements), a mortgage lien on the property and assignment of leases and rents. MSF Share of collateral will be subordinated to that of the Lender.

**Guarantee:**  
To match that of the Lender, currently it is anticipated that the loan will not be guaranteed. The MSF Share of guarantee will be subordinated to the Lender

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

**Funding:**  
The MSF will fund up to $4,325,000 to be disbursed following closing of the Loan and other performance criteria.

**Other Conditions:**  
196 Investors, LLC will be a Co-Borrower on the loan during construction and until the project has reached stabilization as defined by the Lender.

The MSF’s investment will be contingent upon a minimum owner equity contribution being made to the project in a minimum of $9,505,000.
MEMORANDUM

Date: September 22, 2015

To: Michigan Strategic Fund Board

From: Julius L. Edwards, Capital Access Specialist

Subject: Michigan Community Revitalization Program
Re-approval MCRP Award and Request for Brownfield Redevelopment SBT Credit Amendment
Griswold Capitol Park, LLC

Requests
Griswold Capitol Park, LLC (“Applicant”) is requesting adding a Qualified Taxpayer to the Brownfield Redevelopment SBT Credit and re-approval of the MCRP award in order to execute the Michigan Community Revitalization Program Agreement (“Agreement”).

Background
On September 17, 2014 the Michigan Strategic Fund (“MSF”) approved a $4,798,000 MCRP award in the form of an equity investment to the Applicant. The MCRP approval required the Agreement be entered into within 180 days of the date of the approval, but did allow for an extension with approval from the MSF Fund Manager. Due to the longer than anticipated HUD approval process, all parties were unable to enter into an Agreement by the original expiration date, and on April 24, 2015, the MSF Fund Manager approved extending the expiration date to September 12, 2015.

The Applicant was originally approved by the MEGA Board on December 19, 2006, amended on August 19, 2008 to split the project into two phases and extend the credit until December 31, 2016, and again amended on September 17, 2014 changing the scope of the project and increasing the credit to 12.5%.

The Applicant is requesting an amendment to the Brownfield Redevelopment SBT Credit to add Griswold Project, LLC as a Qualified Taxpayer to complete the project. This will not change the scope or other parameters of the SBT Credit previously approved by the MSF Board. Additionally, the Applicant is requesting re-approval of the MCRP incentive award that expired on September 12, 2015.

Recommendation
The MEDC staff recommends the following:
1. Approval of the Brownfield tax credit amendment to add a Qualified Taxpayer.
2. Re-approval of the MSF’s Incentive Award
WHEREAS, the Michigan legislature amended the Michigan Strategic Fund Act, MCL 125.2011 et. seq., to add Chapter 8C (being MCL 125.2090a – MCL 125.2090d) to enable the Michigan Strategic Fund (“MSF”) to create and operate the Michigan Community Revitalization Program (“MCRP”) to provide incentives in the form of grants, loans and other economic assistance for redevelopment of communities in Michigan;

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

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

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

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

WHEREAS, by Resolution 2014-153 on September 17, 2014 the MSF Board awarded CRP Other Economic Assistance Equity Award to Griswold Capitol Park, LLC, or such other entities formed or to be formed in furtherance of The Griswold project (“Applicant” or “Co-Applicants”) of up to $4,798,000 (“Award”);

WHEREAS, by the terms of Resolution 2014-153 the MSF Fund Manager approved an extension of the Award to September 12, 2015 (“Original Expiration Date”);

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

WHEREAS, the MEDC is recommending the MSF re-approve the Award in accordance with the Exhibit A (“Term Sheet”) with all requirement remaining unchanged, subject to: (i) available funding, (ii) final due diligence performed to the satisfaction of the MEDC; and (iii) execution of the Transaction Documents for the Award by December 12, 2015, or this Resolution shall have no effect (the foregoing, collectively, the “MCRP Award Recommendation”);

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan
September 22, 2015
### Exhibit A

**Term Sheet**

<table>
<thead>
<tr>
<th><strong>Equity Purchase</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Applicant:</strong></td>
<td>Griswold Capitol Park, LLC or Other Entities To Be Formed in the Furtherance of The Griswold Project</td>
</tr>
<tr>
<td><strong>Qualification:</strong></td>
<td>Blighted</td>
</tr>
<tr>
<td><strong>Eligible Investment:</strong></td>
<td>$19,192,000</td>
</tr>
<tr>
<td><strong>MSF Investment:</strong></td>
<td>Not to exceed $4,798,000 in MCRP Equity</td>
</tr>
<tr>
<td><strong>Private Equity:</strong></td>
<td>Estimated at $1,000,000</td>
</tr>
<tr>
<td><strong>Interest Purchased:</strong></td>
<td>MSF will acquire an equity interest into the Griswold Project.</td>
</tr>
<tr>
<td><strong>“Put” Right:</strong></td>
<td>The MSF will receive a “Put” right for among other things failure to adhere to MSF statutory requirements or any material misrepresentation or project failure that would have an impact on the MSF Cash Flow Distributions, Proceeds on Sale.</td>
</tr>
<tr>
<td></td>
<td>If exercised, Griswold Capitol Park, LLC or other such Co-Applicant shall repay in full the entire contribution provided to the partnership and any earned but unpaid profits available at the time of the notice to exercise the Put on terms and conditions acceptable to the MSF.</td>
</tr>
<tr>
<td><strong>Cash Flow Distributions:</strong></td>
<td></td>
</tr>
<tr>
<td>1.</td>
<td>Up to 25% cash on cash return on Private Equity (Cumulative and compounding return to private equity) – 85/15 split Private Equity to MCRP Equity</td>
</tr>
<tr>
<td>2.</td>
<td>Above 25% cash on cash to Private Equity - 50/50 Private Equity to MCRP</td>
</tr>
<tr>
<td><strong>Proceeds on Sale:</strong></td>
<td></td>
</tr>
<tr>
<td>1.</td>
<td>Return of Private Equity</td>
</tr>
<tr>
<td>2.</td>
<td>50/50 split Private Equity and MCRP Equity</td>
</tr>
<tr>
<td><strong>Membership Change:</strong></td>
<td>The MSF will have certain rights to block or consent to any material change in the membership of the project owner entity.</td>
</tr>
<tr>
<td><strong>Sale/Liquidation:</strong></td>
<td>The MSF will have certain rights to block or consent to any material liquidation or sale event.</td>
</tr>
<tr>
<td><strong>Timing of Funding:</strong></td>
<td>The investment is authorized to fund on or about the date of the closing of the other project financing which shall include at a minimum the funding provided by the Investors to complete the capitalization of The Griswold Project.</td>
</tr>
</tbody>
</table>
Final Terms and Conditions:  The final terms and conditions must include:

- The MSF Investment Amount is not exceeded
- The “Put” right is substantially preserved
- The final terms comply with the MCRP Guidelines and MSF Act
At the meeting of the Michigan Strategic Fund (“MSF”) held on September 22, 2015 in Lansing, Michigan.

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

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

WHEREAS, by Resolution 2006-106 on December 19, 2006, the MEGA Board awarded a Brownfield Redevelopment SBT Credit to Griswold Capitol Park, LLC (the “Applicant”) to make eligible investment up to $36,521,179 at an eligible property in the City of Detroit (the “Project”);

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

WHEREAS, by Resolution 2008-105 the Project was amended so that the scope of the project be split into two phases;

WHEREAS, by Resolution 2014-154 the Project was amended to change the scope of the project increase the tax credit percentage to 12.5% provided that the maximum credit amount does not exceed $3,652,179;

WHEREAS, the Applicant has submitted a request to amend the Project to add Griswold Project, LLC as an additional qualified taxpayer;

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board amends the Project by adding Griswold Project, LLC as an additional qualified taxpayer;

BE IT FURTHER RESOLVED, that if all components of the Project are not completed, the qualified taxpayer shall pay to the State, as a penalty, an amount equal to all the credits claimed and assigned for all components of the Project, including interest from the date the credit was claimed or assigned.

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

Ayes:

Nays:
Recused:

Lansing, Michigan
September 22, 2015
MEMORANDUM

Date: September 22, 2015

To: Michigan Strategic Fund Board

From: Mark Morante, MSF Fund Manager

Subject: Michigan Strategic Fund Compiled General Delegation of Authority

Request

The Michigan Economic Development Corporation ("MEDC"), the MSF Fund Manager and the Chief Compliance Officer are requesting that the Michigan Strategic Fund ("MSF") amend the MSF Compiled Delegation of Authority (the "Amendment Request").

Background

Under Article III, Section 1 of the Amended and Restated Bylaws, the MSF President will provide for compilations of all general delegated authority. To that end, the MSF Board adopted the Strategic Fund Compiled Resolutions for all delegated authority at its July 22, 2014 meeting. The Strategic Fund Compiled Resolutions were amended on November 25, 2014. MEDC Staff recommends that the MSF Board further amend the MSF Compiled Delegation of Authority to allow for the following:

1. The current Compiled Delegation of Authority allows the MSF Fund Manager or MSF President to procure and execute contracts for goods or services up to $250,000. The Delegation of Authority will be updated to allow the MSF Fund Manager or MSF President to terminate those contracts up to $250,000 that are entered into in accordance with the Delegation of Authority.

2. The amendments to the Brownfield Redevelopment Programs section of the Delegation of Authority is to codify the delegation of authority that the MSF Board approved at its August 25, 2015 meeting.

Recommendation

The MEDC, the MSF Fund Manager and the Chief Compliance Officer recommend that the MSF Board approve the Amendment Request.
WHEREAS, under Section 125.2005(7) of the Michigan Strategic Fund 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, under Article II, Section 1 of the Amended and Restated Bylaws adopted by the MSF Board on April 22, 2014, the MSF Board may delegate by resolution those functions and authority it deems necessary or appropriate to the President, Vice-President, Staff, the MEDC, or others, unless otherwise prohibited by law; and,

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

WHEREAS, the MSF Board wishes to amend the SFCR in accordance with the terms of this resolution;

NOW, THEREFORE, BE IT HEREBY RESOLVED, that the MSF Board delegates the following authority effective September 22, 2015:

125.2007-1 General Delegations of Authority

(2) The MSF President or the MSF Fund Manager may cancel, terminate or otherwise end a contract executed pursuant to SFCR 125.2007-1(1)(a) on behalf of the MSF as is necessary or convenient to the exercise of the MSF powers and in accordance with the cancellation or termination provisions of that contract.

10.0-1 Brownfield Redevelopment Programs

(1) The MSF President or the MSF Fund Manager may approve the following Brownfield Tax Credit and Act 381 Work Plan amendments:

(a) addition of qualified taxpayers to project pre-approval letters;

(b) grant the ability to convert Single Business Tax credits to certificated Michigan Business Tax Credits;

(c) amend the percentage of a tax credit provided that the maximum credit value is not increased;
(d) for those tax credits with a maximum tax credit value of $1,000,000 or less, approve significant scope changes;

(e) for those tax credits with a maximum tax credit value of $1,000,001 or more, approve scope changes so long as the new scope is consistent with the original project intent;

(f) add time to complete eligible investment and non-environmental eligible activities provided that the time does not exceed the statutory limit.

10.3-1 RESCINDED IN ITS ENTIRETY

BE IT FURTHER RESOLVED, the MSF President shall compile and publish the above delegated authority as required under Article III of the Bylaws.

Ayes:

Nays:

Recused:

Lansing, Michigan
September 22, 2015
MEMORANDUM

Date: September 22, 2015
To: MSF Board Members
From: Dave Lorenz, Vice President, Travel Michigan
Subject: First Fulfillment Contract Termination

BACKGROUND
On September 1, 2013, Michigan entered into a three-year contract with First Fulfillment, Inc. of Kalamazoo, Michigan, to handle standard information packet fulfillment and inquirer data entry services for all consumer requests for Travel Michigan information. The packet consists of the Pure Michigan travel guide and a state highway map. At its inception, the contract had an annual value of $32,200 and covered administration fees, packet assembling and mailing services, as well as data entry.

Travel Michigan notified the vendor that we had adapted a new form for electronic data entry on November 17, 2014. Four months later, on March 20, 2015, First Fulfillment informed Travel Michigan that the new form was much more time-consuming than the old form and they could no longer perform data entry at the cost provided in their price proposal. At that time, they requested a price increase from $0.40 per record to $0.75 per record. The vendor also informed us that they had not input data for some time and could not continue without the guarantee of a price increase for this task.

On April 17, 2015, we advised the vendor to submit a formal request for a contract amendment justifying the need to increase their price. As First Fulfillment had stopped entering data, we also asked that the unprocessed records be returned to Travel Michigan to be handled internally until the matter could be properly addressed. Upon review of their request, the MEDC’s Legal Unit determined that the justification given for the increase did not constitute a “change in scope of work” and therefore did not merit a price increase. On June 25, 2015, MEDC participated in a conference call with the vendor to discuss their request and work stoppage. During that call, the vendor was reminded of the terms of their three-year contract and that they were expected to fulfill all of the terms of the contract—including entering data at the $0.40 per record rate.

After the conference call, First Fulfillment followed-up with a formal request to amend the monetary terms of the contract for the task of data entry from $0.40 per record to $0.75 per record and to have their request reviewed by the MSF Board.

RECOMMENDATION
MEDC staff recommends that the MSF Board authorize a termination of the contract with 30 days’ notice to First Fulfillment, Inc. as allowed in the terms of the contract.
WHEREAS, the Michigan Legislature passed legislation establishing the 21st Century Jobs Trust Fund initiative;

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

WHEREAS, on September 25, 2013, by Resolution 2013-154, the MSF approved the selection of First Fulfillment, Inc. as the vendor for the Travel Michigan Fulfillment Guide for an initial term of three years and an initial allocation of $38,200;

WHEREAS, the final contract terms allowed for termination of the agreement for any reason with 30 days’ notice;

WHEREAS, First Fulfillment was not able to perform the full scope of services for the value of the contract and MEDC Staff does not support that a change of scope exists to recommend additional payment; and

WHEREAS, MEDC Staff recommends that the MSF Board authorize a termination of the contract with 30 days’ notice to First Fulfillment, Inc. as allowed under the agreement.

NOW, THEREFORE, BE IT RESOLVED, the MSF Board authorizes termination of the First Fulfillment, Inc. contract and authorizes the MSF Fund Manager to negotiate the final terms and conditions of and to execute any documents necessary to effectuate the termination.

Ayes:

Nays:

Recused:

Lansing, Michigan
September 22, 2015
MEMORANDUM

Date: September 22, 2015
To: Michigan Strategic Fund Board
From: Mark Morante, MSF Fund Manager
Subject: Renewal of Memorandum of Understanding between the Michigan Strategic Fund and the Michigan Economic Development Corporation and Allocation of the 4% Annual Appropriation from the 21st Century Jobs Funds

Request
This is a request to reauthorize the Memorandum of Understanding (MOU) between the Michigan Strategic Fund (MSF) and Michigan Economic Development Corporation (MEDC) for FY 2016.

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

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

Recommendation
MEDC staff recommends that the MOU be amended to extend the effective date of the MOU through September 30, 2016.

MEDC staff also recommends that the MSF authorize the expenditure of 4% of the annual appropriation from the 21st CJTF for administrative expenses for fiscal year 2015-2016.
WHEREAS, the Michigan Legislature passed legislation establishing the 21st Century Jobs Trust Fund initiative that was signed into law;


WHEREAS, consistent with the terms of the MOU, the MEDC and MSF desire to extend the effective date of the MOU through September 30, 2016; and

WHEREAS, to appropriately and fully fund such administrative expenses, the MSF Board believes it is reasonable to exercise its discretion pursuant to MCL 125.2088b(3), and as otherwise may be provided under the MSF Act, MCL 125.2001 et. seq., as may be amended from time to time (the “MSF Act”) to authorize an expenditure of four percent (4%) of the annual appropriation from the 21st Century Jobs Trust Fund for administrative expenses for fiscal year 2015-2016.

NOW, THEREFORE, BE IT RESOLVED, subject to the control and direction of the MSF Board, the MEDC shall provide administrative services through September 30, 2016 for all 21st Century Jobs Trust Fund programs, and other MSF programs and activities, authorized by the MSF Board and included and described in the Michigan Strategic Fund Act;

BE IT FURTHER RESOLVED, that the MSF Fund Manager is authorized to sign an amendment to the MOU extending the effectiveness of the MOU from October 1, 2015 through September 30, 2016; and

BE IT FURTHER RESOLVED, that the MSF Board, acting pursuant to the MSF Act, authorizes four percent (4%) of the annual appropriation from the 21st Century Jobs Trust Fund to be incurred for administrative costs related to the administration of programs and activities authorized under the MSF Act for fiscal year 2015-2016.

Ayes:

Nays:

Recused:

Lansing, Michigan
September 22, 2015
MEMORANDUM

Date: September 22, 2015
To: Michigan Strategic Fund Board
From: Mark Morante, MSF Fund Manager
Subject: Allocation of Funds from the 21st Century Jobs Fund for the Michigan Business Development Program and the Michigan Community Revitalization Program

Request
This is a request to authorize the allocation of funds in the amount of $114,000,000 million from the 21st Century Jobs Fund to the Michigan Strategic Fund (MSF) to operate the Michigan Business Development and the Michigan Community Revitalization Programs for FY 2016.

Background
Each year, the MSF must request these funds to operate the above mentioned programs. Public Act 84 of 2015 appropriated $17,300,000 million to the 21st Century Jobs Fund and $96,700,000 million to the General Fund for business attraction and community development. Legislation requires that a minimum of $20 million be spent on the Michigan Community Revitalization Program.

Recommendation
MEDC recommends that the State Treasurer transfer $114,000,000 million from the 21st Century Jobs Trust Fund to the MSF, according to the budget office spending plan, for the operation of the Michigan Business Development Program and the Michigan Community Revitalization Program for Fiscal Year 2016.
WHEREAS, the Michigan legislature passed legislation establishing the 21st Century Jobs Trust Fund initiative;

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

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

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

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

WHEREAS, 2015 PA 84 appropriated $17,300,000 from the 21st Century Jobs Trust Fund and $96,700,000 from the State General Fund for business attraction and community development for the 2015-2016 fiscal year;

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

WHEREAS, the MEDC recommends that the MSF allocate $114 million from the 21st Century Jobs Trust Fund from the appropriations to the MSF, with at least $20 million of the funds to be spent on projects under the MCR Program; and

WHEREAS, after consideration of that recommendation, the MSF Board desires to allocate $114 million from the 21st Century Jobs Trust Fund to the MSF for the purposes of the MBD Program and the MCR Program, with at least $20 million to be spent on projects under the MCR Program.

NOW, THEREFORE, BE IT RESOLVED, the MSF Board requests the state treasurer to transfer $114 million from the 21st Century Jobs Trust Fund to the MSF for the MBD Program and MCR Program, provided that no more than 60 percent of the funds are transferred before April 1, 2016; and
BE IT FURTHER RESOLVED, the MSF Board allocates $114 million from the 21st Century Jobs Trust Fund to the MSF for the MBD Program and MCR Program, with at least $20 million to be spent on projects under the MCR Program, as the funds are transferred.

Ayes:

Nays:

Recused:

Lansing, Michigan
September 22, 2015
MEMORANDUM

DATE: September 22, 2015

TO: Michigan Strategic Fund Board Members

FROM: Jenell Leonard, Michigan Film Commissioner

SUBJECT: Authorization of Administrative Funds

BACKGROUND

MCL 125.2029h(13) of the Michigan Strategic Fund Act permits the Michigan Strategic Fund board to authorize the use of up to 4% of the annual appropriation for the Michigan Film and Digital Media Production Assistance Program to be allocated for administration of the program and other functions of the Michigan Film Office as defined in MCL 125.2029a.

RECOMMENDATION

It is hereby the recommendation to the Michigan Strategic Fund (MSF) to authorize the expenditure of 4% of the annual appropriation from the Michigan Film and Digital Media Incentive Program for administrative expenses for the current fiscal year and next fiscal year. To date, the Michigan Film Office has been operating administratively under funds that were authorized by the MSF Board in November of 2012.

The Michigan Film Office can no longer provide incentive agreements under Public Act 117 of 2015. As the office responds to the post-incentive climate, it has modified its name to include digital media and unveiled a strategic plan with specific recommendations of how to sustain the film and creative industries separate from incentives. Recommendations align with current law and the MEDC’s overall mission and fall within three pillars of Promotion, Educational Alliances and Public Private Partnerships. See attached draft budget plan for more information and detail.

Pursuant to statute, Administrative dollars can be used for purposes related to the overall functions of the office as it relates to the film and media production assistance program (MCL 125.2029h).

In accordance with law, any and all authorized administrative funding will go to support these aforementioned efforts.
MICHIGAN STRATEGIC FUND BOARD

RESOLUTION 2015-

AUTHORIZATION OF FUNDS FOR ADMINISTRATION OF THE MICHIGAN FILM AND DIGITAL MEDIA PRODUCTION ASSISTANCE PROGRAM

WHEREAS, in accordance with MCL 125.2029a, the Michigan Film Office is created within the Michigan Strategic Fund:

WHEREAS, in accordance with MCL 125.2029h(1), the Michigan Film Office shall create and operate the Michigan Film and Digital Media Production Assistance Program (the “Film Program”);

WHEREAS, in accordance with MCL 125.2029h(13), the Michigan Strategic Fund (the “MSF”) Board is permitted to authorize the use of up to 4% of the annual appropriation for the Film Program to be allocated for administration of this program; and

WHEREAS, to appropriately and fully fund these administrative expenses, the Michigan Film Office recommends that the MSF Board exercise its discretion pursuant to MCL 125.2029h(13), to authorize an expenditure of up to four percent (4%) of the annual appropriation from the Film Program for administrative expenses relating to this program for fiscal year 2014-2015, effective the date of this resolution, and up to four percent (4%) of the annual appropriation from the Film Program for administrative expenses relating to this program for fiscal year 2015-2016, effective October 1, 2015.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board, acting pursuant to the MSF Act, in particular MCL 125.2029h(13), authorizes up to four percent (4%) of the annual appropriation from the Film Program for administrative expenses relating to this program for fiscal year 2014-2015, effective the date of this resolution, and up to four percent (4%) of the annual appropriation from the Film Program for administrative expenses relating to this program for fiscal year 2015-2016, effective October 1, 2015.

Ayes:

Nays:

Recused:

Lansing, Michigan
September 22, 2015
MEMORANDUM

Date: September 22, 2015
To: MSF Board of Directors
From: Christin Armstrong, Director of Compliance
Subject: Clifford Development, LLC – Loan Write-Off Request

Request
Clifford Development, LLC (“Clifford” or “Company”) is no longer a viable business and MEDC Staff recommends that the MSF Board of Directors support the following actions with respect to the Clifford loan: that the loan no longer be carried as a receivable, will no longer be pursued, and the outstanding balance be considered a loss (collectively, the “Write Off Request”).

Background
Clifford was an aviation development and management company specializing in the commercialization of competitive edge aircraft propulsion technology. The Company received a 2006 21st Century Jobs Fund (“21CJF”) convertible loan in the amount of $3,511,000. The Company’s primary assets were a Cessna airplane and some licenses from the Federal Aviation Administration (“FAA”). The MSF maintained a security interest in the Company’s tangible personal property. The MSF interest in the Company’s airplane and FAA licenses was subordinated to Western Michigan Aviation (“WMA”). In late 2011, WMA dissolved and the majority of the assets, including the senior security interests in the airplane and the FAA licenses, were transferred to Treystar Holding and the Monroe Company.

- **Loan Amount:** $3,511,000
- **Type of Loan:** Convertible Loan
- **Interest Rate:** 8.25%
- **Loan Issuance Date:** 2/12/2007
- **End of Grace Period:** 2/12/2010
- **Maturity Date:** 2/12/2013
- **Balance to Date (September 30, 2015):** $6,510,664
- **Collateral:** All Tangible Personal Property (Subordination of Airplane and intellectual property to WMA)

The Company was in default of its obligations under the loan agreement for failure to pay any installment of principal or interest when due. The Office of the Attorney General filed a collection lawsuit on behalf of the MSF. A final judgment was entered in favor of the MSF on March 20, 2014. Coincident to the MSF’s lawsuit against the Company, Robert M. Brown, a principal of Clifford Development and also a secured lender of the Company, foreclosed on his loan of $4,017,484 to the Company and conducted a public Foreclosure Sale of the Company’s assets, including the Cessna airplane and the FAA licenses. Mr. Brown was the only attendee of the Foreclosure Sale and purchased the collateral for the amount of the credit bid of $1,000,000. The credit bid was insufficient to satisfy the outstanding indebtedness owned by the Company to Mr. Brown. In addition, no proceeds existed from the Foreclosure Sale that would have been required to be paid to any subordinate secured creditors, including the MSF.
MEDC Staff worked with the Office of Attorney General to execute on the judgment and to pursue other avenues for collection of the MSF loan. To date, collection efforts have been unsuccessful.

**Recommendation**
MEDC Staff recommends that the MSF Board of Directors approve the Request.

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

WHEREAS, the MSF and Clifford Development, LLC ("Clifford" or the "Company") entered into a 21st Century Business Plan Competition Convertible Loan Agreement, dated February 12, 2007 and amended on April 15, 2008, (the "Loan Agreement"), whereby the MSF and the Strategic Economic Investment and Commercialization Board ("SEIC Board") agreed to loan up to $3,511,000 to Clifford under the terms and conditions set forth in the Loan Agreement, Security Agreement and Promissory Note (the "Note"), each dated February 12, 2007 (the Loan Agreement, Security Agreement, and Note, collectively, the "Loan Documents");

WHEREAS, Clifford is in default under the Loan Documents for failure to pay any installment of principal or interest when due that continues uncured for ten (10) calendar days and for ceasing substantially all of its operations;

WHEREAS, on January 31, 2014, the Office of the Attorney General filed a collections lawsuit on behalf of the MSF seeking judgment in the amount of $5,950,483.13 (the "Loan Balance"), the collections costs, attorney fees, and other appropriate relief against Clifford;

WHEREAS, a default judgment was entered on behalf of the MSF and the matter was referred to the Department of Treasury to seek collection and enforcement of the judgment;

WHEREAS, to date, no funds have been recovered through the collections process

WHEREAS, the MEDC recommends that the MSF authorize the MEDC to no longer carry the Note as a receivable, to cease any further collection efforts with respect to the Note, and to write-off the Loan Balance (collectively, the "Loan Write-Off Request");

WHEREAS, the MEDC recommended to the MSF Advisory Committee that the MSF approve the Loan Write-Off Request; and

WHEREAS, the MSF Advisory Committee has indicated its support of the recommendation that the MSF approve the Loan Write-Off Request.

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

BE IT FURTHER RESOLVED, that the MSF Fund is authorized to take all necessary action to effectuate the Loan Write-Off Request.

Ayes:
Nays:

Recused:

Lansing, Michigan
September 22, 2015
MEMORANDUM

Date: September 22, 2015

To: Michigan Strategic Fund

From: Fred Molnar, Vice President, Entrepreneurial Services

Subject: Support for Entrepreneurial Service Provider, State-wide, First Customer Program

Action

The MEDC requests that the MSF Board approve a continuation of support for the First Customer Program (“FCP”) Request for Proposals (“RFP”) in the amount of $1,000,000 over three years. The purpose of the FCP RFP is to award a grant to a non-profit organization or university for the continued implementation and execution of the program that is currently run by University of Michigan Institute for Research on Labor, Employment and the Economy (“UM IRLEE”).

