MICHIGAN STRATEGIC FUND
BOARD MEETING AGENDA
June 8, 2015

Public Comment (please limit public comment to three (3) minutes)
Communications – Information only

A. Consent Agenda – *Action Item*
Master Automatic Machine Co. – Bond Inducement Amendment – Chris Cook
Appointment to DMI Board – Mark Morante
Liberty Way, LLC – MCRP Amendment – Julius Edwards
Michigan Energy Agency – Transfer MOU – Christin Armstrong

B. Administrative – *Action Items*
Proposed Meeting Minutes – April 28, 2015
ProNAi Therapeutics, Inc. – Loan Amendment – *Christin Armstrong*

C. Business Investment – *Action Items*

1. Entrepreneurship
Biotech/Med Device – Request to Issue RFP – *Fredrick Molnar*

***2.* Business Growth**
Marada Industries Inc.(dba Cosma Body Assembly Michigan) – MBDP – *Mike Gietzen*
Ferrous Metal Processing Co. – MBDP & Brownfield TIF – *Stacy Bowerman*
Durr Industries Incorporated – Brownfield Work Plan – *Marcia Gebarowski*
Shiloh – CDBG – *Marcia Gebarowski*

3. Access to Capital
Lutheran Social Services of Michigan – Bond Inducement – *Chris Cook*

D. Community Vitality – *Action Items*
Lofts on Alabama, LLC – MCRP/Brownfield TIF – *Ryan Kilpatrick*
Waters Building, LLC – Brownfield TIF – *Ryan Kilpatrick*
Dart Bank Headquarters – Brownfield TIF – *Marilyn Crowley*
Woodward and Erskine, LLC – MBT Amendment/Brownfield TIF/MCRP – *Stacy Esbrook*

E. Legacy Programs – *Action Item*
Ford Motor Company – MEGA Global & Electrical Amendments – Christin Armstrong

MICHIGAN STRATEGIC FUND

RESOLUTION 2015-

APPROVAL OF APRIL CONSENT AGENDA
FOR THE MICHIGAN STRATEGIC FUND BOARD

WHEREAS, the Michigan Strategic Fund ("MSF"), at its February 2014 board meeting, approved the use of consent agendas at future board meetings pursuant to defined guidelines.

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

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

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

Consent Agenda Items:

Master Automatic Machine Co. – Bond Inducement Amendment
Appointment to DMI Board
Liberty Way, LLC – MCRP Amendment
Department of Energy – Transfer MOU

Ayes:

Nays:

Recused:

Lansing, Michigan
June 8, 2015

MEMORANDUM

Date: **June 8, 2015**

To: **Michigan Strategic Fund Board**

From: **Christopher Cook, Director Capital Access**

Re: ***Private Activity Bond – Bond Inducement***
Master Automatic Machine Company, Inc.
Manufacturing - $4,000,000 – Amended

Request:
Master Automatic Machine Company, Inc. ("Borrower") is requesting private activity bond financing in order to invest in the acquisition of new manufacturing equipment for their Livonia, Michigan facility, specifically new Echo Hill high-precision grinding machines and CNC turning and milling machines, as well as equipment for their facility located in Plymouth Township, Michigan.

This project was previously induced for $3,000,000 at the April 2015 MSF Board meeting. Borrower would like to increase the total bond amount to $4,000,000.

Background:
Borrower was founded by in 1942 by John Evasic, and in 1959, John D. Evasic, succeeded his father. Borrower manufactures precision screw machine products and sells them primarily to the automotive industry. Borrower's line of high volume production parts includes steel and aluminum transmission valves, various anti-lock brake components, powertrain components, and power steering and fuel system components.

John D and Elizabeth Evasic currently own 15.28% of the stock of Borrower; Mark Evasic and William Evasic each own 30.835%; Carol Evasic-Miller owns 20.85%; MWE, LLC (owned 50/50 by Mark and William Evasic) owns 2.20%. William and Mark have been active in the company since 1976 and 1983, respectively.

Borrower currently employs 177 people, this project is expected to create 82 jobs over the next three to four years.

Plans of Finance:
Borrower expects to privately place its $4,000,000 in bonds with GE Government Finance, Inc. Said bonds will bear a fixed interest rate of 3.86%, and Borrower will pay 84 monthly payments in arrears.

Recommendation:

After reviewing the Private Activity Bond application for Master Automatic Machine Company, Inc., staff recommends the adoption of an Inducement Resolution in the amount of $4,000,000.

MASTER AUTOMATIC MACHINE COMPANY, INC

MICHIGAN STRATEGIC FUND

INDUCEMENT RESOLUTION

2015 - ______

WHEREAS, Master Automatic Machine Company, Inc., a Michigan corporation (the "Company"), is presently located at 40485 Schoolcraft Rd., Plymouth, Michigan 48170;

WHEREAS, the Company desires to acquire new equipment for both their Livonia, Michigan and their Plymouth Township, Michigan facilities (the "Project");

WHEREAS, the Company has applied to the MSF for a loan (the "Loan") to finance the Project as defined in 1984 PA 270 (the "Act");

WHEREAS, the Company has advised the MSF that the cost of the Project to be financed with the Loan will not exceed 4 Million Dollars ($4,000,000);

WHEREAS, the Act authorizes the MSF to loan moneys to business enterprises for the purpose for the purpose of financing projects and to obtain the moneys for such loans by the issuance of bonds pursuant to the Act;

WHEREAS, this Resolution has the purpose of providing the necessary official intent of the MSF to meet the requirements of Sections 141 and 144 of the Internal Revenue Code of 1986, as amended (the "Code") and the regulations promulgated in connection therewith and, in particular, Section 1.150-2 of the Income Tax Regulations.

NOW, THEREFORE, BE IT RESOLVED, by the Michigan Strategic Fund that:

1. The MSF intends to provide the Loan to the Company subject to the conditions of this Resolution.

2. The Loan shall be designated for the Project in accordance with the Company's Tax-Exempt Application Form dated March 30, 2015.

3. The maximum principal amount of the bonds (the "Bonds") expected to be issued to provide the Loan to finance the Project shall not exceed 3 Million Dollars ($4,000,000). The Company shall be obligated to make loan repayments in an amount sufficient to assure full repayment of the Bonds, establish appropriate reserves and pay costs and expenses relating to the issuance of the Bonds and the making of the Loan.

4. The MSF's obligation to issue the Bonds and make the Loan shall be conditioned upon a) the ability of the MSF to issue, sell and deliver the bonds under applicable federal and state laws, b) receipt of an allocation from the State Treasurer pursuant to 1988 PA 496 as it relates to limitations on the issuance by states of private activity bonds under the Code, and c) any prioritization, fee schedulers or other requirements or limitations implemented by the MSF or the State Treasurer.

5. The MSF's obligation to make the Loan and issue the Bonds contemplated by this resolution shall expire two years after the date of this Resolution.

6. The Loan may be evidenced by a promissory note and secured by such instruments as are in form and substance satisfactory to the MSF, the Attorney General of the State of Michigan (the "Attorney General") and bond counsel to the MSF, including a loan agreement, indenture, first mortgage, security agreement and such additional security as may be required by the MSF or purchaser of the Bonds.

7. Subject to compliance with this Resolution, the MSF will authorize a bond resolution approving the issuance of the Bonds (the "Bond Resolution") for the purpose of making the Loan and funding the reserves and costs associated with the issuance and administration of the Bonds, and enter into a loan agreement and related documents with the Company and a bond purchase agreement with a bond purchaser, which documents shall be subject to the approval of the Attorney General and bond counsel to the MSF.

8. The Bonds shall not be general obligations of the MSF but shall be payable as to principal and interest solely from the proceeds of the payments to be made by the Company to the MSF (or to a trustee appointed by the MSF pursuant to the Bond Resolution), as provided in the Bond Resolution. The agreements relating to the Loan and the issuance of the Bonds shall contain such provisions as will be necessary to make absolutely certain that under no circumstances will the Bonds or this Resolution by a debt or obligation of the State of Michigan or a general obligation of the Michigan Strategic Fund, nor will the State of Michigan by liable on the Bonds.

9. All costs and expenses involved in the authorization, issuance, sale, and delivery of the Bonds and in the making of the Loan shall be paid from the Bond proceeds or, if they are insufficient, by the Company.

10. The staff of the MSF is authorized and directed to initiate the proceedings described in this Resolution and to enter into negotiations, subject to the approval of the MSF, with a bond purchaser for the sale of the Bonds. Any authorized signatory is authorized to prepare and file with the Michigan Department of Treasury a request for allocation as it relates to the State limitations on the issuance of private activity bonds.

11. Bond counsel to the MSF and the Attorney General are authorized and directed to prepare and submit to the appropriate parties all proceedings, agreements and other documents as shall be necessary or appropriate in connection with the issuance of the Bonds and to make applications on behalf of the MSF to the United States Internal Revenue Service and to other governmental agencies for such income tax and other rulings and approvals as may be necessary in relation to the issuance of the Bonds. Any authorized signatory is authorized to execute such powers of attorney and other documents as may be appropriate in connection with the foregoing. All costs and expenses pertaining to the above matter shall be paid from the bond proceeds or by the Company.

12. A preliminary official statement or other offering materials may be used in connection with the sale of the Bonds, if required; provided, however, that no preliminary official statement or other offering materials shall be circulated unless any description of the MSF, the Bonds and documents to which the MSF is a party shall have been approved by bond counsel to the MSF and the Attorney General.

13. All resolutions and parts of resolutions insofar as they conflict with this Resolution are rescinded.

ADOPTED

Ayes:

Nays:

Recused:

Lansing, Michigan

MICHIGAN STRATEGIC FUND
RESOLUTION 2015-

APPOINTMENT OF BOARD OF DIRECTORS FOR DEVELOPMENT MICHIGAN, INC. – CAPITAL CONDUIT PROGRAM, REAL ESTATE INITIATIVE AWARD RECIPIENT

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

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

WHEREAS, pursuant to MCL.125.2088d(1) the MSF shall create and operate a loan enhancement program;

WHEREAS, on May 20, 2009, the MSF created the Michigan Supplier Diversification Fund ("MSDF") as a loan enhancement program;

WHEREAS, on December 21, 2011, the MSF approved the creation and operation of a Develop Michigan – Capital Conduit Program under the MSDF ("CCP");

WHEREAS, on December 21, 2011, by Resolution No. 2011-189, as a subprogram of the CCP, the MSF also approved the Real Estate Initiative ("REI") and the program guidelines for the REI (as further amended on April 25, 2012, by Resolution No. 2012-48) ("REI Guidelines");

WHEREAS, on January 25, 2012, by Resolution No. 2012-08, the MSF approved an award to Develop Michigan, Inc. ("DMI") to operate the REI pursuant to the REI Guidelines, and approved the delegation of authority to the MSF Fund Manager, the MSF Chairperson, or the State Treasurer Director, with only two required to act, to execute final transaction documents memorializing the DMI award under the CCP ("Delegation of Authority");

WHEREAS, pursuant to the REI Guidelines and the terms of the DMI award, the MSF Board has the right to appoint three members to the DMI board of directors;

WHEREAS, at its July 23, 2013 meeting, the MSF Board appointed Robert (Bob) Joseph, Talmer Bank and Trust-Capital Markets for a term of three (3) years to the DMI board of directors;

WHEREAS, the MEDC recommends and the MSF Board desires to remove Robert Joseph, and appoint Mark Morante, Senior Vice President, Community Development, to fulfill the remainder of the term.

NOW, THEREFORE, BE IT RESOLVED, the MSF hereby approves the DMI Appointee.

Ayes:

Nays:

Recused:

Lansing, Michigan
June 8, 2015

PURE MICHIGAN

MEMORANDUM

Date: **May 26, 2015**

To: **Michigan Strategic Fund (MSF) Board**

From: **Julius L. Edwards, Capital Access**

Subject: **Amendment to Approval of up to $4,100,000 in a Michigan Community Revitalization Program Other Economic Assistance – Loan Participation for Liberty Way Hospitality, LLC and Chemical Bank.**

Request

Staff is requesting to amend the original February 24, 2015 approval to fix a clerical error, changing the interest rate on the MCRP Note 2 from 1% to 0%. All other terms of the original approval will remain the same.

The new terms will reflect the following:

MSF Note 2

Loan Amount: Up to $1,000,000

Term: To match that of the Lender, not to exceed 60 months.

Amortization: Non-Amortizing

Interest Rate: On the MSF Share 0.00% per annum

Fees: The MSF shall be paid a one-time fee equal to 1.00% of the MSF Share of the loan, and an annual fee equal to 1.00% of the MSF Share thereafter.

Repayment Terms: Principal due at the earliest of maturity, refinance or sale.

Shared Terms for MSF Note 1 and Note 2

Collateral: To match that of the Lender, currently anticipated being a mortgage lien on the property, assignment of leases and rents, assignment of tax increment financing revenue, and all assets of the borrower. MSF Share of collateral will be subordinated to that of the Lender.

Guarantee: To match that of the Lender, currently anticipated to be the unlimited, unsecured personal guarantees of Robert Mahaney, Craig Coccia, and Kellie Holstrom & Trust. The MSF share of guarantee will be subordinated to the Lender.

Funding:	The MSF will fund up to $4,100,000 to be disbursed following closing of the Loan and other performance criteria.
Other Conditions:	The MSF's investment will be contingent upon a minimum owner equity contribution being made to the project equal to the lesser of 17% of budgeted project cost or $3,400,000.

<u>Recommendation</u>
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
Jennifer Tucker, Community Assistance Team Specialist

Subject: **Liberty Way Hospitality, LLC and Chemical Bank**
Michigan Community Revitalization Program
Request for Approval of up to $4,100,000 in Other Economic Assistance – Loan Participation

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Request

Liberty Way Hospitality, LLC ("Applicant" or "Borrower") and Chemical Bank ("Lender") are requesting approval of a Michigan Community Revitalization Program incentive in the amount of the lesser of $4,100,000 or 25% 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 $18,498,204 and total capital investment in the amount of $20,358,038 in the City of Marquette and the creation of 19 full time equivalent jobs.

The development team has worked diligently to secure adequate senior financing from a traditional financing institution with the capacity and understanding of the market to meet the senior financing needs of the project. Additionally, securing financing was further complicated by the cost of the underground parking, which adds a non-traditional cost of over $3.5M to the project that traditional financing sources are unwilling to finance. The process has been a lengthy one, but the development has been able to secure senior financing in the amount of $12.4M or 61% of the total development cost. The loan-to-cost ratio is in line with traditional lending levels. Additionally, the project developer has been able to raise owner capital in excess of $3.4M or 17% and is also deferring 100% of developer fees through cash flow. The remaining gap is being filled by the MCRP proceeds of $4,100,000, which will be fully repayable.

Background

Liberty Way Hospitality, LLC, an affiliate of the Veridea Group, will own the property, while the Veridea Group's Hospitality Division will manage the hotel and residential units.

The Veridea Group acquires, develops, owns, and manages quality lodging, retail, office, and residential properties. With the experience gained from over 40 completed projects exceeding 550,000 square feet and $100 million in value, Veridea Group is one of the Upper Peninsula's largest providers of premier leaseholds and hospitality properties. Their projects have been recognized for their positive transformative impact on neighborhoods and communities, whether it be the renovation of a 100 year-old neighborhood storefront into a thriving restaurant (Border Grill on 3rd Street) to the $30 million + conversion of a blighted industrial site into a high density, mixed use, urban center at Liberty Way.

The Veridea Group, Principal, Robert Mahaney, has a successful record of hotel management. Presently, they operate two other Upper Peninsula hotels that ranks in the top 5% nationally within their market segments. One of their hotels was recognized as the best amongst all 1,400 Carlson Rezidor hotels worldwide in 2010.

Liberty Way is a 5 acre, high density, mixed use project that is located on a brownfield site in the heart of the City of Marquette at 855-857 West Washington Street. Formerly a blighted industrial baking facility, Veridea acquired the abandoned property in 2011. Phase I of the redevelopment began in 2012 and was completed in December 2013. Upon completion of all three phases, the project will consist of three buildings and over $35 million of investment, with end uses including office, residential, restaurants and lodging. It is estimated that over 200 permanent jobs will be created by Liberty Way's end users, as a total development.

Phase 1 of the Liberty Way development was accomplished with the assistance of MCRP and an Act 381 Work Plan. The Act 381 Work Plan provides tax increment financing for all three phases of development.

The Applicant is in compliance with both programs.

The current request will support the construction of Building 2, which will consist of an 86,000 square foot extended stay hotel and residential facility, with a total of 108 combined units, of which the top story will contain space considered to be flex space which can be utilized as residential or hotel units depending upon demand. Building 2 will also host an approximately 145 stall underground parking garage. The project will also incorporate the construction of a pedestrian connector path to an extensive trail network and the new Marquette General Hospital health care campus. This will link "north side" neighborhoods, downtown, the hospital campus, and the community's extensive non-motorized trail network.

During this phase of the project, parking must be constructed for both this phase and for the future project of Building 3. The 145 stall, 2 level, underground parking garage allows Veridea to construct the required parking spaces to accommodate the needs of Building 2, while maximizing the potential size of Building 3, and capturing an important tenant that is growing and providing professional job opportunities in the community. The parking also helps to achieve the high density, urban use intended for the site, as well as providing a parking solution on a severely sloped property.

Veridea has an opportunity to lease approximately 25,000 square feet of Building 3 to a regional healthcare service provider. The rapid growth of this prospect's business will lead to an expected increase of 50 total employees over the next several years. It desires a location close to the relocating hospital campus and within a modern, efficient "Class A" office setting. The future project of Building 3, in addition to the two level parking as part of Building 2, meets all these objectives. Building 3 will also contain restaurant space, bringing its total size to 28,000 square feet above ground.

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

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

FINANCING OPPORTUNITY – MCRP LOAN PARTICIPATION

The project is seeking MSF participation in coordination with Chemical Bank as the senior lender. The Lender, along with the Borrower, has requested the MSF participate in up to $4,100,000 in a $16,536,769 construction to permanent loan facility. The MSF Share will be split into two separate notes. One note will be for $3,100,000 in a traditionally amortizing note and the other note will be for $1,000,000 non-amortizing note due at maturity, sale, or refinance. The MSF would participate in all payments in proportion to its share of the loan, but would allow the collateral to apply first to the Lender's share in an event of liquidation. Below outlines a summary of the development sources and the proposed structure of the loan participation.

SUMMARY OF DEVELOPMENT SOURCES:

Chemical Bank Share		$	12,436,769	61.1%
MSF Share		$	4,100,000	20.1%
Developer Equity		$	3,407,816	16.8%
Deferred Developer Fees		$	413,453	2.0%
	TOTAL	**$**	**20,358,038**	**100.0%**

LOAN FACILITIES

MSF Facility	MCRP Loan Participation and Servicing Agreement Under "Other Economic Assistance"
Borrower:	Liberty Way Hospitality, LLC
Lender:	Macatawa Bank
Total Amount of Loans:	Currently estimated at $16,536,769
Lender Share:	Currently estimated at $12,436,769
MSF Share:	Up to $4,100,000

MSF Note 1

Loan Amount:	Up to $3,100,000
Term:	To match that of the Lender, not to exceed 60 months with an interest only period of up to 36 months.
Amortization:	To match that of the Lender, not to exceed 240 months following the interest only period.
Interest Rate:	On the MSF Share 1.00% per annum
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.
Repayment Terms:	On the MSF Share up to 36 months of monthly interest only payments followed by monthly principal and interest payments.

MSF Note 2

Loan Amount:	Up to $1,000,000
Term:	To match that of the Lender, not to exceed 60 months.
Amortization:	Non-Amortizing
Interest Rate:	On the MSF Share 1.00% per annum
Fees:	The MSF shall be paid a one-time fee equal to 1.00 of the MSF Share of the loan, and an annual fee equal to 1.00% of the MSF Share thereafter.
Repayment Terms:	Principal due at the earliest of maturity, refinance or sale.

Shared Terms for MSF Note 1 and Note 2

Collateral:	To match that of the Lender, currently anticipated being a mortgage lien on the property, assignment of leases and rents, assignment of tax increment financing revenue, and all assets of the borrower. MSF Share of collateral will be subordinated to that of the Lender.
Guarantee:	To match that of the Lender, currently anticipated to be the unlimited, unsecured personal guarantees of Robert Mahaney, Craig Coccia, and Kellie Holstrom & Trust. The MSF share of guarantee will be subordinated to the Lender.
Funding:	The MSF will fund up to $4,100,000 to be disbursed following closing of the Loan and other performance criteria.
Other Conditions:	The MSF’s investment will be contingent upon a minimum owner equity contribution being made to the project equal to the lesser of 17% of budgeted project cost or $3,400,000.