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

- Issue RFP to the Public: September 23, 2015
- Questions due from the Public: September 29, 2015
- Answers posted to the MEDC web page: October 6, 2015
- Applications Deadline: October 16, 2015

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

- Alain Piette, SBDC Technology Team Manager
- Nick Cucinelli, Mentor-in-Residence University of Michigan
- Frederick Molnar, Vice President Entrepreneurial Services, MEDC
- Denise Graves, University Relations Director, MEDC

Background

At its August 22, 2012 meeting, the MSF acknowledged its desire to focus a Request for Proposals (RFP) for the Entrepreneurial Service Provider Program to make awards to non-profit organizations and/or universities that provide specialized support services to assist companies and institutions in commercializing competitive-edge technologies, building successful, innovative businesses with the potential for high-growth and job retention and promoting a culture of entrepreneurship in Michigan. At its September 27, 2012 meeting, the MSF Board approved the Entrepreneurial Service Provider First Customer Program grant in the amount of $999,376 over the period of 3 years.
The First Customer Program is a state-wide program assisting start-ups and small companies diversifying into new industries to identify potential “first” customers. The First Customer Program engages with statewide partners in the preparation and execution of referrals, assessments, action plans and implementation strategies. In its most recent progress report (April 2015) the FCP reported the following metrics for the program to date:

- 60 companies expanded
- 175 companies served
- 150 jobs created
- 476 jobs retained
- $54,531,757 in follow on funding
- 50 issued patents
- 25 licensing agreements
- 39 commercialized products

**Recommendation**

MEDC Staff recommends that the MSF Board approve the following actions:

1) Allocation of $1,000,000 for the program over 3 years;
2) Authorize the issuance of a RFP;
3) Approval of the Joint Evaluation Committee (JEC) members; and
4) Approval of the scoring and evaluation criteria.
REQUEST FOR PROPOSALS

Michigan Strategic Fund

Entrepreneurial Service Provider – First Customer Program

RFP-CASE-
REMINDER

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

APPLICANTS ARE RESPONSIBLE FOR ASSURING THAT THE FOLLOWING IDENTIFYING INFORMATION APPEARS IN THE SUBJECT LINE OF YOUR EMAIL: “RFP-CASE-____” with Company Name.

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

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

IMPORTANT DUE DATES

- September 29, 2015, at 3:00 p.m.: Questions from potential Applicants are due via email to contractsandgrants@michigan.org. Please note: The Michigan Strategic Fund (“MSF”) will not respond to questions that are not received by the above date and time. In addition, questions that are phoned, faxed or sent through regular mail will not be accepted.

- October 6, 2015, by close of business: Responses to all qualifying questions will be posted on the MSF’s website.

- October 16, 2015, at 3:00 p.m.: Electronic versions of your Proposal due to the MSF via email to contractsandgrants@michigan.org. Proposals will not be accepted via U.S. mail or any other delivery method.
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REQUEST FOR PROPOSAL
Entrepreneurial Service Provider – First Customer Program
RFP-CASE-____

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

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

SECTION I
WORK STATEMENT

A) PURPOSE

Public Act 215 of 2005, Section 88k(2) allows the Strategic Economic Investment and Commercialization (“SEIC”) Board to award grants and loans from the 21st Century Jobs Fund for “basic research, applied research, university technology transfer and commercialization of products, processes and services to encourage the development of competitive-edge technologies to create jobs in the state.” Under Executive Order 2010-8, the Governor ordered the SEIC Board abolished and all powers, duties and functions of the SEIC Board transferred to the Michigan Strategic Fund (“MSF”).

Through this 2015 Entrepreneurial Service Provider Request for Proposal (the “ESP RFP”), the MSF Board desires to allocate up to $1 million (“Award Amount”), disbursed over up to 3 years to non-profit organizations/Michigan universities that provide specialized services to assist companies in commercializing competitive-edge technologies, building successful, innovative businesses with the potential for high-growth and job retention and promoting a culture of entrepreneurship in Michigan.

B) BACKGROUND STATEMENT AND OBJECTIVES

Since 2012, the MSF has provided funding to non-profit organizations and collaborating
universities to operate a program that provides specialized support services to assist companies in commercializing competitive-edge technologies, building successful, innovative businesses with the potential for high-growth and job retention and promoting a culture of entrepreneurship in Michigan.

The MSF through this RFP continues to encourage this activity. Funding of $1,000,000 over up to 3 years (in the form of a grant) will be awarded to non-profit organizations/universities through a competitive process in which all submitted proposals will be reviewed by a Joint Evaluation Committee (“JEC”). Results from the JEC review will be provided, in the form of numerical scores and award recommendation(s), to the MSF Board.

C) QUALIFICATIONS, ELIGIBILITY AND AWARD INFORMATION

The intent of the proposals should be for the applicant organization to provide assistance to early stage high technology companies to obtain their first customers. The companies assisted through this process do not receive funds but rather the services.

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

Non-Profit Entities and Institutions of Higher Education – Only non-profit organizations and Michigan Institutions of higher education are eligible to receive funding through this RFP. To be eligible as a non-profit corporation, an applicant must, at the time the award is made, be: (i) a non-profit corporation duly organized under the laws of Michigan; or (ii) a foreign non-profit corporation duly authorized to transact business in Michigan. The principal site for the applicant’s project must be a facility located in Michigan. Such a facility must be either: (i) owned or leased by the non-profit organization; or (ii) owned or leased by an organization collaborating on the project. If the principal site is owned or leased by a collaborating organization, the organization must meet the “principal site of the project” requirement for a non-profit corporation, as defined in this section. Eligible non-profit organizations must be authorized to conduct business in the State of Michigan. Universities must be Michigan universities.

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

The successful applicant approved for funding by the MSF Board is subject to the final execution of a legal grant agreement and successful completion of a due diligence review which may include, among other things, a criminal and civil background check of the Applicant and certain key personnel.
Insufficient or inappropriate proposals will not be funded

**Award Reporting Requirements** - Progress Reports are due every six (6) months, due in October and April throughout the term of the grant agreement, though metrics reporting is for five (5) years. After the term of the grant agreement the reports are annual reports. For Progress Reports, grantees must report on Milestones, Budget, and Metrics. For the annual reporting, grantees must report on metrics. The grantee is responsible for timely submission of reports that must be submitted electronically though the MEDC Portal.

Monthly Metrics are due monthly and include the following: dollars leveraged (match dollars), new companies created, companies expanded, companies served, jobs created, jobs retained, new investments in companies served (MEDC Funds, federal funds, venture capital, angel funds, bank/loan, owner investment, new sales, other), companies/people attending events. The grantee is responsible for timely submission of reports that must be submitted electronically though MEDC’s Google Docs process.

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

Annual site visits are conducted by the MEDC Grant Manager.

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

**D) DELIVERABLES**

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

1. Services and programs to assist new technology companies to identify, introduce, and close deals with “first” customers. This will include start-up companies and companies diversifying into new industries, requiring preparation for and introduction to “first” customers.

2. Assistance to include sales training, mentoring and/or coaching to prepare companies on approaching first customers, introductions (including “hands-on” introductions), etc.
SECTION II
PROPOSAL FORMAT

To be considered, each Applicant must submit a COMPLETE proposal in response to this RFP using the format specified. APPLICANTS MUST NOT COMMUNICATE REGARDING THIS RFP WITH MEDC PERSONNEL OR JEC MEMBERS DURING THE ENTIRE PROCESS THROUGH THE APPROVAL OF THE MSF BOARD FINAL APPROVAL. Applicants proposal must be submitted in the format outlined below. There should be no attachments, enclosures, or exhibits other than those required in the RFP or considered by the Applicant to be essential to a complete understanding of the proposal. Each section of the proposal should be clearly identified with appropriate headings:

A) COMPLETE PROPOSAL

1) Contact Page – State the Organization’s full name, address, and phone and facsimile number. Also included should be contact information, including phone number, email, cell phone number, and fax numbers, as well as, signature of the authorized signor of the applicant organization.

2) Check List Page – Include a checklist of the required sections of the proposal, as listed in this Section II-A) 3 a-h and an indication that the section is included in the proposal. And include as indicated in Section III.O. below the following: “Applicant certifies that it is not an Iran-linked business as defined in MCL 129.312.” Applicant should provide Conflict of Issues information if applicable, see IIIF.

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

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

   b) Executive Summary
      The Executive Summary should summarize the information provided in response to paragraphs (a) above and (c) through (h) below. And specifically indicate:
      • THE NAME OF THE APPLICANT ORGANIZATION
      • THE ELIGIBILITY CRITERIA (See Section I.C. above)
      • THE AMOUNT OF FUNDS REQUESTED
      • THE AMOUNT OF MATCHING FUNDS, if available
      • THE TERM (up to 3 years)
      • THE PURPOSE OF THE FUNDING
      • TARGETED NUMBERS FOR:
         o Companies Created
         o Jobs Created
         o Increase Investment/Revenue

   c) Purpose of Funds
      The Applicant must clearly indicate whether the organization is a non-profit corporation or an institution of higher education. The Applicant must clearly describe how the proposed
use of funds will foster the growth of Michigan’s technology based economy and clearly identify the specific competitive edge technology sectors that the Applicant will serve.

d) Past Experience
The Applicant should indicate past experience with technology based business incubation/acceleration, including success if applying under the first criteria.

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

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

Additionally, Applicants selected for funding will be required to submit monthly performance metrics to measure the effectiveness of the program; these metrics include, but are not limited to: dollars leveraged, new companies created, companies expanded, companies served, jobs created, jobs retained, new sales, and funding obtained by client companies, including amount and source of such funding (sources including state funds, federal funds, venture capital, angel funds, bank/loan, owner investment, other), as well as the names and amounts of companies funded by the program.

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

h) Economic Impact
Identify the targeted number of companies created, jobs created, and follow on funding or increases in investment/revenue resulting from the services. Include justification and assumptions related to these expectations. You will be held responsible for delivering these specific numbers in your semi-annual Progress Reports and targeted numbers must be achieved to receive disbursements of grant funding. Explain how you define success and will deliver a successful program. Identify how you will make an economic development impact.
4) Disbursement of Grant Funds - will be scheduled throughout the term of the grant based upon completion of milestones including (completion of targeted metrics) and spending according to the proposed budget.

B) PROPOSAL SUBMITTAL

Submit marked electronic versions of your proposal to the MSF via email to contractsandgrants@michigan.org not later than **3:00 p.m. on October 16, 2015.** The MSF has no obligation to consider any proposal that is not timely received. **Proposals will not be accepted via U.S. mail or any other delivery method.**

APPLICANTS ARE RESPONSIBLE FOR ASSURING THAT THE FOLLOWING IDENTIFYING INFORMATION APPEARS IN THE SUBJECT LINE OF YOUR EMAIL: “RFP-CASE-____ with Applicant Name.”
SECTION III  
RFP PROCESS AND TERMS AND CONDITIONS

A) QUESTIONS

Questions from Applicants concerning the specifications in this RFP must be received via e-mail no later than 3:00 pm on September 29, 2015. Questions must be submitted to:

Contracts and Grants  
contractsandgrants@michigan.org

B) PROPOSALS

To be considered, Applicants must submit a complete response to this RFP, using the format provided in Section II of this RFP, by 3:00 p.m. on October 16, 2015. No other distribution of proposals is to be made by the Applicant. Applicant is responsible for ensuring that the proposal is submitted to the proper email address.

C) ECONOMY OF PREPARATION

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

D) SELECTION CRITERIA

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

The first step is an evaluation of which proposals satisfactorily meet the requirements of this RFP as stated in Section II. Incomplete proposals will not be accepted or reviewed.

1) Step I – Initial evaluation for compliance

   a) Proposal Content – Contracts and Grants will screen the proposals for technical compliance to include but not limited to:

      • Timely submission of the proposal
      • Eligibility
      • Executive Summary
      • Purpose
      • Past Experience
      • Team
      • Milestones/deliverables
      • Budget
      • Economic Impact – expected number of businesses created/expanded, jobs created, and private investment leveraged.
• Proposal signed physically or electronically by an official of the Applicant authorized to bind the Applicant to its provisions.
• Proposals satisfy the form and content requirements of this RFP.

2) Step II – Criteria for Satisfactory Technical Proposals

a.) During the second step of the selection process, proposals will be considered by a Joint Evaluation Committee ("JEC") comprised of individuals selected by the MSF. Only those proposals that satisfy the requirements described in this RFP, as determined in the sole discretion of the JEC, will be considered for evaluation in Step II. The JEC reserves the right to request additional information from any Applicant.

b.) Purpose, Economic Impact and Competence of Personnel – The proposal should indicate the ability of the Applicant to meet the eligibility and requirements of this RFP and achieve the economic impact. The proposal should indicate the competence of the personnel whom the Applicant intends to assign to the project, including education and experience.

c.) During the JEC’s review, Applicants may be required to make oral presentations of their proposals to the JEC. These presentations provide an opportunity for the Applicants to clarify the proposals. The MEDC will schedule these presentations, if required by the JEC. Only those Applicants that score 70 points or higher on the written review will be invited for an oral presentation if the JEC determines that an oral presentation is necessary.

d.) Only those proposals receiving a score of **80 points or more** in the proposal evaluation will have their price evaluated to be considered for award.

E) TAXES

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

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

F) CONFLICT OF INTEREST

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

1. Giving or offering a gratuity, kickback, money, gift, or any thing of value to a MSF official, officer, or employee with the intent of receiving a contract from the MSF or favorable treatment under a contract;

2. Having or acquiring at any point during the RFP process or during the term of the Contract, any contractual, financial, business or other interest, direct or indirect, that would conflict in any manner or degree with Bidder’s performance of its duties and responsibilities to the MSF under the Contract or otherwise create the appearance of impropriety with respect to the award or performance of the Contract; or

3. Currently in possession of or accepting during the RFP process or the term of the Contract anything of value based on an understanding that the actions of the Bidder or its affiliates or Interests on behalf of the MSF will be influenced.

G) BREACH OF CONTRACT

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

H) FALSE INFORMATION

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

I) DISCLOSURE

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

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

J) **CLARIFICATION/CHANGES IN THE RFP**

Any change or update to the acceptance of proposals will be posted on the MEDC website. Such postings shall constitute constructive notice to the general public and to all Applicants of any modifications or alterations of the deadline for proposals. Therefore, Applicants are strongly encouraged to continuously check the MEDC website at contractsandgrants@michigan.org, ON OR BEFORE 3:00 p.m. on October 16, 2015. Applicants are responsible for timely submission of their proposal. The MSF HAS NO OBLIGATION TO CONSIDER ANY PROPOSAL THAT IS NOT RECEIVED BY THE APPOINTED TIME.

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

K) **ELECTRONIC RECEIPT OF PROPOSALS**

AN ELECTRONIC VERSION OF YOUR PROPOSAL MUST BE RECEIVED AND TIME-STAMPED BY THE MSF TO contractsandgrants@michigan.org, ON OR BEFORE 3:00 p.m. on October 16, 2015. Applicants are responsible for timely submission of their proposal. THE MSF HAS NO OBLIGATION TO CONSIDER ANY PROPOSAL THAT IS NOT RECEIVED BY THE APPOINTED TIME.

L) **RESERVATION OF MSF DISCRETION**

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

1) reject any and all proposals;
2) waive any errors or irregularities in the bidding process or in any proposal;
3) reissue the project;
4) negotiate with any Applicant for a different award amount
5) reduce or expand the scope of the project, and reissue the RFP or negotiate with any Applicant regarding the revised project; or
6) extend the term of the project and add additional funding as necessary or appropriate; or
7) defer or abandon the project.

**Decisions by the MSF are final and not subject to appeal.**

Any attempt by an applicant, collaborating entity, or other party of interest to the project to influence the awards process, to appeal, and/or take any action, including, but not limited to, legal action, regarding the proposal or awards process in general may result in the applicant’s disqualification and elimination form the award process.
M) **JURISDICTION**

In the event that there are conflicts concerning this RFP that proceed to court, jurisdiction will be in a Michigan court of law. Nothing in this RFP shall be construed to limit the rights and remedies of the MSF that are otherwise available.

N) **ADDITIONAL CERTIFICATION**

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

Applicants **must** include the following certification in the technical proposal:

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

Failure to submit this certification will result in disqualification from consideration.
**Proposal Evaluation Form**

**Entrepreneurial Service Provider – First Customer Program RFP**

**Name of Applicant:**

**Name of Reviewer:**

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Reviewer’s Comments</th>
<th>Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eligibility:</td>
<td>o Non-profit, proposing a statewide plan.</td>
<td>Y/N</td>
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<tr>
<td>Executive Summary:</td>
<td></td>
<td>Max. Possible Points: 5</td>
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<tr>
<td>Overview</td>
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<td>Score: _______</td>
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<tr>
<td>• NAME OF THE APPLICANT ORGANIZATION</td>
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<td>• ELIGIBILITY CRITERIA</td>
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<tr>
<td>• AMOUNT OF FUNDS REQUESTED</td>
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<td></td>
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<tr>
<td>• AMOUNT OF MATCHING FUNDS</td>
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<td>• TERM</td>
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<td>• PURPOSE</td>
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<td>• The TARGETED NUMBERS FOR:</td>
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<tr>
<td>o Companies Created</td>
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<tr>
<td>o Jobs Created</td>
<td></td>
<td></td>
</tr>
<tr>
<td>o Increase Investment/Revenue</td>
<td></td>
<td></td>
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</tbody>
</table>

| Purpose: | | Max. Possible Points: 10 |
| The Applicant must clearly indicate that the organization is a university/non-profit | | Score: _______ |
| The Applicant must clearly describe how the proposed use of funds will: | | |
| o assist new technology companies to identify, introduce and close deals with “first” customers; including work with start-up companies and companies diversifying into new industries | | |
| o assistance includes sales training, mentoring and/or coaching to prepare companies on approaching first customers, introductions | | |

| Past Experience: | | Max. Possible Points: 20 |
| The Applicant should indicate past experience with providing assistance to early stage high technology companies to obtain their first customers and specifically discuss how the ELIGIBILITY CRITERIA that the Applicant fulfilled and its success will play a role in this program. | | Score: _______ |

| Team: | | Max. Possible Points: 15 |
| Identified key players | | Score: _______ |
| Identified collaborators | | |

| Milestones/Deliverables: | | Max. Possible Points: 20 |
| Identified meaningful milestones/deliverables | | Score: _______ |
| Achievable and leading to economic impact | | |

| Budget: | | Max. Possible Points: 10 |
| Identified meaningful budget for proposal | | Score: _______ |
| Organization budget clearly indicates need for funding | | |
| Demonstrate matching funds | | |

| Economic Impact: | | Max. Possible Points: 20 |
| Realistic assumptions and expectations based on industry knowledge and past reported performance | | Score: _______ |
| Identified targeted metrics: | | |
| o Companies Created | | |
| o Jobs Created | | |
| o Increase Investment/Revenue | | |

| Bonus Preference: (Must meet one of the following) | | Max. Possible Points: 1 |
| • Forecast revenues within 2 years | | Score: _______ |
| • Have outside investments from investors with experience and management teams with experience in the industry targeted by the proposal | | |
| • Have outside directors with expertise in the industry targeted by the proposal | | |

| Total Score: | | Max. Possible Points: 100 (101 with Bonus) |
| | | Score: _______ |
MICHIGAN STRATEGIC FUND

RESOLUTION 2015-

ENTREPRENEURIAL SERVICES PROVIDER REQUEST FOR PROPOSALS


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

WHEREAS, MCL 125.2088k created the Strategic Economic Investment and Commercialization Board (“SEIC Board”) for the purposes of awarding grants and loans for basic research, applied research, university technology transfer, and commercialization of products, processes and services to encourage the development of competitive edge technologies to create jobs within the State of Michigan;

WHEREAS, pursuant to Executive Order 2010-8, the Governor ordered the SEIC Board abolished and all powers, duties, and functions of the SEIC Board transferred to the MSF, including those powers, duties, and functions provided under MCL 125.2088k;

WHEREAS, the MSF desires to focus a Request for Proposals (“RFP”) to award grants to non-profits and universities to provide business acceleration services to entrepreneurs and new technology start-up companies in order to encourage new company formation and job creation (“Entrepreneurial Services”);

WHEREAS, the MSF has reviewed a RFP form as attached to this Resolution, which includes provisions required by the Act and establishes a competitive proposal process for awarding grants to non-profits and universities related to Entrepreneurial Services;

WHEREAS, the MSF Board desires to appoint a joint evaluation committee (“JEC”) to review proposals received in response to the RFP and to make recommendations to the MSF Board;

WHEREAS, the MEDC recommends to the MSF Board that the following individuals (together the “JEC Members”) be appointed to the JEC to review proposals received in response to the RFP:

  Alain Piette – SBDC Technology Team Manager  
  Nick Cucinelli – Mentor-in-Residence, University of Michigan  
  Frederick Molnar – Vice President Entrepreneurial Services, MEDC  
  Denise Graves – University Relations Director, MEDC;

WHEREAS, the MEDC recommends to the MSF Board that the scoring and evaluation criteria attached to this Resolution be used by the JEC in its review of proposals; and

WHEREAS, the MEDC recommends that the MSF allocate $1,000,000 from the 21st Century Jobs Trust Fund 2015-2016 appropriation to the Entrepreneurial Services Provider Program.

NOW, THEREFORE, BE IT RESOLVED, that the MSF approves the attached scoring and evaluation criteria, approves the JEC Members, and approves the attached RFP form and authorizes its issuance; and

BE IT FURTHER RESOLVED, the MSF authorizes the allocation of up to $1,000,000 from the 21st Century Jobs Trust Fund 2015-2016 appropriation to the Entrepreneurial Services Provider Program.
BE IT FURTHER RESOLVED, that the MSF authorizes the MSF Fund Manager to modify the RFP and related exhibits as may be necessary or appropriate, if the modifications are not materially adverse to the interests of the MSF.

Ayes:

Nays:

Recused:

Lansing, Michigan
September 22, 2015
MEMORANDUM

Date: September 01, 2015

To: MSF Board

From: Fred Molnar, VP, Entrepreneurship & Innovation

Subject: Invest Michigan Pre-Seed 2.0 Fund Grant Amendment Two

ACTION
MEDC Staff recommends the MSF Board approve a grant amendment in the amount of $2,500,000 to Invest Michigan (IM), to fund the continuation of investments in the form of loans and equity purchase for the Michigan Pre-Seed 2.0 fund. This is a predicted request and is accounted for in the 2015 budget.

BACKGROUND TO AWARD
On February 25, 2014, the MSF selected Invest Michigan (or “Fund Manager”) to manage the Michigan Pre-Seed Fund (or “Fund”) and awarded it a grant in the amount of $7,958,000. On March 31, 2014, the MSF entered into a Grant Agreement with Invest Michigan that delineated the milestones, deliverables and budget to be followed by the grantee, which include requiring a minimum of a 1:1 match on investments with external investors.

PROGRAM RESULTS
The purpose of the Michigan Pre-Seed 2.0 Fund is to invest in early stage companies through loans or equity and to this end the Fund has developed and implemented an outstanding due diligence and disbursement process that maximizes opportunity while minimizing MEDC exposure. Stage one of this process involves investment approval by an independent Investment Review Committee, the members of which are custom selected for each individual company review from a pool of 36 experts. In stage two the Fund mitigates risk by not disbursing all of the loan or equity purchase in one lump sum. Instead, each award is disbursed across several payments, dependent on company progression such as milestones achieved.

In fourteen months of operation, the Fund has assessed more than 140 applications, committing investment for 25 of the most promising companies to build a diverse and high quality portfolio. As a result, by September 2015, $6,800,000 of the Fund is encumbered comprising $1,675,000 in disbursed funding and $5,125,000 encumbered follow on funding. Disbursement of the encumbered follow on funding is set to accelerate rapidly in the coming months as company successes make them eligible for the higher disbursement required for growth. A representative example of this portfolio approach is an IT Digital Advertising company. Instead of investing the full $500,000 in one payment, the Fund invested $25,000 in July 2014 and another $75,000 follow-on investment in June 2015 as the company met pre-agreed milestones. The company achieved first revenue in 2014 with sales of $300,000, year to date through July 2015 sales of almost $600,000, and may reach their first $1 million by year end. Their product has been customer
validated by brand names such as Bank of America, Detroit Lions, Jimmy Dean, and Chobani. The company is expected to require an additional $300,000 Fund investment within the next year to expand its sales in order to accelerate revenue.

**BACKGROUND TO REFUNDING REQUEST**

To meet the specifications of the MEDC RFP, which require the Fund to work toward sustainability, committed funds for existing investments have been encumbered to ensure follow on funding is available to successful companies and protect the Fund investment position in future capital raises.

In order to continue making investments into new opportunities and expand the company portfolio the Fund requests an additional $2,500,000 for new investment activity. This amount is projected to cover investment needs through the end of the grant in April 2017.

**RECOMMENDATION**

The Michigan Pre Seed 2.0 Fund has earned a track record for stringent stewardship of MEDC dollars and demonstrated exceptional performance in portfolio development. Staff recommend the funding for new investments is approved.

MEDC staff also recommend that the MSF Board delegate authority to the MSF Fund Manager, with the assistance of MEDC staff, to negotiate and execute the final terms and conditions and all necessary agreements with Invest Michigan.
MICHIGAN STRATEGIC FUND
RESOLUTION

2015-

AMENDMENT TO EARLY STAGE FUNDING AWARD TO INVEST MICHIGAN


WHEREAS, MCL 125.2088k created the Strategic Economic Investment and Commercialization Board (“SEIC Board”) for the purposes of awarding grants and loans for basic research, applied research, university technology transfer, and commercialization of products, processes and services to encourage the development of competitive edge technologies to create jobs within the State of Michigan;

WHEREAS, pursuant to Executive Order 2010-8, the Governor ordered the SEIC Board abolished and all powers, duties, and functions of the SEIC Board transferred to the Michigan Strategic Fund (“MSF”), including those powers, duties, and functions provided under MCL 125.2088k;

WHEREAS, at its October 23, 2013 meeting, the MSF Board approved the issuance of a Request for Proposals (“RFP”) to make awards to non-profit organizations that invest in pre-seed and early stage companies that require capital to transition from research to early stages of the commercialization process in the competitive edge technology sectors (the “Early Stage Funding RFP”);

WHEREAS, at its February 25, 2014 meeting, the MSF Board authorized a grant of up to $7,958,000 to Invest Michigan as a result of the Early Stage Funding RFP (the “Invest Michigan Grant”);

WHEREAS, pursuant to Resolution 2014-018, the MSF Board authorized that the Invest Michigan Grant could be amended to increase the grant amount;

WHEREAS, Invest Michigan has demonstrated exceptional performance in achieving the objectives set forth in the Early Stage Funding RFP;

WHEREAS, in recognition of this exceptional performance and to further achieve the objective of the Early Stage Funding RFP, MEDC Staff recommends that the MSF Board allocate an additional $2,500,000 from the fiscal year 2015 appropriation for Entrepreneurship and Innovation to Invest Michigan for additional investments in pre-seed and early stage companies (the “Invest Michigan Grant Amendment”); and

WHEREAS, the MSF Board wishes to approve the Invest Michigan Grant Amendment.

NOW, THEREFORE, BE IT RESOLVED, the MSF Board approves the Invest Michigan Grant Amendment;
BE IT FURTHER RESOLVED, that MSF Fund Manager is authorized to negotiate final terms and conditions of the Invest Michigan Grant Amendment and to execute all documents necessary to effectuate the Invest Michigan Grant Amendment.

Ayes:

Nays:

Recused:

Lansing, Michigan
September 22, 2015
MEMORANDUM
Date: September 22, 2015
To: Michigan Strategic Fund Board
From: Deanna Richeson, Director, International Trade Programs

Subject: International Trade Program – Formerly “Pure Michigan Export Program” – FY16 Funding Request

Request
The Michigan Economic Development Corporation (MEDC) staff requests $2.125 million from the 21st Century Jobs Trust fund in addition to the $750,000 grant award from the United States Small Business Administration, Office of International Trade (“SBA”) to support the International Trade Program. Consistent with MCL 125.2088b(4) in the Michigan Strategic Fund (MSF) Act these funds shall be used for business development and business marketing costs. Approved funds will be utilized as follows:

**MEDC International Trade Program**

<table>
<thead>
<tr>
<th>Service Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>MI-STEP - Export Promotion Incentives and Services</td>
<td>$1,630,000</td>
</tr>
<tr>
<td>(includes $750,000 SBA grant)</td>
<td></td>
</tr>
<tr>
<td>Foreign Trade Offices</td>
<td>$975,000</td>
</tr>
<tr>
<td>Small Business Services</td>
<td>$270,000</td>
</tr>
</tbody>
</table>

**Total International Trade Program Request** $2,875,000

Background
The International Trade Program assists Michigan based companies to expand their customer base through a variety of international trade services that lead to international market expansion. The program focus is on small and medium-sized enterprises that meet the guidelines and size standards set out by the United States Small Business Association (generally less than 500 employees for a manufacturer), but the program may also assist larger companies if the assistance will have a clear and identifiable economic impact. Through its strategic statewide network of export partners, the International Trade Program is able to assist companies located anywhere in Michigan and ensure they are connected with the resources to evaluate export opportunities, access existing export resources, and increase global competitiveness.

In FY15, the Pure Michigan Export Program was supported by $3.93 million of MSF allocated State of Michigan funds (less a $500,000 SBA grant). For the period October 1, 2011 through June 30, 2014, the Pure Michigan Export Program assisted 791 companies, resulting in more than $382 million ($21.2 million – FY12, $132.3 million – FY13, and $229 million – FY14) in facilitated export sales, exceeding cumulative annual targets totaling $316 million. The FY15 YTD sales figures of $242 million is likely to also exceed expectations.

The International Trade Program received notification on 8/19/2015 of a grant award in the amount of $750,000 from the United States Small Business Administration, Office of International Trade (“SBA”), which combined with the $250,000 MSF match, results in a $1,000,000 FY16 State Trade Export Promotion (STEP) program. The remaining $630,000 supports a State-funded STEP grant program which mirrors federal STEP eligibility guidelines.
International Trade Program Summary
International Trade Program – The International Trade Program provides direct reimbursements to qualified small and medium-sized export (SME) companies to develop or expand export-related activities via cost reimbursement of 50 percent of allowable export-related activities to a maximum of $12,000.

Small Business Services – In support of new to export and expanding export activities of SME companies, contracted providers help with services which include legal essentials, search engine optimization, and market research. The impact of these services is evaluated quarterly through company reported sales statistics.

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

Recommendation
- Staff recommends approval of $2.125 million from the 21st Century Jobs Trust fund in addition to the $750,000 grant award from the SBA to support activities of the International Trade Program;
- Staff recommends that the MSF Board ratify and approve the application submitted to the SBA for STEP Program funding.
- Authorize the Memorandum of Understanding between the Michigan Strategic Fund and the Michigan Economic Development Corporation to provide administrative services for the International Trade Program;
- Approve the proposed eligibility and application guidelines, and grant template.
FY16 Michigan - State Trade and Export Promotion (MI-STEP) Program Eligibility and Application Guidelines

Section 1 – General Information on the MI-STEP Program

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

A – Program Purpose

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

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

B – Eligibility

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

1. Be in accordance with Small Business Administration (SBA) guidelines and size standards.
2. Has demonstrated understanding of the costs associated with exporting and doing business with foreign purchasers, including the costs of freight forwarding, customs brokers, packing and shipping, per SBA guidelines.
3. Has in effect a strategic plan for exporting, per SBA guidelines.
4. Represent significant potential impact to the regional economy.
5. Have two years of domestic sales.
6. Register profit during the last year (venture capital and government grants do not qualify as sales revenue).
7. Provide an EIN number linked to a Michigan address.
8. Be in good standing with the Michigan Department of Treasury and other regulatory agencies.

C – Grant Allocation and Limitation

1. Funds will be approved for specific and measurable export initiatives.
2. Applicants agree to respond to MI-STEP Program quarterly surveys and provide export sales totals, export transactions and business activities resulting from the Pure Michigan Export Program.
3. All funds are pre-approved based on submitted application.
4. Companies are reimbursed for 50 percent of pre-approved expenses.
5. The Michigan Strategic Fund (MSF) retains final authority in the allocation of MI-STEP Program funds.
6. Funds for the MI-STEP Program are subject to availability.
7. Recommendations by economic development organizations may be required.

D – Allowable Uses of MI-STEP Program Funds

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

1. Overseas trade mission participation
2. International or domestic trade show participation
3. Foreign market sales trips
4. U.S. Department of Commerce services
5. Website and/or marketing material translation services
6. Agent, distributor and/or customer searches
7. Foreign market research
8. Foreign Market Product Certification

Section 2 – The Application Process

A – Following is a summary of the application and approval process for the Pure Michigan Export Program:

1. Interested companies complete and submit the online intake form at http://medc.force.com/ExportAssistance.
2. MEDC staff will review intake forms:
   • Qualified companies will be contacted regarding next steps.
   • Companies that do not qualify will be contacted with rationale for decision.
3. Tier 1 companies will be referred to SBDC for training and market research to enhance their readiness.
4. Tier 2 and Tier 3 companies will be contacted by an MEDC export representative to review:
   • Information needed for the MI-STEP Program application and required forms
   • Export assistance resources
5. Companies seeking export incentives will complete and submit the MI-STEP Program application.
6. Upon receipt and review of the MI-STEP Program application, the MEDC export team will make a recommendation to the MSF Fund Manager
   • Approve application and contact company for next steps, or
   • Deny application with explanation (Note: denied applicants may be given feedback on how to revise and resubmit)
B – Program Guidelines
1. Eligible expenses must be approved in advance by the International Trade Manager (ITM).
2. Funding received from other government sources (grants or subsidies from any level of government) does not satisfy the company’s matching requirements for this program.
3. Companies receiving funding must submit all itemized receipts and proof of payment documents associated with the event/activity within 45 days of event/activity completion, unless otherwise notified by MSF/MEDC representative.
4. Companies must submit the MI-STEP Program Grant Application to the ITM prior to the event/activity for which funding is sought.
5. Companies will receive MEDC’s quarterly survey to track export activity results.

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

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

Questions may be directed to export@michigan.org.
Michigan Economic Development Corporation (MEDC)
Michigan - State Trade and Export Promotion (MI-STEP) Program
Grant Application and Agreement with
[Insert Full Company Name]
[Insert Full Company Address]

A complete application includes:
• A completed Exporting Strategic Plan
• A completed Export Activity Summary
• A proposed Budget for the Export Activity
• A signed SBA Self Representation as an “Eligible Small Business Concern” Form
• A signed Debarment Certification Form
• A signed MI-STEP Program Grant Agreement

Program Purpose

The MI-STEP Program is designed to spur job creation by empowering Michigan small and medium-sized enterprises (SMEs) to export their products. Eligible companies may qualify for up to $12,000 (Tier 2 $7,000; Tier 3 $12,000) in assistance to offset a portion of their export marketing-related costs.

Eligibility

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

1. Be in accordance with Small Business Administration (SBA) guidelines and size standards.
2. Has demonstrated understanding of the costs associated with exporting and doing business with foreign purchasers, including the costs of freight forwarding, customs brokers, packing and shipping, per SBA guidelines.
3. Has in effect a strategic plan for exporting, per SBA guidelines.
4. Represent significant potential impact to the regional economy.
5. Have two years of domestic sales.
6. Register profit during the last year (venture capital and government grants do not qualify as sales revenue).
7. Provide an EIN number linked to a Michigan address.
8. Be in good standing with the Michigan Department of Treasury and other regulatory agencies.

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

Grant Terms and Conditions

1. Funds for this program are limited and subject to availability.
2. Eligible expenses must be approved in advance by the MI-STEP Program International Trade Manager (ITM). Funding received from other government sources (grants or subsidies from any level of government) does not satisfy the matching requirements for this program.
3. Company must submit the MI-STEP Program Grant Application to the ITM prior to the event/activity for which funding is sought.
4. Funds will be approved for eligible, specific and measurable export initiatives that require financial support. Company agrees to measure and share the results of the MI-STEP Program initiative for which they receive funding with the MEDC.

5. Company agrees to respond to quarterly MI-STEP Program Activity Surveys and provide export activity status and outcomes resulting from the MI-STEP Program for a period of two years following funded activity.

6. This agreement is subject to the terms and conditions of the U.S. SBA Notice of Award, SBA OIT-STEP-2014-01.

7. Eligible reimbursements are those in which the company invests at least 50 percent of the cost of the event or activity.

8. Companies receiving funding must submit all itemized receipts and proof of payment documents associated with the event/activity within 45 days of event/activity completion, unless otherwise notified by MSF/MEDC representative. Itemized receipts are to include prices adjusted into USD at the exchange rate current to the date of purchase.

9. This agreement may be terminated by giving thirty calendar days prior written notice to the company. In the event that the Legislature of the State of Michigan (the “State”), the State Government, or any State official, commission, authority, body, or employee or the federal government (a) takes any legislative or administrative action which fails to provide, terminates or reduces the funding necessary for this agreement, or (b) takes any legislative or administrative action, which is unrelated to the source of funding for the agreement, but which affects the MEDCs ability to fund and administer this agreement, provided, however, that in the event such action results in an immediate absence or termination of funding, cancellation may be made effective immediately upon delivery of notice to the company.

10. The company shall indemnify, defend and hold harmless the MEDC, its corporate board of directors, executive committee members including its participants, its officers, agents, and employees from any damages that it may sustain through the negligence of the company pertaining to the performance of this agreement.

11. The company shall not assign, transfer, convey, subcontract, or otherwise dispose of any duties or rights under this agreement.

12. The company and MEDC hereby agree that the faxed signatures of the parties to this agreement shall be as binding and enforceable as original signatures; and that this agreement may be executed in multiple counterparts with the counterparts together being deemed to constitute the complete agreement of the parties. Copies (whether photostatic, facsimile or otherwise) of this agreement may be made and relied upon to the same extent as though such copy was an original.

13. This application is subject to final approval by the MSF/MEDC and SBA, and does not constitute an agreement until final written authorization has been received from these entities.

**Allowable Uses of MI-STEP Program Funds**

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

- Overseas trade mission participation
- International or domestic trade show participation
- Foreign market buyer missions
- U.S. Department of Commerce services
- Website and/or marketing material translation services
- Match-Making and Appointment Setting

---

Revised – 9/8/2015
• Translation and Interpreter Services
• Foreign Market Research
• Foreign Market Product Certification
• Customer, Agent, or Distributor Searches

*Prospective applicants are encouraged to propose any export marketing-related activities that they believe will benefit and enhance their ability to launch and grow export operations.

Export Summary

Exporting Strategic Plan:

1. Briefly describe your product or service.
2. Please list the international markets you intend to pursue.
3. What led you to choose each international market?
4. What objectives do you aim to achieve in your prospective export markets?
5. What is the timeframe for meeting these objectives? (Specify by month or quarter)?
6. How appropriate or culturally compatible is the product or service you wish to export and what market research have you performed?
7. What is your competitive advantage in each of your prospective markets?
8. How capable is your company in supporting both market entry and market expansion with respect to your financial capabilities, production capacity and business development/marketing?
9. What knowledge or experience do you have with the international trade procedures in your prospective markets? How are you working to ensure your strategy is a success? (U.S. export requirements, foreign market import market requirements, logistics, export financing, etc.)

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

Description of Export Activity: In one or two paragraphs please describe the export activity to which you would apply the MI-STEP Program funding (Note: Export activity must be completed by 9/30/2016 or the expiration date – whichever comes first). Explain the role this activity plays in your Exporting Strategic Plan.

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

Revised – 9/8/2015
# Travel Budget

## Budgeting and Justification

Per-Diem Rates can be found at: [http://aoprals.state.gov/web920/per_diem.asp](http://aoprals.state.gov/web920/per_diem.asp)

For guidelines regarding airfare, please see: [http://www.gsa.gov/portal/content/103191](http://www.gsa.gov/portal/content/103191)

**Activity Name:**

**Dates:**

**Name and Title of Traveler(s):**

<table>
<thead>
<tr>
<th>Item</th>
<th>Description &amp; Calculations</th>
<th>Amount (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Airfare:</strong></td>
<td>Indicate number of people traveling. If you intend to send more than one traveler, please justify.</td>
<td>$$$</td>
</tr>
<tr>
<td></td>
<td>Name of U.S. Airline</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Include a general flight itinerary with airport of departure, any transfer airports, a final destination and the names of any airlines used.</td>
<td></td>
</tr>
<tr>
<td><strong>Hotel:</strong></td>
<td>Number of persons multiplied by the number of nights at the regional Federal Per-diem Rate</td>
<td>$$$</td>
</tr>
<tr>
<td><strong>Trade Show:</strong></td>
<td>Trade show participations fee, booth shipping (include shipping carrier), booth set-up, electricity, etc.</td>
<td>$$$</td>
</tr>
<tr>
<td><strong>Ground Transportation:</strong></td>
<td>Taxis, busses, trains, etc.</td>
<td>$$$</td>
</tr>
<tr>
<td><strong>Gold Key Services:</strong></td>
<td></td>
<td>$$$</td>
</tr>
<tr>
<td><strong>Miscellaneous:</strong></td>
<td></td>
<td>$$$</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>$$$</td>
</tr>
</tbody>
</table>

*Please note that meals and entertainment are not eligible reimbursement expenses.*
**Non-Travel Budget**

**Activity Name:**

**Dates:**

<table>
<thead>
<tr>
<th>Item</th>
<th>Description &amp; Calculations</th>
<th>Amount (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Entry Strategy</td>
<td>To ensure reasonable costs, please include quotes from three companies. Briefly justify the bid you chose.</td>
<td>$$$</td>
</tr>
<tr>
<td>Market Research</td>
<td>To ensure reasonable costs, please include quotes from three companies. Briefly justify the bid you chose.</td>
<td>$$$</td>
</tr>
<tr>
<td>Logistics &amp; Planning</td>
<td>To ensure reasonable costs, please include quotes from three companies. Briefly justify the bid you chose.</td>
<td>$$$</td>
</tr>
<tr>
<td>Printing</td>
<td>Specify the quantity to the best of your knowledge. (Number of pages per brochure, the number of brochures, etc.)</td>
<td>$$$</td>
</tr>
<tr>
<td>Development of Marketing Materials</td>
<td>Name the marketing service provider, public relations firm, advertising agency, etc.</td>
<td>$$$</td>
</tr>
<tr>
<td></td>
<td>To ensure reasonable costs, please include quotes from three companies. Briefly justify the bid you chose.</td>
<td>$$$</td>
</tr>
<tr>
<td>Translation</td>
<td>To ensure reasonable costs, please include quotes from three companies. Briefly justify the bid you chose.</td>
<td>$$$</td>
</tr>
<tr>
<td>Miscellaneous:</td>
<td></td>
<td>$$$</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>$$$</td>
</tr>
</tbody>
</table>

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

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

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
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</table>

<table>
<thead>
<tr>
<th>Phone number</th>
<th>Email address</th>
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<tbody>
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<td></td>
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</table>
**Authorization**

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

<table>
<thead>
<tr>
<th>Authorized Company Representative/Title</th>
<th>Date</th>
</tr>
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<tbody>
<tr>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Authorized MEDC Export Representative/Title</th>
<th>Date</th>
</tr>
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<tbody>
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<td></td>
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</table>

<table>
<thead>
<tr>
<th>SBA Approval Date</th>
<th>MEDC Initial</th>
<th>Tracking #</th>
</tr>
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<tbody>
<tr>
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</table>

**Effective Date**

**Expiration Date**

<table>
<thead>
<tr>
<th>Authorized MSF Certifying Official</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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</tbody>
</table>

Revised – 9/8/2015
MICHIGAN STRATEGIC FUND
RESOLUTION 2015-
INTERNATIONAL TRADE PROGRAM

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

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

WHEREAS, under the Act, in particular Sections 88b(4), not more than five (5%) percent of the annual appropriation from the 21st century jobs trust fund may be used for business development and business marketing costs (“BDBM Funds”);

WHEREAS, the Michigan Economic Development Corporation (“MEDC”) provides administrative services to the MSF for a variety of programs overseen by the MSF, recommends the continuation of the International Trade Program and the acceptance of the federal FY16 State Trade Export Promotion (STEP) award of $750,000 to increase the number of Michigan small businesses that are exporting, increase the value of exports for those small businesses that are currently exporting, and to expand their customer base by marketing to persons or entities outside of the State of Michigan (“MI-STEP Program”);

WHEREAS, the MEDC recommends the continuation of the MI-STEP Program, the federally funded component of the International Trade Program, and approval of the guidelines for the MI-STEP Program, as set forth below:

(i) Eligibility and Application Guidelines. That the MSF adopt and approve the proposed MI-STEP Eligibility and Application Guidelines, attached as Exhibit 1 to be utilized for the operation of the MI-STEP Program (the “MI-STEP Program Guidelines”).

WHEREAS, based on the recommendation of the MEDC, the MSF Board desires to adopt and approve the MI-STEP Program Guidelines for the MI-STEP Program;

WHEREAS, the MEDC recommends that the MSF authorize the preparation of a MI-STEP Program Grant Application and Agreement consistent with the MI-STEP Program Guidelines for the MI-STEP Program; and

WHEREAS, the MEDC recommends that the MSF approve the use of $2,125,000 of BDBM Funds for a International Trade Program budget, including its use as the required match to the STEP award.

NOW, THEREFORE, BE IT RESOLVED, the MSF hereby adopts and approves the MI-STEP Program Guidelines for the MI-STEP Program;

BE IT FURTHER RESOLVED, that the MSF hereby authorizes the preparation of an MI-STEP Program Grant Application and Agreement consistent with the MI-STEP Program Guidelines for the MI-STEP Program; and
BE IT FURTHER RESOLVED, that the MSF hereby authorizes the use of $2,125,000 of BDBM Funds for a International Trade Program budget, including its use as the required match to the STEP award.

Ayes:
Nayes:
Recused:

Lansing, Michigan
September 22, 2015
WHEREAS, the Michigan Strategic Fund (“MSF”) desires to assist eligible Michigan based small businesses, increase the number of small businesses that are exporting, increase the value of exports for those small businesses that are currently exporting, and to expand their customer base through a variety of international trade services that lead to international market expansion (the “International Trade Program”);

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

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

WHEREAS, the MEDC desires to provide administrative services to the MSF for activities approved by the MSF under the International Trade Program by Resolution 2015-___; and

WHEREAS, the MSF Board has indicated its intent that, under the attached Memorandum of Understanding and subject to the direction and control of the MSF, the MEDC staff shall provide certain International Trade Program administrative services, to the MSF.

NOW, THEREFORE, BE IT RESOLVED, subject to the direction and control of the MSF Board, that the MEDC shall provide certain administrative services, for the MSF’s International Trade Program consistent with the terms of the attached Memorandum of Understanding (MOU);

BE IT FURTHER RESOLVED, that the MSF Board approves the attached MOU and authorizes the MSF Fund Manager to sign the MOU on its behalf.

Ayes:
Nayes:
Recused:

Lansing, Michigan
September 22, 2015
MEMORANDUM
Date: September 9, 2015
To: Michigan Strategic Fund Board
From: Sean Carlson, VP, Michigan Defense Center / International Trade

Subject: Procurement Technical Assistance Center (PTAC) Program – FY16 Grant Award Recommendations

Request
The Michigan Economic Development Corporation (MEDC) Staff requests the MSF Board approve the five recommended Procurement Technical Assistance Center (PTAC) Programs for fiscal year 2016.

Background
Following the RFP process, the MEDC has identified five host organizations to provide Procurement Technical Assistance services for Michigan businesses in fiscal year 2016. The PTAC program assists in successfully winning federal contracts, with a strong emphasis on United States Departments of Defense (DoD) and Homeland Security (DHS) contracts, as well as state and local contracts.

The Michigan Defense Center (MDC) was created within the Michigan Strategic Fund pursuant to 2006 PA 317 in order to leverage business development opportunities associated with Departments of Defense and Homeland Security contracts. The MDC works to discover, identify, and prioritize defense and homeland security federal opportunities for Michigan businesses; captures, categorizes, and communicates Michigan capabilities; builds and cultivates strategic partnerships; and executes statewide initiatives. The MDC is also responsible for administering the Procurement Technical Assistance Center (PTAC) Program in Michigan.

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

The Michigan PTAC Program generates an enormous economic impact. In fiscal year 2014, the PTACs teamed with Michigan companies to secure $1 billion in government contracts resulting in thousands of jobs created or retained within the state. Collectively, hundreds of PTAC clients were successful in winning contracts and many more receiving valuable assistance towards their first contract win.

Request for Proposals (RFP) Process Summary
In an effort to implement best practices across MEDC, requests for FY16 state funding for PTACs will be awarded through the RFP process. This approach assists in determining the appropriate distribution of limited funding to programs that best address Economic Development needs and provide the greatest return on investment.
The objectives of the FY16 PTAC Program RFP process:

- Coordinate with PTACs in this state to maximize homeland security and defense business opportunities for small businesses and small business innovation research programs while focusing on communities most impacted by the contraction in the manufacturing sector.

- Focus on job creation and job retention from federal business opportunities associated with PTACs for homeland security and defense contracts and contracts related to homeland security and defense.

- Set a performance objective of increasing defense and homeland security contracts awarded to businesses located in this state.

- To maximize Return on Investment/Cost per Job for the PTAC Program.

**Joint Evaluation Committee (JEC) Summary**

FY16 PTAC program proposals in response to the RFP released on July 29th were due to MEDC on August 26th. 12 proposals met qualifications and were reviewed by a Joint Evaluation Committee (JEC). The recommended five grantees received the highest scores based on the aggregate weighted evaluation criteria.

JEC evaluated each of the twelve eligible proposals in five categories: Program Management, Prosperity Region Involvement, Michigan Defense Center (MDC) Involvement, Client Counseling Approach, and Program Personnel. Performance was objectively calculated based on the submitted required data sheets from the RFP.

Based on the objectives outlined above and in the RFP, as well as recent communications that the FY16 PTAC program funding would be reduced by at least 50%, the JEC is recommending that the top five evaluated proposals receive funding, which are the following (aggregate evaluation scores): the University of Michigan in Ann Arbor (70%), the Flint & Genesee Chamber of Commerce (69%), Networks Northwest in Traverse City (57%), Macomb Community College (56%), and Muskegon Area First (55%).

JEC recommends five individual grant awards, not to exceed $750,000 in total, with final grant agreements at the discretion of Mark Morante, Michigan Strategic Fund Manager at MEDC. Final agreements will incorporate a performance expectation of at least 40% of all available PTAC program staff time (average of 16 hours per week per FTE) dedicated exclusively to direct client counseling activity.

**Recommendations**

MEDC Staff recommends that the MSF Board fund the proposed five qualified host organizations to manage PTAC Programs. Final budget negotiations to be approved by the MSF Fund Manager at MEDC.
WHEREAS, Public Act 315 and 225 of 2006, as amended, created the Michigan Defense Center ("MDC") within the Michigan Strategic Fund ("MSF");

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

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

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

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

WHEREAS, at its June 23, 2015 meeting, the MSF Board authorized a Request for Proposals ("RFP") which established a competitive proposal process for awarding grants to Procurement Technical Assistance Centers ("PTACs") for fiscal year 2016 (the "PTAC Program RFP");

WHEREAS, the Act required that proposals received in response to the PTAC Program RFP be reviewed by a joint evaluation committee ("JEC");

WHEREAS, twelve proposals were received in response to the PTAC Program RFP;

WHEREAS, the JEC has evaluated all proposals in accordance with the requirements of the PTAC Program RFP, and the scoring and evaluation criteria approved by the MSF Fund Manager;

WHEREAS, the JEC determined that five proposals satisfied the requirements of the PTAC Program RFP and earned sufficient scores under the scoring and evaluation criteria to warrant funding; and

WHEREAS, the JEC recommends that the following entities receive awards under the PTAC Program RFP (collectively, the "PTAC Program Awards"):

University of Michigan in Ann Arbor
Flint and Genesee Chamber of Commerce
Networks Northwest
Macomb Community College
Muskegon Area First

WHEREAS, MEDC and MDC Staff recommend that the MSF Fund Manager be authorized to make a final determination, in coordination with MEDC and MDC Staff, of the amount of each of the PTAC Program Award for each of the PTAC Program Awards (the "PTAC Award Delegation of Authority");
NOW, THEREFORE, BE IT RESOLVED, that the MSF Board approves the PTAC Program Awards and the PTAC Award Delegation of Authority;

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

Ayes:

Nays:

Recused:

Lansing, Michigan
September 22, 2015
MEMORANDUM

Date: September 22, 2015

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

From: Stacy Bowerman, Senior Project Manager
Rob Garza, Brownfield Program Specialist

Subject: Port of Monroe (“Applicant” or “Port”) Request for Approval of an Investment Fund Award
City of Monroe – Port of Monroe Request for Approval of an Act 381 Work Plan

Summary
The Applicant is requesting approval of up to $3 million from the Investment Fund for Brownfield related expenses, including dredging and other port related improvements. The return on investment will be generated through Tax Increment Financing revenues collected as a result of the project. It is anticipated the returns will be paid over eight years. The project will allow for greater industrial activity at the Port, which will help revitalize the Monroe County Michigan community.

Additionally, the City of Monroe Brownfield Redevelopment Authority has submitted an Act 381 Work Plan (hereinafter Work Plan) request for the approval of new local and school tax capture for eligible activities in the amount of $3,643,225. Tax income revenue captured as a result of the Work Plan approval will be used to repay the Investment Fund.

The Applicant has demonstrated a need for the funding based on its inability to finance the investment required to dredge the River Raisin and conduct other Port improvements. Due to aging infrastructure, the Port is presently unable to load vessels at its facility and is forced to use its turning basin dock with limited accessibility. The improvements are required to increase accessibility and efficiency at the Port which will lead to fewer cargo delays, reduced wear and tear on regional roadways, and will substantially increase the opportunity to identify new trade routes. Incentive assistance is necessary to finance the improvement costs, which could not otherwise be financed through conventional means.

Background
The Applicant is a rapidly growing deep draft commercial harbor located on Lake Erie in the City of Monroe. The Port provides direct access to all five of the Great Lakes and serves 17 states. The Port’s tenants include DTE Energy, Michigan Paving & Materials, Gerdau MACSTEEL, Ford Motor Company and Ventower. The Applicant is the state’s only remaining Port District established under the Port Districts Act 234 of 1925.

The Applicant has not received any incentives from the MSF in the past.
The project will involve the dredging of the River Raisin and other improvements at the Port of Monroe in the City of Monroe, Michigan. The improvements are necessary to increase accessibility and efficiencies making the Port of Monroe a premier general cargo handling facility on the Great Lakes. The project will allow the Applicant to accommodate larger vessels increasing its shipping capacity and regional economic and community impact. The improvements will not only promote new cargo opportunities but will serve to ship and receive materials for the Port’s existing tenants.