Recommendation

The MEDC staff recommends approval of a MCRP performance-based loan participation in the amount of $4,100,000 for Liberty Way Hospitality, LLC.

MICHIGAN STRATEGIC FUND
RESOLUTION 2015-

APPROVAL OF AN AMENDMENT TO A MICHIGAN COMMUNITY REVITALIZATION PROGRAM LOAN PARTICIPATION AWARD TO LIBERTY WAY HOSPITALITY, LLC

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

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

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

WHEREAS, pursuant to SFCR 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 Liberty Way Hospitality, LLC and or related entities ("Proposed Borrower") of up to $4,100,000 of $16,536,769 of total loans from Chemical 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 the Amended Term Sheet, with all other requirements remaining in place from the original approval.

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

ADOPTED

Ayes:

Nays:

Recused:

Lansing, Michigan
May 26, 2015

Exhibit A

<u>LOAN FACILITIES</u>

MSF Facility	MCRP Loan Participation and Servicing Agreement Under "Other Economic Assistance"
Borrower:	Liberty Way Hospitality, LLC
Lender:	Macatawa Bank
Total Amount of Loans:	Currently estimated at $16,536,769
Lender Share:	Currently estimated at $12,436,769
MSF Share:	Up to $4,100,000

MSF Note 1

Loan Amount:	Up to $3,100,000
Term:	To match that of the Lender, not to exceed 60 months with an interest only period of up to 36 months.
Amortization:	To match that of the Lender, not to exceed 240 months following the interest only period.
Interest Rate:	On the MSF Share 1.00% per annum
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.
Repayment Terms:	On the MSF Share up to 36 months of monthly interest only payments followed by monthly principal and interest payments.

MSF Note 2

Loan Amount:	Up to $1,000,000
Term:	To match that of the Lender, not to exceed 60 months.
Amortization:	Non-Amortizing
Interest Rate:	On the MSF Share ~~**1.00%**~~ **0.00%** per annum
Fees:	The MSF shall be paid a one-time fee equal to 1.00% of the MSF Share of the loan, and an annual fee equal to 1.00% of the MSF Share thereafter.
Repayment Terms:	Principal due at the earliest of maturity, refinance or sale.

Shared Terms for MSF Note 1 and Note 2

Collateral:	To match that of the Lender, currently anticipated being a mortgage lien on the property, assignment of leases and rents, assignment of tax increment financing revenue, and all assets of the borrower. MSF Share of collateral will be subordinated to that of the Lender.
Guarantee:	To match that of the Lender, currently anticipated to be the unlimited, unsecured personal guarantees of Robert Mahaney, Craig Coccia, and Kellie Holstrom & Trust. The MSF share of guarantee will be subordinated to the Lender.
Funding:	The MSF will fund up to $4,100,000 to be disbursed following closing of the Loan and other performance criteria.
Other Conditions:	The MSF's investment will be contingent upon a minimum owner equity contribution being made to the project equal to the lesser of 17% of budgeted project cost or $3,400,000.

**MEMORANDUM OF UNDERSTANDING BETWEEN
THE
MICHIGAN DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS
AND THE
MICHIGAN AGENCY FOR ENERGY
AND THE
MICHIGAN STRATEGIC FUND
AND THE
MICHIGAN ECONOMIC DEVELOPMENT CORPORATION**

I. INTRODUCTION

This Memorandum of Understanding (MOU) between the Michigan Department of Licensing and Regulatory Affairs (LARA), the Michigan Agency for Energy (MAE), the Michigan Strategic Fund (MSF), and the Michigan Economic Development Corporation (MEDC) is entered into for the purpose of delineating the respective roles, responsibilities and resources regarding the implementation of Executive Order 2015-10 transferring the Michigan Energy Office to LARA.

This MOU will be evaluated periodically, and upon reasonable notification to the other party or parties, as appropriate, may be amended to achieve the objectives of Executive Order 2015-10. Any amendment or modifications will be executed in writing, subject to approval of each party to this MOU, and signed by an official authorized by the director of each department or agency. Each director will designate a transition manager who will function as the primary liaison on transition issues and approve all modifications and sign off on all agreements reached as part of the MOU.

II. PERIOD OF PERFORMANCE

This MOU becomes effective May 17, 2015 and shall continue in effect until responsibilities identified for each party to the memorandum are complete. All services provided by each party to this MOU prior to the date of signature will be in accordance with the terms of the MOU wherever possible.

III. RESPONSIBILITIES

Executive Order 2015-10 transfers all of the authority, powers, duties, functions, records, personnel, property, unexpended balances of appropriations, allocations, and other funds, including the functions of budgeting and procurement, of the Michigan Energy Office (MEO) from the MEDC and MSF to LARA. It is hereby understood that each party agrees that it will comply with Executive Order 2015-10 in performing its respective responsibilities under this MOU.

IV. FINANCIAL

1. All financial responsibilities shall be performed pursuant to the provisions of the State of Michigan Financial Management Guide - Part II, Chapter 4 "Executive Order

Reorganizations" issued by the State Budget Office, related to Financial Transactions and MAIN System Guidance.

2. For administrative efficiency, LARA, the MSF and the MEDC agree that MEDC/MSF will continue providing accounting services for MEO through the yearend closing for the fiscal year ending September 30, 2015. MEDC/MSF shall perform such accounting services, according to the State of Michigan Financial Management Guide and the State of Michigan Travel Regulations or any formalized LARA travel regulations.

3. The following are specific charges that MEDC/MSF will allocate to MEO based upon this agreement:

a. MEDC/MSF will charge LARA for the central administrative costs of providing administrative support to LARA through the yearend closing for the fiscal year ending September 30, 2015. Allocated costs are based upon the federally approved cost allocation plan provided through contract with an outside vendor.

b. Allocated costs for the Department of Technology, Management and Budget (DTMB) will include direct purchase of goods and services through DTMB and user charges based on FTE (headcount).

c. MEDC/MSF will charge LARA the federally approved indirect rate for the period through the yearend closing for the fiscal year ending September 30, 2015.

4. MEDC/MSF will request DTMB to transfer all inventory related to MEO documented within ITAM from MEDC/MSF inventory count effective October 1, 2015. MEDC/MSF and LARA will work together to develop the list of inventory that will transfer to LARA.

V. HUMAN RESOURCES

1. The MEDC/MSF Human Resources (HR) will provide all human resources, payroll, and labor relations services to the MEO staff through the pay period ending October 10, 2015.

2. Effective October 12, 2015, MEDC/MSF will transfer all mutually agreed upon MEO staff to LARA through the HRMN system and provide LARA with all human resources, payroll, and labor relations information for the transferred programs. MEDC/MSF HR will then provide all human resources, payroll, and labor relations services related to the transferred staff. Attachment A provides a list of employees that represent all staff in filled positions, including employees on Leave of Absence, or on Workers compensation. The list includes the following for all employees: Name, ID#, position code, direct supervisor, class, and title. Seven (7) appropriated FTEs will transfer to LARA, effective October 1, 2015.

3. For the period of May 17, 2015 through September 30, 2015, MEDC/MSF shall reimburse LARA for costs, including salaries, fringes and agreed upon expenses, incurred in filling one (1) unclassified position for the MAE.

VI. BUDGETARY TRANSACTIONS

1. Effective October 1, 2015, LARA assumes all budgetary responsibilities for programs and agencies transferred from MEDC/MSF to LARA under Executive Order 2015-10.

2. If applicable and necessary, MEDC/MSF agrees to transfer any spending authority related to FY2015 qualifying encumbrances through the yearend closing for the fiscal year ending September 30, 2015September 30, 2015.

3. MEDC/MSF agrees to forward all requests that affect the FY2015 appropriations, program spending plans, grant awards, or legislative reporting that relate to the transferred program to LARA.

VII. PURCHASING

1. MEDC/MSF will perform purchasing services on behalf of MEO until September 30, 2015.

2. MEDC/MSF agrees to provide LARA details of all FY2015 outstanding qualifying encumbrances (purchase orders) by September 30, 2015.

3. MEDC will cancel all MEDC-issued credit cards held by transferred staff by May 17, 2015. MEDC agrees to provide LARA with a list of those employees whose cards will be cancelled.

4. MEDC/MSF will transfer all State vehicles assigned to MEO staff leased through DTMB to LARA effective September 30, 2015 and provide a list of those employees/agencies who are assigned vehicles.

5. MEDC/MSF will identify those MEO contracts issued by DTMB and request the contracts be transferred to LARA effective October 1, 2015.

VIII. OFFICE SERVICES

1. MEDC/MSF will perform the following services on behalf of MEO until May 31, 2015:

a. ITAM;
b. Property Management;
c. Records Management;
d. Building Management;
e. Telecommunication services;

f. Mail;

2. MEDC/MSF agrees to provide LARA a list of MEO telecom equipment by employee before September 30, 2015.

3. MEDC/MSF agrees to transfer records retention schedules to LARA related to MEO before September 30, 2015.

IX. DOCUMENTATION AND INFORMATION REQUESTS

1. MEDC/MSF agrees to forward copies of all pertinent correspondence, reports, studies or information that relates to the programs and agencies transferred under Executive Order 2015-10, including requests made by DTMB or the Legislature to LARA.

2. MEDC/MSF shall respond to all pending Freedom of Information Act (FOIA) requests relating to MEO until September 30, 2015.

X. AUDITS, PENDING ACTIONS AND/OR PENDING LAWSUITS

1. MEDC/MSF will provide copies of all MEO audit findings requiring closure to LARA.

2. Federal funds related to MEO transferred to LARA will cover all costs related to any audits of the programs initiated after the execution of this MOU.

3. MEDC/MSF agrees to develop and submit to LARA a full description of any liability and projected costs of any pending settlements, issues of compliance with applicable federal and state laws and regulations, or other obligations to be resolved related to MEO.

4. Except as otherwise identified to LARA under Section X(3) of this MOU, MEDC/MSF certifies that at the time of the transfer of the functions described in the MOU to LARA, there are no pending settlements, no issues of non-compliance with applicable state and federal laws and regulations, and no other outstanding obligations impacting this transfer that requires immediate attention and resolution.

XI. ADDITIONAL CONSIDERATIONS

1. Performance of additional administrative functions identified after signing this MOU will be handled based upon the LARA Director's direction.

2. MEDC/MSF has a Service Level Agreement with DTMB for technology services. Items in the agreement pertaining to MEO are hereby made a part of this MOU, and a copy of which shall be provided to LARA.

3. MEDC/MSF and LARA agree to meet as often as necessary to address Executive Order 2015-10 transition issues and concerns.

XII. AUTHORIZED SIGNATURES

In witness thereof, the parties sign their names as evidence of their approval of this memorandum of record.

Department of Licensing and Regulatory Affairs:

______________________ ____________

Michael Zimmer Date

Director

Michigan Agency for Energy

______________________ ____________

Valerie Brader Date

Director

Michigan Strategic Fund:

______________________ ____________

Mark Morante Date

MSF Fund Manager

Michigan Economic Development Corporation:

______________________ ____________

Steven Arwood Date

Chief Executive Officer

MICHIGAN STRATEGIC FUND

RESOLUTION
2015-

APPROVAL OF TRANSITION MEMORANDUM OF UNDERSTANDING RELATED TO EXECUTIVE ORDER 2015-10

WHEREAS, the Michigan Agency for Energy (the "Energy Agency") was created by Executive Order 2015-10 ("EO 2015-10"), effective May 18, 2015 (the "Effective Date"), as an agency within the Department of Licensing and Regulatory Affairs ("LARA");

WHEREAS, under EO 2015-10, the Michigan Energy Office ("MEO") was transferred from the Michigan Strategic Fund ("MSF") to the Energy Agency (collectively, "EO Matters Transferred to Energy Agency");

WHEREAS, the Michigan Economic Development Corporation ("MEDC") performs various administrative functions for the MEO;

WHEREAS, in the interest of administrative efficiency, the MEDC and the MSF will continue to provide administrative functions related to EO Matters Transferred to the Energy Agency from the Effective Date through September 30, 2015; and

WHEREAS, to that end, the MSF wishes to enter into a Memorandum of Understanding ("MOU") in substantially the same form as the document attached as Exhibit A to this resolution to delineate the responsibilities of the MSF, the MEDC, LARA and the Energy Agency relative to EO Matters Transferred to the Energy Agency (the "Transition MOU").

NOW, THEREFORE, BE IT RESOLVED, the MSF Board approves the Transition MOU; and

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

Ayes:

Nays:

Recused:

Lansing, Michigan
June 8, 2015

PURE MICHIGAN

MICHIGAN STRATEGIC FUND BOARD
PROPOSED MEETING MINUTES
April 28, 2015

Members Present:

Paul Anderson
Steve Arwood
Larry Koops
Andrew Lockwood (on behalf of Treasurer Khouri)
Terri Jo Umlor
Jody DePree Vanderwel
Jim Walsh
Mike Zimmer

Members Absent:

Shaun Wilson

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

Public Comment: Mr. Arwood asked if there were any members of the audience. Representative Lauwers addressed the Board in support of the SMR/City of Marysville CDBG project, listed under the Business Growth segment of the agenda.

Communications: Andrea Robach, MSF Administrator, notified members of the Board that they had each received updated documents; the final Terms Sheet for Sakthi Automotive, as well as updates to the Michigan Land Bank blighted property notes. Materials highlighting the Fund's financial reports were also provided for the Board's information, however, were not related to an action item. Lastly, it was announced that the Chief Compliance Officer's quarterly report was also among the informational items provided in the Board packet.

CONSENT AGENDA

Resolutions 2015- 036 through -39 – April 2015 Consent Agenda
Mr. Arwood asked if there were any questions from the Board on any of the items within the Consent Agenda. Mr. Walsh commented that he had observed a discrepancy in the March 2015 meeting minutes, and that he had discussed this with Ms. Robach. Ms. Robach acknowledged his correction, and will make the requested change before the March minutes are considered adopted. There being no further questions, Larry Koops motioned for the approval of the following:

Proposed Meeting Minutes – March 24, 2015
DTED Transition Memorandum of Understanding – 2015-037
DTED Director/MEDC CEO Memorandum of Understanding – 2015-038
CDBG Application Guide Approval – 2015-039

Jody DePree Vanderwel seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

ADMINISTRATIVE

Resolution 2015-040 – New International Trade Center – Escrow Agreement
Andrew Doctoroff, Special Projects Advisor, provided the Board with information regarding this action item. This is a request to approve the MSF's execution of an escrow agreement relating to the

New International Trade Crossing ("NITC"). On July 28, 2012, the MSF executed the Crossing Agreement between Michigan and Canada. The Crossing Agreement has also been executed by MDOT, the Governor, Her Majesty the Queen in Right of Canada and the Windsor Detroit Bridge Authority ("WDBA"), the Canadian entity that manages the NITC project on a day-to-day basis. The Crossing Agreement establishes the International Authority, a bi-national entity that will approve critical decisions relating to the NTIC project. NITC-related funds provided by Canada will be remitted to, and held by, an escrow agent. On January 20, 2015, the Michigan Economic Development Corporation, in Resolution 2015-13, approved the allocations of monies to pay for the fees of the escrow agent. The escrow agent, The Canada Trust Company, was selected pursuant to a competitive bidding process conducted by the WBDA and overseen by a fairness monitor. Service providers, including the Michigan Department of Transportation, will provide requisite information establishing the completion of work performed, and the MSF will not be called upon to make any substantive decisions in connection with the escrow agreement.

Staff Recommendation
Staff recommends the approval of the escrow agreement as outlined and provided for in the resolution.

Board Discussion
Mr. Arwood asked if there were any questions from the Board. There being none, Paul Anderson motioned for the approval of Resolution 2015-040. Mike Zimmer seconded the motion. The motion carried: 8 ayes; 0 nays, 0 recused.

Resolution 2015-041 – Michigan Land Bank – Blighted Property Notes
Jarrod Smith, Assistant Attorney General, provided the Board with information regarding this action item. Michelle Wildman, from Michigan State Housing Development Authority, was also in the audience on behalf of this request. In 2013, U.S. Treasury approved the reprogramming of the HHF Program funds already allocated to MHA's foreclosure program in 2010 (through MSHDA) to instead be used for a Blight Elimination Program. The focus of the program is to eliminate the surplus of blighted single family homes that have distressed 16 cities in the State of Michigan. The State of Michigan Land Bank Fast Track Authority (the "Michigan Land Bank") is currently partnering with the Cities of Pontiac, Highland Park, Inkster and Hamtramck (which do not have operating land banks) to acquire and demolish blighted properties using loans provided by MHA ($25,000 maximum per property). The loans are provided via a Demand Note that is immediately repaid with a Mortgage Note. The Mortgage Note is forgivable at 20 percent per year over a five year period. As with MHA's foreclosure prevention programs, this five year forgiveness period is a method to ensure compliance with program requirements. Because Executive Order 2014-12 transferred "any revenue bonding powers" of the Michigan Land Bank to the Michigan Strategic Fund ("MSF"), the MSF is being asked to issue the Demand Notes and Mortgage Notes on the Michigan Land Bank's behalf an in its name.

Immediately upon execution, the notes will be obligations of the Michigan Land Bank. The Michigan Land Bank will be the Mortgagor of record and be solely responsible for any and all obligations related to the notes.

Board Discussion
Mr. Arwood asked if there were any questions from the Board. There being none, Mike Zimmer motioned for the approval of Resolution 2015-041. Larry Koops seconded the motion. The motion carried: 8 ayes; 0 nays; 0 recused.

BUSINESS INVESTMENT

ENTREPRENEURSHIP

Resolution 2015-042 – PMVCF Program – Award Recommendation

Mike Flanagan, Entrepreneurship & Innovation, provided the Board with information regarding this action item. On January 27, 2015, the MSF Board approved the third round of the Pure Michigan Venture Development Fund ("VDF" or "Program"), and opened a new application period to receive proposals. The Program is designed to invest in first and second generation venture capital funds in Michigan. The State's investment will act as a significant anchor enabling awardees to raise additional funds and become viable entities. The ultimate goals of the Program are to expand the venture industry in the State and increase the number of venture investments in our innovative, early stage companies. The Program received one proposal during the third round application period.

Upon receipt of application(s), MEDC legal staff conducted an initial screening to ensure the applicant had met the minimum eligibility criteria for the Program. Having met those criteria, the application was forwarded by MEDC legal to a Joint Evaluation Committee ("JEC"), which conducted an extensive review, both written and oral, of the applicant fund, based on scoring criteria approved by the MSF Fund Manager. The applicant fund scored above the threshold required to earn recommendation for award under the Program.

Staff Recommendation

MEDC Staff is requesting approval of one new award under the Pure Michigan Venture Development Fund program of up to $2.25 million to **Detroit Innovate Fund I, LP**.

In addition, Staff requests approval of delegation of authority to the MSF Fund Manager to negotiate and finalize the terms and conditions of the awards, including approval of any final agreements.

Board Discussion

Mr. Arwood asked if there were any questions from the Board. Discussion ensued regarding the investment return, and the scoring for previous rounds of this award. There being no further questions, Larry Koops motioned for the approval of Resolution 2015-042. Jody DePree Vanderwel seconded the motion. The motion carried: 8 ayes; 0 nays; 0 recused.

BUSINESS GROWTH

Resolution 2015-043 – Sakthi Automotive – MBDP Grant & Renaissance Zone

Marcia Gebarowski, Development Finance, provided the Board with information regarding this action item.This is request from the Applicant for a $3,500,000 performance-based grant. This project involves the creation of 350 Qualified New Jobs, and a capital investment of up to $31,865,000 in the City of Detroit, Wayne County. The Company considered incentives available in Georgia, Ohio, and South Carolina which included free land, low-interest construction loans, job creation tax credits and training grants. Incentive packages offered by these states, coupled with lower operating costs including lower property taxes, presented favorable options for the Company. Incentive funds will be used to help offset the higher operating costs, interior site conditions, and need to locate, hire and retain a skilled workforce for its facility in Detroit.

The Sakthi Group is a $1.2 billion industrial conglomerate and one of the fastest growing business groups in South India. The Sakthi Group has a strong market presence in a number of markets with a host of group companies operating under its umbrella. The Company is one of the vertical operations of the Sakthi Group. The Company is a major supplier of critical components to auto OEM's. These components include steering knuckles, brake drums, brake discs, hubs, brake calipers and carriers. The Company plans to produce lightweight aluminum castings that will support major initiatives of their global automotive OEM's to reduce the mass of vehicles to increase fuel efficiency and reduce emissions.