The Brownfield eligible activities include site preparation related to terminal dock dredging, infrastructure improvements including mooring dolphins/fendering, cellular cofferdams, and multiple cargo handling pads to allow for maximum accessibility and efficiency for vessels and Brownfield plan and work plan preparation. The overall project will result in the community and municipal benefits of increased property taxes on the property included in the Work Plan as well as substantial improvements to the Port of Monroe. Once cleanup is complete, the Applicant anticipates the project will lead to job creation and investments at the location of the existing tenants of the Port. Preparation and dredging is expected to begin late 2015.

In addition to MSF support, the Michigan Department of Environmental Quality (MDEQ) anticipates approval of a $560,000 Brownfield grant under its Clean Michigan Initiative for the transportation and disposal of the dredged materials.

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

**Recommendation**

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

a) Approval of the funding under the Investment Fund;
b) Approval of the Investment Fund Award to the Applicant as outlined in Appendix C; and
c) Approval of local and school tax capture for the Act 381 eligible activities totaling $3,643,275 described above. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at $1,580,473.
APPENDIX A

Property Eligibility
The project is located within the boundaries of the City of Monroe, which is a Qualified Local Governmental Unit, and has been deemed a facility or are adjacent or contiguous to a facility as verified by the Michigan Department of Environmental Quality (MDEQ). The property is the subject of a Brownfield Plan, duly approved by the City of Monroe Brownfield Redevelopment Authority on August 19, 2015 and concurred with by the City of Monroe on September 8, 2015.

ACT 381 BROWNFIELD TIF STATUTORY CRITERIA
Act 381 requires the following information to understand and explain the benefits of the project.

a) Overall Benefit to the Public:
The public will benefit due to the increase of industrial activity at the Port as a result of the dredging of the River Raisin and the anticipated infrastructure improvements to the public riverfront area. The project will also have a positive impact to the Port’s existing tenants, who currently employ over 1,000 full-time workers. The project will support their continued operations, encourage growth, and promote additional investment in the many undeveloped vacant properties located in the area. Additionally, the project will support the Monroe community through the increase of tax revenues which will result from the improvements and the increase in industrial activity.

b) Jobs Created (Excluding Construction and other Indirect Jobs):
This project is anticipated to create approximately 110 new jobs with an average wage of $33 per hour.

c) Area of High Unemployment:
Monroe County’s unadjusted jobless rate was 5.3% in July of 2015. This compares to the statewide seasonally adjusted average of 5.3% in July of 2015.

d) Level and Extent of Contamination Alleviated:
The property will be improved to accommodate greater activity and increase efficiency. As needed, appropriate due care and additional response activities will be performed to prevent exposure to materials hazardous to human health, safety, and the environment. The dredging operation will alleviate contamination in the River Raisin.

e) Reuse of functionally obsolete buildings and/or redevelopment of blighted property:
This project is not qualifying as functionally obsolete or blighted.

f) Cost gap that exists between the property and a similar greenfield property:
The Brownfield TIF will be used to repay the Investment Fund as outlined in the attached Appendix C. Assistance is needed to offset the cost of Brownfield activities necessary to the dredge the River Raisin and conduct infrastructure improvements at the Port of Monroe to allow for productive use of the property. These costs would not be incurred on a similar greenfield site.

g) Whether project will create a new Brownfield property in the State:
No new Brownfields will be created by this project.
h) **Whether the Project is Financially and Economically Sound:**
From the materials received, the MEDC infers that the Work Plan is financially and economically sound.

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

**Tax Capture Breakdown**
There are 55.0261 non-homestead mills available for capture, with school millage equaling 24 mills (43.62%) and local millage equaling 31.0261 mills (56.38%). Tax increment capture will begin in 2016 and is estimated to continue for 13 years. The requested tax capture for MSF eligible activities breaks down as follows:

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<thead>
<tr>
<th>Description</th>
<th>Percentage</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>School tax capture</td>
<td>(43.62%)</td>
<td>$1,580,473</td>
</tr>
<tr>
<td>Local tax capture</td>
<td>(56.38%)</td>
<td>$2,042,802</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>$3,623,275</strong></td>
</tr>
</tbody>
</table>

**Cost of MSF Eligible Activities**

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<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Site Preparation</td>
<td>$402,500</td>
</tr>
<tr>
<td>Infrastructure Improvements</td>
<td><strong>$2,245,000</strong></td>
</tr>
<tr>
<td>Sub-Total</td>
<td>$2,647,500</td>
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<tr>
<td>Contingency (10%)</td>
<td>+ 264,750</td>
</tr>
<tr>
<td>Sub-Total</td>
<td>$2,912,250</td>
</tr>
<tr>
<td>Interest (5%)</td>
<td>+ 696,025</td>
</tr>
<tr>
<td>Sub-Total</td>
<td>$3,608,275</td>
</tr>
<tr>
<td>Brownfield/Work Plan Preparation</td>
<td>+ 15,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$3,623,275</strong></td>
</tr>
</tbody>
</table>
APPENDIX C

Awardee: Port of Monroe (or other affiliated entity/name)

MSF Award: Up to $3,000,000

Type of Incentive: Port facility investment agreement

Interest Rate: Up to one percent per annum

Return on Investment: Return will be generated through Tax Increment Financing (TIF) revenues paid as a result of the Act 381 Work Plan. Returns are anticipated to be paid over 8 years.

Other Conditions: Final documents will include an assignment of TIF reimbursements, and also include provisions to require repayment if the MSF funds are not utilized for port facility improvements.
WHEREAS, the Michigan legislature passed legislation establishing the 21st Century Jobs Trust Fund initiative that was signed into law;

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

WHEREAS, as part of the 21st Century Jobs Trust Fund initiative, and pursuant to MCL 125.2088h(1), the Jobs for Michigan investment fund was created as a permanent fund authorized by the state constitution (“Investment Fund”);

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

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

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

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

WHEREAS, the Port of Monroe, or other affiliated entity/name (“Port”) has requested an Investment Fund investment of up to $3,000,000 in the Port of Monroe for port facility improvements toward among other things, revitalizing the Monroe County Michigan community, along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”) (the, foregoing, collectively, “Investment in the Port of Monroe”);

WHEREAS, the MEDC recommends that the MSF approve funding of up to $3 million from the Investment Fund to fund the Investment in the Port of Monroe (“Funding”);
WHEREAS, the MEDC recommends that the MSF approve the Investment in the Port of Monroe in accordance with the Term Sheet, subject to: (i) available Funding, (ii) final due diligence performed to the satisfaction of the MEDC; and (iii) execution of transaction documents within 180 days of the date of this Resolution (“Time Period”), or this Resolution shall have no effect; provided however, at the sole discretion of the MSF Fund Manager, the Time Period may be extended for up to an additional 180 days (the foregoing, collectively, the “Recommendation for Investment in the Port of Monroe”).

WHEREAS, the MEDC recommends that the MSF Board delegate to the MSF Fund Manager the authority to negotiate the final terms and conditions of, and sign, all documents necessary to effectuate the Investment in the Port of Monroe (“Delegation to Finalize the Investment in the Port of Monroe”).

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

BE IT FURTHER RESOLVED, the MSF approves the Recommendation for Investment in the Port of Monroe; and

BE IT FURTHER RESOLVED, the MSF approves the Delegation to Finalize the Investment in the Port of Monroe.

Ayes:

Nays:

Recused:

Lansing, Michigan
September 22, 2015
EXHIBIT A

Awardee: Port of Monroe (or other affiliated entity/name)

MSF Award: Up to $3,000,000

Type of Incentive: Port facility investment agreement

Interest Rate: Up to one percent per annum

Return on Investment: Return will be generated through Tax Increment Financing (TIF) revenues paid as a result of the Act 381 Work Plan. Returns are anticipated to be paid over 8 years.

Other Conditions: Final documents will include an assignment of TIF reimbursements, and also include provisions to require repayment if the MSF funds are not utilized for port facility improvements.
RESOLUTION 2015-
APPROVAL OF A BROWNFIELD WORK PLAN
CITY OF MONROE BROWNFIELD REDEVELOPMENT AUTHORITY
PORT OF MONROE AREA-WIDE BROWNFIELD REDEVELOPMENT PROJECT

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

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

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

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

WHEREAS, the City of Monroe Brownfield Redevelopment Authority (the “Authority”) has submitted a work plan for property located at 3055/2929 East Front Street, 12 Port Avenue, Borchert Drive, 2600 East Front Street, 26 McMillan Street, 3303 East Front Street, and 1700 East Front Street within the City of Monroe, known as Port of Monroe Area-Wide Brownfield Redevelopment Project (the “Project”);

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

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

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

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board authorizes the Authority to capture taxes levied for school operating purposes in substantially the same proportion as the 43.62% to 56.38% ratio currently existing between school and local taxes for non-homestead properties, to reimburse the cost of site preparation and infrastructure improvements as presented in the revised Work Plan dated September 8, 2015. Any change in millage that increases the capture percentage of school operating taxes by more than 5 percentage points must be approved by the MSF Board. The authorization is based on the Authority capturing all available local operating mills for the term of the capture period. The authorization
for the capture of taxes levied for school operating purposes is based on a maximum of $2,912,250 for the principal activity costs of non-environmental activities and a contingency, a maximum of $696,025 in interest, and a maximum of $15,000 for Brownfield/Work Plan preparation, and with the capture of taxes levied for school operating purposes being limited to a maximum of $1,580,473.

BE IT FURTHER RESOLVED, that the MSF Board authorizes the MSF Fund Manager, to provide written notification to the Authority, in the form of a letter which incorporates the terms set forth in this Resolution and consistent with the limitations of the Act, and that this approval is further conditioned upon the Authority, or the City as appropriate, maintaining adequate records regarding: a) all taxes captured for the project; and b) receipts or other appropriate documentation of the cost of eligible activities. The records shall be made available for review upon request by MSF or MEDC staff. Eligible activities authorized by this resolution must be completed within three (3) years.

BE IT FURTHER RESOLVED, that the MSF Board is authorizing that capture of taxes levied for school operating purposes for the payment of interest, up to a maximum of $696,025 related to the eligible activities for the Project.

Ayes:

Nays:

Recused:

September 22, 2015
Lansing, Michigan
MEMORANDUM

Date: September 22, 2015

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

From: Marcia Gebarowski, Senior Development Finance Manager

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

Summary

This is request from the Company for a $2.3 million Performance-based grant. This project involves the creation of 223 Qualified New Jobs, and a capital investment of up to $32.69 million in the City of Auburn Hills, Oakland County.

The Company evaluated numerous opportunities to expand its manufacturing footprint in the NAFTA region. In addition to Auburn Hills, the Company evaluated other opportunities for expansion to alternative jurisdictions in both the Great Lakes corridor and the Southern US. The cost of acquiring and renovating a building in Auburn Hills requires a higher capital investment than each alternative site. Both out-of-state locations have provided attractive incentive packages and have aggressively courted the Company. The economic viability of an expansion in Michigan, compared to other location options, is heavily dependent on state and local support.

Background

The Company is a full service provider of automated production systems and tooling, headquartered in Windsor, Ontario, Canada. They were founded in 1959 and are a leading design, engineering, manufacturing and commissioning firm that supplies state-of-the-art robotic and automated assembly equipment, special machines and tooling primarily for the automotive industry. The Company has a diverse network of production facilities and support offices across North America, Europe and Asia providing global resources, technology, and expanded services in close proximity to customers. The Company has a blue-chip customer base comprised of the world’s leading OEM and Tier I suppliers.

The Company has been working with the MEDC for the past three years evaluating an expansion of their manufacturing operations in NAFTA and to find a suitable location for their growth. However, the Company has not received any incentives from the MSF in the past.

The Company plans to purchase a 187,000 square foot building in the City of Auburn Hills to consolidate their Troy sales operations, establish a new body-in-white manufacturing operation, as well as house a skilled trade training space. The Company will make investments and create jobs related to automation for the automotive and aerospace industries.

The Company plans to expand upon its Training and Development model, which has been successfully developed in Canada. The program sets a benchmark in specialized training for machine operating, welding, robot programming and other metal working skills in an innovative “Earn While You Learn” approach.
Company would look forward to partnering with local Michigan government, community stakeholders, colleges, trade schools and other private businesses in the region to expand its training and development capabilities into Michigan.

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

Considerations

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

b) The project will be located in the City of Auburn Hills. The city has offered a “staff, financial, or economic commitment to the project” in the form of an 8-year property tax abatement related to the project.

c) The Applicant has demonstrated a need for the funding. To complete the project in Auburn Hills requires increased capital spend to purchase the building in Michigan compared to the project alternatives. State and local incentives will help offset the disadvantage for a project in Michigan over other jurisdictions considered by the Company.

d) The Applicant plans to create 223 Qualified New Jobs above a statewide base employment level of 93.

e) Pursuant to the program guidelines, the following was taken into consideration for the proposed project: The Company has indicated that the project involved out-of-state competition; reuse of an existing facility; strong links to Michigan suppliers; high wage level for new jobs; capital investment and job creation will begin in 2016; and the project results in a net positive return for Michigan.

Recommendation

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

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

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

c) Commitment will remain valid for 120 days with approval for MSF Fund Manager to extend the commitment an additional 60 days.
MICHIGAN BUSINESS DEVELOPMENT PROGRAM
Performance Based Grant - Term Sheet

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

Date: 9/17/2015

1. Company Name: Valiant International, Inc. ("Company" or "Applicant")

2. Company Address: 1511 East 14 Mile Rd
Troy, MI 48083

3. Project Address ("Project"): 2469 Executive Boulevard
Auburn Hills, MI 48326

4. MBDP Incentive Type: Performance Based Grant

5. Maximum Amount of MBDP Incentive: Up to $2,300,000 ("MBDP Incentive Award")

6. Base Employment Level 93 The number of jobs currently maintained in Michigan by the Company based on data submitted by the Company to the MEDC reflecting the Company's statewide employment level in Michigan prior to the proposed project. The Base Employment Level, including identification of the Company data used to establish this level, shall be included in the final MBDP Incentive Award agreement ("Agreement") between the MSF and the Company.

7. Total Qualified New Job Creation: 223 (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.

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

8. Company Investment: $32,690,000 in purchase of a building, building renovations, furniture and fixtures, computers, machinery and equipment, other personal property, office machinery, or any combination thereof, for the Project.

9. Municipality supporting the Project: City of Auburn Hills

a. Municipality Support: One of the conditions of execution of the final Agreement is the requirement that the municipality shall have committed to provide to either the Applicant or its affiliate company Valiant International Holdings USA Inc.: a property tax abatement related to the project. The final terms and conditions demonstrating this support shall be included in the final Agreement.

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

a. Disbursement Milestone 1: Up to $773,000

   Upon demonstrated creation of 75 Qualified New Jobs above the Base Employment Level and verification of final approval of municipality support to either the Company or its related entity Valiant International Holdings USA, Inc. by no later than March 30, 2017

b. Disbursement Milestone 2: Up to $773,000

   Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 75 additional Qualified New Jobs (for a total of 150 Qualified New Jobs) above the Base Employment Level, by no later than April 30, 2018.
11. Term of Agreement: Execution of Agreement to April 30, 2021

12. Repayment Provisions:

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

13. Reporting Requirements:

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

14. Public Announcements:

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

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

If the Company is interested in the MEDC pursuing a recommendation to the MSF for a possible MBDP Incentive Award for the Company along the above parameters, please sign and date this Term Sheet. If the MEDC does not receive the
signed Term Sheet from the Company by September 18, 2015, the MEDC may not be able to proceed with any recommendation to the MSF.

Acknowledged as received by:

Valiant International, Inc.
By: [Signature]
Printed Name: David Mueller
Its: General Counsel
Dated: 9-18-2015

Michigan Economic Development Corporation
By: [Signature]
Printed Name: Marcia Fobeski
Its: Sr. Dev't Finance Mgr.
Dated: 9/18/2015
WHEREAS, the Michigan legislature passed legislation establishing the 21st Century Jobs Trust Fund initiative that was signed into law;

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

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

WHEREAS, on December 21, 2011, by Resolution 2011-184, the MSF (i) created the MBDP, and (ii) adopted the guidelines for the MBDP ("Guidelines");

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

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

WHEREAS, VALIANT INTERNATIONAL, INC. ("Company") has requested a performance based MBDP grant of up to $2,300,000 ("Grant Request"), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A ("Term Sheet"); and

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan
September 22, 2015
MEMORANDUM

Date: September 22, 2015

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

From: Trevor Friedeberg, Development Finance Manager

Subject: NEAPCO Drivelines, LLC (“Company” or “Applicant”)  
Michigan Business Development Program Performance-based Grant Request

Summary
This is a request from the Applicant for a $1,500,000 performance-based grant. This project involves the creation of 167 Qualified New Jobs as a result of the project, and a capital investment of up to $57,700,952 in the City of Novi, Oakland County and Van Buren Township, Wayne County.

The Applicant has demonstrated a need for the funding. In 2006, the Company opened a manufacturing facility in Saltillo, Mexico to provide a local supply source for Chrysler. There is a strong customer preference to grow business in Mexico, where logistics and labor costs will be lower. Incentives will help close this gap and ensure the Company is able to continue to grow in Michigan as a long term strategy. Without incentive assistance, the Company would locate the project to Mexico and erode its existing business in Michigan.

Background
NEAPCO Holdings, LLC (parent company) was originally the New England Auto Products Corporation of Hartford, Connecticut, and the trademark NEAPCO was adopted in 1924. The Company became a key supplier of universal joints and shafts to the farm implement market in the 1930s. Today, the Company is one of the most dynamic suppliers to the OEM manufacturers and the worldwide automotive industry.

The Company is making the decision between expanding in Mexico where there is pressure from local customers and proven logistical and labor cost savings, or expanding its footprint in Michigan, which would result in future growth opposed to the erosion of the workforce in Michigan due to expanding in other markets.

With incentive assistance, the Company can close the gap between expanding operations in Mexico and will expand NEAPCO Drivelines, LLC as well as the NEAPCO Holdings headquarter staff in Michigan.

The Applicant plans to expand driveline operations in Van Buren Township and also expand headquarter operations in the City of Novi, make investments and create jobs related to motor vehicle transmission and power train parts manufacturing and corporate, subsidiary, and regional managing offices, respectively.

The Applicant has received incentives from the MSF in the past. The Company was awarded a seven year Standard MEGA credit beginning tax year ending 2009 and the Company has met their obligations under the grant every year. The credit was awarded for a maximum of 285 net new Qualified New Jobs and as
of 2014 the company had created 355 Qualified New Jobs, far exceeding projections. The last year the Company will be eligible for credit will be for the 2015 tax year.

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

**Considerations**

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

b) The project will be located in The City of Novi and Van Buren Township. The City of Novi and Van Buren Township have offered a “staff, financial, or economic commitment to the project” in the form of the City of Novi is providing expedited plan review and building process and Van Buren Township will offer permit expediting. Additionally, a Foundation Level membership to Automation Alley will be provided to the Company. This membership has a value of $17,500 per year.

c) The Applicant has demonstrated a need for the funding. There is a strong customer preference to grow business in Mexico, where logistics and labor costs will be lower. Incentives will help close this gap and ensure the Company is able to continue to grow in Michigan as a long term strategy. Without incentive assistance, the Company would locate the project out of state and erode its existing business in Michigan.

d) The Applicant plans to create 167 Qualified New Jobs above a statewide base employment level of 439.

e) Pursuant to the program guidelines, the following was taken into consideration for the proposed project: project is not a retail project; project is not a retention project; involves out-of-state competition, primarily with Mexico; has a net positive return to Michigan; has a high level of investment; projected employer benefits; the project has strong links to Michigan suppliers.

**Recommendation**

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

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

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

c) Commitment will remain valid for 120 days with approval for MSF Fund Manager to extend the commitment an additional 60 days.
<table>
<thead>
<tr>
<th>Date:</th>
<th>9/9/2015</th>
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<tbody>
<tr>
<td>1. Company Name:</td>
<td>NEAPCO Drivelines, LLC (&quot;Company&quot; or &quot;Applicant&quot;)</td>
</tr>
</tbody>
</table>
| 2. Company Address: | 6735 Haggerty Road  
Belleville, Michigan  48111 |
| 3. Project Address ("Project"): | 6735 Haggerty Road  
Belleville, Michigan  48111  
AND  
46500 Humboldt Drive  
Novi, Michigan  48377 |
| 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 | 439  
The number of jobs currently maintained in Michigan by the Company and NEAPCO Holdings, LLC based on data submitted by the Company to the MEDC reflecting the Company’s statewide employment level in Michigan prior to the proposed project. The Base Employment Level, including identification of the Company data used to establish this level, shall be included in the final MBDP Incentive Award agreement ("Agreement") between the MSF and the Company. |
| 7. Total Qualified New Job Creation:  
(above Base Employment Level) | 167  
The minimum number of total Qualified New Jobs the Company and NEAPCO Holdings, LLC shall be required to create in Michigan (above the Base Employment Level), in addition to satisfying other milestones if applicable, to be minimally eligible to receive the full amount of the MBDP Incentive Award. Each Qualified New Job must be
performed for consideration by a Michigan resident (whose Michigan income taxes are withheld as required), and each Qualified New Job must be in excess of the Base Employment Level. The final terms and conditions of the requirements for the minimum number of Qualified New Jobs that must be created, including provisions addressing disbursements of portions of the MBDP Incentive Award, shall be included in the final Agreement.

a. **Start Date for Measurement of Creation of Qualified New Jobs:** Date of Accepted Offer (July 13, 2015)

8. **Company Investment:** $57,700,952 in leasehold improvements, computers, machinery and equipment, special tooling, furniture and fixtures, annual lease cost, and other personal property or any combination thereof, for the Project.

9. **Municipality supporting the Project:** Automation Alley

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 Foundation Level membership to Automation Alley will be provided to the Company. This membership has a value of $17,500 per year. 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 $500,000 Upon demonstrated creation of 50 Qualified New Jobs above the Base Employment Level and verification of final approval of municipality support by no later than June 30, 2016.

b. **Disbursement Milestone 2:** Up to $450,000 Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 40 additional Qualified New Jobs (for a total of 90 Qualified New Jobs) above the Base Employment Level, by no later than December 31, 2017.

c. **Disbursement Milestone 3:** Up to $500,000 Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2,
and upon demonstrated creation of 50 additional Qualified New Jobs (for a total of 140 Qualified New Jobs) above the Base Employment Level, by no later than December 31, 2018.

11. Term of Agreement: Execution of Agreement to July 31, 2021

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

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

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

Any final MBDP Incentive Award is contingent upon several factors, including: (i) submission by the Company of a completed application and all other documentation required under the MBDP (ii) satisfactory municipality support (iii) available MSF funding (iv) completion of financial review, business integrity review, required background checks, and other business and legal review and due diligence as required, and the results of which must be satisfactory the MEDC, the MSF, and as applicable, the Chief Compliance Officer, (v) approval of an award by the MSF, and (vi) execution of a final Agreement containing the established milestones, repayment terms, reporting requirements, and all other detailed terms and conditions, required by the MSF.
If the Company is interested in the MEDC pursuing a recommendation to the MSF for a possible MBDP Incentive Award for the Company along the above parameters, please sign and date this Term Sheet. If the MEDC does not receive the signed Term Sheet from the Company by September 11, 2015, the MEDC may not be able to proceed with any recommendation to the MSF.

Acknowledged as received by:

NEAPCO Drivelines, LLC
By: Ken Hopkins
Printed Name: Ken Hopkins
Its: President and CEO
Dated: 9/11/2015

Michigan Economic Development Corporation
By: Trevor Friedeberg
Printed Name: Trevor Friedeberg
Its: Development Finance Manager
Dated: 9/11/2015
WHEREAS, the Michigan legislature passed legislation establishing the 21st Century Jobs Trust Fund initiative that was signed into law;

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

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

WHEREAS, on December 21, 2011, by Resolution 2011-184, the MSF (i) created the MBDP, and (ii) adopted the guidelines for the MBDP (“Guidelines”);

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

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

WHEREAS, Neapco Drivelines, LLC (“Company”) has requested a performance based MBDP grant of up to $1,500,000 (“Grant Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”); and

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan
September 22, 2015
MEMORANDUM

Date: September 22, 2015

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

From: Trevor Friedeberg, Development Finance Manager

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

Summary
This is a request from the Applicant for a $1,350,000 performance-based grant. This project involves the creation of 215 Qualified New Jobs as a result of the project, and a capital investment of up to $18,596,000 in the City of Dearborn, Wayne County.

The Applicant has demonstrated a need for the funding. The Company has a very difficult time attracting high end talent in their industry to move to Southeast Michigan. Over the past few years, it has become increasingly difficult for the Company to attract top-tier talent relating to the garment industry as much of the top talent resides on the East and West coast, with the center being in New York City. Many vital positions, such as product design, have remained unfilled for up to two years due to the difficulty of attracting these employees.

Background
Founded in Detroit in 1889, Carhartt is a garment production company specializing and best known for its work clothes, such as jackets, coats, overalls, coveralls, vests, shirts, jeans, dungarees, and fire resistant clothing. The Company has considered opening satellite offices in these locations in an attempt to attract needed talent. With incentive assistance and support from MEDC talent specialists, the Company will be able to expand their headquarter operations in Dearborn and continue to grow the Company here in Michigan.

The Applicant plans to expand headquarter operations in Dearborn, make investments and create jobs related to corporate, subsidiary, and regional managing offices.

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

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

Considerations

a) The Applicant is a “Qualified Business”, as defined in MCL 125.2088r(9)(b), that is located and operates in Michigan.
b) The project will be located in the City of Dearborn. The City of Dearborn has offered a “staff, financial, or economic commitment to the project” in the form of an 8 year tax abatement on year and/or personal property.

c) The Applicant has demonstrated a need for the funding. The Company has a very difficult time attracting high end talent in their industry to move to Southeast Michigan. This industry is primarily located on the East and West coast with the majority of top tier talent residing in New York City. Many vital positions such as product design have remained unfilled for up to two years due to the difficulty of attracting these employees.

d) The Applicant plans to create 215 Qualified New Jobs above a statewide base employment level of 462.

e) Pursuant to the program guidelines, the following was taken into consideration for the proposed project: project is not a retail project; project is not a retention project; involves out-of-state competition; has a net positive return to Michigan; prospect of near-term job creation; wage level for new jobs; projected employer benefits; if the project has strong links to Michigan suppliers.

**Recommendation**

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

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

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

c) Commitment will remain valid for 120 days with approval for MSF Fund Manager to extend the commitment an additional 60 days.
MICHIGAN BUSINESS DEVELOPMENT PROGRAM
Performance Based Grant - Term Sheet

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

Date: 9/9/2015

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

2. **Company Address:**
   5750 Mercury Drive
   Dearborn, MI 48126

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

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

5. **Maximum Amount of MBDP Incentive:** Up to $1,350,000 ("MBDP Incentive Award")

6. **Base Employment Level:**
   462
   The number of jobs currently maintained in Michigan by the Company based on data submitted by the Company to the MEDC reflecting the Company’s statewide employment level in Michigan prior to the proposed project. The Base Employment Level, including identification of the Company data used to establish this level, shall be included in the final MBDP Incentive Award agreement ("Agreement") between the MSF and the Company.

7. **Total Qualified New Job Creation:**
   
   215
   (above Base Employment Level)
   The minimum number of total Qualified New Jobs the Company shall be required to create in Michigan (above the Base Employment Level), in addition to satisfying other milestones if applicable, to be minimally eligible to receive the full amount of the MBDP Incentive Award. Each Qualified New Job must be performed for consideration by a Michigan resident (whose Michigan income taxes are withheld as required),

Michigan Economic Development Corporation
300 North Washington Square | Lansing, MI 48913 | 888.522.0103 | MichiganAdvantage.org | michigan.org
and each Qualified New Job must be in excess of the Base Employment Level. The final terms and conditions of the requirements for the minimum number of Qualified New Jobs that must be created, including provisions addressing disbursements of portions of the MBDP Incentive Award, shall be included in the final Agreement.

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

8. Company Investment: $18,596,000 in leasehold improvements, annual lease costs, furniture and fixtures, computers and technology including hardware and software or any combination thereof, for the Project.

9. Municipality supporting the Project: City of Dearborn

a. Municipality Support. One of the conditions of execution of the final Agreement is the requirement that the municipality shall have committed to provide: an 8 year tax abatement on real and/or personal property. 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 $450,000 Upon demonstrated creation of 70 Qualified New Jobs above the Base Employment Level and verification of final approval of municipality support by no later than September 30, 2016.

b. Disbursement Milestone 2: Up to $450,000 Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 70 additional Qualified New Jobs (for a total of 140 Qualified New Jobs) above the Base Employment Level, by no later than September 30, 2017.

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

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

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

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

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

If the Company is interested in the MEDC pursuing a recommendation to the MSF for a possible MBDP Incentive Award for the Company along the above parameters, please sign and date this Term Sheet. If the MEDC does not receive the signed Term Sheet from the Company by September 15, 2015, the MEDC may not be able to proceed with any recommendation to the MSF.
Carhartt, Inc.

By: [Signature]

Printed Name: [Signature]

Its: [Title]

Dated: 9/15/15

Acknowledged as received by:

Michigan Economic Development Corporation

By: [Signature]

Printed Name: [Signature]

Its: [Title]

Dated: 9/15/2015
WHEREAS, the Michigan legislature passed legislation establishing the 21st Century Jobs Trust Fund initiative that was signed into law;

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

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

WHEREAS, on December 21, 2011, by Resolution 2011-184, the MSF (i) created the MBDP, and (ii) adopted the guidelines for the MBDP (“Guidelines”);

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

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

WHEREAS, Carhartt, Inc. (“Company”) has requested a performance based MBDP grant of up to $1,350,000 (“Grant Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”); and

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan
September 22, 2015
MEMORANDUM

Date: September 22, 2015
To: Michigan Strategic Fund Board
From: Dan Parisian, Program Specialist
Subject: City/County of Jackson Renaissance Zone
City of Jackson, Jackson County
Transfer of Subzone–Anderton Machining, LLC

Action
Michigan Economic Development Corporation (“MEDC”) Staff requests the Michigan Strategic Fund (“MSF”) Board to approve a resolution transferring the Renaissance Subzone designation from Production Engineering, Inc. to Anderton Machining, LLC (the “Company”), located on a site in the Production Engineering Subzone located in the City of Jackson.

Background
The Production Engineering Subzone within the City/County of Jackson Renaissance Zone has been in effect since 2008 and was set to expire on December 31, 2022. On March 20, 2015, Anderton Machining, LLC acquired Production Engineering, Inc. through an asset purchase. The former company, Production Engineering, Inc., fulfilled their Capital Investment requirement by investing over $13 million into the facility.

The Company currently employs 50 people and will enter into a development agreement with the MSF and real property owner Equestor Partners, LLC agreeing to the creation of 30 additional new full-time jobs by June 30, 2018. The new jobs requirement is lower than the previous company had agreed to create and thus a reduction in the term is being sought.

Anderton Machining LLC, is currently focusing on the automotive business specializing in the commercial trucking business manufacturing over 500,000 pieces a year. The Company is currently utilizing approximately 50% of the facility and there is significant opportunity to expand manufacturing operations within the current facility.

Recommendation
MEDC Staff recommends that the MSF Board approve the following:

• the transfer of the Production Engineering Subzone to Anderton Machining, LLC for the site in the City of Jackson, subject to the requirement that a development agreement be executed between the Company and the MSF by December 31, 2015.
• Authorization to enter into a new development agreement with the Company containing the terms reflected herein and others not materially adverse to the MSF.
• Reduce the term of the Renaissance Zone Subzone by three years, expiring December 30, 2019 for property tax purposes and December 31, 2019 for all other purposes.
TRANSFER OF SUBZONE FOR AN EXISTING RENAISSANCE ZONE
City/County of Jackson, Production Engineering Subzone: Anderton Machining, LLC

WHEREAS, on June 25, 2008, by Resolution 2008-090 the Michigan Strategic Fund approved the Production Engineering Subzone in the existing City/County of Jackson Renaissance Zone, as authorized in Section 4(4) of the Michigan Renaissance Zone Act, Public Act 376 of 1996 (the "Act"), as amended;

WHEREAS, as a condition of the Subzone, a development agreement was entered into between Production Engineering, Inc., real property owner Equestor Partners, LLC and the Michigan Strategic Fund (the “MSF”) that incorporated the terms described in Resolution 2008-090;

WHEREAS, on March 20, 2015, Anderton Machining, LLC (the “Company”) acquired Production Engineering, Inc. through an asset purchase;

WHEREAS, the Michigan Economic Development Corporation (the "MEDC") administers the renaissance zone program and received an application from Anderton Machining, LLC (the “Application”) for a transfer of the renaissance zone designation for the property located within the City/County of Jackson Renaissance Zone, Production Engineering Subzone;

WHEREAS, as a condition of the transfer of the renaissance zone designation, the Company must enter into a development agreement between the MEDC and the real property owner, Equestor Partners, LLC, specifying that 30 new jobs must be created by June 30, 2018;

WHEREAS, the City of Jackson passed a resolution consenting to the transfer of the renaissance zone designation; and

WHEREAS, the MEDC recommends that the MSF approve the Application for a transfer of the renaissance zone designation for property parcels 6-1843.5 and 6-1843.6 in the City/County of Jackson Renaissance Zone, Production Engineering Subzone for a reduced term of the renaissance zone designation ending on December 31, 2019, provided that a development agreement is entered into between Anderton Machining, LLC, the real property owners, and the Michigan Strategic Fund by December 31, 2015.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board approve Anderton Machining LLC’s Application for a transfer of the renaissance zone designation for property parcels 6-1843.5 and 6-1843.6 in the City/County of Jackson Renaissance Zone, Production Engineering Subzone for the reduced term of the renaissance zone designation ending on December 30, 2019 for property tax purposes and December 31, 2019 for all other purposes, provided that a development agreement is entered into between Anderton Machining, LLC, the real property owners, and the Michigan Strategic Fund by December 31, 2015;

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

Nays:

Recused:

September 22, 2015
Lansing, Michigan
MEMORANDUM

Date: September 22, 2015
To: Michigan Strategic Fund Board
From: Christopher Cook, Director, Capital Access
Subject: Private Activity Bond – Authorizing Lutheran Homes of Michigan, Inc. d/b/a Wellspring Lutheran Services Nonprofit – Not to Exceed $20,000,000 - Refunding & New

Request:
Lutheran Homes of Michigan, Inc. d/b/a Wellspring Lutheran Services, a Michigan nonprofit corporation (“Borrower”) is requesting private activity bond financing to: (i) finance the 2015 Project (as described below), (ii) refinance existing indebtedness currently outstanding in the principal amount of not more than $3,500,000 that was used to construct and furnish an 88-bed skilled nursing and 20-bed home for the aged facility located at 28910 Plymouth Road, Livonia, Michigan; (iii) refinance existing indebtedness currently outstanding in the principal amount of not more than $400,000 that was used to acquire land adjacent to Borrower’s existing skilled nursing and assisted living facility located at 725 West Genesee Street, Frankenmuth, Michigan; (iv) refinance existing indebtedness currently outstanding in the principal amount of not more than $2,500,000 that was used to acquire a 40–room adult foster care facility known as Meadowview Manor located at 5939 Shattuck Road, Saginaw Township, Michigan; (v) refinance existing indebtedness currently outstanding in the principal amount of not more than $1,100,000 that was used to acquire a 62-bed skilled nursing facility and 13-unit assisted living facility located at 1390 Maple Drive, Comins Township, Michigan; (vi) refinance existing indebtedness currently outstanding in the principal amount of not more than $750,000 that was used to acquire and renovate a building to provide home health care services located at 100 Mayer Road, Frankenmuth, Michigan; and (vii) pay costs of issuing the Bonds. A portion of the Bonds will be used to finance the 2015 Project, which consists of the following: (i) the acquisition of a 72-bed skilled nursing and rehabilitation facility known as Livonia Woods located at 33600 Luther Lane, Livonia, Michigan (not more than $5,000,000); (ii) building and site renovations to the Meadowview Manor facility in an amount not to exceed $2,000,000; and (iii) miscellaneous capital expenditures for infrastructure, deferred maintenance and information technology at the Livonia, Frankenmuth, Saginaw Township and Comins Township facilities described above (not more than $1,500,000 at each site).

Background:
The Borrower was incorporated in 1924 as the successor to the Society of the Evangelical Lutheran Old Folks Home of the State of Michigan, which was founded in 1893. The Borrower is a nonprofit, faith-based agency that itself and through its subsidiaries provides skilled nursing, memory care, rehabilitation, assisted living, home care services and residential living choices to over 1,000 older adults residing in Michigan.
The Borrower is the parent company of Lutheran Home Care Personal Assistance, a Michigan nonprofit corporation, Lutheran Home Care Agency, Inc., a Michigan nonprofit corporation, LHM Asset Management, LLC, a Michigan limited liability company, Ausable Valley Continuing Care Retirement Community, Inc., a Michigan nonprofit corporation, and Aging Enriched Services, LLC, (collectively with the Borrower, the “Obligated Group”).

The Borrower is governed by a 10 person, not-for-profit Board of Directors (the “Board”). Together with the Borrower’s President and CEO, the Board sets policy and strategic direction.

The Obligated Group currently employs approximately 731 full-time equivalent employees, which will increase by approximately 68 full-time equivalent employees with the acquisition of Livonia Woods.

**Plans of Finance:**
It is contemplated that the bonds will be issued as limited obligation revenue, which will be sold in a private placement to The Huntington National Bank or an affiliate. HJ Sims is acting as placement agent for the Bonds.

**Recommendation:**
Based upon a determination by Dickinson Wright PLLC and the State of Michigan Attorney General’s office that this transaction complies with state and federal law requirements for tax-exempt financing, staff recommends the adoption of a Bond Authorizing Resolution in an amount not to exceed $20,000,000.
A. The Michigan Strategic Fund (the “Fund”) is authorized by 1984 PA 270, as amended (the “Act”), to issue bonds for the purpose of making loans to pay the costs of a project (as defined in the Act).

B. Lutheran Homes of Michigan, Inc. d/b/a Wellspring Lutheran Services, a Michigan nonprofit corporation (“WLS”), along with its subsidiaries: Lutheran Home Care Agency, Inc., a Michigan nonprofit corporation, LHM Asset Management, LLC, a Michigan limited liability company, Aging Enriched Services, LLC, a Michigan limited liability company, AuSable Valley Continuing Care Retirement Community, Inc., a Michigan nonprofit corporation, and Lutheran Home Care Personal Assistance, a Michigan nonprofit corporation (collectively, the “Members of the Obligated Group”) own and operate facilities in the State of Michigan for the charitable purpose of providing housing, healthcare and other related services for seniors. WLS is the "Obligated Group Agent" on behalf of the Members of the Obligated Group.

C. The Obligated Group Agent, on behalf of itself and on behalf of the other Members of the Obligated Group, has requested a loan (the "Loan") from the Fund to: (a) refinance existing indebtedness currently outstanding in the principal amount of not more than $3,500,000 that was used to construct and furnish an 88-bed skilled nursing and 20-bed home for the aged facility in Livonia, Michigan; (b) refinance existing indebtedness currently outstanding in the principal amount of not more than $400,000 that was used to acquire land adjacent to WLS’s existing skilled nursing and assisted living facility in Frankenmuth, Michigan; (c) refinance existing indebtedness currently outstanding in the principal amount of not more than $2,500,000 that was used to acquire a 40–room adult foster care facility known as Meadowview Manor in Saginaw Township, Michigan; (d) refinance existing indebtedness currently outstanding in the principal amount of not more than $1,100,000 that was used to acquire a 62-bed skilled nursing facility and 13-unit assisted living facility in Comins Township, Michigan; (e) refinance existing indebtedness currently outstanding in the principal amount of not more than $750,000 that was used to acquire and renovate a building to provide home health care services in Frankenmuth, Michigan; (f) fund the 2015 project, which consists of the following: (i) the acquisition of a 72-bed skilled nursing and rehabilitation facility known as Livonia Woods located in Livonia, Michigan; (ii) building and site renovations to the Meadowview Manor facility in Saginaw Township, Michigan; and (iii) miscellaneous capital expenditures for infrastructure, deferred maintenance
and information technology at the facilities described above; and (g) pay costs of issuing the Bonds (the “Project”). The bonds will be directly purchased by Huntington Public Capital Corporation or an affiliate (the “Purchaser”), a sophisticated investor.

D. The Obligated Group has requested the Fund to issue the Bonds in one or more series in the aggregate principal amount of not to exceed $20,000,000 pursuant to this resolution (the “Resolution”) and a bond indenture (the “Indenture”), between the Fund and The Huntington National Bank, as Trustee (the “Bank”) relating to the Bonds to obtain funds which will be loaned to the Obligated Group pursuant to a loan agreement between the Fund and the Obligated Group Agent, on behalf of itself and the Obligated Group (the “Loan Agreement”), to pay costs of the Project and refinance the existing indebtedness described above.

E. The obligations of the Obligated Group under the Loan Agreement shall be secured by a note (the "Master Note"), issued pursuant to a master trust indenture, dated as of October 1, 2015 (the "Master Indenture"), between the Obligated Group Agent and The Huntington National Bank, as Master Trustee, as supplemented by supplemental indenture relating to the Bonds, between the Obligated Group Agent and the Master Trustee (the "Supplemental Indenture").

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

G. The Bonds will be purchased by the Purchaser pursuant to a bond purchase agreement among the Purchaser, the Fund, and the Obligated Group (the “Bond Purchase Agreement”).

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

SECTION 1. Issuance of Bonds; Limited Obligation. For the purpose of making the loan requested by the Obligated Group, the issuance of the Bonds is authorized.

The terms of the Bonds shall be substantially in the form contained in the Indenture, with the changes permitted or required by action of the Fund or the Indenture. The Bonds shall bear the manual or facsimile signature of a member of the Fund’s Board of Directors (a “Member”) or of a person authorized by Board Resolution to sign Bond documents on behalf of the Fund (an “Authorized Officer”), and the official seal of the Fund (or a facsimile of the seal) shall be impressed or imprinted on the Bonds. The Bonds and the interest and any premium on the Bonds are not a debt or obligation of the State of Michigan or a general obligation of the Fund within the meaning of any constitutional or statutory limitation and do not constitute a charge against the credit or taxing powers of the State of Michigan or the general funds or assets of the Fund (including funds relating to other Fund loans or activities), but shall be limited obligations of the Fund payable solely from
the revenues derived from the Loan Agreement and otherwise as provided in the
Indenture.

SECTION 2. Approval, Execution and Delivery of Documents. The forms of
the following documents, on file with the staff of the Fund and on which have been
endorsed by the staff of the Fund the date of adoption of this Resolution, are
approved:

a. Loan Agreement
b. Indenture
c. Bond Purchase Agreement
d. Master Note in the form contained in the Supplemental Indenture
e. Supplemental Indenture

Any Member and Authorized Officer are authorized to execute and deliver
the Bond Purchase Agreement and any Member or Authorized Officer is authorized
to execute and deliver the remaining documents identified in this Section in
substantially the forms approved, with any changes as are considered necessary or
desired by him or her, permitted by the Act or otherwise by law, and not materially
adverse to the Fund.

SECTION 3. Completion of Document Terms. Any Member may approve the
initial interest rate applicable to the Bonds, which shall not be more than 10.0% per
annum, and the principal amount of the Bonds, which shall not be greater than
$20,000,000. Approval of those terms shall be evidenced by the Member’s execution
of the Bond Purchase Agreement.

SECTION 4. Sale and Delivery of the Bonds. A Member or an Authorized
Officer shall execute, seal, and deliver the Bonds upon receipt of the following
documents and payment of the purchase price for the Bonds:

a. an opinion of bond counsel to the Fund acceptable to the Fund and the
   Attorney General of the State of Michigan (the “Attorney General”),

b. an opinion of counsel to the Obligated Group and necessary certificates
   and representations of the Obligated Group acceptable to the Fund, the
   Attorney General, and bond counsel, and

c. an approving opinion of the Attorney General.

Upon receipt, the proceeds of the Bonds shall be paid over to the Bank to be
credited in accordance with the Indenture.

SECTION 5. Designation of Certain Parties. The Huntington National
Bank’s acceptance of duties as bond trustee shall be evidenced by its execution of
the Indenture.
SECTION 6. **Authorization of Filings, Submissions and Other Documents.** Any Member or Authorized Officer, as well as counsel to the Fund, is authorized to apply for or submit, execute, and deliver the other certificates, documents, opinions, swap identification, and papers to any party or governmental agency as may be required by the Indenture, the Loan Agreement, or the Bond Purchase Agreement, or as may be necessary to effectuate the valid issuance, sale and delivery of the Bonds as tax-exempt bonds and otherwise as contemplated by those documents.

SECTION 7. **Conflict and Effectiveness.** All resolutions or other proceedings of the Fund in conflict with this Resolution are repealed to the extent of the conflict. This Resolution shall become effective upon adoption. If the Bonds are not delivered to their original purchaser on or before November 20, 2015, the authority granted by this Resolution shall lapse.

Adopted.

Ayes:

Nays:

September 22, 2015 Meeting
Lansing, Michigan
MEMORANDUM

Date:       September 22, 2015
To:         Michigan Strategic Fund Board
From:       Deborah Stuart, Director, Community Incentive Programs
             Christine Whitz, Manager, Community Development Block Grant Program
Subject:    Community Development Block Grant (CDBG) Program
             CDBG Loan Program Extensions and Modification

Request
The Michigan Economic Development Corporation (MEDC) staff is asking to:

- Extend the existing Regional Loan Fund Managers’ designation for a period of three (3) years.
- Revise the Uniform Reuse and Administration Plan to revise the requirement that the Michigan Strategic Fund (MSF) have a non-voting seat on the Loan Approval Committee.
- Extend the date by which a Community Development Block Grant (CDBG) Loan Fund must meet the definition of “Continuing Activity” and revise that definition.

Background
In 2012, the CDBG Loan Program was regionalized to be aligned with the regionalization efforts for other MEDC/MSF programs. One Regional Fund Manager was designated for each region. This allowed the fund to service a large enough area with the hope that a sufficient number of opportunities would be available.

On October 24, 2012, by resolution 2012-142, the MSF Board authorized the designation of a CDBG Regional Loan Fund Manager for each of the CDBG Loan Program Regions for a period of three (3) years (November 1, 2012-October 31, 2015). This program is governed by the Uniform Reuse and Administration Plan (“Plan”) adopted by the MSF on November 30, 2011 by resolution 2011-169. The Plan required that the MSF be given a non-voting seat on the Loan Approval Committee. The nine (9) designated regions, as realigned by resolution 2013-122, are shown on Appendix A. The approved Regional Fund Managers were able to enter into Sub-recipient Agreements with units of general local government wishing to sub-grant funds to a CDBG Regional Loan Fund Manager and entered into a “Repaid Funds Agreement” with the MSF that expires October 31, 2015.

At the time of the approval, it was the intent to extend the agreement if the MSF was satisfied with the performance of the Regional Fund Managers. Staff agrees it is appropriate to extend the Regional Fund Managers’ designation for another three year term expiring on October 31, 2018.

The Regional Fund Managers have been the driving force in CDBG Loan project development. On April 28, 2015, by resolution 2015-039, the MSF Board approved the adoption of the CDBG Application Guide.
excerpts updating the selection criteria of the CDBG program. In the approved excerpt under section “Eligible Activities and Specific Related Criteria”- IV: “Community Development-CDBG Loan Program (CLP) it reads: As of March 16, 2015, all CLP Funds were notified that they would have until January 1, 2016, to meet the State of Michigan’s definition of “Continuing Activity” as approved by the MSF.

“Continuing Activity” is defined as the successful funding of an eligible CDBG loan or extension of commercial credit in the preceding 12 months or, in the cases in which the Fund had insufficient funds to advance on a proper loan request, a request for assistance was made of the State CDBG program and a loan/grant was approved, with a loan/grant agreement having been signed.

If the definition of Continuing Activity is not met, the funds will be reclassified as general CDBG funds, and, per State policy, must be returned to the State as general program income.

Staff has received requests from multiple Fund Managers requesting an extension to the Continuing Activity deadline and staff has agreed it would be to the benefit of the regions to extend the deadline by six months.

**Recommendation**
The MEDC Staff recommends:

- Extension of the Regional Loan Fund Managers’ designation for a period of three (3) years to October 31, 2018.

- Revise the Plan to require “one non-voting seat shall be for a representative of the MSF or other accommodation acceptable to the MSF Fund Manager.”

- Extension of the current date of January 1, 2016 to June 30, 2016 by which a CDBG Loan Fund must meet the definition of “Continuing Activity”; and refine the 12 month period in which a CDBG loan or extension of commercial credit must be funded as currently specified in the definition of “Continuing Activity” to begin on July 1st and end on June 30th each year.
APPENDIX A – Designated Regional Fund Managers

Region 1  
Staff recommends the MSF designate Northern Economic Initiatives Corporation to act as the Regional Fund Manager.

Region 2  
Staff recommends the MSF designate Venture North Funding & Development (formally known as Traverse City Area Chamber Foundation) to act as the Regional Fund Manager.

Region 3  
Staff recommends the MSF designate Northern Economic Initiatives Corporation to act as the Regional Fund Manager.

Region 4  
Staff recommends the MSF designate Capital Fund Services, Inc. to act as the Regional Fund Manager with the supplemental condition that,

- In lieu of a Loan Approval seat for the MSF, Capital Fund Services, Inc. agrees to monthly meetings with the MSF Fund Manager to discuss funds being managed and other activities being undertaken.

Region 5  
Staff recommends the MSF designate Great Lakes Bay Regional Development Corporation to act as the Regional Fund Manager.

Region 6  
Staff recommends the MSF designate the I-69 Regional Development Corporation to act as the Regional Fund Manager.

Region 7  
Staff recommends the MSF designate Capital Fund Services, Inc. to act as the Regional Fund Manager with the supplemental condition that,

- In lieu of a Loan Approval seat for the MSF, Capital Fund Services, Inc. agrees to monthly meetings with the MSF Fund Manager to discuss funds being managed and other activities being undertaken.

Region 8  
Staff recommends the MSF designate Capital Fund Services, Inc. to act as the Regional Fund Manager with the supplemental condition that,

- In lieu of a Loan Approval seat for the MSF, Capital Fund Services agrees to monthly meetings with the MSF Fund Manager to discuss funds being managed and other activities being undertaken.

Region 9  
Staff recommends the MSF designate Capital Fund Services, Inc. to act as the Regional Fund Manager with the supplemental condition that,

- In lieu of a Loan Approval seat for the MSF, Capital Fund Services agrees to monthly meetings with the MSF Fund Manager to discuss funds being managed and other activities being undertaken.
MICHIGAN STRATEGIC FUND
RESOLUTION 2015–

EXTENSION OF THE COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REGIONAL
LOAN FUND MANAGERS AND REVISION OF THE CDBG APPLICATION GUIDE AND
UNIFORM REUSE AND ADMINISTRATION PLAN

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 annual Program Guidelines (the “Criteria”);

WHEREAS, the Criteria are contained in the Michigan Annual and Five Year Consolidated Plan
for Housing and Community Development (“Consolidated Plan”) and Application Guide which the MSF
most recently approved on April 28, 2015, by Resolution 2015-039;

WHEREAS, on August 24, 2011, by Resolution 2011-120, the Fund Manager was authorized to
regionalize the existing CDBG loan funds into nine (9) regional entities statewide with one Regional
Fund Manager for each region, which Regional Fund Managers were designated by the MSF Board on
October 24, 2012 by Resolution 2012-142. Further, the MSF Board adopted the Uniform Reuse and
Administration Plan (“Plan”) on November 30, 2011 by Resolution 2011-169 to govern the funds in the
Regional Revolving Loan Funds;

WHEREAS, the original Regional Fund Managers’ designations expire on October 31, 2015 and
the CDBG program staff recommend that the designations be extended an additional three (3) years;

WHEREAS, the CDBG program staff recommend that the CDBG Application Guide be
modified to adjust the “Continuing Activity” deadline from “January 1, 2016” to “June 30, 2016” and
then to revise the definition of “Continuing Activity” to the twelve month period from July 1st to June
30th; and

WHEREAS, the CDBG program staff recommend that the Plan, Section IV.E be revised to add
“…or other accommodation acceptable to the MSF Fund Manager” to “One non-voting seat shall be for a
representative of the MSF.”

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board approves and extends the
designation of the Regional Fund Managers for an additional three (3) years expiring on October 31, 2018
unless the MSF extends the designation by affirmative resolution;

BE IT FURTHER RESOLVED, that the MSF Board authorizes and approves the modification
to the CDBG Application Guide to adjust the “Continuing Activity” deadline from “January 1, 2016” to
“June 30, 2016” and to revise the definition of “Continuing Activity” to the twelve month period from
July 1st to June 30th;

BE IT FURTHER RESOLVED, that the MSF Board authorizes and approves the revision to
the Plan, Section IV.E to add “…or other accommodation acceptable to the MSF Fund Manager” to “One
non-voting seat shall be for a representative of the MSF.”; and
BE IT FURTHER RESOLVED, that that the MSF Board authorizes the MSF President or the MSF Fund Manager to take any action necessary to effectuate the terms of this Resolution.

Ayes:

Nays:

Recused:

Lansing, Michigan
September 22, 2015
Region 1  Northern Economic Initiatives Corporation to act as the RRLF Manager with no supplemental conditions.

Region 2  Traverse City Area Chamber Foundation to act as the RRLF Manager, with the supplemental condition that;

- The MSF Fund Manager to consent in writing to the final terms and conditions of a fee for service contract with Northern Economic Initiatives Corporation as generally contemplated in its RRLF Manager Application.

Region 3  Northern Economic Initiatives Corporation to act as the RRLF Manager with no supplemental conditions.

Region 4  Capital Fund Services, Inc. to act as the RRLF Manager with no supplemental conditions.

Region 5  Great Lakes Bay Regional Development Corporation to act as the RRLF Manager, with the supplemental condition that;

- The MSF Fund Manager to consent in writing to the final terms and conditions of a fee for service contract with a Michigan Certified Development Corporation as generally contemplated in its RRLF Manager Application.

Region 6  Capital Fund Services, Inc. to act as the RRLF Manager with no supplemental conditions.

Region 7  Capital Fund Services, Inc. to act as the RRLF Manager with no supplemental conditions.

Region 8  I-69 Regional Development Corporation to act as the RRLF Manager, with the supplemental condition that;

- The MSF Fund Manager to consent in writing to the final terms and conditions of a fee for service contract with an alternate Qualified Contractor meeting substantially the functional requirements generally contemplated in the RFA.

Region 9  Capital Fund Services, Inc. to act as the RRLF Manager with no supplemental conditions.
MEMORANDUM

Date: September 22, 2015

To: Michigan Strategic Fund (MSF) Board Members

From: Deborah Stuart, Director, Community Incentive Programs

Subject: Michigan Community Revitalization Program
Request to Restate Program Guidelines

Request
MEDC staff requests approval to restate the Michigan Community Revitalization Program (“MCRP”) Guidelines to address project consideration criteria, eligible property, eligible investment and the project evaluation process.