The MEDC and the City of Detroit will also recommend the approval of an MSF-designated Renaissance Zone for the planned expansion proposed by the Company at a later date. Boundaries for the proposed Renaissance Zone would include the Company's current facility as well as the four additional parcels involved in the planned expansion.

Staff Recommendation
MEDC Staff Recommends the approval of the MBDP Grant as outlined in the resolution and terms sheet, as well as the requested Renaissance Zone designation.

Board Discussion
Mr. Arwood asked if there were any questions from the Board. Discussion ensued pertaining to the number, types, location and salary ranges for the anticipated jobs, as well as the sources used for the aluminum required for operations. There being no further questions, Larry Koops motioned for the approval of Resolution 2015-043. Andrew Lockwood seconded the motion. The motion carried: 8 ayes; 0 nays; 0 recused.

Resolution 2014-044 – SMR/City of Marysville – CDBG
Jeremy Webb, Development Finance, provided the Board with information regarding this action item. The County of Saint Clair is requesting $2,000,000 in Community Development Block Grant (CDBG) funds for on the job training needed for the SMR Automotive Systems USA, Inc. (SMR) expansion project in Marysville, Michigan. The Applicant expects that this project could result in private investment of $18,681,239 and the creation of 200 jobs. The Company was considering sites in South Carolina, Alabama, and Missouri as each have offered SMR incentives combining tax credits, building assistance and staffing programs. In addition, the Company would save in labor costs with the southern states. Furthermore, three of SMR's biggest Original Equipment Manufacturers (OEM) customers Nissan, Kia, and Hyundai would be significantly closer if the Company completed this expansion in the south, thus reducing their logistics costs. In order to help offset the increased cost of labor and logistics by doing this project in Michigan, the Company needs the CDBG assistance.

The Company is a Tier 1 automotive supplier to many major OEM of rear vision systems. The Company's primary market is in North America, but does export a modest level of some existing products to Canada and South America. The Company's current facility in Marysville, Michigan can no longer support the workload needed to meet their production needs. As a result, the Company plans to purchase additional land adjacent to their current campus, and construct an 85,000 square feet facility and a new parking lot for the new employees.

Staff Recommendation
MEDC Staff recommends the approval of CDBG funding of this project as outlined in the resolution.

Board Discussion
Mr. Arwood asked if there were any questions from the Board. Discussion ensued pertaining to the industry competitors, CDBG job requirements, as well as how incentives granted by the MSF may give advantage to these companies against other Michigan companies. There being no further questions, Jody DePree Vanderwel motioned for the approval of Resolution 2015-044. Larry Koops seconded the motion. The motion carried: 8 ayes; 0 nays; 0 recused.

Mr. Anderson exited the meeting at 10:46 am, and reentered at 10:48 am.

Resolution 2015-045 – Norplas Industries, Inc. – MBDP Amendment
Mike Gietzen, Development Finance, provided the Board with information regarding this action item. The amendment request is to modify the grant requirements, and the grant amount to reflect changes to the project. The Company has met the first incentive milestone, but due to an OEM customer cancelling one of the vehicle contracts originally awarded for this facility the Company will not reach the original job creation projections. It is requested that the total Qualified New Job Creation requirement be reduced from 520 to 400. This reduction would eliminate milestone three. Additionally, amending the second milestone due date from December 31, 2014 to June 30, 2015 is requested due to an OEM customer cancelling a vehicle contract awarded to the Company causing delays to the total job creation ramp up. As a result of these modifications, it is requested that the total grant amount be reduced to $1.25 million from $1.7 million.

Staff Recommendation
MEDC Staff recommends the approval of this amendment as outlined in the resolution.

Board Discussion
Mr. Arwood asked if there were any questions from the Board. Discussion ensued pertaining to the scope of the work, which remains unchanged, and the possibility of further amendments. There being no further questions, Mike Zimmer motioned for the approval of Resolution 2015-045. Paul Anderson seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

ACCESS TO CAPITAL

Chris Cook, Capital Access, provided the Board with information regarding two action items.

Resolution 2015-046 – Lutheran Homes of Michigan, Inc. – Bond Inducement
Lutheran Homes of Michigan, Inc. d/b/a Wellspring Lutheran Services, a Michigan nonprofit corporation (“Borrower”) is requesting private activity bond financing to: a) refund outstanding bank debt incurred for the acquisition, construction, furnishing and improving of facilities which provide skilled nursing, memory care, assisted living, rehabilitation services, home health care services and related land and improvements owned and operated by the Borrower or other members of the Wellspring Lutheran Services Obligated Group (as described below) and located in City of Livonia, Frankenmuth Township, Saginaw Township and Comins Township, Michigan.

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. Borrower is a nonprofit, faith-based agency that through its subsidiaries provides skilled nursing, assisted living, home care services and residential living choices to over 1,000 older adults residing in Michigan.

Staff Recommendation
After reviewing the Private Activity Bond application for Borrower, staff recommends the adoption of an Inducement Resolution in the amount $25,000,000.

Board Discussion
Mr. Arwood asked if there were any questions from the Board. Discussion ensued pertaining to the acquisition costs. At this time, Craig Hammond, Bond Counsel, joined the conversation from the audience to help clarify that the MSF is not investing any money in the project. There being no further questions, Larry Koops motioned for the approval of Resolution 2015-046. Jim Walsh seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

Resolution 2015-047 – Master Automatic Machine Company, Inc. – Bond Inducement
Master Automatic Machine Company, Inc. ("Borrower") is requesting private activity bond financing in order to invest in the acquisition of new manufacturing equipment for their Livonia, Michigan facility; specifically new Echo Hill high-precision grinding machines and CNC turning and milling machines. Borrower currently employs 177 people, this project is expected to create 82 jobs over the next three to four years.

Staff Recommendation
After reviewing the Private Activity Bond application for Master Automatic Machine Company, Inc., staff recommends the adoption of an Inducement Resolution in the amount of $3,000,000.

Board Discussion
Mr. Arwood asked if there were any questions from the Board. Discussion ensued pertaining to the reason that the MSF helps secure non-profit bonds for certain types of organizations, and the federal requirements for such assistance. Mark Morante, Fund Manager, provided a brief history on the process and financing benefits. There being no further questions, Jody DePree Vanderwel motioned for the approval of Resolution 2015-047. Larry Koops seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

COMMUNITY VITALITY

Resolution 2015-048 – MSU Grand Rapids Research Center – 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 new local and school tax capture over seventeen years for Michigan Strategic Fund (MSF) eligible activities in the amount of $28,880,350. Michigan State University (MSU) has proposed an investment of $88,000,000 to construct and equip a 163,000 square foot, state of the art biomedical research facility which would create approximately 180 new high wage jobs on the 4.3 acres site. MSU is pursuing a public-private partnership that will include a minimum 600 space parking structure and two buildings that will be at a minimum five-stories in height and will be privately developed. The parking structure would serve both the MSU Research Facility and the two future projects. Currently, the total square footage of buildings on the site is anticipated to be at least 300,000 square feet of office, residential and retail space.

The Brownfield tax increment revenue is needed to offset costs primarily associated with demolition, lead and asbestos abatement and construction of a parking deck. Without the parking deck, the MSU Research Facility would be required to use a majority of the site for surface parking. The vertical deck would allow space for private development on site which is anticipated to generate an additional $30,000,000 to $40,000,000 in private investment.

Staff Recommendation
The Michigan Economic Development Corporation (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 $28,880,350 described above. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at $14,835,836.

Board Discussion
Mr. Arwood asked if there were any questions from the Board. Extensive discussion ensued pertaining to the necessary relationship between the research center and the additional proposed parking structure. It is the developer's contention that without the construction of the vertical parking structure, and the additional space that would be made available for future commercial investment, the parking would solely support the research jobs at the facility and have no potential for further growth. Additionally in working with the City of Grand Rapids, both parties found it beneficial to the community to invest in the structure, as there is a considerable parking need in the area that this would help address. Mr. Walsh contented that it is a risk to build the structure with no secured vendors; if the buildings and investment do not come, he asked, who foots the bill. Paul Anderson clarified by interjecting that the Board would feel this was a less risky venture, if there were already developers making investments in the proposed commercial space within the parking structure, so that they would have a vested interest in its success. There being no further questions, Larry Koops motioned for the approval of Resolution 2015-048. Mike Zimmer seconded the motion. **The motion carried: 7 ayes; 1 nay (Mr. Walsh), 0 recused.**

Resolution 2015-049 & 050 – Moso Village, LLC – MCRP/Brownfield TIF
Rosalyn Jones, Community Assistance Team, provided the Board with information regarding this action item. The project requests use of both the Brownfield Act 381 Program and the Michigan Community Revitalization Program (MCRP) for the proposed development of five parcels located at 110 North Street, 203, 207-209 and 210 John Street, and 105 North Clay Street and surrounding public right-of-ways in the City of Sturgis. The City of Sturgis Brownfield Redevelopment Authority has submitted an Act 381 Work Plan (hereinafter Work Plan) request for the approval of new local and school tax capture over 19 years for eligible activities in the amount of $1,969,950. Eligible activities that will be undertaken to alleviate Brownfield conditions on all five properties and complete the project include infrastructure improvements, demolition, lead and asbestos abatement, and site preparation.

The Sturgis downtown area has seen little growth in the past 50 years and this project has received interest as evidenced by signed Letters of Intent for some of the commercial space. The project includes a financing gap even though the Applicant is investing significantly in the project through a $300,000 cash equity investment, a personal loan of $840,000, and $238,668 for equipment, furniture, fixtures and tenant improvements. The Applicant has secured senior financing in the amount of $2,840,000 including an 80 percent USDA loan guarantee. The MCRP grant will fill the gap and allow the project remain financially feasible and achieve adequate cash flow to meet its debt service requirements once it has reached stabilization.

Staff Recommendation
MEDC Staff recommends approval of local and school tax capture for the Act 381 eligible activities totaling $1,969,950 described above. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at $925,680. Staff also recommends the aproval of a MCRP performance-based grant in the amount of $1,000,000 for Moso Village LLC.

Board Discussion
Mr. Arwood asked if there were any questions from the Board. Discussion ensued pertaining to the need for residential housing within the city, as well as the commercial tenant, its largest customer, and the risk of losing that lease if the building is not improved as proposed. There being no further questions, Paul Anderson motioned for the approval of Resolutions 2015-049 & -050. Andrew Lockwood seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

At this time, business was concluded for the April 28th meeting of the Michigan Strategic Fund. At this time, Jennifer Nelson, Chief Operating Officer for the MEDC, introduced Amanda Bright McCallahan, recently hired at MEDC as the Chief Financial Officer, who will also act as Treasurer to the Michigan Strategic Fund. Following this introduction, Board members reviewed financial information for core programs under their authority (attached). Beth Colosimo, Budget Director, provided insight as to the funding appropriated by the legislature, and the budgeting process.

Mike Zimmer left the meeting at 11:35 am.

Mr. Arwood adjourned the meeting at 11:40 pm.

Michigan Strategic Fund

Appropriation Year 2015 - Appropriations and Commitment information through March 31, 2015

Appn	Appropriation Description	Fund Description	Total Authorization	Expenditures	Encumbrances	PreEncumbrances	Total Committed	Balance
3000	MICHIGAN PROMOTION PROGRAM	21ST CENTURY JOBS PROGRAM	29,000,000.00	5,342,509.29	21,057,047.91	1,080,000.00	27,479,557.20	1,520,442.80
04000	COMMUNITY DEVELOPMENT BLOCK GRANTS	HUD-FEDERAL	47,000,000.00	11,561,292.53	-		11,561,292.53	35,438,707.47
80000	COMMUNITY COLLEGE SK TRDS EQUIP	GENERAL FUND	4,600,000.00	4,600,000.00	-		4,600,000.00	-
20000	INNOVATION AND ENTREPRENEURSHIP	21ST CENTURY JOBS PROGRAM **(Note 1)**	25,000,000.00	2,696,139.42	4,936,128.45	5,650,000.00	13,282,267.87	11,717,732.13
21000	BUSINESS ATTRACTION & ECONOMIC GARDENING	21ST CENTURY JOBS PROGRAM	21,000,000.00	600,845.36	7,190,798.24	-	7,791,643.60	13,208,356.40
21001	GF/GP TRANS BUS ATTRACT & ECON GARDENING	21ST CJF - GF/GP TRANSFER **(Note 2)**	109,000,000.00	3,979,717.56	6,412,541.71	23,275,524.56	33,667,783.83	75,332,216.17
	Note 1. - Authorization will be reduced by $8.5 million in April 2015 for legislative reductions							
	Note 2. - Authorization will be reduced by $10 million in April 2015 for legislative reductions							

Michigan Strategic Fund

Appropriation Year 2014 - Appropriations and Commitments information through March 31, 2015

Appropriation Description	Fund Description	Total Authorization	Expenditures	Encumbrances	PreEncumbrances	Total Committed	Balance	Lapse at 9/30/2014	Work Project Balance Available at 3/31/2015
MICHIGAN PROMOTION PROGRAM	21ST CENTURY JOBS PROGRAM - OPERATIONS	28,500,000	14,263,983	7,781,851	2,285,000	24,330,834	4,169,166	-	4,169,166
COMMUNITY DEVELOPMENT BLOCK GRANTS	HUD-FEDERAL	47,000,000	24,761,560	-		24,761,560	22,238,440	22,238,440	-
INNOVATION AND ENTREPRENEURSHIP	21ST CENTURY JOBS PROGRAM	28,500,000	14,263,983	7,781,851	2,285,000	24,330,834	4,169,166	-	4,169,166
BUSINESS ATTRACTION & ECONOMIC GARDENING	21ST CENTURY JOBS PROGRAM	17,500,000	4,760,888	12,543,101	-	17,303,989	196,011	-	196,011
GF/GP TRANS BUS ATTRACT & ECON GARDENING	21ST CJF - GF/GP TRANSFER	102,500,000	26,550,788	46,991,551	26,111,402	99,653,741	2,846,259	-	2,846,259
		120,000,000	31,311,676	59,534,652	26,111,402	116,957,730	3,042,270	-	3,042,270

Michigan Strategic Fund

Appropriation Year 2013 - Appropriations and Commitment information through March 31, 2015

Appropriation Description	Fund Description	Total Authorization	Expenditures	Encumbrances	PreEncumbrances	Total Committed	Balance	Lapse at 9/30/2013	Work Project Balance Available at 3/31/2015
COMMUNITY DEVELOPMENT BLOCK GRANTS	HUD-FEDERAL	47,000,000	16,771,987	-	-	16,771,987	30,228,013	30,228,013	-
INNOVATION AND ENTREPRENEURSHIP	21ST CENTURY JOBS PROGRAM	25,000,000	15,729,529	7,533,700	-	23,263,229	1,736,771	-	1,736,771
BUSINESS ATTRACTION & ECONOMIC GARDENING	21ST CENTURY JOBS PROGRAM	25,000,000	13,439,856	11,560,144	-	25,000,000	-	-	-
GF/GP TRANS BUS ATTRACT & ECON GARDENING	21ST CJF - GF/GP TRANSFER	75,000,000	36,163,320	33,491,062	3,818,881	73,473,263	1,526,737	-	1,526,737
		100,000,000	49,603,176	45,051,205	3,818,881	98,473,263	1,526,737	-	1,526,737

MBDP Program Balance Projections

Stage A: Offer Issued	$	42,276,500
Stage B: Offer Accepted	$	24,775,000
Stage C: MSF Approved	$	10,989,000
Stage D: Agreement Executed	$	202,027,730
TOTAL	**$**	**285,068,230**
MBDP Project Allocation	$	276,450,000
Disbursed prior to termination	$	1,370,000
MBDP Approved Amount	$	213,016,730
Pipeline	$	72,051,500
Current Balance	**$**	**(9,988,230)**

MBDP Allocation Summary

MBDP Allocation Summary	Allocation	Less 4% Admin	Less 5% Mkt	For Incentives
FY 2012	$ 70,000,000	-	-	$ 70,000,000
FY 2013	$60,000,000	**($2,400,000)**	-	$57,600,000
FY 2014	$ 70,000,000	**($2,800,000)**	**($3,500,000)**	$63,700,000
FY 2015*	$82,800,000	**($3,400,000)**	**($4,250,000)**	$75,150,000
Permanent Fund 2015**	$ 10,000,000	-	-	$10,000,000
Total	**$292,800,000**	**($8,600,000)**	**($7,750,000)**	**$276,150,000**

*Assumes $2.2 million budget reduction

** Permanent fund was used for M1 Rail Project

MBDP Program Balance Projections

Stage A Offer Issued	$47,276,500
Stage B Offer Accepted	$24,775,000
Stage C MSF Approved	$10,989,000
Stage D Agreement Executed	$202,027,730
TOTAL	**$285,068,230**

MBDP Project Allocation	$276,450,000
Disbursed prior to termination	$1,370,000
MBDP Approved Amount	$213,016,730
Pipeline	$72,051,500
Current Balance	($9,988,230)

MBDP Allocation Summary				
MBDP Allocation Summary	**Allocation**	**Less 4% Admin**	**Less 5% Mkt**	**For Incentives**
FY 2012	$70,000,000	NA	NA	$70,000,000
FY 2013	$60,000,000	($2,400,000)	NA	$57,600,000
FY 2014	$70,000,000	($2,800,000)	($3,500,000)	$63,700,000
Permanent Fund*	$10,000,000	NA	NA	$10,000,000
FY 2015**	$82,800,000	($3,400,000)	($4,250,000)	$75,150,000
TOTAL	**$292,800,000**	**($8,600,000)**	**($7,750,000)**	**$276,450,000**

*Permanent fund was used for M1 Rail project

**Assumes $2.2 million budget reduction

PURE MICHIGAN®

MEMORANDUM

Date: June 8, 2015

To: MSF Board

From: Christin Armstrong, Senior Corporate Counsel & Director, Compliance
Dean Wade, Portfolio Manager

Subject: ProNAi Therapeutics, Inc. – Amendment to 2005, 2006 and 2007 Loans

Request

ProNAi Therapeutics, Inc. ("ProNAi" or "Company") is currently contemplating a potential equity financing transaction that it currently expects to complete in mid-summer 2015. In connection with the potential financing, the Company has requested, and MEDC staff recommends, that the MSF (1) exercise its warrant to purchase shares of the Company's Series B Preferred stock; (2) sign an agreement that is required to be signed by all Company stockholders in connection with and a pre-condition to the completion of the proposed financing and that imposes a restriction on transfer of the Company's securities for a specified period of time following the completion of the potential financing, (3) agree to suspend the exercisability of the Put Options (as defined below) during the period prior to and through the completion of the potential financing and (4) agree that all Put Options will expire upon the completion of the potential financing. In exchange, the Company would agree that in the event that the potential financing has not been completed by December 31, 2015 or is abandoned prior to that date, the suspension of the exercisability of the Put Options would be lifted and the MSF would have the right to exercise the Put Options for a period of 120 days following such date or the date of such abandonment. In light of the nature of these requests and the MFS's longstanding support of the Company, the Company also proposes to reimburse the MSF for its external legal expenses in connection with documenting and implementing these modifications in an amount not to exceed $25,000 (items (1) through (4) above, collectively, the "Request").

Company Background

Company Overview

ProNAi is a clinical stage oncology company pioneering a novel class of therapeutics based on its proprietary DNAi technology platform. Its lead product, PNT2258, targets BCL2, a widely overexpressed oncogene that has been linked to many forms of cancer. The Company believes the preliminary evidence of efficacy observed in a recent Phase 2 trial, coupled with safety and tolerability data collected to date, suggest that PNT2258 has the potential to change treatment paradigms across a wide range of oncology indications. In December 2014, the Company initiated Wolverine, a Phase 2 trial for the treatment of third-line relapse or refractory diffuse large B-cell lymphoma, and by mid-2015, it plans to initiate Brighton, a Phase 2 trial for the treatment of Richter's transformed chronic lymphocytic leukemia.

Summary of the MSF Investments

The MSF invested in ProNAi through three separate loans:

- On September 15, 2005, the MSF provided a loan in the amount of $1,735,520 (the "2005 Loan"). The 2005 Loan was later converted in 1,735,520 shares of the Company's Series B Preferred Stock. With the 2005 Loan, the MSF also received warrants to purchase an additional 77,588 shares of Series B Preferred Stock at an exercise price of $1.00 per shares, which warrants will expire upon the Company's initial public offering. The MSF has not yet exercised these warrants.
- On October 19, 2006, the MSF provided a loan in the amount of $3,297,826 (the "2006 Loan"). The 2006 Loan was later converted into 3,297,826 shares of the Company's Series B Preferred stock.
- On December 31, 2007, the MSF provided a loan in the amount of $400,000 (the "2007 Loan"). The 2007 Loan was later converted into 617,812 shares of the Company's Series C Preferred stock.

The 2005 Loan, 2006 Loan and 2007 Loan each contain a put option (collectively, the "Put Options") pursuant to which the MSF may require the Company to repurchase some or all of the shares of preferred stock at fair market value (or, in the case of the 2005 Loan, the lower of $1.50 per share or fair market value) when the Company ceases to have substantially all of its employees located in Michigan (exclusive of sales staff) or ceases to have substantially all of its operations in Michigan (the "Trigger Event").

On April 1, 2015, the Company provided notice to the MSF that a Trigger Event had occurred, because the Company had concluded that it ceased to have substantially all of its employees and operations located within the state of Michigan. As a result, the Put Options are currently exercisable. The Put Options will require the Company to repurchase all or some of the shares at fair market value (for the 2005 award, the lower of $1.50/share or fair market).

<u>Request Rationale</u>
Upon conversion of preferred stock to common stock in connection with the proposed financing, each holder of Series B preferred stock would receive a cash dividend equal to fifty percent (50%) of the accrued but unpaid dividends through the date of conversion. The MSF's dividend would have been approximately $1.7 million as of March 31, 2015. Additionally, each holder of Series C preferred stock would receive a dividend equal to fifty percent (50%) of the accrued but unpaid dividend in the form of common stock upon the occurrence of the proposed financing, at the original issuance price of the Series C shares (in this case, $.70 per share). The MSF would receive approximately 37,000 shares of the Company's common stock upon the occurrence of the proposed financing. In accordance with ProNAi's Sixth Amended and Restated Certificate of Incorporation, the remaining fifty percent (50%) of the accrued but unpaid dividends are to be forfeited by all investors, including the MSF and the MEDC, in connection with the proposed financing opportunity.

The Company remains committed to maintaining a presence in Michigan for the foreseeable future. As of April 2015, nine of the Company's thirty-two employees (28%) are located in Michigan and the Company has hired six new employees in the last year. The Company has renewed its lease for lab and office space in Plymouth at the Michigan Life Science Innovation Center ("MLSIC"). MLSIC will continue to serve as the Company's US headquarters. During the first quarter of 2014, the Company opened an additional office in Vancouver, Canada, thus triggering the Put Option. In the event the MSF elects to exercise the Put Option, the Company estimates it would be required to repurchase the MSF's stock for a price of approximately of $4.6 million. The MSF would forgo the dividend. The Company is currently focusing the vast majority of its existing capital and other resources to develop and advance its lead product candidate and to enhance its existing infrastructure to support its future operations. Utilizing its limited cash balances to repurchase the shares from the MSF would represent a significant and unplanned cash outflow that could negatively impact the development activities or require it to raise additional capital beyond what is currently contemplated. In addition and depending on the sequencing and timing of events related to the exercise or non-exercise of the Put Options, the payments or potential payment would also need to be disclosed in marketing materials that the Company will utilize in its discussions with potential investors. The actual or potential use of cash resources to repurchase shares could be negatively perceived by potential investors, which may present challenges related to the potential financing.

Recommendation

MEDC Staff recommends approval of the Request.

MICHIGAN STRATEGIC FUND
RESOLUTION

2015-

APPROVAL OF AMENDMENT TO PRONAI THERAPEUTICS, INC. LOANS

WHEREAS, the Michigan Economic Development Corporation ("MEDC") and ProNAi Therapeutics, Inc. ("ProNAi" or Company") entered into a Convertible Loan Agreement, dated September 15, 2005, whereby the MEDC agreed to loan up to $1,735,520 to ProNAi (the "2005 Loan");

WHEREAS, the 2005 Loan was transferred to the Michigan Strategic Fund ("MSF") pursuant to MCL 125.2088h;

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

WHEREAS, the Act created the Strategic Economic Investment and Commercialization Board (the "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 (the "Commercialization Program");

WHEREAS, the SEIC Board was abolished by Executive Order 2010-8 and all powers, duties and functions of the SEIC Board were transferred to the MSF Board;

WHEREAS, the SEIC Board, the MSF Board and ProNAi entered into a Convertible Loan Agreement, dated October 19, 2006, where by the SEIC Board agreed to loan up to $3,297,826 to ProNAi (the "2006 Loan") under the Commercialization Program;

WHEREAS, at its June 27, 2007 meeting, the MSF Board created the Company Formation and Growth Fund ("CFGF") and capitalized it with $8,026,661 to retain Pfizer assets and talent for advancing life sciences technologies in Michigan;

WHEREAS, the MSF and ProNAi entered into a Loan Agreement, dated December 31, 2007, as amended by Amendment One to the Michigan Strategic Fund Loan Agreement with ProNAi Therapeutics, Inc., dated December 18, 2012, whereby the MSF agreed to loan up to $400,000 to ProNAi (the "2007 Loan") to under the CFGF;

WHEREAS, the MSF and ProNAi entered into a Debt Conversion and Joinder Agreement, dated July 31, 2008, whereby the indebtedness then owing under the 2005 Loan and the 2006 Loan was converted into 1,735,520 shares and 3,297,826 shares, respectively, of the Company's Series B Preferred Stock (the "2008 Conversion Agreement");

WHEREAS, the MSF and ProNAi entered into a Debt Conversion and Joinder Agreement, dated January 10, 2014, whereby the indebtedness then owing under the 2007 Loan was converted into 617,812 shares of the Company's Series C Preferred Stock (the "2014 Conversion Agreement");

WHEREAS, pursuant to Section 2.6 of the 2005 Loan Agreement, Section 2.6 of the 2006 Loan Agreement and Section 2.7 of the 2007 Loan Agreement, the MSF has the right but not the obligation to sell the capital stock received by the MSF under the 2008 Conversion Agreement or the 2014 Conversion

Agreement (the “Put Options”) if the Company ceases to have substantially all of its employees (exclusive of sales staff) operations located within the State of Michigan (the “Trigger Event”);

WHEREAS, upon the occurrence of a Trigger Event, the MSF has the right exercise the Put Option in accordance with the terms and conditions of the applicable of the 2008 Conversion Agreement and the 2014 Conversion Agreement;

WHEREAS, by letter dated April 1, 2015, the Company notified the MSF of the occurrence of a Trigger Event;

WHEREAS, ProNAi has requested that the MSF approve the following requests (collectively, the “Request”):

1) Exercise the warrant to purchase Series B shares of the Company’s preferred stock;
2) Suspend its exercise of the Put Options during the period prior to and through the completion of a proposed financing;
3) Agree that the Put Options expire upon completion of the proposed financing;
4) In the event the proposed financing has not been completed by or is abandoned before December 31, 2015, the Put Options be reinstated and exercisable by the MSF for a period of 120 days following such date or the date of abandonment of the proposed financing;

WHEREAS, the MEDC has reviewed the Request and has determined that the Amendment Request presents the best opportunity for the MSF to maximize the return on its investments in ProNAi and also contribute to economic development in the State of Michigan through ProNAi’s continued growth;

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

WHEREAS, based on the recommendation of the MEDC, the MSF Advisory Committee recommends that the MSF approve the Request; and

WHEREAS, the MSF has determined that the Request would maximize the return on its investments in ProNAi and also contribute to economic development in the State of Michigan through ProNAi’s continued growth.

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan
June 8, 2015

MEMORANDUM

Date: June 8, 2015

To: Michigan Strategic Fund Board

From: Fredrick Molnar, Biotech Venture Director, Entrepreneurship & Innovation, MEDC

Subject: Support for Michigan's Entrepreneurial Biotech Community

Action

The MEDC requests that the MSF Board approve the support for Michigan's Entrepreneurial Biotech Community ("MEBC") Request for Proposals ("RFP") in the amount of $2,750,000 over three years. The purpose of this MEBC RFP is to award a grant to a non-profit organization that will create a consortium for the Michigan biotech and medical device industry, and recommend to the Michigan Land Bank Fast Track Authority that it sell or transfer ownership of the Michigan Life Science and Innovation Center (MLSIC) in Plymouth, MI.

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

- Issue RFP to the Public: June 10, 2015
- Questions due from the Public: June 26, 2015
- Answers posted to the MEDC web page: July 10, 2015
- Applications Deadline: August 14, 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:

- Roger Newton, Executive Chairman and Chief Scientific Officer, Esperion Therapeutics
- Pamela Lewis, Senior Program Officer, New Economy Initiative (NEI)
- Fredrick Molnar, Biotech Venture Director, Entrepreneurship & Innovation, MEDC
- Margaret McCammon, Portfolio Manager, Entrepreneurship & Innovation, MEDC

Background

Michigan's medical device industry is expanding with expertise located throughout both peninsulas. Since the knowledge is scattered state wide, bringing the talent and resources together could enable a medical device product to go from idea to commercialization without ever leaving the state. A Michigan Medical device and biotech consortium could act as a central repository for all things medical device and biotech related. This collaboration across the state should boost medical device innovation and formation by leveraging all of the resources spread across Michigan.

The Michigan Life Science Innovation Center in Plymouth, MI is a successful institution that currently houses 20 life science companies employing 160 people. It is owned by the Michigan Land Bank Fast Track Authority, however, the MEDC assumed management of the facility in the fall of 2012 when it was acquired from Ann Arbor Spark. The facility's wet lab space is currently 95% occupied. The transfer of ownership and all responsibilities (financial, operation, etc.) to the grantee may be recommended.

Recommendation

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

1) Allocation of $2,750,000 for the program;
2) Approval of the RFP attached as Exhibit A to the resolution;
3) Recommendation of sale or transfer of ownership of the Michigan Life Science and Innovation Center (MLSIC) in Plymouth, MI to the award winner;
4) Approval of the proposed Joint Evaluation Committee (JEC) members;
5) Approval of the scoring and evaluation criteria attached as Exhibit B.

EXHIBIT A

<u>REQUEST FOR PROPOSALS</u>

<u>Michigan Strategic Fund</u>

<u>Support for Michigan's Entrepreneurial Biotech Community</u>

<u>RFP-CASE- 00136794</u>

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- 00136794" 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

- **June 26th, 2015 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.

- **July 10th, 2015, by close of business**: Responses to all qualifying questions will be posted on the MSF's website, http://www.michiganbusiness.org/public-notices-rfps/

- **August 14th, 2015, at 3:00 p.m.:** Electronic versions of your Proposal for program areas 1 through 3 due to the MSF via email to contractsandgrants@michigan.org.

Table of Contents

REQUEST FOR PROPOSAL
OPERATION OF THE MICHIGAN LIFE SCIENCES INNOVATION CENTER
RFP-CASE- 00136794

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. The MSF 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 Applicants or their representatives. Applicant's sole point of contact concerning the RFP is below and any communication outside of this process may result in disqualification.***

Contracts and Grants
Michigan Strategic Fund
300 North Washington Square, 3rd Floor
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 Support Services Request for Proposals (the "ESS RFP"), the MSF Board desires to allocate up to $2.75 million ("Award Amount"), disbursed over up to 3 years to non-profit organizations/Michigan universities that provide entrepreneurial support services and programs AND fulfill the ELIGIBILITY and QUALIFICATIONS below, and recommend the sale of the Michigan Life Science and Innovation Center based at 46701 Commerce Center Drive, Plymouth, MI 48170 ("MLSIC").

B) <u>BACKGROUND STATEMENT AND OBJECTIVES</u>

Since 2011 the MSF has provided funding to entrepreneurial support service providers to stimulate the creation and continued growth of technology-based businesses and jobs by capitalizing on the State of Michigan's growing base of high technology industry, its skilled labor force, its nationally recognized university system, its SmartZones, and its business incubators. The MSF through this RFP continues to encourage this activity.

Funding (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.

MLSIC is a 67,000+ square foot life science incubator complete with state-of-the-art labs, well-appointed offices and conference rooms, a loading dock, ample parking, and every possible business amenity. A group of entrepreneurs and economic development agencies strive at MLSIC to make Michigan a hub for the life sciences. Tenants include not only start-ups but business accelerator organizations and life science leaders. MLSIC provides plenty of opportunities for networking, mentoring and expertise sharing. MLSIC is owned by the Michigan Land Bank Fast Track Authority ("Land Bank") and operated by the Michigan Economic Development Corporation ("MEDC"). The sale of MLSIC to non-profit organizations/universities in conjunction with the award will be considered through a competitive process in which all submitted proposals will be reviewed by a JEC and a recommendation may be made to the Land Bank and MEDC.

C) <u>ELIGIBILITY</u>

Support for Michigan's Entrepreneurial Biotech Community

Michigan's medical device industry is expanding with expertise located throughout both peninsulas. Since the knowledge is scattered state wide, bringing the talent and resources together could enable a medical device product to go from idea to commercialization without ever leaving the state. A Michigan medical device and biotech consortium ("consortium") could act as a central repository for all things medical device and biotech related. This collaboration across the state should boost medical device innovation and formation by leveraging all of the resources spread across Michigan.

Three (3) year funding total of up to $2,750,000

Present a plan of action via a phased in approach that clearly responds to the requirements listed as items 1- 20 below. Each of the 20 items listed must have the following information as part of the response. (See Exhibit A for template example response)

- o *Who will fulfill request within the consortium*
- o *How it will be implemented*
- o *Implementation time-line*
- o *Estimated cost of implementation*
- o *Metric used to define successful outcome*
- o *Detailed description*

1. Create an RFP response committee that represents all geographical areas of Michigan and industry sectors related to medical devices and biotech. State clearly who is on the RFP committee.
2. Appoint an executive(s) (must reside in Michigan) that will lead the consortium(s) and act as the primary spokesperson and liaison between industry, university and economic development agencies in the state.
3. Create a permanent oversight/advisory board that the consortium executive(s) reports to. This board should represent diverse geographic regions of the state and be composed of industry (startup, mid and mature public), research institution and local economic development so there is balanced representation from all sectors and areas across the state.
4. Create a database or digital library of all medical device and biotech information and capability across the state that would be shared with members of the consortium (for example, med device manufacturing resources, fermenters, contract research organizations, etc.).
5. Submit a plan for industry and university research outreach to better link both segments to leverage each other and to facilitate university tech transfer and corporate collaboration.
6. Submit a plan to align the medical device engineering, design and manufacturing sector with the current manufacturing sector of the state (i.e. repurpose or diversify auto parts manufacturing capability, etc.)
7. Submit a financial plan that shows how the consortium will become financially self-sufficient as an industry supported entity in three to five years.
8. Submit a plan on how the consortium would help current existing medical device and biotech companies expand or relocate to Michigan.
9. Create a plan for branding and marketing of the consortium.
10. Develop a plan to facilitate navigating the process of applying for federal approval of products/processes where necessary.
11. Create a user guide (who, what, where, when, why and how) for new Michigan medical device and biotech companies to help them navigate through the initial phases of startup.
12. Create a plan on how the consortium will train/inform members in any new FDA regulatory mandates or healthcare specific legislative changes.
13. Create a plan to enhance education, training, certification and workforce development programs to provide talent that can be established, retained and attracted to the state in the medical device and biotech sector.
14. Define the service providers that can assist firms with insurance reimbursement, applying for grants, loans and other financing, and helping create connections with investors.
15. Define where the medical device and biotech shortcomings exist in the state and help the state to fill those shortcomings.
16. Create a consortium website.
17. List expected participation in trade shows, trade missions and other national and international outreach programs.
18. Provide market research on behalf of members to assist them in their marketing and business development efforts.
19. Create a long term (10+ years) biotech and medical device plan that focuses on the resources, capabilities, talent and expertise in the state.
20. Describe how the consortium would utilize and incorporate MLSIC to enhance its proposal. State the consideration being offered in exchange for ownership of MLSIC. Priority or weight will be given to the consortium that offers to purchase MLSIC (may not be with funds from the Award Amount). If the MSF recommends that MLSIC be sold or transferred such will occur by quit claim deed from the Land Bank. Any sale or transfer of MLSIC will be upon the following conditions:
    a. MLSIC must remain a non-profit life science incubator for perpetuity.

b. Consortium will take full responsibility for running all aspects of MLSIC. This includes all financial obligations (gathering tenant income, building operating expenses) and all building operational issues. Consortium will assume all contracts and leases.
c. “As is” sale or transfer with no warranties or representations by the Land Bank.

21. Omitted items (optional). Define any other items or projects that are not listed in items 1- 20 above that should be included as part of the consortium response.

Exhibit A: Example of response or similar:

Time Line

Phase 1	Oct 1, 2015 – Dec 30, 2015
Phase 2	Jan 1, 2015 – March 31, 2016
“	“
“	“
“	“
“	“
Phase X	July 1, 2017 – Sept 30, 2017 (final Phase date example only)

Required Response	Who will fulfill request within the consortium	How it will be implemented	Implementation Time-line	Estimated cost of implementation	Metric used to define successful outcome	Detailed response
#1	John Doe	Direct contact	Phase 1	N/A	RFP committee formed and active	See Note 1 below
“	“	“	“	$x,xxx	“	“
“	“	“	“	$x,xxx	“	“
#16	Director and Oversight Committee	Outside web design team	Phase 2 and Phase 3	$xx,xxx	Website completed and …….	See Note 16

Note 1: RFP Committee members are: Jane Doe, Smith Biotech Institute, Detroit, MI
John Doe, Jones Medical Device Company, Adrian, MI

Note X: “

Note 16: Will choose Michigan based web design group that ………………..

D) <u>QUALIFICATIONS AND AWARD INFORMATION</u>

IF APPLICANT IS ELIGIBILE UNDER THE ELIGIBILITY CRITERIA LISTED ABOVE, APPLICANT MUST ALSO FULFILL the following criteria:

- **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.

- **Leverage and Match**

The MSF Board encourages applicants to leverage other resources as a condition of the award. The proposal must provide specific financial or in-kind contribution committed to, or available for, the direct support of the proposed plan to reach the required 1:1 match. Cash match is favored. Other State of Michigan grant funds are not eligible to meet the match requirement. Letters of financial commitment and proposal support are not required in the proposal though may be requested during the award process.

- **Award and Grant Agreements**

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.

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 PROCESSS THROUGH THE APPROVAL OF THE MSF BOARD APPROVAL. Applicant's proposal must be submitted in the format outlined below. There should be no attachments, enclosures, or exhibits other than those required in the RFP or considered by the Applicant to be essential to a complete understanding of the proposal. All proposals must be signed by an individual authorized by the Applicant to submit the application on its behalf. 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. Also include 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**
- **THE TERM (up to 3 years)**
- **THE PURPOSE OF THE FUNDING**
- **TARGETED NUMBERS FOR:**
  - **Companies Created**
  - **Jobs Created**
  - **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 and be sustainable.

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

B) PROPOSAL SUBMITTAL

Submit an electronic version of your proposal (one document that includes contact page, check list page and proposal) to the MSF via email to contractsandgrants@michigan.org not later than **3:00 p.m. on August 14th 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- 00119303” 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 June 26th, 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 August 14th, 2015 to contractsandgrants@michigan.org** 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 e-mail address.

C) ECONOMY OF PREPARATION

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

D) <u>SELECTION CRITERIA</u>

Responses to this RFP will be evaluated based upon a two-step review 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) <u>Step I – Initial evaluation for compliance</u>

   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
   - Purchase of MLSIC
   - Economic impact – Expected number of businesses created, 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) <u>Step II – Criteria for Satisfactory Proposals</u>

   a.) During the second step of the selection process, proposals will be considered by a JEC comprised of individuals selected by the MSF. Only those proposals that satisfy the technical 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.

		Weight
1.	ELIGIBILITY	Yes or No
2.	Executive Summary	5
3.	Purpose	10
4.	Past Experience	10
5.	Team	15
6.	Milestones/Deliverables	10
7.	Budget	10

8	Purchase of MLSIC	15
9.	Economic Impact	15
10.	Preferences	10
	TOTAL	**100**

c.) Statutorily-required preferences and additional preferences –

a. Contributes to the development of economic diversification or the creation of employment opportunities in this state.
b. Promotes collaborations between institutions of higher education, Michigan nonprofit research institutions, Michigan nonprofit corporations, and qualified businesses.
c. Meets 1 or more of the following: (i) Forecasts revenues within 2 years; (ii) Has outside investments from investors with experience and management teams with experience in the industry targeted by the proposal; and (iii) Has outside directors with expertise in the industry targeted by the proposal.
d. Is contributing a cash match.
e. Is able to leverage outside funding sources to reduce overhead expenses.

d.) 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.