Background
The MCRP was created to promote community revitalization that will accelerate private investment in areas of historical disinvestment, contribute to Michigan’s reinvention as a vital, job-generating state, foster redevelopment of functionally obsolete properties, reduce blight, support the rehabilitation of historic resources, and protect the natural resources of the State. Under the Michigan Strategic Fund Act, MCL 125.2001 (the “Act”), Chapter 8C, Section 90B, the MSF must approve any program guidelines to implement the program. The current MCRP Guidelines (“Guidelines”) were approved by the MSF Board at their meeting on December 21, 2011 (Resolution 2011-185), and later amended. MCRP legislation has been amended several times since the current Guidelines were established and in order to accurately account for legislative changes and programmatic criteria, staff is recommending the restated Guidelines with immediate effect.

Recommendation
MEDC Staff recommends the attached restated MCRP Program Guidelines with immediate effect.
MICHIGAN COMMUNITY REVITALIZATION PROGRAM GUIDELINES

PROGRAM GOALS
The Michigan Strategic Fund (MSF) Act, MCL 125.2011 et. seq. was amended to add Chapter 8C to create and operate the Michigan Community Revitalization Program (MCRP), administered by the Michigan Economic Development Corporation (MEDC) on behalf of the MSF. Community Revitalization will accelerate private investment in areas of historical disinvestment, contribute to Michigan’s reinvention as a vital, job-generating state, foster redevelopment of functionally obsolete properties, reduce blight, support the rehabilitation of historic resources, and protect the natural resources of this state. The focus of the MCRP is to encourage and promote capital investment and redevelopment on brownfield and historic preservation sites located in traditional downtowns and high-impact corridors.

ELIGIBLE APPLICANTS
Any person or multiple persons may apply to the MSF for approval of a MCRP incentive associated with a project.

PROJECT CONSIDERATIONS
Projects must meet the Community Development Guidance standards as established by the MEDC, which can be reviewed at: http://www.michiganbusiness.org/cm/Files/Community_Development/2015-Community-Incentive-Guidance.pdf. If the project meets the Community Development Guidance standards, a review of all statutory criteria will be conducted. The following legislative criteria will be evaluated by the MSF for all projects regardless of their applicability to any individual project:

I. The amount of local community and financial support for the project. For example:
   • Community has committed financial support in the form of tax increment revenue or tax abatements.
   • Community has deemed this project a priority and the project type falls within their identified local plans.

II. The applicant’s financial need for a community revitalization incentive. For example:
   • A gap in financing is demonstrated via the submitted pro-forma and application.

III. Whether the project is financially and economically sound. For example:
   • Ability to secure all sources of financing for the project.
   • Financial gap no longer exists after MCRP incentive is applied.
   • Reasonable assumptions are used for rental rates and owner occupied space.

IV. Whether the project involves the rehabilitation of a historic resource. For example:
   • Property qualifies as a historic resource as defined in the Eligible Property section of this document.
   • Significant historic restoration and rehabilitation on the resource is to be performed.
• Applicant consultation with the State Historic Preservation Office (SHPO).
• Utilization of federal historic tax credits.

V. The level and extent of environmental contamination. For example:
• Department of Environmental Quality (DEQ) has determined the site a Facility.
• DEQ committed funding for cleanup of the site via a loan or grant.
• Applicant consultation with the DEQ.

VI Competition with existing Michigan businesses. For example:
• Extent of comparable existing businesses in the region.

VII Any other requirements required by the MSF Board

The MSF will evaluate any other legislative criteria as applicable to the specific project including, but not limited to:
• The extent of reuse of vacant buildings and redevelopment of blighted property
• Whether the project promotes mixed-use development and walkable communities
• If the project will act as a catalyst for additional revitalization of the community in which it is located.
• Creation of jobs.
• The level of private sector and other contributions, including, but not limited to, federal funds and federal tax credits.
• Whether the project increases the density of the area.
• Whether the project converts abandoned public buildings to private use.
• Whether the project promotes sustainable development.
• Whether the project addresses area wide redevelopment.
• Whether the project addresses underserved markets of commerce.

LEVEL OF SUPPORT
MSF support for a single project shall not exceed 25% of the eligible investment, and in no event shall the MSF support exceed a total of $10,000,000 for any project (including any combination of loan, grant or other economic assistance). However, legislation allows that annually the MSF may consider support up to three single projects that shall not exceed 50% of the eligible investment up to $10,000,000 for the specific purpose of historic preservation. Further, no part of the MSF support that is in the form of a grant shall exceed $1,500,000 for any project.

ELIGIBLE PROPERTY
Documentation that the project is located on an eligible property is required at the time the application is submitted. While subject to legislative change, eligible property includes one or more of the following:

I. Facility: As defined in Public Act 451 of 1994, MCL 324.20101, means any area, place, or property where a hazardous substance in excess of concentrations that satisfy the cleanup criteria for unrestricted residential use has been released, deposited, disposed of, or otherwise comes to be located. A Phase I and Phase II Baseline Environmental Assessment is used to determine whether the property is a facility. The MEDC will confirm with the MDEQ who will certify the property as a facility after adequate documentation is received from the developer.

II. Historic Resource: Means a publically or privately owned historic building or structure,
individually listed, or located within a historic district designated by the National Register of Historic Places, the State Register of Historic Sites, or a local unit acting under the Local Historic Districts Act, 1970 PA 169. Documentation is required to verify any of the above designations. These projects must meet the federal Secretary of the Interior’s Standards for Rehabilitation and Guidelines for Rehabilitating Historic Buildings, (Standards) (36 CFR 67);

III. Functionally Obsolete: Means that the property is unable to be used to adequately perform the function for which it was intended due to a substantial loss in value resulting from factors such overcapacity, changes in technology, deficiencies or super adequacies in design, or other similar factors that affect the property itself, or the property’s relationship with other surrounding property as determined by a Michigan Advanced Assessing Officer or a Michigan Master Assessing Officer.

IV. Blighted: Means any property that meets any of the following criteria as determined by the respective unit of government, building official, or assessor when applicable:
- Has been declared a public nuisance in accordance with a local housing, building, plumbing, fire, or other related code or ordinance;
- Is an attractive nuisance to children because of physical condition, use, or occupancy;
- Is a fire hazard, or is otherwise dangerous to the safety of persons or property;
- Has had the utilities, plumbing, heating, or sewerage permanently disconnected, destroyed, removed, or rendered ineffective so that the property is unfit for its intended use;
- Is tax reverted property owned by a qualified local governmental unit, by a county, or by this state;
- Is property owned, by or under the control of, a land bank fast track authority under the Land Bank Fast Track Act, 2003 PA 258; and
- Has substantial subsurface demolition debris buried on site so that the property is unfit for its intended use.

V. Adjacent or Contiguous: Other parcels that are adjacent or contiguous to property described in (I) through (IV), as long as the property is improved and the taxable value is increased for the adjacent and contiguous property in conjunction with the project property.

VI. Any Other Property: “Any Other property” means property that previously met the conditions described in (I), (III) and (IV) within the last 15 years for which assistance will further the program goals of the MCRP

ELIGIBLE INVESTMENT
An eligible investment, as adopted in Resolution 2013-031, Approval of the Definition of Eligible Investment for the MCRP Program, means at least one, or any combination of, the following expenditures which may have occurred prior to the MSF approval of the application and has not been completely reimbursed to, or paid for on behalf of, the applicant. Collectively these expenditures are eligible investments and are referred to as “Hard Costs”:
- Any fees or costs for alteration, construction, improvement, demolition, or rehabilitation of buildings of an approved project, including utility tap fees, and fees and costs paid to a governmental entity for permits, zoning, and inspections;
Any fees or costs for site improvements to an approved project, including, a surface parking lot, parking garage, parking ramp, utilities and public infrastructure, such as roads, curbs, gutters, sidewalks, landscaping, lighting, grading and land balancing;

- Any fees or costs for the addition of machinery, equipment or fixtures to an approved project; or
- Professional fees or costs for an approved project for architectural services, engineering services, Phase I environmental site assessment, Phase II environmental site assessment, or Baseline Environmental Assessment, or surveying services.

The MSF or MSF Fund Manager, on its behalf, may impose additional terms and conditions involving any Hard Costs that meet eligibility for reimbursement under any tax increment financing, including requiring those costs to be repaid to the MSF, or excluding any such costs from Hard Costs.

In no event shall any of the following, which are collectively referred to as “Soft Costs”, be deemed any part of the Hard Costs:

- acquisition fees or costs for real property,
- developer fees or costs,
- closing fees or costs,
- legal fees or costs,
- professional fees or costs (other than those included above as part of the Hard Costs),
- title commitment fees or costs,
- title insurance fees, premiums or costs,
- management fees or costs (including Project management and construction management),
- appraisal fees or costs,
- bank or other lender financing, interest, or inspection fees or costs,
- leasing or sales commission fees or costs,
- shared savings, or fees or costs arising from penalties or other reductions in payment from any contract for improvements to the Project,
- performance bond and other risk contingency fees and costs,
- marketing fees or costs,
- LEED certification costs,
- zoning fees or costs (other than those zoning fees or costs paid to a governmental entity included above as part of the Hard Costs),
- taxes, or
- hazard, liability or any other insurance fees and costs.

**PROJECT EVALUATION, PROCESS AND MSF SUPPORT**

Request for MSF support of projects, includes the following:

- Intake form, pro-forma, financial and supporting documentation and MEDC leadership consideration;
- Letter of Interest, when appropriate;
- A completed application package;
- Financial structure and terms sheet;
- Payment of any required fees;
- Michigan Strategic Fund consideration;
- Development Agreement and milestone completion; and
- Project completion, required reporting following project completion, and closeout.
All MSF support shall be memorialized by final written grant, loan or other economic assistance agreements, with terms and conditions in accordance with state law, these guidelines and otherwise satisfactory to the MSF, including, without limitation, requiring performance-based milestones which shall govern disbursements; and requiring periodic reporting of data, financial information, and any other information required to facilitate reporting to the MSF and the Michigan legislature, including periodic reporting after completion of a project. The program may require applicants to pay reasonable application fees, and any other expenses incurred in administering the program, to the MEDC.
MICHIGAN STRATEGIC FUND

RESOLUTION 2015-

APPROVAL OF AMENDMENT TO AND RESTATEMENT OF MICHIGAN COMMUNITY REVITALIZATION PROGRAM GUIDELINES

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

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

WHEREAS, on December 21, 2011, by Resolution 2011-185, the MSF: (i) created the MCRP, (ii) adopted the guidelines for the MCRP ("Guidelines"), as later amended. Item 2 of the original Guidelines incorporated the statutory definition of eligible investment found at MCL 125.2090a(d); which statutory definition prohibited including any reimbursed hard costs as part of the eligible investment (and also allowed the MSF to determine those soft costs which shall not qualify as eligible investment under the MCRP);

WHEREAS, on July 25, 2012, by Resolution 2012-76, the MSF determined those soft costs that do not qualify as eligible investment under the MCRP, and amended Item 2 of the Guidelines;

WHEREAS, PA 395 2012 amended the definition of eligible investment under the MCRP to allow the inclusion of reimbursed hard costs as part of an eligible investment to the extent the hard costs have not been completely reimbursed;

WHEREAS, on February 27, 2013 by Resolution 2013-031, the MSF therefore approved an amendment to the definition of eligible investment under the MCRP and amended item 2 of the Guidelines to allow the inclusion of reimbursed hard costs as part of an eligible investment to the extent the hard costs have not been completely reimbursed;

WHEREAS, on July 22, 2014, by Resolution 2014-099, the MSF therefore approved an amendment to amend the language to item 3 of the MCRP Guidelines to establish the date that property eligibility is established and adopt the restated MCRP Guidelines as attached to this resolution;

WHEREAS, Whereas, the MEDC recommends that the MSF adopt the attached restated Guidelines;

WHEREAS, based on the recommendation of the MEDC, the MSF Board desires to restate the Guidelines to better serve the customer, further define the program selection criteria, eligible investment, and property eligibility as attached to this resolution.

NOW, THEREFORE, BE IT RESOLVED, that the MSF hereby approves the attached restated MCRP Guidelines.

Adopted
Ayes:
Nays:
Recused:
MEMORANDUM

Date: September 22, 2015

To: Michigan Strategic Fund Board

From: Stacy Esbrook, Senior Community Assistance Team Specialist
Rachel Bakken, Capital Access Specialist
Rob Garza, Community Development Incentives Specialist

Subject: City of Detroit Brownfield Redevelopment Authority
Request for Approval of an Act 381 Work Plan
HM Ventures Group 6, LLC - Request for Approval Michigan Community Revitalization Program Performance-Based Loan

Request
HM Ventures Group 6, LLC and other related entities (“Applicant) plan to rehabilitate the fourteen story Wurlitzer Building, turning it into a mixed-use boutique hotel. The project will redevelop 1 parcel on 0.1 acres of property located at 1509 Broadway in the City of Detroit. The project is located in a downtown and qualifies for a MCRP award and Act 381 work plan because it is functionally obsolete and a historic resource.

In order to alleviate Brownfield conditions and prepare the proposed project site for redevelopment, the City of Detroit Brownfield Redevelopment Authority is seeking approval of local and school tax capture for MSF eligible activities in the amount of $1,769,319. HM Ventures Group 6, LLC (Applicant) is requesting approval of a Michigan Community Revitalization Program (MCRP) incentive in the amount of $3,500,000 in the form of a performance-based loan.

The Applicant will be the property owner and is the entity responsible for the redevelopment of the property, including making the investment on the property and providing the cash flow to service all debt payments arising from the transaction. The applicant is utilizing the New Market Tax Credits (“NMTC”) and the Federal Historical Tax Credits (“HTC”) programs as additional funding sources for the project. The inclusion of NMTC’s in the project will require the MSF’s investment to be made in an entity outside of the actual project owner. It’s anticipated that both Invest Detroit CDE and Chase Bank will be providing NMTC allocations to the project totaling $9 million that will generate approximately $2,948,400 in cash equity for the project. In addition to allocating NMTCs to the project, Chase Bank will be the investor utilizing 100% of the NMTCs and make the $2,948,400 equity investment. InSite Capital will be investing in the HTCs and providing the construction/permanent financing via their affiliate bank, anticipated to be Chemical Bank, while also bridging their HTC equity investment.
The Applicant needed to engage multiple financing sources in order to move forward with this project, however, even with the multiple sources there is still a gap that the MCRP program can help to fill. Additionally, the MCRP investment will allow the project to take advantage of the full $9 million NMTC allocation. The senior lender, anticipated to be Chemical Bank, is providing competitive terms to finance the project for a loan amount of $8,125,000. The Applicant is bringing more than 15% of cash equity to the project totaling $3,403,823 (with an anticipated return of less than 12%), and the remaining gap (after NMTC and HTC) would be filled with a $3,500,000 MCRP Performance Based Loan with up to a 5% interest rate. The Work Plan eligible activities will alleviate Brownfield conditions across the site and make it suitable for redevelopment, and protect human health and the environment. Without Brownfield tax increment reimbursement, the cost burden related to Brownfield conditions would make the project financially unfeasible. CRP detailed structure is provided in Appendix A.

The Applicant anticipates that the project will result in eligible investment of $14,379,657 and total capital investment in the amount of $22,285,010 along with the creation of approximately 48 permanent full-time equivalent jobs with an average hourly wage of $17.

Background
HM Ventures Group 6, LLC is the single entity created to complete this project. The Project Sponsor is ASH NYC, a real estate development, investment, and design firm that has operated a hotel management company since 2011. Their hotels are located in rehabilitated historic buildings that highlight local character in their décor and operations. In line with the owner’s hospitality portfolio, The Wurlitzer hotel will similarly be characterized by its design focus, emphasis on culture, architecture and history, its adjacency to mass-transit anchors, and positioning in a rapidly emerging urban neighborhood.

The Wurlitzer building was constructed in 1926 as a piano and organ showroom and music school until the early 1970s when it fell into disrepair. The 14-story building has been completely vacant since 1982 and due to the lack of maintenance, the building is a danger and a blight on downtown. Significant investment is required to stabilize the crumbling façade, abate mold and asbestos, and redevelop the building for modern use. Due to the condition of the building, securing financing to bring the building up to standard working order has proven very difficult through traditional financing methods.

HM Ventures Group 6, LLC, the building owner, will renovate the building to Secretary of the Interior Historic Rehabilitation Standards and convert it into a mixed-use boutique hotel site. Floors 3-14 will be converted into 106 hotel rooms that will be designed and furnished with local finishes. The first floor will include a street level café, lobby and retail bays. The second story will include a restaurant and meeting space. The roof will be converted into a roof-top bar. In its current state, the building is hazardous due to ongoing problems related to the façade separating from the walls. If it is not redeveloped soon, this historic building will likely degrade to the point where it has to be demolished. Upon restoration, this historic structure will be fully rehabilitated and make a significant contribution to the downtown and the surrounding neighborhoods. Asbestos abatement will occur prior to demolition activities, which will include removal of degraded exterior and interior walls and all obsolete electrical, mechanical and plumbing systems. Demolition activities will be necessary to stabilize the façade and remove damage and debris from the interior. Site preparation activities include temporary traffic control, off-site material storage and site
security. Interest costs will be reimbursed due to the interest costs on the loans that the developer will need to obtain in order to complete the eligible activities.

The Applicant has not previously received any incentives from the Michigan Strategic Fund (“MSF”).

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

Recommendation
MEDC staff recommends approval of the following:

a) Approval of local and school tax capture for the Act 381 eligible activities totaling $1,769,319 described above. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at $1,634,899.

b) Approval of money to be transferred for the specific purpose of this project through MCL 125.2088b(2) to the MCRP Program for the purpose of the program authorized under MCL125.2088b(2) as long as the program provides for repayment for breach of the written agreement or the failure to meet measurable outcomes.

c) Approval of a MCRP performance-based loan in the amount of $3,500,000 for HM Ventures Group 6, LLC or related party.
APPENDIX A

FINANCING OPPORTUNITY – MCRP PERFORMANCE BASED LOAN

The Applicant is seeking MSF support thru the MCRP program. They have requested that the MSF provide up to $3,500,000 (15.71% of the total capital stack) in a loan, as part of a $22,285,010 capital stack. As part of the NMTC structure the MSF payments are required to be interest only for the first 7 years of the project.

SUMMARY OF DEVELOPMENT SOURCES:

<table>
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<tr>
<th>Development Source</th>
<th>Amount</th>
<th>Percentage</th>
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<tr>
<td>Chemical Bank</td>
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<tr>
<td>New Market Tax Equity (Chase)</td>
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<tr>
<td>Historic Tax Equity (InSite Capital)</td>
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<td>MCRP Performance Based Loan</td>
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<td>Deferred Developer Fees</td>
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<tr>
<td>Developer Cash Equity</td>
<td>$3,403,823</td>
<td>15.27%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$22,285,010</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

LOAN FACILITY

Awardee: HM Ventures Group 6, LLC or a Related Entity

MSF Award: Up to lesser of 25% of eligible investment or $3,500,000

Type of Incentive: MCRP Performance Based Direct Loan

Interest Rate: Up to 5% per annum, anticipated to be 2% for the first three years and increasing to 5% if certain conditions are achieved.

Term: 84 months

Repayment Terms: 84 months of monthly interest only payments

Collateral: To Be Determined, subject to the NMTC structure.

Guarantee: Anticipated to be limited guarantees, subject to the New Market Tax Credit structure.

MSF Fee: The MSF shall be paid a one-time fee equal to 1% of the MSF’s share of the loan.

Funding: The MSF will fund up to $3,500,000, to be disbursed at closing, following the completion of certain milestones.
**Other Conditions:** The MSF’s investment will be contingent upon a minimum owner equity contribution being made to the project equal to $3,403,823.
APPENDIX B – Programmatic Requirements & Screening Guidelines

Property Eligibility
The project is located within the boundaries of the City of Detroit, which is a Qualified Local Governmental Unit, and has been deemed functionally obsolete as verified by a Master Assessing Officer (“MMAO”). The property also lies within and is a contributing building to the Grand Circus Historic District.

The property is the subject of a Brownfield Plan, duly approved by the City of Detroit on May 18, 2015.

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

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

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

A. The importance of the project to the community in which it is located:
The rehabilitation of this vacant, deteriorating historic building will positively benefit the district in which it is located. Across from the Detroit Opera House, the Detroit Athletic Club, the new YMCA, one block from the Woodward corridor, and blocks from the Fox Theater, Comerica Park, Ford Field, and the Cobo Center, the Wurlitzer Building is in the heart of Detroit’s downtown. The area is in a stage of redevelopment and the Wurlitzer is one of the final components which will make the revitalization complete.

B. If the project will act as a catalyst for additional revitalization of the community in which it is located:
Revitalizing the corner of Broadway and John R has long been a top priority of the community. The Wurlitzer Building has been on the list of the City's high impact buildings for decades, due to its dangerous, decaying state in a highly visible, populated commercial area. With its close proximity to other landmarks in Detroit, the restoration of the Wurlitzer will make a significant contribution to the perception of Downtown Detroit. The Wurlitzer Building is also one of the only vacant and deteriorating structures in the otherwise intact historic street wall along Broadway. The building will also connect to the People Mover as well as the new M1 line, which will promote the use of transit.
C. **The amount of local community and financial support for the project:**
The City of Detroit will directly support the project with the Brownfield TIF reimbursement and associated interest as well as Obsolete Property Rehabilitation abatement (OPRA) ($3.44 million in abated value over the 12 year OPRA period). The TIF reimbursement was approved by the DBRA on April 8, 2015. The OPRA abatement was approved on May 14, 2015.

D. **The applicant's financial need for a community revitalization incentive:**
Due to the fact that this building has sat vacant for more than 30 years and is rapidly deteriorating, getting this project completed with traditional financing is not possible. The developer needed to engage multiple financing sources in order to move forward with this project, however, even with the multiple sources MCRP support is needed to make the project financially feasible for the development team.

The development team has worked to secure financing from multiple sources: Chemical Bank for the construction/permanent financing, Chase Bank for the NMTC program dollars, and InSite Capital for the HTC program dollars. Additionally, the development team has raised $3,403,823 in cash equity (15.2% of the total development cost with an anticipated developer return of less than 12%) and is deferring another $1,633,967 in developer fees (7.33%). The remaining gap would be filled with a $3,500,000 MCRP Performance Based Loan with up to a 5% interest rate.

E. **The extent of reuse of vacant buildings, reuse of historical buildings, and redevelopment of blighted property:**
The project is rehabilitating a vacant, functionally obsolete apartment building into a mixed-use retail, commercial, and hotel space. In its current state, the building is a negative attribute to the surrounding neighborhood. The redevelopment of the Wurlitzer Building will activate the vacant property and will remove blight.

F. **Creation of jobs:**
The project is expected to create a total of 48 new full time-equivalent jobs consisting of Managers, Supervisors, Hotel Staff, Housekeepers, Chefs, Servers, Bartenders, Valet Parking, and Security. The average hourly wage is estimated to be $17.

G. **The level of private sector and other contributions, including, but not limited to, federal funds and federal tax credits:**
Invest Detroit has committed an $8 million New Market Tax Credit (NMTC) allocation to the project, and Chase Bank is providing an additional $1 million NMTC allocation, which it is anticipated will generate approximately $2,948,400 in equity in the project. The project will also generate $2.5 million of Federal Historic Tax Credits.

H. **Whether the project is financially and economically sound:**
Following stabilization, it is anticipated that the project will be able to achieve a debt service coverage ratio of greater than 1.20 to 1.00. Additionally, the project will have the financial support of the owners and a significant amount of equity into the building thru owner contributions as well as HTC and NMTC equity investments.
Staff reviewed the hotel assumptions and has determined that there is adequate market demand to support the project following an analysis of the current market. Staff’s review included review of other projects in the area and a market study performed by Hospitality Advisors Consulting Group. Hotel demand is strong in the downtown area, particularly in new developments such as the subject, which will be a unique European-style boutique hotel, with a roof-top bar and views of Comerica Park. The market study noted that the hotel’s competitive advantage of proximity to major local companies, sporting event facilities and riverfront areas within the downtown area, as well as the existing competitive supply should allow it to capture above its fair share in the market.

I. Whether the project increases the density of the area:
The vacant Wurlitzer Building provides an ideal opportunity to activate vacant space in a dense commercial area as it is located within Detroit's Central Business District, the largest employment center in Greater Detroit.

J. Whether the project promotes mixed-use development and walkable communities:
The repurposed Wurlitzer building will promote density, mixed-use development and walkable communities through its vibrant mixture of uses. The 106 hotel rooms, spread across the 3rd to 14th floors, will be located on top of nearly 6,000 square feet of restaurant, beverage, and retail use. The first and second floors of the Wurlitzer Building will be occupied by a ground floor lobby and cafe, and an upper level restaurant, bar, and private event space. The roof will be home to one of Detroit’s only rooftop bars, with views of Comerica Park, Ford Field, and downtown Detroit. The design-centric innovative use of public space will attract hotel guests as well as local and regional residents, promoting a new destination right in the heart of Detroit's most visible neighborhood. 1509 Broadway is also at the nexus of transit modes including the new M1 line and the People Mover, and the high-density mixture of uses and reactivation of the streetscape will promote pedestrian activities and use of transit.

K. Whether the project converts abandoned public buildings to private use:
The building being rehabilitated is vacant and currently uninhabitable, but it is not the conversion of public space to private.

L. Whether the project promotes sustainable development:
The Wurlitzer redevelopment will include various “green” sustainable components. Materials and supplies will be fabricated within the region, reducing transportation costs. Building materials will be repurposed or reused where possible including the stone flooring, masonry, and stairs. Hotel rooms will have individual, thermostatic controls, and hotel management will be able to lower heat and turn off lights, reducing energy consumption and costs, when rooms are vacant or not in use. LED light bulbs will be installed when possible to increase energy efficient and reducing the need to replace light bulbs often. The historic structure will be fully rehabilitated, including repairs to exterior structure and façade with new mechanical systems (HVAC, plumbing, electric, fire safety, and elevator) and roof. The use of free bicycles will be encouraged in order to explore the city and car sharing will be implemented through dedicated Car2Go or Zipcar spots.
M. **Whether the project involves the rehabilitation of a historic resource:**
The Property is a historic resource. The Wurlitzer Building is located within and contributing to the federal Grand Circus Park Historic District as designated by the National Register of Historic Places. It is also within the Broadway Historic District, a locally designated historic district.

N. **Whether the project addresses area-wide redevelopment:**
The Wurlitzer Building is located in Detroit’s Downtown and is one of the only vacant and deteriorating structures in the otherwise intact historic street wall along Broadway. This initiative, which includes the redevelopment of a landmark asset within the district is a necessary step to the reestablishment of a fully viable downtown.

O. **Whether the project addresses underserved markets of commerce:**
The revitalized Wurlitzer will represent a new type of lodging in the Detroit market that currently does not exist, marked by a design-centric approach to public spaces and guest rooms, innovative food, beverage, restaurant and retail programming and an independent spirit in sync with the creative community for which Detroit is receiving international notice. The Wurlitzer Hotel seeks to attract a wide and growing group of travelers for which there are few current options—new economy business travelers, conventioneers driven by style and point of view (typically in creative or tech industries), visitors and cultural tourists seeking an experience in line with Detroit’s growing creative reputation, and educational and healthcare professionals who are attracted to experiential lodging. The proposed hotel will seek to serve as an ambassador of Detroit to visitors, and will root the guest experience in the local point of view of today’s Detroit. The rooms are priced slightly below today's Downtown average daily rate, and will provide a more affordable option for this growing class of business and leisure traveler which currently does not exist in the area.