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.

Except 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 Applicant must disclose, in an exhibit to the proposal, any possible conflicts of interest that may result from an award under this RFP.

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

1. Giving or offering a gratuity, kickback, money, gift, or anything of value to an official,

officer, or employee of the MSF or the MEDC with the intent of receiving an award 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 award, any contractual, financial, business or other interest, direct or indirect, that would conflict in any manner or degree with Applicant's performance of its duties and responsibilities to the MSF under the award or otherwise create the appearance of impropriety with respect to the award or performance of the award; or

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

G) BREACH OF CONTRACT

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

H) FALSE INFORMATION

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

I) DISCLOSURE

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

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 http://www.michiganbusiness.org/public-notices-rfps/.

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 August 14th, 2015 for program areas 1 through 3.** 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 application process or in any proposal;
3) reissue the RFP;
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
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) PROTEST PERIOD

If an Applicant wishes to initiate a protest of the award recommendation, the Applicant must submit a protest in writing by 5:00 p.m. within five (5) calendar days from the date of the notice of award sent by the MSF. The written protest should include the RFP number, clearly state the facts believed to constitute an error in the award recommendation, and describe the desired remedy. Only the information provided within the protest period will be considered in arriving at a decision. The MSF is not required to take into consideration any material filed by any party after the protest deadline. The MSF President will provide a written decision to the protesting party after investigating the matter or, if more information is needed, will schedule an informal meeting before issuing a decision. This decision is final.

To maintain the integrity of the procurement process and to ensure that procurements are received without undue delay, protests requesting a waiver of the following omissions and requirements cannot be granted:

1. Failure of an Applicant to properly complete proposal submission instructions;
2. Failure of an Applicant to submit the proposal by the due date and time;
3. Failure of an Applicant to provide samples, descriptive literature or other required documents by the date and time specified;
4. Failure of an Applicant to submit a protest within the time stipulated in the RFP.

In fairness to Applicants who meet the RFP specifications and to prevent delays in program implementation, the MSF will not withdraw an award or re-evaluate proposals when a protest maintains that the RFP specifications were faulty.

N) 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 or the MEDC that are otherwise available.

O) ADDITIONAL CERTIFICATION

Pursuant to Public Act 517 of 2012, an Iran linked business is not eligible to submit an application or proposal to a request for proposal issued by a public entity.

Applicants must include the following certification in the 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.

Exhibit B

Proposal Evaluation Form

Support for Michigan's Entrepreneurial Biotech Community RFP

Name of Applicant: ____

Name of Reviewer: ____

Criteria	Reviewer's Comments	Points
Eligibility: Non-profit proposing state wide plan.		Yes/No: ________

Executive Summary:
Overview
• NAME OF THE APPLICANT ORGANIZATION
• ELIGIBILITY CRITERIA
• AMOUNT OF FUNDS REQUESTED
• AMOUNT OF MATCHING FUNDS
• TERM
• PURPOSE
• The TARGETED NUMBERS FOR:
    o Companies Created
    o Jobs Created
    o Increase Investment/Revenue
		Max. Possible Points: 5
		
		Score: ________

Purpose: a) The Applicant must clearly indicate whether the organization is a non-profit. b) Present a plan of action via a phased in approach that clearly responds to the requirements listed as items 1- 20 in the RFP.		Max. Possible Points: 10 **Score:** ________
Past Experience: • The Applicant should indicate past experience with biotech, medical device and business incubation.		Max. Possible Points: 10 **Score:** ________
Team: • Identified key players • Identified collaborators		Max. Possible Points: 15 **Score:** ________
Milestones/Deliverables: • Identified meaningful milestones/deliverables • Achievable and leading to economic impact		Max. Possible Points: 10 **Score:** ________
Budget: • Identified meaningful budget for proposal • Clearly identified any match • Organization budget clearly indicates need for funding • Indicates how and when will achieve sustainability		Max. Possible Points: 10 **Score:** ________
Purchase of MLSIC		Max. Possible Points: 15 **Score:** ________

Economic Impact:
• Realistic assumptions and expectations based on industry knowledge and past reported performance
• Identified targeted metrics:
    o Companies Created
    o Jobs Created
    o Increase Investment/Revenue
		Max. Possible Points: 15
		
		Score: ________

Preferences: • Contributes to the development of economic diversification or the creation of employment opportunities in this state • Promotes collaborations between institutions of higher education, Michigan nonprofit research institutions, Michigan nonprofit corporations, and qualified businesses • Meets 1 or more of the following: (i) Forecasts revenues within 2 years; (ii) Has outside investments from investors with experience and management teams with experience in the industry targeted by the proposal; and (iii) Has outside directors with expertise in the industry targeted by the proposal. • Is contributing a cash match • Is able to leverage outside funding sources to reduce overhead expenses.		Max. Possible Points: 10 **Score: ________**
Total Score:		Max. Possible Points: 100 **Score: ________**

MICHIGAN STRATEGIC FUND
RESOLUTION

2015-

BIOTECH CONSORTIUM REQUEST FOR PROPOSALS AND FUNDING ALLOCATION

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

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

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

WHEREAS, the MSF has reviewed a RFP form, which includes provisions required by the Act and establishes a competitive proposal process for awarding a grant to non-profit organizations/universities for a medical device and biotech consortium to provide entrepreneurial support services and stimulate the creation and continued growth of technology-based businesses and jobs (the "Biotech Consortium RFP"). A copy of this RFP form is attached to this Resolution;

WHEREAS, the MSF desires to initiate the competitive proposal process to award grant(s) to a medical device and biotech consortium and authorizes the issuance of the Biotech Consortium RFP; and

WHEREAS, the MEDC recommends and the MSF Board wishes to allocate $2.75 million for the Biotech Consortium RFP.

NOW, THEREFORE, BE IT RESOLVED, that the MSF approves the attached Biotech Consortium RFP and authorizes its issuance;

BE IT FURTHER RESOLVED, that the MSF Board allocates $2.75 million for the Biotech Consortium RFP; and

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

Ayes:

Nays:

Recused:

Lansing, Michigan
June 8, 2015

MICHIGAN STRATEGIC FUND
RESOLUTION

2015-

APPROVAL OF THE JOINT EVALUATION COMMITTEE AND SCORING AND EVALUATION CRITERIA FOR THE BIOTECH CONSORTIUM REQUEST FOR PROPOSALS

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

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

WHEREAS, on June 8, 2015, the MSF issued a Request for Proposals ("RFP") to make grants to a biotech consortium to stimulate the creation and continued growth of technology-based businesses and jobs (the "Biotech Consortium RFP");

WHEREAS, the Act requires that proposals received in response to the Biotech Consortium RFP be reviewed by a joint evaluation committee ("JEC");

WHEREAS, the MEDC recommends and the MSF desires to appoint the following individuals to the JEC for the Business Incubators RFP:

- Roger Newton, Executive Chairman and Chief Scientific Officer, Esperion Therapeutics
- Pamela Lewis, Senior Program Officer, New Economy Initiative (NEI)
- Fredrick Molnar, Biotech Venture Director, Entrepreneurship & Innovation, MEDC
- Margaret McCammon, Portfolio Manager, Entrepreneurship & Innovation, MEDC

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan
June 8, 2015

PURE MICHIGAN®

MEMORANDUM

Date: **June 8, 2015**

To: **Michigan Strategic Fund ("MSF") Board Members**

From: **Mike Gietzen, Development Finance Manager**

Subject: ***Marada Industries Inc. dba Cosma Body Assembly Michigan ("Company" or "Applicant")***
Michigan Business Development Program Performance-based Grant Request

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Summary

This is a request from the Applicant for a $1,600,000 Performance-based grant. This project involves the creation of 250 Qualified New Jobs and a capital investment of up to $56,088,000 in the Charter Township of Lyon located in Oakland County, Michigan.

Marada Industries Inc. has been awarded a contract from a major OEM to manufacture and supply underbody structural components. The Company is also evaluating sites in Ontario, Ohio, and South Carolina for this project. The Company has indicated that operating costs and energy costs have made Michigan less competitive place to do business compared to Ontario, Ohio, and South Carolina. The proposed Michigan Business Development Program Performance-based Grant incentive package will help offset the higher operating cost in Michigan over the other competing states.

Background

Marada Industries Inc. dba Cosma Body Assembly Michigan is a subsidiary of Magna International, Inc. Magna International, Inc. and its subsidiaries design, develop, and manufacture automotive systems, assemblies, modules and components, and engineers and assembles complete vehicles, primarily for sale to the car and light truck OEMs. Magna operates 27 manufacturing facilities and 11 engineering, product development, and sales centers in Michigan, employing more than 10,000 people.

The Applicant plans to construct a new 150,000 square foot manufacturing facility on 32 acres to supply underbody structural components to a major OEM in the Charter Township of Lyon within Oakland County, Michigan. The Company has estimated a capital investment of $56,088,000 in land cost, building construction, leasehold improvements, annual lease cost, furniture and fixtures, computers, machinery and equipment, and pollution control equipment with the creation of 250 jobs related to the project.

Magna International, Inc. and its subsidiaries have received incentives from the MSF in the past and are in good standing.

Dieomatic Inc. DBA P&F Systems was awarded a $690,000 Michigan Business Development Program Grant by the Michigan Strategic Fund on September 28, 2012.

Dieomatic Inc. DBA Cosma Casting Michigan was awarded a $1,600,000 Michigan Business Development Program Grant by the Michigan Strategic Fund on January 23, 2013.

Magna Mirrors of America, Inc. DBA Magna Sealing and Glass Systems was awarded a $1,200,000 Michigan Business Development Program Grant by the Michigan Strategic Fund on September 27, 2012.

Magna Seating of America, Inc. was awarded a $732,000 Michigan Business Development Program Grant by the Michigan Strategic Fund on March 26, 2012.

Norplas Industries, Inc. was awarded a $2,000,000 Michigan Business Development Program Grant by the Michigan Strategic Fund on January 23, 2013.

Magna Exteriors and Interiors USA, Inc. was awarded a job creation MEGA Tax Credit for its Howell, Michigan facility on June 14, 2011.

Magna Exteriors and Interiors USA, Inc. was awarded an $822,000 Michigan Business Development Program Grant by the Michigan Strategic Fund on January 29, 2014.

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

<u>Considerations</u>

a) The Applicant is a “Qualified Business”, as defined in MCL 125.2088r(9)(b), that will locate and operate in Michigan.
b) The project will be located in the Charter Township of Lyon. The Charter Township of Lyon has offered a “staff, financial, or economic commitment to the project” in the form of a property tax abatement related to the project. In addition to the local tax abatement a 6-mill State Education Tax Abatement is being offered by the state with an estimated value of $769,000.
c) The Applicant has demonstrated a need for the funding. The Company has indicated that operating costs and energy costs have made Michigan less competitive place to do business compared to Ontario, Ohio, and South Carolina.
d) The Applicant plans to create 250 Qualified New Jobs above a statewide base employment level of 0.
e) Pursuant to the program guidelines, the following was taken into consideration for the proposed project: involves out-of-state competition from Ontario, Ohio, and South Carolina, the Company is level of investment is estimated at $56,000,000, the project is shovel-ready with the support of the MSF, the project has strong links to Michigan suppliers and customers and the project results in a positive ROI for Michigan

<u>Recommendation</u>
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.

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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: 5/18/2015

1. Company Name:	Marada Industries Inc. dba Cosma Body Assembly Michigan ("Company" or "Applicant")		
2. Company Address:	750 Tower Drive Troy, Michigan 48098		
3. Project Address ("Project"):	TBD New Hudson, Michigan 48165		
4. MBDP Incentive Type:	Performance Based Grant		
5. Maximum Amount of MBDP Incentive:	Up to $ $1,600,000 ("MBDP Incentive Award")		
6. Base Employment Level	0	The number of jobs currently maintained in Michigan by the Company based on data submitted by the Company to the MEDC reflecting the Company's statewide employment level in Michigan prior to the proposed project. 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)*	250	The minimum number of total Qualified <u>New</u> Jobs the Company shall be required to create in Michigan (above the Base Employment Level), in addition to satisfying other milestones if applicable, to be minimally eligible to receive the full amount of the MBDP Incentive Award. Each Qualified New Job must be performed for consideration by a Michigan resident (whose Michigan income taxes are withheld as required), and each Qualified New Job must be in excess of	

	the Base Employment Level. The final terms and conditions of the requirements for the minimum 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:**	February 6, 2015 (Date of the accepted Offer Letter)
8. **Company Investment:**	$56,088,000 in land cost, new constructions, leasehold improvements, annual lease cost, furniture and fixtures, computers, machinery and equipment, and pollution control equipment *or any combination thereof, for the Project.*
9. **Municipality supporting the Project:**	Charter Township of Lyon

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

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

a. **Disbursement Milestone 1:**	Up to $130,000	Upon demonstrated creation of 20 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 $830,000	Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 130 additional Qualified New Jobs (for a total of 150 Qualified New Jobs) above the Base Employment Level, by no later than December 31, 2016.
c. **Disbursement Milestone 3:**	Up to $640,000	Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, and upon demonstrated creation of 100 additional Qualified New Jobs (for a total of 250 Qualified New Jobs) above the Base

Employment Level, by no later than December 31, 2017.

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

12. Repayment Provisions:

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

13. Reporting Requirements:

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

14. Public Announcements:

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

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

If the Company is interested in the MEDC pursuing a recommendation to the MSF for a possible MBDP Incentive Award for the Company along the above parameters, please sign and date this Term Sheet. If the MEDC does not receive the signed Term Sheet from the Company by May 21, 2015, the MEDC may not be able to proceed with any recommendation to the MSF.

Acknowledged as received by:

Marada Industries Inc.		Michigan Economic Development Corporation	
By:	[signature]	By:	[signature]
Printed Name:	FRANK W. ERVIN III	Printed Name:	Michael Gietzen
Its:	DIRECTOR GOVERNMENT AFFAIRS	Its:	DFM
Dated:	5-18-2015	Dated:	5/18/2015

MICHIGAN STRATEGIC FUND

RESOLUTION 2015-

APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT TO MARADA INDUSTRIES INC. DBA COSMA BODY ASSEMBLY MICHIGAN

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, Marada Industries Inc. dba Cosma Body Assembly Michigan ("Company") has requested a performance based MBDP grant of up to $1,600,000 ("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
June 8, 2015

MEMORANDUM

Date: **June 8, 2015**

To: **Michigan Strategic Fund ("MSF") Board Members**

From: **Stacy Bowerman, Senior Project Manager**
Brent Morgan, Manager, Brownfield and Community Revitalization Programs
Dan Wells, Brownfield Program Senior Specialist

Subject: **Ferrous CAL Co. ("Company" or "Applicant")**
Michigan Business Development Program Performance-based Other Economic Assistance

County of Wayne- Ferrous CAL Co.
Community Incentive Program- Act 381 Work Plan Approval

Summary
This is a request from the Applicant for a Michigan Business Development Program ("MBDP") Performance Based Other Economic Assistance and a Brownfield Act 381 Work Plan for the project located in the City of Gibraltar, Wayne County.

The Applicant has demonstrated a need for the funding. In addition to evaluating locations in Michigan, the Company also evaluated locations in Cleveland and Toledo, Ohio. The Ohio locations offered suitable land, preexisting infrastructure, financial incentives, and close proximity to another company owned location. The Gibraltar site under consideration is a vacant industrial site in need of substantial Brownfield remediation activity and rail upgrades. Incentive assistance is necessary to finance the Brownfield costs, which could not otherwise be financed through conventional means.

The Applicant is requesting approval of a MBDP Performance-based Other Economic Assistance in the amount of $6,000,000. This project involves the creation of 25 Qualified New Jobs, with the potential for up to 100 total jobs as a result of the project, and a Qualified Investment of $6,500,000, with a total capital investment of up to $50,200,000 in the City of Gibraltar, Wayne County. A portion of the incentive assistance, up to $5,500,000, will be repaid to Michigan Strategic Fund (MSF) utilizing the tax increment revenue generated by the redevelopment of the property. The determination of the amount to be repaid will be computed at the end of 2020 after a $500,000 credit is applied for 25 Qualified New Jobs and a $20,000 credit is given to each additional job created over the 25 required jobs. The Term Sheet included in the resolution outlines the structure in more detail. Interest on the outstanding MBDP will be calculated at one percent per annum with accrual to commence January 1, 2020.

The Wayne County 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 $4,511,454. Eligible activities that will be undertaken to alleviate Brownfield conditions on the property and complete the project include demolition, lead and asbestos survey and abatement, site preparation activities, infrastructure improvements, interest and Brownfield work plan. Tax income revenue captured as a result of the Work Plan approval will be used to repay a portion of the MBDP.

Background

The Applicant is a newly formed affiliate of Ferragon Corporation ("Ferragon"). Ferragon, established in 1983, is a leading provider of toll processing services for hot-rolled and cold-rolled steel with operations in Michigan, Ohio, Kentucky and Mississippi. There operations require vast logistical advantages including dedicated trucking services, rail connections, and access to water ports.

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

The Michigan Economic Development Corporation (MEDC) legal unit has completed a civil and criminal background check for the entity and individuals related to this project.

The Applicant was formed for the purpose of purchasing, installing, and operating a continuous annealing facility in Northwestern Ohio or Southeastern Michigan area. The new facility involves the processing of customer owned steel coils through a state of the art hydrogen quenched continuous annealing line designed to create advanced high-strength steels. These grades of steel are in demand by the auto industry as a means of reducing vehicle weights to meet government mandated requirements.

The Applicant plans to redevelop an underutilized, largely vacant property for reuse as a productive industrial site located at 28000 West Jefferson Avenue in Gibraltar, Michigan. Portions of the property are currently under consideration for listing on the Environmental Protection Agency's National Priorities List (NPL), but Federal cleanup activities on the site will not affect proposed operations as they will be restricted to the adjacent leachate lagoons and landfills. The redevelopment of the building will include abatement of lead, asbestos, and hazardous materials, selective demolition, infrastructure improvements and site preparation related to removing uncontaminated fill and stabilizing adjacent building foundations. The overall project will rehabilitate the existing 600,000 square foot industrial mill and install new equipment to allow for productive reuse of the property. Once cleanup is complete, the Applicant intends to create jobs related to the processing of high-strength steels. The remainder of the property is expected to attract other related businesses operations.

a) The project is located within the boundaries of the City of Gibraltar, which is a Qualified Local Governmental Unit, and has been deemed 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 County of Wayne on April 2, 2015 and concurred with by the City of Gibraltar on March 9, 2015.

In addition to MSF support, the Michigan Department of Environmental Quality (MDEQ) anticipates approval of a $2,245,000 grant/loan under their Brownfield remediation programs as well as approval of a Work Plan for MDEQ eligible activities. The Michigan Department of Transportation (MDOT) also anticipates approval of funding for rail enhancement activities.

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 MBDP Proposal as outlined in the attached term sheet (collectively, "MBDP Proposal");
    a. 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
    b. Commitment will remain valid for 120 days with approval for MSF Fund Manager to extend the commitment an additional 60 days.

b) Approval of local and school tax capture for the Act 381 eligible activities totaling $4,511,454 described above. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at $1,985,040.

APPENDIX A

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

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

Considerations

a) The Applicant is a "Qualified Business", as defined in MCL 125.2088r(9)(b), that will locate and operate in Michigan.
b) The project will be located in the City of Gibraltar. The City of Gibraltar has offered a "staff, financial, or economic commitment to the project" in the form of approval of a Brownfield Plan authorizing local tax capture. The estimated value of the local tax capture is $2,526,414.
c) The Applicant plans to create 25 Qualified New Jobs above a statewide base employment level of 35.
d) The Applicant has demonstrated a need for the funding. The Company also evaluated sites in Cleveland, Ohio and Toledo, Ohio that offered suitable land, infrastructure, financial incentives and close proximity to existing operations. The site under consideration in Michigan will require significant investment to rehabilitate the site. In order for the Company to move forward in Michigan, incentive assistance was required to finance Brownfield activities which could not otherwise be financed through conventional means.
e) Pursuant to the program guidelines, the following was taken into consideration for the proposed project: the project is shovel ready with construction scheduled to commencement June 2015; will redevelop a severely contaminated site in a distressed area; has the potential to attract suppliers; will diversify Michigan's economy bringing new technology and an advanced material to the state; and will utilize Michigan's ports for shipping.

ACT 381 BROWNFIELD TIF STATUTORY CRITERIA:

a) Overall Benefit to the Public:
The public will benefit through the revitalization and reactivation of the site and surrounding area with the presence of a new manufacturing facility that will provide new jobs to the city and significantly increase the property taxes generated from the project.

b) Jobs Created (Excluding Construction and other Indirect Jobs):
This project is expected to create approximately 100 new, full-time manufacturing jobs with an average wage of $31 per hour.

c) Area of High Unemployment:
Wayne County's unadjusted jobless rate was 7.9% in November of 2014. This compares to the statewide seasonally adjusted average of 5.8% in November of 2014.

d) Level and Extent of Contamination Alleviated:
Subsurface assessment results at the property identified various constituents in soils and groundwater above MDEQ Part 201 Generic Residential Cleanup Criteria and Screening Levels. Contamination is due to the historical use of the property as a steel manufacturing operation. Contamination found includes volatile organic compounds (VOCs), polychlorinated biphenyls (PCBs), polynuclear aromatic compounds (PNAs), naphthalene, cadmium, copper, ammonium, chromium, lead, mercury and selenium.

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 a portion of the MBDP as outlined in the attached Term Sheet. Assistance is needed to offset the cost of Brownfield activities necessary to the existing 600,000 square foot industrial mill and install new equipment to allow for productive reuse 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.

Act 381 TIF: There are 54.5417 non-homestead mills available for capture, with school millage equaling 24 mills (44.0%) and local millage equaling 30.5417 mills (56.0%). Tax increment capture will begin in 2020 and is estimated to continue for 30 years. The requested tax capture for eligible activities breaks down as follows:

School tax capture (44.0%)	$1,985,040
Local tax capture (56.0%)	$2,526,414
TOTAL	**$**4,511,454

COST OF ELIGIBLE ACTIVITIES

Demolition	$ 360,917
Lead or Asbestos Abatement	2,497,128
Infrastructure Improvements	50,000
Site Preparation	+ 459,165
Sub-Total	$3,367,210
Contingency (15%)	+ 505,081
Sub-Total	$3,872,291
Interest (1%)	+ 629,163
Sub-Total	$4,501,454
Brownfield/Work Plan Preparation	+ 10,000
TOTAL	**$**4,511,454

APPENDIX B


Number One Drain
Detroit River International Wildlife...
Project Area
Number Two Drain
Frank and Poet drain
Detroit River
Park St
Place St
Place St

PURE MICHIGAN®

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

The following is a summary of the highlights of the project and basic terms for which the Company desires 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: 5/29/2015

1.	**Company Name:**	Ferrous CAL Co. ("Company" or "Applicant")	
2.	**Company Address ("Project"):**	28000 West Jefferson Avenue Gibraltar, Michigan 48173	
3.	**MBDP Incentive Type:**	Performance Based Other Economic Assistance	
4.	**Maximum Amount of MBDP Incentive:**	Up to $6,000,000 ("MBDP Incentive Award")	
5.	**Base Employment Level**	35	The number of jobs currently maintained in Michigan by the Company and Ferrolux Metals Co. of Michigan, 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 Agreement between the MSF and the Company.
6.	**Total Qualified New Job Creation:** *(above Base Employment Level)*	25	The minimum number of total Qualified <u>New</u> Jobs the Company shall be required to create in Michigan at the Project (above the Base Employment Level), in addition to satisfying other milestones, if applicable, to meet the minimum requirements of the MBDP guidelines approved by the Michigan Strategic Fund. **Failure to create 25 Qualified New Jobs will result in full repayment 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:** January 27, 2015 (submission date of Incentive Application)

7. **Company Investment:** $50,200,000 for Building Acquisition and Renovations, Furniture and Fixtures, Computers and IT Equipment, Machinery and Equipment, Other Personal Property, *or any combination thereof, for the Project.*

8. **Qualified Investment:** $6,500,000 The total minimum amount of the required Qualified Investment in Michigan for hard costs associated with building improvements to the Project made after January 27, 2015. Hard costs are the Company's, or the Project property owner's, actual expenditure of funds for the Project that have not been approved for reimbursement through the Act 381 Work Plan during the Term of the Agreement and include the following: demolition, new construction, overhead cranes, other alteration, improvement or rehabilitation of buildings, site improvement and professional fees. The final terms and conditions of the Qualified Investment shall be included in the final Agreement.

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

   a. **Municipality Support.** One of the conditions of execution of the final Agreement is the requirement that the municipality shall provide: approval of a Brownfield Plan prior to execution of the final Agreement.

10. **Disbursement Schedule:** 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 the Base Employment Level and must otherwise be in compliance with all terms and conditions of the final Agreement, and further shall include:

    a. **Disbursement of Funds:** Up to $6,000,000 Funds will be disbursed for projected eligible brownfield and rail enhancement costs related to the Project. Milestones are anticipated to include the costs outlined in Attachment A. Final cost breakdown and Milestone schedule will be determined in the final Agreement and are subject to MSF Fund Manager approval.

11. **Project Milestones:** The Company must demonstrate compliance with the Project Milestones, as required, and otherwise be in full compliance with all terms and conditions of the final Agreement. The final terms and conditions of each of the Project Milestone shall be included in the final Agreement, and further shall include:

a. **Milestone 1:** Upon demonstrated creation of 25 Qualified New Jobs above the Base Employment Level, by no later than June 30, 2018.

b. **Milestone 2:** Upon demonstrated verification that the Company has completed $2,500,000 of the Qualified Investment and maintained the Base Employment Level and Qualified New Jobs by no later than December 31, 2018.

c. **Milestone 3:** Upon demonstrated verification that the Company has completed an additional $2,500,000 of the Qualified Investment (for a total of $5,000,000) and maintained the Base Employment Level and Qualified New Jobs by no later than December 31, 2019.

d. **Milestone 4:** Upon demonstrated verification that the Company has completed an additional $1,500,000 of the Qualified Investment (for a total of $6,500,000) and maintained the Base Employment Level by no later than December 31, 2020.

12. **Term of Agreement:** Execution of Agreement to December 31, 2050, or until the Outstanding MBDP Incentive Award, as defined below, is paid in full, if sooner. Provided however, certain terms of the Agreement may be effective through an earlier end date including job retention terms and conditions.

13. **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, or if the Company fails to maintain the Qualified New Jobs incented by this Award.

a. **Annual Payment**. The final Agreement will include annual repayment terms and conditions, which will require the Company and the Wayne County Brownfield Redevelopment Authority to make principal and interest payments. The final payment schedule will be determined in the final Agreement.

Additionally, the Company will be obligated to pay real estate taxes at the Project from the time its ownership commences until the earlier of when the Act 381 Work Plan expires or the Outstanding MBDP Incentive Award is paid in full. Failure to do so will result in immediate repayment of the then Outstanding MBDP Incentive Award.

Outstanding MBDP Incentive Award: The Outstanding MDBP Incentive Award will be calculated based on the following:

MBDP Funds Disbursed (amount may be reduced based on actual expenditures) up to $6,000,000, less a credit for 25 Qualified New Jobs if created by 06/30/2018 of ($500,000) and additional credit for Additional Job Creation as of 12/31/2020* (as defined below) of $20,000/job.

*Additional Job Creation must meet the following (i) created after January 27, 2015 and before December 31, 2020, and maintained until December 31, 2022, (ii) be a Michigan resident whose Michigan income tax is withheld, and (iii) be in excess of the Base Employment Level and Qualified New Jobs created thus far.

b. **Interest:** Interest on the Outstanding MBDP Incentive Award will be calculated at 1% per annum with accrual to commence January 1, 2020 until the earlier of when the Act 381 Work Plan expires or the Outstanding MBDP Incentive Award is paid in full.

c. **Assignment Agreement:** Prior to execution of the final Agreement, the MSF, the MDEQ and the Company shall enter into an assignment agreement, acknowledged by the Wayne County Brownfield Redevelopment Authority, for the payment of Brownfield Tax Increment Revenues related to this Project.

14. 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.

15. Public Announcements:

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

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

If the Company is interested in the MEDC pursuing a recommendation to the MSF for a possible MBDP Incentive Award for the Company along the above parameters, please sign and date this Term Sheet. If the MEDC does not receive the signed Term Sheet from the Company by June 1, 2015, the MEDC may not be able to proceed with any recommendation to the MSF.

Ferrous CAL Co.	**Acknowledged as received by:**
	Michigan Economic Development Corporation
By: [signature]	By: DocuSigned by: Stacy Bowerman C0D238F5CD6E470...
Printed Name: REED J. McGIVNEY	Printed Name: Stacy Bowerman
Its: Executive V.P.	Its: Senior Planning Project Manager
Dated: 6-01-15	Dated: 6/1/2015

MICHIGAN STRATEGIC FUND

RESOLUTION 2015-

APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM OTHER ECONOMIC ASSISTANCE TO FERROUS CAL CO.

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, Ferrous CAL Co. ("Company") has requested a performance based MBDP other economic assistance of up to $6,000,000 ("Other Economic Assistance Request"), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A ("Term Sheet"); and

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan
June 8, 2015

MICHIGAN STRATEGIC FUND

RESOLUTION 2015-

APPROVAL OF A BROWNFIELD WORK PLAN
COUNTY OF WAYNE BROWNFIELD REDEVELOPMENT AUTHORITY
FERROUS CAL CO. 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 Michigan Strategic Fund (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 County of Wayne Brownfield Redevelopment Authority (the "Authority") has submitted a work plan for property located at 28000 West Jefferson Avenue, Gibralter, within the County of Wayne, known as the Ferrous CAL Co. Redevelopment Project (the "Project");

WHEREAS, the City of Gibralter 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;

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 44.0% to 56.0% ratio currently existing between school and local taxes for non-homestead properties, to reimburse the cost of site preparation, demolition, lead and asbestos abatement and infrastructure improvements as presented in the revised Work Plan dated March 30, 2015. Any change in millage that increases the capture percentage of school operating taxes by more than five percentage points must be approved by the MSF Board. The authorization is based on the Authority capturing all available local operating mills for the term of the capture period. The authorization for the capture of taxes levied for school operating purposes is based on a maximum of $3,882,291 for the principal activity costs of non-environmental activities and a contingency, a maximum of $629,163 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 $1,985,040.

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 County of Wayne, 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 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 $629,163 related to the eligible activities for the project.

Ayes:

Nays:

Recused:

June 8, 2015
Lansing, Michigan

PURE MICHIGAN

MEMORANDUM

Date: **June 8, 2015**

To: **Michigan Strategic Fund Board**

From: **Marcia Gebarowski, Senior Development Finance Manager**
Brent Morgan, Manager, Brownfield and Community Revitalization Programs
Dan Wells, Brownfield Program Senior Specialist

Subject: **City of Southfield - Dürr Systems, Inc**
Community Incentive Program — Act 381 Work Plan Approval

Request

The City of Southfield Brownfield Redevelopment Authority is seeking approval of new local and school tax capture for Michigan Strategic Fund (MSF) eligible activities in the amount of $4,887,366.

To remain competitive in their market, Dürr Systems, Inc. has evaluated consolidating their Application Technology and Paint Systems divisions in Michigan into a single facility. The goal of a consolidation is to improve communication between divisions, create efficiencies, as well as create a state-of-the-art facility to house research, production, and sales. This Brownfield assistance will offset higher site-related costs to build-out an existing building in Southfield. Without this assistance, the two Michigan divisions could be consolidated into similar divisions at locations outside of Michigan. This consolidation ensures 450 high paying jobs remain in Michigan and the ruse of a functionally obsolete property.

Background

The tax increment revenue will be utilized to redevelop approximately 14 acres of property located at 26801 Northwestern Highway, Southfield. The property is currently owned by Dürr Systems, Inc., but was previously owned by DTE and vacated in 2013. Dürr intends to make extensive renovations and upgrades to the building which include: a new mechanical system, replacement of all flooring and windows, and the installation of business support technology. An addition of approximately 99,507 square feet is planned for construction on the site which include centers for testing, training, and validation.

The Dürr Group, parent to Dürr Systems, Inc. is a global mechanical and engineering firm. Dürr offers products, systems, and services that promote a highly efficient manufacturing process in different industries. They currently operate in the market with five divisions including Paint Systems, Application Technology, Measuring and Process Systems, Clean Technology Systems, and Woodworking Machinery and Systems.

Dürr Systems, Inc. plans to consolidate their current locations in Auburn Hills, Wixom, and Plymouth for a single Metro Detroit campus. The project will consolidate 485 technical, engineering, and manufacturing jobs to the City of Southfield, making this site Dürr's corporate headquarters. The project will act as a catalyst for future building improvements and expansions along the Northwestern Highway corridor, a highly visible area within the city that has potential for growth.

Eligible activities that will be undertaken to alleviate brownfield conditions and complete the project include asbestos abatement; site demolition to remove existing concrete and asphalt in order to prepare the site for redevelopment; building demolition related to the interior demolition in the building to reconfigure the space; site preparation activities including relocating active storm water sewers, clearing and grubbing of the site, and structural foundation support for the addition to the building as a result of poor fill soil conditions. Infrastructure Improvements will be made to roads, sidewalks and roadway access in the public right of way.

Approximately 485 permanent full-time jobs are anticipated to be retained as a result of this project at an average hourly wage of $38.46. The total capital investment will be approximately $40 million.

Property Eligibility

The project is located within the boundaries of the City of Southfield, which is a Qualified Local Governmental Unit, and has been deemed functionally obsolete as verified by a Michigan Master Assessing Officer (MMAO) assessor on November 3, 2014. The property is the subject of a Brownfield Plan, duly approved by the City of Southfield on November 24, 2014.

Other State and Local Assistance to the Project

The City of Southfield also approved a 10 year Commercial Rehabilitation Act (PA 210) district that has an estimated savings of $700,000 for the project. The Commercial Rehabilitation district includes a number of adjacent buildings to locally incentivize for future investment within this district.

Tax Capture Breakdown

There are 58.4209 non-homestead mills available for capture, with school millage equaling 24 mills (41.08%) and local millage equaling 34.4209 mills (58.92%). Tax increment capture will begin in 2015 and is estimated to continue for 26 years. Under the PA 210, local taxes are abated for 10 years altering the typical ratio of capture to 51.1% school taxes and 48.9% local. The requested tax capture for MSF eligible activities breaks down as follows:

School tax capture (51.9%)	$2,497,261
Local tax capture (48.1%)	$2,390,105
TOTAL	**$4,887,366**

Cost of MSF Eligible Activities

Demolition	$1,084,188
Lead or Asbestos Abatement	610,000
Infrastructure Improvements	465,101
Site Preparation	+2,083,116
Sub-Total	$4,242,405
Contingency (15%)	+ 636,361
Sub-Total	$4,878,766
Brownfield/Work Plan Preparation	+ 8,600
TOTAL	**$4,887,366**

Recommendation

The Michigan Economic Development Corporation (MEDC) recommends approval of the request by City of Southfield Brownfield Redevelopment Authority to capture local and school taxes for the MSF eligible activities totaling $4,887,366 described above. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at $2,497,261.

KEY STATUTORY CRITERIA

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

a) **Overall Benefit to the Public:**
The public will benefit through the revitalization and reactivation of this building and surrounding area. Upon the completion of the work plan, the city will benefit from the additional tax revenue paid on the newly expanded building. Finally, this project will bring over 470 full time jobs into the City of Southfield, further increasing the city's daytime population and supporting local businesses.

b) **Jobs Created (Excluding Construction and other Indirect Jobs):**
This project is expected to retain approximately 470 full time jobs in the automotive R&D and testing sector.

c) **Area of High Unemployment:**
The City of Southfield unadjusted jobless rate was 7% in March 2015. This compares to the statewide seasonally adjusted average of 5.7% in March 2015.

d) **Level and Extent of Contamination Alleviated:**
The project is not qualifying as a facility and the level of contamination is unknown.

e) **Reuse of Functionally Obsolete Buildings and/or Redevelopment of Blighted Property:**
The vacant building has been determined to be functionally obsolete by a Level 4 Michigan Master Assessing Officer (MMAO) based on the limits on interior usage due to presence of columns that limit modern office usage, the size of the building and extra facilities that have been added (kitchens and daycare center) and presence of asbestos materials. This project will renovate the building and bring it back into full use.

f) **Cost Gap that Exists between the Property and a Similar Greenfield Property:**
State participation in the brownfield work plan is important to offset the costs associated with the redevelopment and re-use of a vacant office building. The non-environmental costs associated with abating the brownfield conditions at this site compared to a greenfield property are $4,242,405.

g) **Whether Project will Create a New Brownfield Property in the State:**
No new Brownfields will be created by this project, the offices that are slated for consolidation are in demand for smaller tenants and expected to lease or sell relatively quickly.

h) **Whether the Project is Financially and Economically Sound:**
From the materials received, the MEDC infers that the Work Plan is financially and economically sound.

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

MAP OF PROJECT AREA

MICHIGAN STRATEGIC FUND

RESOLUTION 2015-

APPROVAL OF A BROWNFIELD WORK PLAN
CITY OF SOUTHFIELD BROWNFIELD REDEVELOPMENT AUTHORITY
PROPOSED DÜRR CORPORATE HEADQUARTERS

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 Michigan Strategic Fund (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 Southfield Brownfield Redevelopment Authority (the "Authority") has submitted a work plan for property located at 26801 Northwestern Highway within the City of Southfield, known as the Proposed Dürr Corporate Headquarters (the "Project");

WHEREAS, the City of Southfield 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;

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 51.9% to 48.1% ratio currently existing between school and local taxes for non-homestead properties, to reimburse the cost of site preparation, demolition, lead and asbestos abatement and infrastructure improvements as presented in the revised Work Plan dated April 3, 2015. Any change in millage that increases the capture percentage of school operating taxes by more than five 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 $4,878,766 for the principal activity costs of non-environmental activities and a contingency, a maximum of

$8,600 for Brownfield/Work Plan preparation, and with the capture of taxes levied for school operating purposes being limited to a maximum of $2,497,261.

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 Southfield, 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 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:

June 8, 2015
Lansing, Michigan

MEMORANDUM

Date: **June 8, 2015**

To: **Michigan Strategic Fund (MSF) Board**

From: **Marcia Gebarowski, Development Finance Manager**
Lisa Green, Program Specialist, Community Development Block Grant
Christine Whitz, Manager, Community Development Block Grant Program

Subject: ***Community Development Block Grant Program***
Shiloh Die Cast Midwest, LLC (the "Company") Expansion Project
City of Alma (the "Community" or "Applicant"), County of Gratiot

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Request

The City of Alma is requesting $1,000,000 in Community Development Block Grant (CDBG) funds for job training needed for the Shiloh Die Cast Midwest, LLC Expansion Project located in Gratiot County, Michigan. The City expects that this project could result in private investment of $16,541,000 and the creation of 45 jobs.

Background

Shiloh Industries, Inc., through its subsidiaries, is a global supplier of lightweighting and noise, vibration and harshness (NVH) solutions to the automotive, commercial vehicle and other industrial markets. Shiloh Industries, Inc. and its subsidiaries are headquartered in Valley City, Ohio. Shiloh Industries, Inc. offers the broadest portfolio of lightweighting solutions in the industry, capable of delivering solutions in steel, steel alloys, aluminum and magnesium. Shiloh Industries, Inc. delivers these solutions through design, engineering and manufacturing of first operation blanks, engineered welded blanks, complex stampings, modular assemblies and highly engineered aluminum and magnesium die casting and machined components serving the body-in-white, emission, powertrain, structural and seating needs of OEM and Tier 1 customers. Shiloh Industries, Inc. has locations in North America, Europe and China and approximately 2,700 employees.

The Company was established in 2013 after Shiloh Industries, Inc. acquired Contech Castings LLC, which manufacturers high-pressure aluminum die cast parts for the automotive industry in the Community. The 72,000 square foot facility contains die casting machines, CNC machines and other equipment that are outdated or in need of repair or replacement. The Company will upgrade existing equipment and add new machinery and equipment for a new vehicle part production with a new vehicle program that will result in the creation of 45 new jobs. The CDBG funds will provide the necessary financial assistance to facilitate employee onboarding, new equipment/tooling training, and necessary technical training to operate and maintain the new equipment.

This request is part of a package of state and local incentives prepared for Shiloh Industries to expand and invest in their manufacturing operations in the City of Alma and in Canton Township, as well as establish a lightweighting technical center in Plymouth Township. The MSF approved a Michigan Business Development Program (MBDP) performance-based grant for $2 million on October 28, 2014 for the creation of 128 new jobs in Plymouth Township and Canton Charter Township.