P. **The level and extent of environmental contamination:**
The site has been deemed a brownfield due to the significant abatement, demolition, physical stabilization, major utility upgrades and site work required to repurpose the property into a commercial and hotel use. The following brownfield activities will be undertaken as part of the cleanup and renovation process: exterior and structural demolition (the physical building structure is currently failing and poses a threat to the surrounding buildings and sidewalks; substantial demolition of the compromised components will need to be undertaken prior to construction), asbestos abatement and testing, and interior demolition and debris removal. Over time the interior elements have been demolished or vandalized by scrappers, however, all the demolished elements remain and it is likely that any asbestos in that was previously encapsulated has been released into the air making the abatement more complicated and therefore expensive.

Q. **If the rehabilitation of the historic resource will meet the federal Secretary of the Interior's standards for rehabilitation and guidelines for rehabilitating historic buildings (36 CFR 67):**
The Wurlitzer Building will be rehabilitated in accordance with the federal Secretary of the Interior’s Standards.

R. **Whether the project will compete with or affect existing Michigan businesses within the same industry:**
This project will not compete with or affect any existing Michigan businesses. This project will activate hotel, restaurant, and commercial spaces that join an increasingly competitive downtown market.

**S. Any other additional criteria approved by the board that are specific to each individual project and are consistent with the findings and intent of this chapter:**
There are no additional criteria for consideration.

**Brownfield Act 381 Program Additional Project Information:**

**A. Reuse of functionally obsolete buildings and/or redevelopment of blighted property:**
The project will rehabilitate a fourteen story building that has been determined functionally obsolete and has been vacant for decades.

**B. Cost gap that exists between the property and a similar greenfield property:**
The Brownfield Tax Increment Financing is needed to stabilize the cash flows of the project. Without the TIF, the developer’s equity returns would be less than 10% of a 20 year horizon, which is too low for a development as risky as a hotel. Without the additional revenue from the TIF, the interested investors would not have agreed to participate in the project.

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

**Tax Capture Breakdown**
There are 87.4368 non-homestead mills available for capture, with school millage equaling 24 mills (27.45%) and local millage equaling 63.4368 mills (72.55%). School tax increment capture will begin in 2016 and is estimated to continue for 22 years. An Obsolete Property Rehabilitation Act (OPRA) abatement is approved, which reduces the local mills for 12 years. This alters the ratio between state and local taxes to 100% to 0% for the 12 year period. The property is also located in the Downtown Development Authority (DDA), which captures all local taxes except for Wayne County RESA (ISD) and Wayne County RESA (Special Ed), totaling 3.4643 mills for the remainder of the capture period. This alters the ratio between state and local taxes to 87.39% to 12.61% for 10 years. The requested tax capture for eligible activities breaks down as follows:

<table>
<thead>
<tr>
<th>Tax Capture</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>School tax capture (92.4%)</td>
<td>$1,634,899</td>
</tr>
<tr>
<td>Local tax capture (7.6%)</td>
<td>$134,420</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$1,769,319</strong></td>
</tr>
</tbody>
</table>

**COST OF ELIGIBLE ACTIVITIES**

<table>
<thead>
<tr>
<th>Activity</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demolition</td>
<td>$ 862,609</td>
</tr>
<tr>
<td>Lead or Asbestos Abatement</td>
<td>200,000</td>
</tr>
<tr>
<td>Site Preparation</td>
<td>$10,000</td>
</tr>
<tr>
<td><strong>Sub-Total</strong></td>
<td><strong>$1,072,609</strong></td>
</tr>
</tbody>
</table>
Contingency (15%) + 160,891
Sub-Total $1,233,500
Interest (5%) + 525,819
Sub-Total $1,759,319
Brownfield/Work Plan Preparation + 10,000
TOTAL $1,769,319
APPENDIX C – Project Map and Renderings
WHEREAS, the Michigan legislature amended the Michigan Strategic Fund Act, MCL 125.2011 et. seq., to add Chapter 8C (being MCL 125.2090a—MCL 125.2090d, as later amended) to enable the MSF to create and operate the Michigan Community Revitalization Program (“MCRP”) to provide incentives in the form of grants, loans and other economic assistance for redevelopment of communities in Michigan;

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

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

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

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

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

WHEREAS, as part of the 21st Century Jobs Trust Fund initiative, and pursuant to MCL 125.2088h(1), the Jobs for Michigan investment fund was created as a permanent fund authorized by the state constitution (“Investment Fund”);

WHEREAS, pursuant to MCL 125.2088h(3)(e), the MSF Board shall direct the investment and reinvestment of the Investment Fund as authorized under Chapter 8A for incentives, including, but not limited to, for the purposes of creating incentives in this state for Revitalizing Michigan Communities;

WHEREAS, pursuant to MCL 125.2088b(2)(c), the Investment Fund may allocate money for authorized programs to make expenditures or investments from the Investment Fund for programs or activities authorized pursuant to the 21st Century Jobs Trust Fund legislation as long as those programs or activities provide for repayment for breach of the written agreement or the failure to meet measurable outcomes;
WHEREAS, pursuant to the MSF Act, specifically, MCL 125.2007(c), the MSF has, among other things, the power to make loan and investments;

WHEREAS, HM Ventures Group 6, LLC or a Related Entity (“Proposed Borrower”) has requested a Performance Based Loan award from the MSF under the MCRP for the Project in an amount not to exceed up to $3,500,000 (“Award Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”);

WHEREAS, the MEDC recommends that the MSF approve the MCRP Award Request through the Investment in the Wurlitzer Hotel Project in accordance with the Term Sheet, subject to: (i) available Funding, (ii) final due diligence performed to the satisfaction of the MEDC; and (iii) execution of transaction documents within 180 days of the date of this Resolution (“Time Period”), or this Resolution shall have no effect; provided however, at the sole discretion of the MSF Fund Manager, the Time Period may be extended for up to an additional 180 days (the foregoing, collectively, the “MCRP Award Recommendation”).

WHEREAS, the MEDC recommends that the MSF approve funding of up to $3,500,000 from the Investment Fund to fund the MCRP Award Recommendation (the “Funding”);

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

BE IT FURTHER RESOLVED, the MSF approves the Funding.

Ayes:

Nays:

Recused:

Lansing, Michigan
September 22, 2015
EXHIBIT A

**Loan Facility**

**Awardee:** HM Ventures Group 6, LLC or a Related Entity

**MSF Award:** Up to lesser of 25% of eligible investment or $3,500,000

**Type of Incentive:** MCRP Performance Based Direct Loan

**Interest Rate:** Up to 5% per annum, anticipated to be 2% for the first three years and increasing to 5% if certain conditions are achieved.

**Term:** 84 months

**Repayment Terms:** 84 months of monthly interest only payments

**Collateral:** To Be Determined, subject to the New Market Tax Credit structure.

**Guarantee:** Anticipated to be limited guarantees, subject to the New Market Tax Credit structure.

**MSF Fee:** The MSF shall be paid a one-time fee equal to 1% of the MSF’s share of the loan.

**Funding:** The MSF will fund up to $3,500,000, to be disbursed at closing, following the completion of certain milestones.

**Other Conditions:** The MSF’s investment will be contingent upon a minimum owner equity contribution being made to the project equal to $3,403,823.
MICHIGAN STRATEGIC FUND

RESOLUTION 2015-

APPROVAL OF A BROWNFIELD WORK PLAN

CITY OF DETROIT BROWNFIELD REDEVELOPMENT AUTHORITY

WURLITZER HOTEL PROJECT

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

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

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

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

WHEREAS, the City of Detroit Brownfield Redevelopment Authority (the “Authority”) has submitted a work plan for property located at 1509 Broadway within the City of Detroit, known as the Wurlitzer Hotel (the “Project”);

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

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

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

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board authorizes the Authority to capture taxes levied for school operating purposes in substantially the same proportion as the 92.4% to 7.6% ratio currently existing between school and local taxes for non-homestead properties with application of an Obsolete Property Rehabilitation Act (OPRA) abatement, to reimburse the cost of site preparation, demolition, and lead and asbestos abatement as presented in the revised Work Plan dated June 30, 2015. Any change in millage that increases the capture percentage of school operating taxes by more than 5 percentage points must be approved by the MSF Board. The authorization is based on the Authority capturing all available local operating mills for the term of the capture period. The authorization for the capture of taxes levied for school operating purposes is based on a maximum of $1,233,500 for the principal
activity costs of non-environmental activities and a contingency, a maximum of $525,819 in interest, and a maximum of $10,000 for Brownfield/Work Plan preparation, and with the capture of taxes levied for school operating purposes being limited to a maximum of $1,634,899.

BE IT FURTHER RESOLVED, that the MSF Board authorizes the MSF Fund Manager, to provide written notification to the Authority, in the form of a letter which incorporates the terms set forth in this Resolution and consistent with the limitations of the Act, and that this approval is further conditioned upon the Authority, or the City as appropriate, maintaining adequate records regarding: a) all taxes captured for the project; and b) receipts or other appropriate documentation of the cost of eligible activities. The records shall be made available for review upon request by MSF or MEDC staff. Eligible activities authorized by this resolution must be completed within three (3) years.

BE IT FURTHER RESOLVED, that the MSF Board is authorizing that capture of taxes levied for school operating purposes for the payment of interest, up to a maximum of $525,819 related to the eligible activities for the Project.

Ayes:

Nays:

Recused:

September 22, 2015
Lansing, Michigan
MEMORANDUM

Date: September 22, 2015

To: Michigan Strategic Fund Board

From: Ryan Kilpatrick, Community Assistance Team Specialist
Rachel Bakken, Capital Access Specialist
Dan Wells, Brownfield Program Senior Specialist

Subject: City of Grand Rapids Brownfield Redevelopment Authority
Request for Approval of an Act 381 Work Plan
OMH, L.L.C. - Request for Approval Michigan Community Revitalization Program Loan Participation Award

Request

The project will include renovation of a ninety-two year old building into approximately 9,682 square feet of first floor retail space with approximately 77 residential market rate apartments on the upper floors. The project will be undertaken by CWD Real Estate, a full service brokerage, property management and real estate investment firm located in the City of Grand Rapids. The project will be owned and managed by G2 GR, LLC and RDV Corporation. The project will redevelop the site located at 201 Michigan Street NW in the City of Grand Rapids. The project is located in a downtown and qualifies for a MCRP award and Act 381 work plan because it is a facility.

In order to alleviate Brownfield conditions and prepare the proposed project site for redevelopment, the City of Grand Rapids Brownfield Redevelopment Authority is seeking approval of local and school tax capture for MSF eligible activities in the amount of $2,582,434. OMH, L.L.C. (Applicant) is requesting approval of a Michigan Community Revitalization Program (MCRP) incentive in the amount of $5,400,000 in the form of a performance-based loan.

This project has been able to secure senior financing in the amount of $15,889,744 from Old National Bank. The financing will consist of a $13,860,844 real estate mortgage and a $2,028,900 loan to support the brownfield tax increment finance revenues. Additionally, the development team will be contributing $5,600,000 in equity (20.83% of total development costs) and contributing the property at no cost to the project. Additionally, it is anticipated that approximately $1.1M in proceeds received from the sales of condominiums of a related project will be used to pay down debt. The remaining gap will be filled by a MCRP award of $5,400,000 in a loan participation bearing an interest rate of 2.00%. The development team is anticipating return of under 6% without considering the additional contribution of the property.

Due to the original construction style of this building and floor layout, as well as the extremely tight urban conditions of the site, the cost of construction is significant and cannot be justified by current market rate rents alone. Further, this building has been vacant since 2001 and significant deterioration has occurred in the subsequent 15 years. The building is a significant historic resource to the community and is an anchor to the intersection of Michigan Street and Monroe Avenue. This site serves as a gateway to the river and west side neighborhoods, to the medical district to the east and to the revitalizing Monroe North district.
Revitalization of the site is considered imperative to making a meaningful physical connection across each section of the downtown area. The investor group intends for this project to be a very long term hold and return on investment is projected to be relatively low compared to most other investment opportunities.

The Act 381 eligible activities will alleviate Brownfield conditions across the site to make it suitable for redevelopment, and protect human health and the environment. Without Brownfield tax increment reimbursement, the cost burden related to Brownfield conditions would make the project financially unfeasible. CRP detailed structure is provided in Appendix A.

The Applicant anticipates that the project will result in eligible investment of $21,914,388 and total capital investment in the amount of $26,889,744, along with the creation of approximately 15 permanent full-time equivalent jobs with an average hourly wage of $16.00.

Background
The redevelopment project will include a complete repurposing of the vacant structure located at 201 Michigan Street NW in the City of Grand Rapids into a mixed use building. The Project will include approximately 9,682 square feet of first floor retail space with approximately 77 residential market rate apartments on the upper floors. Eight for-sale condominium units will be constructed on the top floors of the building and the costs for this build out has been removed from the eligible expenses of the project for the purposes of this MCRP loan request. The project will also include conversion of existing basement levels into subgrade parking for tenants. The project is located in a downtown and qualifies for a MCRP award and Act 381 work plan because it is a facility.

Demolition activities will include selective removal of existing site concrete, walls, partitions, flooring, roofing, stairwells, mechanical openings, finishes, sidewalks, curbs, streetscape, foundation walls and areaways. Site preparation activities for the project include excavation of urban fill and backfilling and grading of the site and areaways on Michigan and Monroe that will be filled. Site preparation activities also include significant temporary sheeting and shoring during basement excavation. Public and private infrastructure improvements will be made in the public right-of-way and on site in connection with the project, including curbs, sidewalks, areaway improvements, repairs, landscaping, streetscape improvements and construction of an underground parking ramp. The cost includes related professional fees associated with the eligible activities.

CWD Real Estate Investment has previously received a small MBT credit in the amount of $980,000 to assist with a $40,000,000 project in Grandville, MI. This project was awarded in 2009 and has met all required milestones.

RDV Corporation is a private investment and financial management company for the family of Mr. Richard M. DeVos and provides investment management, estate planning, tax and personal services, and foundation administration to the DeVos family. The firm was incorporated in 1991 and is based in Grand Rapids, Michigan. RDV Corporation was a participant in the 55 Ionia Partners project approved by the MSF Board in January of 2015. This project included a $4.3 million CRP loan participation agreement and is scheduled to be completed later this month.

Appendix B addresses the programmatic requirements and Appendix C includes a project map and renderings.
**Recommendation**
MEDC staff recommends approval of the following:

a) Local and school tax capture for the Act 381 eligible activities totaling $2,582,434. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at $1,328,404.

b) Approval of money to be transferred for the specific purpose of this project through MCL 125.2088b(2) to the MCRP Program for the purpose of the program authorized under MCL125.2088b(2) as long as the program provides for repayment for breach of the written agreement or the failure to meet measurable outcomes.

c) A MCRP performance-based loan in the amount of $5,400,000 for OMH, L.L.C.
APPENDIX A

FINANCING OPPORTUNITY
The Applicant is seeking MSF support thru the MCRP program. They have requested that the MSF provide up to $5,400,000 (20.08% of the total capital stack) in a loan, as part of a total financing package of $21,289,744. A portion of the financing will be used to construct the condominium portion of the project, none of the MSF Share will go towards this portion of the project. Below outlines a summary of the development sources and the proposed structure of the loan participation.

SUMMARY OF DEVELOPMENT SOURCES:

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Old National Bank</td>
<td>$15,889,744</td>
<td>59.09%</td>
</tr>
<tr>
<td>MCRP Loan Participation</td>
<td>$5,400,000</td>
<td>20.08%</td>
</tr>
<tr>
<td>Developer Cash Equity</td>
<td>$5,600,000</td>
<td>20.83%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$26,889,744</strong></td>
<td><strong>100.00%</strong></td>
</tr>
</tbody>
</table>

LOAN FACILITY

MSF Facility: MCRP Loan Participation and Servicing Agreement
Under “Other Economic Assistance”

Borrower: OMH, L.L.C.

Lender: Old National Bank

Total Loan Amount: Currently estimated to be $22,928,900 (includes financing for the condos)

Lender Share: Currently estimated to be $17,528,900 (includes financing for the condos)

MSF Share: Up to the lesser of 25% of “Eligible Investment” or $5,400,000

Term: To match that of the Lender, anticipated to be 102 months.

Amortization: Up to 300 months following the interest only period.

Interest Rate: On the MSF share anticipated to be 2.00% per annum

Repayment Terms: On the MSF share up to 48 months of monthly interest only payments followed by monthly principal and interest payments.

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

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

Funding: The MSF will fund up to $5,400,000 to be disbursed following closing of the Loan and other performance criteria.

Other Conditions: The MSF’s investment will be contingent upon a minimum owner equity contribution being made to the project equal to $5,600,000.
APPENDIX B – Programmatic Requirements & Screening Guidelines

Property Eligibility
The project is located within the boundaries of the City of Grand Rapids which is a Qualified Local Governmental Unit, and has been determined to be a facility as verified by Michigan Department of Environmental Quality (DEQ) on May 20, 2015.

The property is the subject of a Brownfield Plan, duly approved by the City of Grand Rapids February 24, 2015.

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

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

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

A. The importance of the project to the community in which it is located:
The project site is located in a key position within the City of Grand Rapids and is expected to be a significant catalyst in the revitalization of the north side of the downtown. The project will also add important residential density which contributes to the downtown goals of becoming a vibrant community both day and night.

B. If the project will act as a catalyst for additional revitalization of the community in which it is located:
The proposed investment in a prominent building at the corner of Michigan Street and Monroe in the core of the downtown will compliment proposed development of the adjacent property owned by MSU. The area north on Monroe will also likely see redevelopment in the near future and this project will help advance that effort.

C. The amount of local community and financial support for the project:
Local contribution has been requested in the form of Brownfield Tax Increment Financing totaling $1,254,030 (includes contingency), a DDA Areaway Grant, Streetscape Grant, and Building Reuse and Improvement Grant funding totaling $120,000 and a 12 year NEZ tax abatement for the residential portion of the project with a projected savings of $1.8 million.
D. The applicant's financial need for a community revitalization incentive:
   This project has been able to secure senior financing in the amount of $15,889,744 from Old National Bank. The financing will consist of a $13,860,844 real estate mortgage and a $2,028,900 loan to support the brownfield tax increment finance revenues. Additionally, the development team will be contributing $5,600,000 in equity (20.83% of total development costs) and contributing the property at no cost to the project. Additionally, it is anticipated that approximately $1.1M in proceeds received from the sales of condominiums of a related project will be used to pay down debt. The remaining gap will be filled by a MCRP award of $5,400,000 in a loan participation bearing an interest rate of 2.00%. The development team is anticipating return of under 6% without considering the additional contribution of the property.

E. The extent of reuse of vacant buildings, reuse of historical buildings, and redevelopment of blighted property:
   The project does involve the reuse of the existing building that was originally constructed in 1923. The property is not located in a historic district and is not individually listed.

F. Creation of jobs:
   The project is expected to create 15 full time jobs at an average hourly wage of $16.00.

G. The level of private sector and other contributions, including, but not limited to, federal funds and federal tax credits:
   The project includes two loans from Old National Bank, totaling $17,528,900 and $5,600,000 in private equity.

H. Whether the project is financially and economically sound:
   Cash flow for the project is anticipated to be tight due primarily to the rapid amortization of the TIF note from the senior lender. This tight cash flow is mitigated by the financial support the ownership team which has substantial financial wherewithal and significant development experience.

I. Whether the project increases the density of the area:
   The project will add 77 market rate residential units to the area as well as nearly 10,000 square feet of active ground floor commercial/retail space.

J. Whether the project promotes mixed-use development and walkable communities:
   The project is expected to significantly improve the walkability of the surrounding area. The project will revitalize the site of a long vacant structure adjacent to the convention center, the future MSU Research Center, the City Center and the Grand River. It is a primary connection point between multiple districts within the downtown.

K. Whether the project converts abandoned public buildings to private use:
   The project site has not been publicly owned.

L. Whether the project promotes sustainable development:
   The project will incorporate various sustainable elements into the overall redevelopment such as the reuse of the existing building, energy efficient mechanicals and appliances.
M. Whether the project involves the rehabilitation of a historic resource:
The project does involve the reuse of the existing building that was originally constructed in 1923. The property is not located in a historic district and is not individually listed.

N. Whether the project addresses area-wide redevelopment:
The project will address the continued area wide redevelopment of Michigan Street and Monroe Avenue and continue the connectivity to the North Monroe neighborhood that has seen more recent redevelopment.

O. Whether the project addresses underserved markets of commerce:
The Project does not directly address any underserved markets of commerce. However, the project will add new retail space for businesses to occupy and serve area patrons.

P. The level and extent of environmental contamination:
Phase II investigations revealed the presence of fluoranthene, fluorine, phenanthrene and naphthalene in the soil at concentrations above the Generic Residential Cleanup Criteria. As defined by Part 201, exceedance of this criteria indicates the Property is a "facility" and is considered "eligible property" under Act 381 of 1996, as amended.

Q. If the rehabilitation of the historic resource will meet the federal Secretary of the Interior's standards for rehabilitation and guidelines for rehabilitating historic buildings (36 CFR 67):
Due to modern building code requirements, the need for on-site parking and the presence of interior improvements which would not have been cost effective to restore and preserve, this project is not seeking federal historic tax credits and will not be complying with the Secretary of the Interior’s standards for historic preservation.

R. Whether the project will compete with or affect existing Michigan businesses within the same industry:
The project is not expected to unduly compete with other Michigan businesses in the same industry.

S. Any other additional criteria approved by the board that are specific to each individual project and are consistent with the findings and intent of this chapter:
None.

Brownfield Act 381 Program Additional Project Information:

A. Reuse of functionally obsolete buildings and/or redevelopment of blighted property:
The building has not been determined to be blighted.

B. Cost gap that exists between the property and a similar greenfield property:
The Brownfield Tax Increment Financing is needed to assist with significant demolition, site preparation and site infrastructure expenses which would not be present on a greenfield site.

C. Whether project will create a new brownfield property in the State:
No new Brownfields will be created by this project.
Tax Capture Breakdown
There are 46,658.0 non-homestead mills available for capture, with school millage equaling 24 mills (51.44%) and local millage equaling 22.658.0 mills (48.56%). A Neighborhood Enterprise Zone Non-Principal Residence Exemption for a renovated facility has been approved for the residential portions of the property, effectively halving both state and local taxes on the residential part of the buildings proportionally for twelve years. Tax increment capture will begin in 2016 and is estimated to continue for thirty years. The requested tax capture for MSF eligible activities breaks down as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Percentage</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>School tax capture</td>
<td>(51.44%)</td>
<td>$1,328,404</td>
</tr>
<tr>
<td>Local tax capture</td>
<td>(48.56%)</td>
<td>$1,254,030</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>$2,582,434</strong></td>
</tr>
</tbody>
</table>

Cost of MSF Eligible Activities

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demolition</td>
<td>$833,500</td>
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<tr>
<td>Infrastructure Improvements</td>
<td>$994,887</td>
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<tr>
<td>Site Preparation</td>
<td>$412,860</td>
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<tr>
<td>Sub-Total</td>
<td>$2,241,247</td>
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<tr>
<td>Contingency (15%)</td>
<td>$336,187</td>
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<tr>
<td>Sub-Total</td>
<td>$2,577,434</td>
</tr>
<tr>
<td>Brownfield/Work Plan Preparation</td>
<td>$5,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$2,582,434</strong></td>
</tr>
</tbody>
</table>
APPENDIX C – Project Map and Renderings
WHEREAS, the Michigan legislature amended the Michigan Strategic Fund Act, MCL 125.2011 et. seq., to add Chapter 8C (being MCL 125.2090a—MCL 125.2090d, as later amended) to enable the MSF to create and operate the Michigan Community Revitalization Program ("MCRP") to provide incentives in the form of grants, loans and other economic assistance for redevelopment of communities in Michigan;

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

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

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

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

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

WHEREAS, as part of the 21st Century Jobs Trust Fund initiative, and pursuant to MCL 125.2088h(1), the Jobs for Michigan investment fund was created as a permanent fund authorized by the state constitution ("Investment Fund");

WHEREAS, pursuant to MCL 125.2088h(3)(e), the MSF Board shall direct the investment and reinvestment of the Investment Fund as authorized under Chapter 8A for incentives, including, but not limited to, for the purposes of creating incentives in this state for Revitalizing Michigan Communities;

WHEREAS, pursuant to MCL 125.2088b(2)(c), the Investment Fund may allocate money for authorized programs to make expenditures or investments from the Investment Fund for programs or activities authorized pursuant to the 21st Century Jobs Trust Fund legislation as long as those programs or activities provide for repayment for breach of the written agreement or the failure to meet measurable outcomes;
WHEREAS, pursuant to the MSF Act, specifically, MCL 125.2007(c), the MSF has, among other things, the power to make loan and investments;

WHEREAS, OMH, L.L.C. or a Related Entity (“Proposed Borrower”) has requested a Other Economic Assistance Performance Based Loan Participation Award from the MSF under the MCRP for the Project in an amount not to exceed up to $5,400,000 (“Award Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”);

WHEREAS, the MEDC recommends that the MSF approve the MCRP Award Request through the Investment in the OMH, L.L.C. Project in accordance with the Term Sheet, subject to: (i) available Funding, (ii) final due diligence performed to the satisfaction of the MEDC; and (iii) execution of transaction documents within 180 days of the date of this Resolution (“Time Period”), or this Resolution shall have no effect; provided however, at the sole discretion of the MSF Fund Manager, the Time Period may be extended for up to an additional 180 days (the foregoing, collectively, the “MCRP Award Recommendation”).

WHEREAS, the MEDC recommends that the MSF approve funding of up to $5,400,000 from the Investment Fund to fund the MCRP Award Recommendation (the “Funding”);

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

BE IT FURTHER RESOLVED, the MSF approves the Funding.

Ayes:

Nays:

Recused:

Lansing, Michigan  
September 22, 2015
EXHIBIT A

**Loan Facility**

**MSF Facility**: MCRP Loan Participation and Servicing Agreement
Under “Other Economic Assistance”

**Borrower**: OMH, L.L.C.

**Lender**: Old National Bank

**Total Loan Amount**: Currently estimated to be $22,928,900 (includes financing for the condos)

**Lender Share**: Currently estimated to be $17,528,900 (includes financing for the condos)

**MSF Share**: Up to the lesser of 25% of “Eligible Investment” or $5,400,000

**Term**: To match that of the Lender, anticipated to be 102 months.

**Amortization**: Up to 300 months following the interest only period.

**Interest Rate**: On the MSF share anticipated to be 2.00% per annum

**Repayment Terms**: On the MSF share up to 48 months of monthly interest only payments followed by monthly principal and interest payments.

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

**Guarantee**: To Be Determined

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

**Funding**: The MSF will fund up to $5,400,000 to be disbursed following closing of the Loan and other performance criteria.

**Other Conditions**: The MSF’s investment will be contingent upon a minimum owner equity contribution being made to the project equal to $5,600,000.
WHEREAS, Michigan Economic Growth Authority ("MEA") has been established by 1995 PA 24, as amended (the "Act");

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

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

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

WHEREAS, the City of Grand Rapids Brownfield Redevelopment Authority (the "Authority") has submitted a work plan for property located at 201 Michigan Street NW within the City of Grand Rapids, known as 201 Michigan Street NW Redevelopment Project (the "Project");

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

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

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

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board authorizes the Authority to capture taxes levied for school operating purposes in substantially the same proportion as the 51.44% to 48.56% ratio currently existing between school and local taxes for non-homestead properties, to reimburse the cost of site preparation, demolition, and infrastructure improvements as presented in the revised Work Plan dated May 20, 2015. Any change in millage that increases the capture percentage of school operating taxes by more than 5 percentage points must be approved by the MSF Board. The authorization is based on the Authority capturing all available local operating mills for the term of the capture period. The authorization for the capture of taxes levied for school operating purposes is based on a maximum of $2,577,434 for the principal activity costs.
of non-environmental activities and a contingency, and a maximum of $5,000 for Brownfield/Work Plan preparation, and with the capture of taxes levied for school operating purposes being limited to a maximum of $1,328,404.