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

- **National Objective:**
  This project qualifies for CBDG funding as the project activities are expected to result in the creation of 45 full time positions over the next four years. The business has agreed that at least 23 of the 45 positions will be held by low to moderate income persons. The project meets a national objective by providing benefit to at least 51 percent low and moderate income persons. The CDBG cost per job is $22,222, with an average wage of $18.00 per hour.

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

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

- **Economic Impact:** The economic impact of this project was evaluated. It was determined that the project will result in increased spending in the community as a result of additional jobs created at the Company. The project will benefit regional businesses as special tooling orders and machine repairs are needed. The project will result in increased spending through local suppliers to support the additional work and overall larger operations.

- **Minimum Local Participation:** The Community will act as a grantee on behalf of the Company. The Community has a long standing and supportive relationship to the Company. The project is based on a capital investment of personal property that will be exempt, and not abatable by the Community. The Community has provided significant staff resources to complete the application process and to administer this grant.

- **Minimum Leverage Ratio:** The private leverage contribution, to be provided by the Company, equals $16,541,000, which results in a leverage ratio of approximately 16.5:1 of the CDBG grant.

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

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

Recommendation
The MEDC Staff recommends:

- A CDBG Job Training grant agreement in the amount of $1,000,000 be authorized for the City of Alma's Shiloh Die Cast Midwest, LLC Expansion Project.

MICHIGAN STRATEGIC FUND

RESOLUTION 2015- _________

APPROVAL OF CITY OF ALMA SHILOH DIE CAST MIDWEST, LLC EXPANSION PROJECT

WHEREAS, Executive Order 1999-1, issued pursuant to Article V of the Michigan Constitution of 1963and 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 that are enumerated in the 2014 Program Guidelines, as amended (the "Criteria"). The MSF, by Resolution 2014-051, authorized and approved the Consolidated Plan and the Criteria and the MSF, by Resolution 2014-083, authorized and approved the 2014 Application Guide which includes guidelines for job creation grants;

WHEREAS, pursuant to SFCR 10.1-1, the MSF approved the MSF Fund Manager or the MSF President to negotiate the terms and conditions and execute all final documents necessary to effectuate awards or decisions approved under the CDBG program;

WHEREAS, the City of Alma (the "Community") has submitted a complete application for approval requesting funding to be used to fund the Shiloh Die Cast Midwest, LLC Expansion Project (the "Project");

WHEREAS, the CDBG program staff reviewed the proposed Project in light of the Criteria, Guide and HUD regulations and concluded the Project is eligible for funding, is not speculative in nature, is economically sound, is ready to proceed, will create jobs and at least 51% of the newly created jobs will be held by persons of low and moderate income; and

WHEREAS, staff recommends that grant agreement(s) be authorized and entered into with the Community for funds from the CDBG program for the reasons set forth in this Resolution**.**

NOW, THEREFORE, BE IT RESOLVED, that the MSF authorizes grant(s) to the Community not to exceed $1,000,000 for the payment or reimbursement of costs associated with the Project. The MSF allocates $1,000,000 from the Michigan CDBG program for the purpose of funding the Community's proposed Project contingent upon the MSF's continued receipt of CDBG funds and availability of adequate funds;

BE IT FURTHER RESOLVED, staff is directed to negotiate the terms of grant agreement(s) for the Project consistent with this Resolution; and

BE IT FURTHER RESOLVED, if the Community fails to execute and return the grant agreement(s) to staff within 180 days of the date this Resolution is adopted, this Resolution shall be of no further force and effect and shall be void.

Ayes:

Nayes:

Recused:

Lansing, Michigan
June 8, 2015

PURE MICHIGAN

MEMORANDUM

Date: **June 8, 2015**

To: **Michigan Strategic Fund Board**

From: **Christopher Cook, Director, Capital Access**

Re: ***Private Activity Bond – Bond Inducement***
Lutheran Social Services of Michigan
Nonprofit - $24,000,000 – New/Refunding

Request:

Lutheran Social Services of Michigan ("Borrower"), a not-for-profit organization headquartered in Detroit, Michigan is requesting private activity bond financing to: a) refund the $15,540,000 outstanding principal amount of the Michigan Strategic Fund Variable Rate Demand Limited Obligation Revenue and Refunding Bonds (Lutheran Social Services Project), Series 2003 Bonds, which were originally issued in the principal amount of $19,195,000; b) fund $7,000,000 for a project at Borrower's Luther Manor (Saginaw, MI) location; and c) pay certain costs related to the issuance of the Series 2015 Bonds.

Background:

Borrower was first incorporated as Lutheran Inner Mission League in 1934 with its name changing to Lutheran Social Services of Michigan in 1959. Borrower has three primary areas of service: Senior Living, Children & Families, and Home & Community.

The Luther Manor facility, located in Saginaw, has been a provider of comprehensive nursing care and rehabilitation therapy in the Saginaw Community for more than 46 years. Luther Manor currently has a total of 98 skilled nursing beds consisting of 79 private rooms, four semi-private rooms, one 3-bed ward, and two 4-bed wards. The $7,000,000 project proposes to reduce the current number of beds to 95 and to renovate the different room layouts into 92 private rooms. Of the 95 rooms, 40 are proposed to be renovated for Rehabilitation Care, 26 are proposed to be renovated for Long Term Care, and 26 rooms are proposed to be renovated for Memory Care. In addition to said renovations, a 1,112 square foot lobby, 825 square foot canopy, and 1,485 square foot rehab resident room will be added.

Luther Manor currently has 122 employees – 72 full-time, 39 part-time and 11 contingents. They do not anticipate increasing their number of employees as a result of this project.

Borrower's 2003 Bonds were used to (1) finance and acquire land and an approximately 6,100 square foot existing facility and the rehabilitation of the facility located in Detroit, Michigan; (2) rehabilitate the Central Office located in Detroit, Michigan; (3) finance various capital expenditures for improvement, renovation and repair of (a) two facilities located in Saginaw, Michigan, (b) two facilities located in the

City of Grand Rapids, Michigan, (c) one facility located Williamsburg, Michigan, and (d) one facility located in the Charter Township of Bloomfield, Michigan; (4) refund Michigan Strategic Fund Limited Obligation Revenue Bonds (Lutheran Social Services of Michigan Project), Series 1995, issued on September 14, 1995; (5) refund Grand Traverse Economic Development Corporation Limited Obligation Revenue Bonds (Lutheran Social Services of Michigan Project), issued on October 5, 1995; and (6) refund the outstanding principal amount of The Economic Development Corporation of the County of Oakland Limited Obligation Revenue Bonds (Lutheran Social Services of Michigan Project, Series 1997, issued on December 1, 1997.

Plans of Finance:
The bonds will be directly purchased in its entirety with Fifth Third Commercial Funding, Inc. Ziegler has been engaged as a placement agent.

Recommendation:
After reviewing the Private Activity Bond application for Borrower, staff recommends the adoption of an Inducement Resolution in the amount $24,000,000.

LUTHERAN SOCIAL SERVICES OF MICHIGAN

MICHIGAN STRATEGIC FUND

INDUCEMENT RESOLUTION

2015 - _________

WHEREAS, Lutheran Social Services of Michigan (the "Borrower"), a Michigan nonprofit corporation, is presently located at 8131 East Jefferson, Detroit, MI 48214;

WHEREAS, the Borrower desires to (a) refund the $15,540,000 outstanding principal amount of the Michigan Strategic Fund Variable Rate Demand Limited Obligation Revenue and Refunding Bonds (Lutheran Social Services Project), Series 2003, (b) fund $7,000,000 for a project at Borrower's Luther Manor located in Saginaw, Michigan, and (c) pay certain costs related to the issuance of the Series 2015 Bonds (the "Project");

WHEREAS, the Borrower has applied to the Michigan Strategic Fund (the "MSF") for a loan (the "Loan") to finance the Project;

WHEREAS, the Borrower has advised the MSF that the cost of the Project will not exceed Twenty – Four Million Dollars ($24,000,000);

WHEREAS, the Act authorizes the MSF to loan moneys to business enterprises for the purpose of financing projects and to obtain the money for such loans by the issuance of bonds pursuant to the Act; and

WHEREAS, this Resolution has the purpose of providing the necessary official intent of the MSF to meet the requirements of Sections 141 and 144 of the Internal Revenue Code of 1986, as amended (the "Code") and the regulations promulgated in connection therewith and, in particular, Section 1.150-2 of the Income Tax Regulations.

NOW, THEREFORE, BE IT RESOLVED, by the Michigan Strategic Fund that:

1. The MSF intends to provide the Loan to the Borrower subject to the conditions of this Resolution.

2. The Loan shall be designated for the Project in accordance with the Borrower's Tax-Exempt Application Form dated May 5, 2015.

3. The maximum principal amount of the bonds (the "Bonds") expected to be issued to provide the Loan to finance the Project shall not exceed 24 Million Dollars ($24,000,000). The Borrower shall be obligated to make loan repayments in an amount sufficient to assure full repayment of the Bonds, establish appropriate reserves and pay costs and expenses relating to the issuance of the Bonds and the making of the Loan.

4. The MSF's obligation to issue the Bonds and make the Loan shall be conditioned upon a) the ability of the MSF to issue, sell and deliver the bonds under applicable federal and state laws, b) any prioritization, fee schedules or other requirements or limitations implemented by the MSF or the State Treasurer.

5. The MSF's obligation to make the Loan and issue the Bonds contemplated by this resolution shall expire two years after the date of this Resolution.

6. The Loan may be evidenced by a promissory note and secured by such instruments as are in form and substance satisfactory to the MSF, the Attorney General of the State of Michigan (the "Attorney General") and bond counsel to the MSF, including a loan agreement, indenture, first mortgage, security agreement and such additional security as may be required by the MSF or purchaser of the Bonds.

7. Subject to compliance with this Resolution, the MSF will authorize a bond resolution approving the issuance of the Bonds (the "Bond Resolution") for the purpose of making the Loan and funding the reserves and costs associated with the issuance and administration of the Bonds, and enter into a loan agreement and related documents with the Borrower and a bond purchase agreement with a bond purchaser, which documents shall be subject to the approval of the Attorney General and bond counsel to the MSF.

8. The Bonds shall not be general obligations of the MSF but shall be payable as to principal and interest solely from the proceeds of the payments to be made by the Borrower to the MSF (or to a trustee appointed by the MSF pursuant to the Bond Resolution), as provided in the Bond Resolution. The agreements relating to the Loan and the issuance of the Bonds shall contain such provisions as will be necessary to make absolutely certain that under no circumstances will the Bonds or this Resolution be a debt or obligation of the State of Michigan or a general obligation of the Michigan Strategic Fund, nor will the State of Michigan be liable on the Bonds.

9. All costs and expenses involved in the authorization, issuance, sale, and delivery of the Bonds and in the making of the Loan shall be paid from the Bond proceeds or, if they are insufficient, by the Borrower.

10. The staff of the MSF is authorized and directed to initiate the proceedings described in this Resolution and to enter into negotiations, subject to the approval of the MSF, with a bond purchaser for the sale of the Bonds.

11. Bond counsel to the MSF and the Attorney General are authorized and directed to prepare and submit to the appropriate parties all proceedings, agreements and other documents as shall be necessary or appropriate in connection with the issuance of the Bonds and to make applications on behalf of the MSF to the United States Internal Revenue Service and to other governmental agencies for such income tax and other rulings and approvals as may be necessary in relation to the issuance of the Bonds. Any authorized signatory is authorized to execute such powers of attorney and other documents as may be appropriate in connection with the foregoing. All costs and expenses pertaining to the above matter shall be paid from the bond proceeds or by the Borrower.

12. A preliminary official statement or other offering materials may be used in connection with the sale of the Bonds; provided, however, that no preliminary official statement or other offering materials shall be circulated unless any description of the MSF, the Bonds and documents to which the MSF is a party shall have been approved by bond counsel to the MSF and the Attorney General.

13. All resolutions and parts of resolutions insofar as they conflict with this Resolution are rescinded.

ADOPTED

Ayes:

Nays:

MEMORANDUM

Date: June 8, 2015

To: Michigan Strategic Fund Board

From: Deborah Stuart, Director, Community Incentive Programs
Julius L. Edwards, Capital Access
Dan Wells, Senior Brownfield Program Specialist
Ryan Kilpatrick, Community Assistance Team Specialist

Subject: Lofts on Alabama, LLC and Macatawa Bank – City of Grand Rapids
Request for Approval of an Act 381 Work Plan and Michigan Community Revitalization Program Other Economic Assistance - Loan Participation

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Request

Lofts on Alabama, LLC ("Applicant" or "Borrower") and Macatawa Bank ("Lender") are requesting approval of a Michigan Community Revitalization Program award in the amount of $3,000,000 in the form of a Loan Participation under Other Economic Assistance. The Applicant anticipates that the project will result in eligible investment of $13,587,200 and total capital investment in the amount of $20,000,000 in the City of Grand Rapids and the creation of two jobs.

The Project involves selective interior and exterior site demolition of an existing structure, improvements and rehabilitation of the existing obsolete building and construction of a new three-story building on the adjacent site to the west. The project is located in an area of the downtown where very little investment has occurred in the last few years relative to the central business district and neighborhoods to the east. The neighborhood business district has several vacant and blighted buildings. The development team has been able to secure senior financing from Macatawa Bank in the amount of $13,700,000, which is equal to approximately 75% of the appraised value of the building upon completion and the value associated the TIF reimbursements and tax abatement. Additionally, the development team has raised $3,000,000 (15% of the total development cost) in equity and is deferring another $300,000 in fees to be contributed to the project. The remaining gap would be filled with a $3,000,000 MCRP Other Economic Assistance Award. The award would be in the form of a "Loan Participation" bearing interest of three percent.

The City of Grand Rapids Brownfield Redevelopment Authority has submitted an Act 381 Work Plan (hereinafter Work Plan) request for the approval of local and school tax capture for eligible activities in the amount of $2,825,200. Eligible activities that will be undertaken to alleviate Brownfield conditions on the property and complete the project include demolition, asbestos abatement, site preparation, infrastructure improvements, construction of a subgrade parking and contingency funds.

Background

The proposed project is being developed by 616 Development, a boutique urban development firm based in Grand Rapids, Michigan. The two key principals of the organization are Derrick Coppess and Matt O'Connor. 616 Development is an active developer in Grand Rapids and has completed redevelopment of several buildings, including the upper floors of the Flanagan's building and both buildings located at 1&7 Ionia Avenue under the name of Ionia Ventures, LLC. They recently completed the rehabilitations of the Kendall Building on Monroe Center, and a former church on Prospect Avenue, as well as the current redevelopments on Michigan Street, and 820 Monroe to house Lofts on Michigan and Lofts on 820 respectively. All 616 residential properties in Grand Rapids are managed by the company's community management arm, 616 Lofts.

Although the Applicant has not previously received a MSF award, 616 Development has an ownership interest in several projects that have received awards. The MSF has provided awards for the following projects: Lofts on Monroe, LLC ($475,000 CRP grant in 2012), Ionia Ventures, LLC ($361,500 grant in 2012), Lofts on 820, LLC ($3,100,000 in CRP loan participation in 2014), and the Lofts on Michigan, LLC ($2,450,000 CRP loan participation, and $1,663,847 state school tax capture under Brownfield TIF in 2014).

Project Description

The Applicant plans to redevelop the existing commercial building at 420 Alabama Avenue and construct a new building to replace the surface parking lot at the adjacent property at 421 Alabama Avenue, 448 First Street NW and 458 First Street NW. 420 Alabama Avenue currently features the original three-story building constructed in 1910 with a later addition which is in poor condition.

The Project will consist of the rehabilitation of the original existing three-story building which will provide a renovated structure consisting of approximately 35,900 square feet of space, and demolition of the later addition. A 24,400 square foot addition will be added at the north end of the building to make a total of approximately 61 market rate studio, one and two bedroom residential units. Approximately 58 surface parking spaces will be added behind the renovated and new buildings. Across the street at 421 Alabama, a new three-story, approximately 41,000 square foot residential building that includes an approximately 14,500 square foot subgrade parking ramp will contain approximately 39 market rate studio, one and two bedroom residential units and approximately 36 surface parking spaces. The Project will also include infrastructure improvements, including curbs, sidewalks, storm water retention, and landscaping within the public right-of-ways along the adjoining streets.

a) The project is located within the boundaries of the City of Grand Rapids, which is a Qualified Local Governmental Unit, and both 420 and 421 Alabama Avenue have been deemed a facility as verified by the Michigan Department of Environmental Quality (MDEQ). 448 and 458 First Street NW both qualify as adjacent and contiguous. The property is the subject of a Brownfield Plan, duly approved by the City of Grand Rapids on November 18, 2014.
b) The project is located downtown and qualifies for a MCRP award because it is a facility.

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 Michigan Strategic Fund (MSF) participation in coordination with Macatawa Bank as the senior lender. The Lender, along with the Borrower, has requested the MSF participate in up to $3,000,000 in a $16,700,000 construction to permanent loan facility. The MSF would participate in all payments in proportion to its share of the loan, but would allow the collateral to apply first to the Lender's share in an event of liquidation. It is anticipated that disbursements to the project on the loan will be made on a pro-rata basis. Below outlines a summary of the development sources and the proposed structure of the loan participation.

SUMMARY OF DEVELOPMENT SOURCES:

Macatawa Share		$	13,700,000	68.5%
MCRP Share		$	3,000,000	15.0%
Developer Equity		$	3,000,000	15.0%
Deferred Fees		$	300,000	1.5%
	TOTAL	**$**	**20,000,000**	**100.0%**

LOAN FACILITY

MSF Facility MCRP Loan Participation and Servicing Agreement
Under "Other Economic Assistance"

Borrower: Lofts on Alabama, LLC

Lender: Macatawa Bank

Total Loan Amount: Currently estimated at $16,700,000

Lender Share: Currently estimated at $13,700,000, not to exceed 75% of Appraised Value

MSF Share: Up to $3,000,000

Term: To match that of the Lender, not to exceed 84 months with an interest only period of up to 30 months.

Amortization: To match that of the Lender, not to exceed 288 months following the interest only period.

Interest Rate: On the MSF share anticipated to be 2.50% 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 mortgage lien on the property and assignment of leases and rents, and assignment of TIF reimbursements. MSF share of collateral will be subordinated to that of the Lender.

Guarantee: To match that of the Lender, currently anticipated to be the limited pro-rate unsecured personal guarantees of the members of Lofts on Michigan, LLC. The MSF Share of guarantee(s) will be subordinated to the Lender

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

Funding: The MSF will fund up to $3,000,000 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 $3,000,000.

MSF Delegation: It is requested the Board delegate to the MSF Fund Manager, in consultation with legal counsel and other MSF and MEDC staff the final terms for the payment and amortization schedule, collateral, interest rate on the lenders share, and guarantees.

Recommendation

The MEDC staff recommends approval of a MCRP performance-based loan participation in the amount of $3,000,000 and approval of local and school tax capture for the Act 381 eligible activities totaling $2,825,200 described above.

APPENDIX A

MCRP PROGRAM AND ITS GUIDELINES

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

SOURCE OF INFORMATION

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

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

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

The City of Grand Rapids has established a goal of adding at least 2,500 residential units to the downtown by 2020.

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

The west side of downtown, where the proposed Lofts on Alabama would be located, offers significant opportunity for the utilization of former industrial facilities and underutilized properties to accommodate additional residential density. This would be the second medium density residential project on the west side since the Living at 600 Douglas Project (supported by MSF via $432,340 of Brownfield TIF), where market rate apartments have been fully occupied since they were constructed in 2014.

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

The City of Grand Rapids will contribute an estimated $1,214,675 in local brownfield tax increment and a ten year Obsolete Property Tax Abatement estimated to be valued at $658,697.

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

The development team has been able to secure senior financing from Macatawa Bank in the amount of $13,700,000, which is equal to approximately 75% of the appraised value of the building upon completion and the value associated the TIF reimbursements and tax abatement. The loan-to-value ratio is line with traditional lending limits. Additionally, the development team has raised $3,000,000 (15% of the total development cost) in equity and is deferring another $300,000 in fees to be contributed to the project, which would equate to a 16.5% investment into the project. The remaining gap would be filled with a $3,000,000 MCRP Other Economic Assistance Award. The MCRP award would allow the development team to earn an acceptable rate of return on the project.

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

The Project involves the reuse of the existing main building located at 420 Alabama that was originally constructed in 1910. The property is not located in a historic district and is not individually listed.

F. Creation of jobs and areas of high unemployment:

The project is anticipated to create at least two full-time jobs with average hourly rates of $21.00.