**BE IT FURTHER RESOLVED,** that the MSF Board authorizes the MSF Fund Manager, to provide written notification to the Authority, in the form of a letter which incorporates the terms set forth in this Resolution and consistent with the limitations of the Act, and that this approval is further conditioned upon the Authority, or the City of Grand Rapids as appropriate, maintaining adequate records regarding: a) all taxes captured for the project; and b) receipts or other appropriate documentation of the cost of eligible activities. The records shall be made available for review upon request by MSF or MEDC staff. Eligible activities authorized by this resolution must be completed within three (3) years.

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

Ayes:

Nays:

Recused:

September 22, 2015
Lansing, Michigan
REQUEST
This request is for the MSF Board to approve the final one-year extension of an existing contract with McCann Erickson for marketing and advertising services for the MEDC in the amount of $2,409,000.00 for the period of October 1, 2015-September 31, 2016.

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

During the initial contract term and subsequent one year extension, McCann Erickson has successfully integrated the nationally recognized Pure Michigan brand into MEDC’s business attraction efforts. MEDC and McCann have launched a comprehensive national business attraction campaign focused on C-suite executives and site selectors. In addition to the national campaign, micro-campaigns have been created in support of Pure Michigan Business Connect as well as talent attraction and retention, specifically targeting Skilled Trades and the automotive industry (We Run on Brainpower). These comprehensive campaigns are supported through a combination of print, digital, video, web and collateral creation. McCann has been a strategic partner with MEDC in creating a holistic approach to our marketing efforts, aligning each component underneath the Pure Michigan umbrella. Please see the attached campaign highlights.

RECOMMENDATION
The MEDC recommends that the MSF Board allocate $2,409,800.00 and authorize the Fund Manager to enter into an extension of the contract agreement with McCann Erickson for marketing and advertising services.
### Pure Michigan Business/Talent Marketing Results

#### Business Attraction Campaign

<table>
<thead>
<tr>
<th>Measure</th>
<th>Result</th>
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<tbody>
<tr>
<td>Paid digital media impressions</td>
<td>+11% increase from FY2014 to FY2015</td>
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<tr>
<td>Paid digital media clicks to michiganbusiness.org</td>
<td>+152% increase from FY2014 to FY2015</td>
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<tr>
<td>U.S. visits (non-Michigan) to michiganbusiness.org</td>
<td>+350.2% increase from FY2011 to FY2015</td>
</tr>
<tr>
<td>International visits to michiganbusiness.org</td>
<td>+316.5% increase from FY2011 to FY2015</td>
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<tr>
<td>“Contact Us” page views on michiganbusiness.org</td>
<td>+779.8% increase from FY2011 to FY2015</td>
</tr>
<tr>
<td>Opportunities and leads from site selectors</td>
<td>+376.5% increase from FY2011 to FY2014</td>
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<tr>
<td>Projects from site selectors</td>
<td>+200% increase from FY2011 to FY2014</td>
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</tbody>
</table>

#### We Run on Brainpower (Automotive Industry) Campaign

<table>
<thead>
<tr>
<th>Measure</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Site visits per day*</td>
<td>Visits per day to WeRunOnBrainPower.org are averaging 1,543 visits per day</td>
</tr>
<tr>
<td><em>Launched WeRunOnBrainpower.org in August 2015; Total visits: 8/15/15 to 9/7/15</em></td>
<td>52,467</td>
</tr>
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#### Pure Michigan Business Connect Campaign

<table>
<thead>
<tr>
<th>Measure</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paid digital media impressions</td>
<td>+10% increase from FY2014 to FY2015</td>
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<tr>
<td>Paid digital media clicks to puremichiganb2b.com</td>
<td>+70% increase from FY2014 to FY2015</td>
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#### Talent Attraction / Retention Campaign

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<tbody>
<tr>
<td>Paid digital media impressions</td>
<td>+115% increase from FY2014 to FY2015</td>
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<tr>
<td>Paid digital media clicks to mitalent.org</td>
<td>+200% increase from FY2014 to FY2015</td>
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<tr>
<td>Employer profile creations on mitalent.org</td>
<td>+157.14% increase from FY2013 to FY2015</td>
</tr>
<tr>
<td>Jobs posted on mitalent.org</td>
<td>+293.82% increase from FY2013 to FY2015</td>
</tr>
</tbody>
</table>
Awards

- 2013 MarCom Gold Award: Association of Marketing & Communication Professionals
- 2014 Gold Award: Paid Ad Campaign, Population Greater than 500,000 -- International Economic Development Council (IEDC); Excellence in Economic Development Awards

State Rankings

<table>
<thead>
<tr>
<th>State Rankings</th>
<th>2012</th>
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<th>2014</th>
<th>2015</th>
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<tr>
<td><strong>Site Selection Magazine</strong></td>
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<tr>
<td>Overall</td>
<td>23</td>
<td>16</td>
<td>15</td>
<td>Not published until Nov 2015</td>
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<tr>
<td>Executive Survey</td>
<td>26</td>
<td>20</td>
<td>18</td>
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<tr>
<td>Competitiveness</td>
<td>27</td>
<td>8</td>
<td>6</td>
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<tr>
<td><strong>Pollina Corporate Real Estate, Inc.</strong></td>
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<tr>
<td>Pro-Business Report</td>
<td>39</td>
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<td><strong>CNBC</strong></td>
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<tr>
<td>Best States for Business</td>
<td>33</td>
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</table>

Site Selection source: [http://siteselection.com/issues/2014/nov/cover.cfm](http://siteselection.com/issues/2014/nov/cover.cfm)
MICHIGAN STRATEGIC FUND

RESOLUTION

2015-

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

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

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

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

WHEREAS, on September 17, 2014, the MSF and McCann-Erickson USA, Inc. approved the first one-year extension to the term;

WHEREAS, the MSF and McCann-Erickson USA, Inc. desire to exercise the option for the second additional one year term and to allocate $2,409,800 in funding of the contract for the second additional year to provide services for business marketing and advertising campaign for the period of October 1, 2015 to September 30, 2016;

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

WHEREAS, the MEDC recommends that the MSF exercise the second additional one year term and to allocate $2,659,800 in funding of the contract for the second additional year to provide services for business marketing and advertising campaign for the period of October 1, 2015 to September 30, 2016.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board amends the McCann-Erickson USA, Inc. contract by exercising the second additional one year period of October 1, 2015 to September 30, 2016 and allocating an amount to not exceed $2,409,800 for the additional term of services and codifies all previous amendments; and

BE IT FURTHER RESOLVED, that the MSF Fund Manager, in consultation with the Chief Compliance Officer and the Attorney General’s Office, is authorized to execute the amendment to the McCann-Erickson USA, Inc. contract consistent with the terms of this resolution.

Ayes:

Nays:

Recused:

Lansing, Michigan

September 22, 2015
Date: September 22, 2015

To: MSF Board Members

From: Emily Guerrant, VP Marketing & Public Relations

Subject: Public Relations Services Contract Extension Recommendation

REQUEST
This request is for the MSF Board to approve the final one-year extension of an existing contract with Weber Shandwick for public relations services for the MEDC in the amount of $1,850,000, for the period of October 1, 2015 to September 31, 2016. This contract includes PR services for both travel ($1,000,000) and business ($850,000).

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

During the initial contract term and subsequent one year extension, Weber Shandwick has achieved significant national and regional media coverage for the State of Michigan and has helped to establish Pure Michigan as a national leader across major social media platforms, including Facebook, Twitter, Instagram and Pinterest. The Pure Michigan brand has been honored with dozens of industry awards and is recognized across the travel industry as a marketing leader. Every year, the campaign demonstrates its success through the annual increase of return on investment for travel marketing; these results are outlined in the attached document.

In addition, Weber Shandwick has been instrumental in leading the public relations efforts to support our national advertising campaigns and for two recent launches, the Skilled Trades campaign and We Run on Brainpower. Both campaigns have significantly increased website traffic to MEDC programs, increasing our exposure nationally as a leader in talent and automotive mobility and interconnected vehicles. The firm also provides media relations support for the internal investment and export trade missions led by MEDC.
RECOMMENDATION
The MEDC recommends that the MSF Board allocate $1,850,000, and authorize the Fund Manager to enter into an extension of the contract agreement with Weber Shandwick for public relations services.
Weber Shandwick Travel Successes

- Overall, media relations efforts for the year have resulted in 95+ media placements and 481,834,978 impressions in national and regional online, print and broadcast outlets.

- **Press trips** – Since 2012, Weber Shandwick has executed 14 group media familiarization tours (FAMs), bringing in 105 writers, and has secured 19 additional writers for independent press trips (IPTs). Coverage from FAMS and IPTs has resulted in 400 total media stories and more than 276,168,627 impressions. Feature articles highlighting Michigan as a result of these media trips can be found in AAA, Men's Fitness, NYLON, Public Radio International, The Toronto Star, Chicago Tribune, Dallas Morning News, The Globe and Mail, Midwest Living, TravelChannel.com, MSNBC.com, Fodor’s, Shermans Travel, McClatchy Tribune News Service, Yahoo, The Daily Meal, AFAR, Babble, New York Daily News, New York Post, FoxNews.com, and many more.

- **Deskside briefings** – Weber Shandwick coordinated two rounds of editorial appointments in New York for Travel Michigan team members. These included meetings with influential travel and lifestyle media to promote seasonal offerings and events. Contacts included Conde Nast, Adweek, Budget Travel, Shermans Travel and Every Day with Rachel Ray.

- **Snow Day Campaign** – To promote Michigan as a winter destination, Weber Shandwick implemented a PR campaign during the FY2015 winter season that included proactive media outreach surrounding winter activities and destinations, social media integration and a strategic partnership with Lands End to promote a trip giveaway. Results included:
  - 14 media stories resulting in 85,997,936 impressions in publications such as USAToday.com, Parents, Gear Patrol and The Washington Post.
  - Partnership with Lands’ End for their 2014 Snow Days Outerwear Sweepstakes featuring a grand prize winter getaway for five to Boyne Highlands Resort. The sweepstakes ran October 1 - November 14, 2014 and was promoted by Lands’ End via social channels, a national press release and customer & employee email distribution, as well as via Pure Michigan’s social channels, garnering 150,000 unique entries.
  - Inclusion in Lands’ End Facebook and Twitter promotional posts and Tweets during six #traveltuesday Twitter events, including two co-hosted events with Pure Michigan and Boyne Highlands (Lands’ End Facebook Likes: 1.2MM, Twitter Followers: 64.1K)
  - Social Efforts included:
    - 11 blog posts with nearly 10,364 pageviews to date
    - 1 infographic “10 Fun Ways to Burn Calories in Pure Michigan” shared on the blog, Facebook, Pinterest and Twitter
• 30 Instagram photos shared from @PureMichigan tagged with #PureMichigan SnowDay, including 1 giveaway
• 29 Facebook posts, including 2 Facebook fan photo albums, generating 2,121,128 in combined reach and 219,237 engaged users.

• **Game and Fish Feature Story** – Coordinated a press trip for writer Charlie Puckett for Game and Fish Magazine online to highlight Michigan’s hunting and fishing offerings. His story, *The Michigan Mission: A Sportsman’s Quest for 5 Species in 72 Hours*, showcases Michigan as a sportsman’s paradise where sportsmen and women can hit the big three – gun, bow and rod – all in one visit. The article also highlighted the Michigan DNR and its efforts to improve the deer hunting experience in the state. Puckett acknowledged Michigan as a premier sporting destination: “If you’re in the boat and you have only one chance a year to arrange your own cast and blast, you can’t afford to point west and hope for the best. Instead, head to Michigan.”

• **Good Housekeeping Integration** – Secured a Detroit travel integration as part of a Good Housekeeping (circulation: 4,396,795 / UVPM: 2,019,502) fall fashion article highlight Detroit. The October 2014 issue featured Detroit-native Judy Greer and working with editorial/photography staff at the publication, Weber Shandwick was able to develop the story into a fashion/travel hybrid, including a “48 hours in Motor City” section introducing readers to Detroit hot spots. The online version directed readers to michigan.org and VisitDetroit.com to plan a Michigan trip.

• **Travel Massive** – To raise destination awareness among travel media, bloggers and industry influencers Pure Michigan hosted Travel Massive—a monthly travel influencer “Meet Up” – in New York City. The event, coordinated by Weber Shandwick, was attended by more than 75 travel bloggers and media who were able to meet representatives from Pure Michigan, Traverse City, Grand Rapids, Ann Arbor and Detroit to learn first-hand travel news and offerings from the state. Attendees included representatives from Yahoo, Cooking Channel, Lucky Magazine, Forbes, Budget Travel and Wine Enthusiast, among others.

**Pure Michigan Social Media Growth 2011 – 2014**

**Facebook:**
• January 2011 – 328,870 Fans
• August 2015 – 1,018,267 Fans (209.63% increase from January 2011)

**Twitter:**
• January 2011 – 20,000 Followers
• August 2015 – 196,000 Followers (880% increase from January 2011)

**Pure Michigan Blog:**
• January 2011 - 11,345 Visits
• August 2015 – 185,842 (1,538% increase from January 2011)

**Launch of New Social Media Platforms**

**Pinterest:** Launched January 2012

**August 2015**
• 15,790 Followers (16.77% increase from 2014)
• 1,520 pins
• 38 Boards
**Instagram:** Launched July 2012

*August 2015*
- 242,472 Followers (105% increase from 2014)
- 1.6 million + photos have been tagged with the #puremichigan hashtag on Instagram.
- Pure Michigan remains the most followed state tourism Instagram page in the country.

**SnapChat:** Launched July 2015

**Social Media Fan Engagement Contests**
- Pure Michigan Moments Photo Contest (2013/2014/2015)
- Pure Michigan Instagram Beach Challenge (2014)
- Pure Michigan 400 Honorary Starter Fan Contest (2013/2014/2015)
- Hudsonville Ice Cream Flavor Contest (2013/2014)

**Awards & Accolades**

**2014 HSMAI (Hospitality Sales & Marketing Association International) Adrian Awards**
*Honoring outstanding achievements in advertising, public relations and digital marketing in the travel industry.*
- Entry Title: Hemingway’s Pure Michigan (Feature Placement, Print)  Award: Gold
- Entry Title: Tulip Time in Pure Michigan (Feature Placement, Television) Award: Silver

**2014 ESTO Mercury Awards**
- Google Trekker – Special Projects Category

**2013 HSMAI (Hospitality Sales & Marketing Association International) Adrian Awards**
*Honoring outstanding achievements in advertising, public relations and digital marketing in the travel industry.*
- Entry Title: Street Style Detroit (NYLON Guys) - Award: Platinum and “Best in Show”
- Entry Title: Family Circle, "Farm to Fork" (FamilyCircle) - Award: Gold
- Entry Title: As American As Apple Pie: Michigan Celebrates National Pie Day With Fox & Friends - Award: Bronze
- Entry Title: Pure Michigan – Choose Your Own Adventure Winter Video Series - Award: Silver
- Entry Title: Visual Storytelling with Instagram - Award: Silver

**2012 HSMAI (Hospitality Sales & Marketing Association International) Adrian Awards**
*Honoring outstanding achievements in advertising, public relations and digital marketing in the travel industry.*
- Entry Title: Just Back: Detroit (New York Post) - Award: Gold
- Entry Title: Pure Michigan and Travel Wisconsin Team Up for Great Mitten Debate - Award: Gold
- Entry Title: Great American City: Detroit (New York Daily News) - Award: Silver
- Entry Title: Mario Batali "Made in Michigan" Media Day - Award: Bronze

**Social Media Awards**
- ESTO Mercury Award for top social media presence in 2012
- HSMAI Silver Award for Best Use of Instagram in 2013
- Mashie Awards Finalist for Best Use of Instagram in 2013
• Travel + Leisure SMITTY Award for Best Overall Use of Social Media by a Tourism Board/DMO/Marketing Association in 2014
• 2015 Shorty Award for Pure Michigan Instagram Beach Challenge

Weber Shandwick Business PR Successes

Major Coverage

• Overall, media relations efforts have garnered more than 50 media placements resulting in 95,913,548 impressions in outlets including Global Trade Magazine, St. Louis Dispatch, Bloomberg, The Weekly Standard, Forbes and Government Technology. Highlights include:
  o The Weekly Standard - Detroit’s comeback and increased investment in the city
  o Bloomberg - Detroit’s blight means opportunity for entrepreneurs
  o Industry Today - Michigan’s manufacturing comeback
  o Global Trade Magazine - Michigan’s business climate advantages

• Weber Shandwick assisted with international media efforts surrounding the August 2015 China Investment Mission and the September 2015 Germany Mission. To date, efforts have resulted in:
  o A total of 145 pieces of media coverage published, including:
    ▪ 52 pieces of media coverage from the Beijing media roundtable.
    ▪ 40 stories highlighting the Memorandum of Understanding signed during China mission.
    ▪ Two one-on-one in-depth media interviews arranged in Guangzhou.
      • LeTV released a 4-minute video on its financial channel, covering the automotive industry, cooperation with Chinese talents, tourism in Michigan, etc, which all showed Michigan’s strategy and effort to attract investment from China.
      • 21st Century Business Herald, an influential business newspaper, published in-depth article after the Guangzhou interview on its newspaper “global” pages. The article covered most of the key messages and quoted from Gov. Rick Snyder in Michigan new policy and projects. Around 12 top-tier online media and influential financial reposted the article.

• Secured stories in agriculture business trade magazines to highlight the Michigan Economic Development Corporation’s efforts to bring pork processing back to Michigan through the establishment of the Clemens Food Group processing operation in Coldwater.

• Weber Shandwick communicated changes in Michigan’s business climate to influential site selection and industry trade magazines, securing coverage in
  o Area Development: Water. The New Blue Economy?
  o North American Builders Magazine: Putting the Pedal to the Metal in the Motor City
  o Composites Manufacturing: Big Strides for Automotive Planned for IACMI in Detroit

Talent

• Weber Shandwick helped launch two initiatives to attract talent needs and address perceptions surrounding the skills gap in both skilled trades and the automotive industry.
  o We Run on Brainpower is an initiative to attract talent to the automotive industry as well as reinforce Michigan’s position as the epicenter for the automotive industry. Weber Shandwick worked with industry partners to create unique content for the website as well
as launch the program at the 2015 C.A.R Management Briefing Seminars. Results include:

- More than 41,000 unique visits to the site from people in Silicon Valley, New York, and other places around the U.S.
- Efforts to target talent have resulted in campaign engagement that heavily skews towards San Francisco. There is a strong representation from engineering professionals and individuals in Information and Technology services as well as strong engagement from senior individual contributors and managers.
- Seven media placements and 16 million+ impressions (based on unique monthly visitors).

  - The Skilled Trades partnership with Mike Rowe was launched at the 2015 Mackinac Policy Conference, resulting in 10+ media placements and more than 10 million impressions (based on unique monthly visitors).

**Think Tank Outreach**

- Coordinated meetings with the Tax Foundation, Aspen Institute, PEW Research, Brookings Institute, and POLITICO as part of the Think Tank/Influencer tour in April 2015 in Washington D.C. with Steve Arwood to address perceptions and communicate positive updates to Michigan’s business climate to influential third party organizations that conduct state business climate rankings.

- Secured speaking opportunity for Michael Finney at the 2014 The Next Big Thing.

- Coordinating interviews with Kauffman Foundation, Thumbtack.com and Sperling’s Best Places.
WHEREAS, Public Act 489 of 2000, MCL 12.251 to 12.260, created the Michigan Trust Fund Act, of which the 21st Century Jobs Trust Fund (“Trust Fund”) is established;

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

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

WHEREAS, on September 17, 2014, the MSF approved the first one-year extension to the term;

WHEREAS, the MSF and Weber Shandwick Worldwide desire to exercise the option for the second additional one year term and to allocate $1,850,000 in funding of the amended and restated contract for the additional year to provide services for the public relations activities and promotional events in the targeted geographic, industry, and audience markets for the period of October 1, 2015 to September 30, 2016;

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

WHEREAS, the MEDC recommends that the MSF exercise the second additional one year term and allocate $1,850,000 in funding to provide services for the public relation activities and promotional events in the targeted geographic, industry, and audience markets for a period the period of October 1, 2015 to September 30, 2016.

NOW, THEREFORE, BE IT RESOLVED, that the MSF exercise the second additional one year term and allocate $1,850,000 in funding to provide services for the public relation activities and promotional events in the targeted geographic, industry, and audience markets for a period the period of October 1, 2015 to September 30, 2016.

BE IT FURTHER RESOLVED, that the MSF Fund Manager, in consultation with the Chief Compliance Officer and the Attorney General’s Office, is authorized to execute the amendment to the Weber Shandwick Worldwide contract consistent with the terms of this resolution.

Ayes:
Nays:
Recused:

Lansing, Michigan
September 22, 2015
MEMORANDUM

Date: September 22, 2015

To: MSF Board Members

From: David Lorenz, Vice President, Travel Michigan

Subject: Tourism Marketing and Advertising Services Contract Extension Recommendation

REQUEST

This request is for the MSF Board to approve a one-year extension of an existing contract with McCann Erickson USA, Inc. for tourism marketing and advertising services in the amount of $24,675,000.00. This amount is inclusive of media placements, ad production and agency fees.

BACKGROUND

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

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

RECOMMENDATION

The MEDC recommends that the MSF Board allocate $24,675,000.00, and authorize the Fund Manager to enter into an extension of the contract agreement with McCann Erickson USA, Inc. for travel marketing and advertising services.
**Pure Michigan Results**

**Impact of Pure Michigan Travel Promotion**
$19.6 billion in U.S. traveler spending in Michigan in 2014, based on D.K. Shifflet & Associates, Ltd. data
- U.S. leisure travel spending in Michigan up 4.7 percent from 2013 to 2014
- $14.5 billion in U.S. leisure travel spending statewide last year (record)

According to Longwoods International, $1.2 billion in out-of-state visitor spending in 2014 was attributable to the Pure Michigan campaign.

In 2014, campaign ROI was $6.87:1. Pure Michigan’s cumulative return on investment since 2006 is $4.81 for every dollar spent on out-of-state advertising.

Year-end annual average Occupancy rate, Average Daily Rate (ADR), and Revenue Per Available Room (RevPAR) of Michigan’s lodging properties, according to STR, Inc.

<table>
<thead>
<tr>
<th>Annual average for:</th>
<th>2004</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Occupancy rate</td>
<td>52.8%</td>
<td>58.9%</td>
</tr>
<tr>
<td>ADR</td>
<td>$73.96</td>
<td>$91.72</td>
</tr>
<tr>
<td>RevPAR</td>
<td>$39.08</td>
<td>$54.00</td>
</tr>
</tbody>
</table>

(Note: These numbers do not account for any changes in census of properties or rooms, nor for inflation.)

**By the Numbers**
10 million web visits in 2014

1,018,000 fans on Facebook (#3 in continental U.S. after California and New York)

196,000 followers on Twitter (#2 in U.S. after New York)

242,000 followers on Instagram and more than 1 million Instagram photos with hashtag #puremichigan

#1 travel brand on Instagram (according to Totems)

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

**Private and Public Collaborations**
Michigan Department of Natural Resources    Michigan Department of Agriculture
Secretary of State                        Absopure
Coca Cola                                 Kroger
Bassmaster                                Hudsonville Ice Cream
WHEREAS, Public Act 489 of 2000, MCL 12.251 to 12.260, created the Michigan Trust Fund Act, of which the 21st Century Jobs Trust Fund (“Trust Fund”) is established;

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

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

WHEREAS, on September 17, 2015, the MSF and McCann-Erickson approved the first one-year extension to the term;

WHEREAS, the MSF and McCann-Erickson desire to exercise the option for the second additional one year term and to allocate $26,410,000 in funding of the contract for the second additional year to provide services for the promotion of tourism through an integrated travel marketing and promotional campaign for the period of October 1, 2015 to September 30, 2016;

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

WHEREAS, the MEDC recommends that the MSF exercise the second additional one year term and to allocate $26,410,000 in funding of the contract for the second additional year to provide services for the promotion of tourism through an integrated travel marketing and promotional campaign for the period of October 1, 2015 to September 30, 2016.

NOW, THEREFORE, BE IT RESOLVED, that the MSF exercise the second additional one year term and to allocate $26,410,000 in funding of the contract for the second additional year to provide services for the promotion of tourism through an integrated travel marketing and promotional campaign for the period of October 1, 2015 to September 30, 2016.

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

Ayes:

Nays:

Recused:

Lansing, Michigan
September 22, 2015
MEMORANDUM

Date: September 22, 2015

To: MSF Board Members

From: David Lorenz, Vice President, Travel Michigan

Subject: Brand USA International Travel Marketing Agreement

BACKGROUND
Brand USA is a public-private partnership created to market the U.S. as a tourism destination around the world. Brand USA offers buy in and other advertising opportunities to U.S. destinations, state tourism offices, city and regional convention and visitor bureaus and for-profit attractions. The purpose of our agreement with Brand USA is to establish a co-branding campaign with them for Ontario, Canada and other International opportunities. Brand USA will provide funding for 15% of the cost of this advertising. This agreement allows us to establish this co-marketing relationship with Brand USA. This campaign will allow a match of federal funds for the advertisements.

REQUEST
This request is for the MSF Board to enter into an agreement with Brand USA for the purpose of establishing a co-branding campaign in the amount of $1,735,000, for the period of October 1, 2015 to September 30, 2016.

RECOMMENDATION
The MEDC recommends that the MSF Board allocate $1,735,000 and authorize the Fund Manager to enter into an agreement with Brand USA for the purpose of establishing a co-branding campaign in accordance with the federal Travel Promotion Act of 2009.
MICHIGAN STRATEGIC FUND
RESOLUTION 2015-

AUTHORIZATION OF ALLOCATION FOR INTERNATIONAL MARKETING
BRAND USA

WHEREAS, the State of Michigan initiated a travel marketing campaign, to accelerate efforts to promote the State’s tourism industry;

WHEREAS, under Section 109 of 2015 PA 84, the Legislature made an appropriation of $33,000,000 to the Pure Michigan program under the 21st Century Jobs Fund;

WHEREAS, as a result of an extension of an existing membership with the Council of Great Lakes and the Great Lakes USA, the MSF desires to allocate $1,735,000 to Brand USA to support additional international travel marketing activities;

WHEREAS, because of the existing membership, there is no other vendor that can provide the unique international travel marketing campaign because it is an extension of an existing multi-state marketing campaign which qualifies for federal matching funds; and

WHEREAS, the MSF desires to authorize the allocation of $1,735,000 to Brand USA and authorize the Fund Manager to enter into an agreement for the international marketing activities in accordance with the federal Travel Promotion Act of 2009.

NOW, THEREFORE, BE IT RESOLVED, the MSF Board authorizes the allocation of $1,735,000 to Brand USA and authorize the Fund Manager to enter into an agreement for the international marketing activities in accordance with the federal Travel Promotion Act of 2009;

Ayes:

Nays:

Recused:

Lansing, Michigan
September 22, 2015