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

The developer has secured a commitment from Macatawa bank for senior financing in the amount of $13,700,000. The developer has also committed $3,000,000 in private equity to the project.

H. Whether the project is financially and economically sound:

Upon reaching stabilized occupancy, it is anticipated that the project will generate sufficient cash flow to meet its debt service obligations and achieve an average debt service coverage of greater than 1.20:1.00. Additionally, the project will be supported by the financial backing of the private ownership team.

Following a review of other projects in the surrounding area and market data contained within an appraisal performed by CBRE and dated Feb. 3, 2015, MEDC staff has determined that the underwritten rental and vacancy rates are acceptable. Additionally, given the strong rental market in the Downtown Grand Rapids area (less 1% physical vacancy), staff feels comfortable there is enough demand to absorb the project.

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

The project will add 100 market rate residential units to a district of the downtown which currently has very few multifamily residential buildings and is adjacent to a walkable commercial corridor.

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

The project has been designed in accordance with the City of Grand Rapids form-based code and will provide pedestrian improvements to the adjacent public right-of-ways, as well as support the Laker Line Bus Rapid Transit route.

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

The existing building is not publicly owned.

L. Whether the project promotes sustainable development:

The project involves the reuse of an existing building, promotes a walkable environment and will incorporate energy efficient features in the new construction.

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

The building planned for rehabilitation is not designated as a historic resource.

N. Whether the project addresses area-wide redevelopment:

The project is expected to catalyze additional development in the neighborhood and will provide significant residential density to support neighborhood business.

O. Whether the project addresses underserved markets of commerce:

The project does not address an underserved market of commerce.

P. The level and extent of environmental contamination:

The property contains concentrations of Arsenic, Chromium (total), Copper, Selenium, Zinc, Fluoranthene, and Phenanthrene exceeding applicable MDEQ Part 201 Residential Groundwater Surface Water Interface Protection Criteria (GSIPC); concentrations of Arsenic, Chromium (total) and Zinc exceeding applicable MDEQ Part 201 Residential Drinking Water Protection Criteria (DWPC); and concentrations of Arsenic and Benzon(a)pyrene exceeding applicable MDEQ Part 201 Residential Direct Contact Criteria (DCC).

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 building planned for rehabilitation is not considered a historic resource.

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

There are very few residential apartments in the immediately surrounding neighborhood, and demand for rental housing is high now and for the foreseeable future, based on market studies conducted for the downtown area.

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

No additional factors need to be considered for this project.

ADDITIONAL STATUTORY CRITERIA UNDER ACT 381:

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

The original building that lies at 420 Alabama will be converted into residential lofts, while a later addition to the main building will be demolished due to its poor structural condition. A new residential building will be built across the street filling in a poorly maintained surface parking lot.

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

Demolition of the old addition to the existing building, performing lead and asbestos abatement, excavating for subgrade parking to allow for high density use of the site and site preparation costs total about $2.8 million dollars. These costs would make redevelopment of the site unfeasible compared to a greenfield site, and reimbursement will insure that the investment is made in a high quality infill project in the core downtown of Grand Rapids.

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

No new Brownfields will be created by this project.

d) Other Factors Considered

No additional factors need to be considered for this project.

Act 381 TIF: There are 46.4324 non-homestead mills available for capture, with school millage equaling 24 mills (51.69%) and local millage equaling 22.4324 mills (48.31%).Tax increment capture will begin in 2016 and is estimated to continue for 20 years. An Obsolete Properties Rehabilitation Act abatement is approved for 420 Alabama, which reduces the SET on that property by half for six years and the local taxes by half for ten years. This alters the ratio between state and local taxes on the two properties to 57% to 43% over the 20 year reimbursement period. The requested tax capture for eligible activities breaks down as follows:

School tax capture (57%)	$1,610,525
Local tax capture (43%)	$1,214,675
TOTAL	**$2,825,200**

COST OF ELIGIBLE ACTIVITIES

Demolition	$ 236,200
Lead or Asbestos Abatement	290,200
Infrastructure Improvements	1,520,000
Site Preparation	+ 467,400
Sub-Total	$2,513,800
Contingency (12%)	+ 301,400
Sub-Total	$2,815,200
Brownfield/Work Plan Preparation	+ 10,000
TOTAL	**$2,825,200**

APPENDIX B

Seward Ave NW
First St NW
Alabama Ave NW
First St NW
Broadway Ave NW
Bridge St NW
Bridge St NW
Project Area
Monte's Lounge
O'Toole's Public House
Seward Ave N

MICHIGAN STRATEGIC FUND
RESOLUTION 2015-

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

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

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

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

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

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

WHEREAS, Macatawa Bank ("Lender") will be providing financing to Lofts on Alabama, LLC and or related entities ("Proposed Borrower") of up to $16,700,000 toward the construction activities and infrastructure improvements to real property ("Project");

WHEREAS, the Lender and the Proposed Borrower have requested a performance based loan participation award from the MSF under the MCRP for the Project in an amount not to exceed up to $3,000,000 ("Award Request"), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A ("Term Sheet");

WHEREAS, the MEDC has recommended that the MSF approve the Award Request in accordance with the Term Sheet and Guidelines, subject to: (i) available funding, (ii) final due diligence performed to the satisfaction of the MEDC; and (iii) execution of the Transaction Documents for the Award Request within 120 days of the date of this Resolution ("Time Period"), or this Resolution shall have no effect; provided however, at the sole discretion of the MSF Fund Manager, the Time Period may be extended for up to an additional 90 days ("MCRP Award Recommendation");

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

ADOPTED

Ayes:

Nays:

Recused:

Lansing, Michigan
June 8, 2015

Exhibit A

<u>LOAN FACILITY</u>

MSF Facility	MCRP Loan Participation and Servicing Agreement Under "Other Economic Assistance"
Borrower:	Lofts on Alabama, LLC
Lender:	Macatawa Bank
Total Loan Amount:	Currently estimated at $16,700,000
Lender Share:	Currently estimated at $13,700,000, not to exceed 75% of Appraised Value
MSF Share:	Up to $3,000,000
Term:	To match that of the Lender, not to exceed 84 months with an interest only period of up to 30 months.
Amortization:	To match that of the Lender, not to exceed 288 months following the interest only period.
Interest Rate:	On the MSF Share anticipated to be 2.50% 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 mortgage lien on the property and assignment of leases and rents, and assignment of TIF reimbursements. MSF Share of collateral will be subordinated to that of the Lender.
Guarantee:	To match that of the Lender, currently anticipated to be the limited pro-rate unsecured personal guarantees of the members of Lofts on Alabama, LLC. The MSF Share of guarantee(s) will be subordinated to the Lender
Fee:	The MSF shall be paid a one-time fee equal to 1.00% of the MSF's share of the loan. The Lender may charge the borrower for this fee.
Funding:	The MSF will fund up to $3,000,000 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 $3,000,000.
MSF Delegation:	It is requested the Board delegate to the MSF Fund Manager, in consultation with legal counsel and other MSF and MEDC staff the final terms for the payment and amortization schedule, collateral, interest rate on the lenders share, and guarantees.

MICHIGAN STRATEGIC FUND

RESOLUTION 2015-

APPROVAL OF A BROWNFIELD WORK PLAN
CITY OF GRAND RAPIDS BROWNFIELD REDEVELOPMENT AUTHORITY
LOFTS ON ALABAMA

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 Grand Rapids Brownfield Redevelopment Authority (the "Authority") has submitted a work plan for property located at 421 Alabama Avenue NW, and 448 and 458 First Street NW within the City of Grand Rapids, known as Lofts on Alabama (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 57% to 43% ratio currently existing between school and local taxes for non-homestead properties with an Obsolete Properties Rehabilitation applied, to reimburse the cost of site preparation, demolition, lead and asbestos abatement and infrastructure improvements as presented in the revised Work Plan dated February 3, 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 $2,815,200 for the principal activity costs of non-environmental activities and a contingency, and a maximum of $10,000 for Brownfield/Work Plan preparation, and with the capture of taxes levied for school operating purposes being limited to a maximum of $1,610,525.

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:

June 8, 2015
Lansing, Michigan

MEMORANDUM

Date: **June 8, 2015**

To: **Michigan Strategic Fund Board**

From: **Deborah Stuart, Director, Community Incentive Programs**
Dan Wells, Brownfield Program Senior Specialist
Ryan Kilpatrick, Community Assistance Team Specialist

Subject: **City of Grand Rapids - Waters Building, LLC**
Community Incentive Program - Act 381 Work Plan Approval

Request

The City of Grand Rapids 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 $2,645,110 for a project located at 161 Ottawa NW in downtown Grand Rapids.

The Project involves a complete overhaul and repurposing of an existing 117 year old building constructed in 1898. The building was used for 60 years as the world's largest furniture exhibition center until it was remodeled in 1958 as an office center. Currently, the site is more than 50% vacant. The very large building footprint and limited amount of natural light in the interior of the building require a significant overhaul to meet modern expectations for office space and to comply with building code requirements associated with the proposed hotel use. The central core of the structure will be removed from the building to create an open courtyard/atrium allowing for natural light and ventilation. The $1,030,000 in selective demolition expenses associated with this work, in addition to $676,000 in lead and asbestos abatement will comprise a majority of the brownfield eligible expenses and bring the building up to modern day office and hotel standards.

Background

The school taxes will be utilized to redevelop a single parcel of approximately 1.4 acres located at 161 Ottawa NW in downtown Grand Rapids, also known as the Waters Building. The Applicant plans to convert the 117 year old property into a fully mixed-use building consisting of approximately 75,000 square feet of office, 64,600 square feet of retail, 50,000 square feet of one to two bedroom residential apartments, and 100,000 square feet of hotel space featuring 112 rooms. The property is currently owned by Waters Building LLC, an entity created by the joint partnership of Edmark Development and Visser Brothers Construction. Edmark Development has executed several successful commercial/retail developments in the Grand Rapids region. The firm offers development and property management services. Visser Brothers is a construction management firm with experience building commercial and institutional properties throughout the Grand Rapids metro region.

The project involves a complete overhaul and repurposing of an existing 117 year old building. Constructed in 1898, the building was used for 60 years as the world's largest furniture exhibition center until it was remodeled in 1958 as an office building. The very large building footprint and limited amount of natural light in the interior of the building requires a significant overhaul to meet modern expectations for office space and to comply with building code requirements associated with the proposed hotel use. The central core of the structure will be removed from the building to create an open courtyard/atrium allowing for natural light and ventilation. Eligible activities that will be undertaken to alleviate Brownfield conditions on the property and complete the project include; interior and exterior demolition, lead and asbestos abatement, site preparation, and infrastructure improvements to the surrounding public street and sidewalks.

Total project investment is expected to be $33,418,515. Approximately 30 permanent full-time jobs are anticipated to be created at an average hourly wage of $14.00 as a result of the redevelopment project. The total capital investment will be approximately $35 million.

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 11, 2015.

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

Other State and Local Assistance to the Project

The Grand Rapids Downtown Development Authority (DDA) has pledged up to $1,481,127 in local TIF support for barrier free access improvements, and $70,000 in grants for areaway and streetscape improvements.

Tax Capture Breakdown

There are 28.6903 non-homestead mills available for capture, with school millage equaling 24 mills (83.65%) and local millage equaling 4.6903 mills (16.35%). The capture ratio is heavily weighted toward state capture due to the project being located in the DDA which captures all but local school taxes. The DDA contributions to the project make up the difference between what is available for capture and what would have been captured had the project been located outside of the DDA. Tax increment capture will begin in 2016 and is estimated to continue for 21 years. The requested tax capture for MSF eligible activities breaks down as follows:

School tax capture (83.65%)	$2,212,635
Local tax capture (16.35%)	$ 432,475
TOTAL	**$2,645,110**

Cost of MSF Eligible Activities

Demolition	$1,030,000
Lead or Asbestos Abatement	676,000
Infrastructure Improvements	520,600
Site Preparation	+ 75,000
Sub-Total	$2,301,600
Contingency (14.5%)	+ 333,510
Sub-Total	$2,635,110
Brownfield/Work Plan Preparation	+ 10,000
TOTAL	**$2,645,110**

Recommendation

The Michigan Economic Development Corporation (MEDC) 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 $2,645,110 described above. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at $2,212,635.

KEY STATUTORY CRITERIA

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

a) **Overall Benefit to the Public:**
This project will involve the complete renovation of a 289,000 square foot building in the center of downtown which is currently underutilized despite a very high demand for Class A office space in Grand Rapids. The historic building will be renovated to keep its historic character resulting in an increase of residential density to strengthen the retail in the area.

b) **Jobs Created (Excluding Construction and other Indirect Jobs):**
This project is expected to create approximately 30 new, full-time equivalent jobs in the retail and hospitality industry, with wages averaging $14 an hour.

c) **Area of High Unemployment:**
The City of Grand Rapids unadjusted jobless rate was 5.1% in March 2015.

d) **Level and Extent of Contamination Alleviated:**
Subsurface assessment results at the Property identified concentrations of copper, mercury and zinc in soil above MDEQ Part 201 Generic Residential Cleanup Criteria. As defined by Part 201, exceedance of the criteria indicates the Property is a "facility" and is considered "eligible property" under Act 381 of 1996, as amended.

e) **Reuse of Functionally Obsolete Buildings and/or Redevelopment of Blighted Property:**
The project is not qualifying as functionally obsolete or blighted.

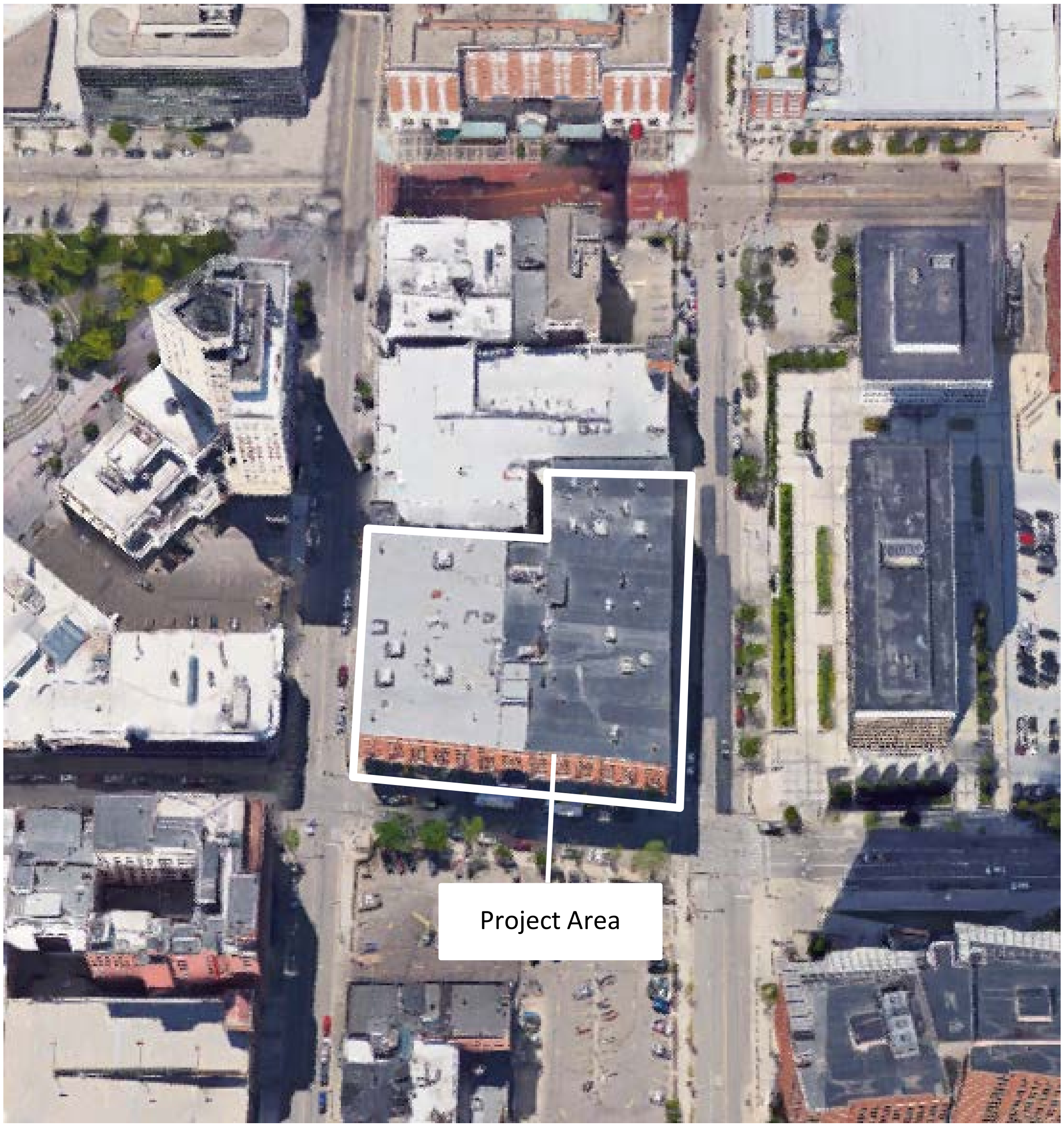
f) **Cost Gap that Exists between the Property and a Similar Greenfield Property:**
The Brownfield TIF is needed to offset costs associated with abatement of conditions that inhibit investment to renovate the property including demolition ($1,030,000), lead and asbestos abatement ($676,000), public infrastructure and areaway infill ($595,000). These are costs that would not need to be incurred on a greenfield property.

g) **Whether Project will Create a New Brownfield Property in the State:**
No new Brownfields will be created by this project.

h) **Whether the Project is Financially and Economically Sound:**
From the materials received, the MEDC infers that the Work Plan is financially and economically sound.

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

MAP OF PROJECT AREA



MICHIGAN STRATEGIC FUND

RESOLUTION 2015-

APPROVAL OF A BROWNFIELD WORK PLAN
CITY OF GRAND RAPIDS BROWNFIELD REDEVELOPMENT AUTHORITY
WATERS BUILDING 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 Michigan Strategic Fund (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 161 Ottawa Street, NW, within the City of Grand Rapids, known as the Waters Building 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;

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 83.65% to 16.35% ratio currently existing between school and local taxes for non-homestead properties, to reimburse the cost of site preparation, demolition, lead and asbestos abatement and infrastructure improvements as presented in the revised Work Plan dated May 5, 2015. Any change in millage that increases the capture percentage of school operating taxes by more than five 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 $2,635,110 for the principal activity costs of non-environmental activities and a contingency, 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 $2,212,635.

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 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:

June 8, 2015
Lansing, Michigan

PURE MICHIGAN

MEMORANDUM

Date: **June 8, 2015**

To: **Michigan Strategic Fund Board**

From: **Deborah Stuart, Director, Community Incentive Programs**
Marilyn Crowley, Community Assistance Team Specialist
Dan Wells, Brownfield Program Senior Specialist

Subject: **Ingham County - Dart Bank**
Community Incentive Program — Act 381 Work Plan Approval

Request

The County of Ingham Brownfield Redevelopment Authority is seeking approval of new local and school tax capture for Michigan Strategic Fund (MSF) eligible activities in the amount of $1,105,875 for the brownfield redevelopment of Dart Bank's new headquarters. This development will allow Dart to remain competitive and give them room to grow, while assisting with the continued revitalization efforts in the downtown district. Keeping Dart Bank in the downtown is a top priority for the City of Mason, and revitalizing the property will greatly improve the aesthetics of the area and is likely to boost surrounding property values. Tax capture is being requested because the site has brownfield conditions that make the site unsuitable for new investment. The site includes a former industrial building that was left contaminated, unoccupied and deteriorating since 2010. In addition, the current urban fill soil is unsuitable to construct on and includes buried foundations from former residential structures and an auto sales shop. Some of the fill soils are also contaminated. These conditions contribute to the financial infeasibility of the project without Brownfield incentive assistance.

Background

The school taxes will be utilized to alleviate Brownfield conditions in order to redevelop approximately 3.17 acres of property located at 222 West Ash Street and 368 South Park Street in downtown Mason. The project includes construction of a new, two story, 25,000 square foot headquarters for Dart Bank featuring a geothermal heating and cooling system, associated site improvements, and an adjoining parking lot featuring low-impact design elements. The property is currently owned and will remain owned by Dart Bank, which has been an important member of the community for 90 years.

Prior to construction, Brownfield conditions will need to be alleviated. Demolition of a vacant, former industrial building and three existing Dart Bank buildings that are too small for the current banking operations is necessary to redevelop the site. The current bank buildings were constructed in the late 1960's and utilized asbestos containing materials that require abatement prior to demolition. In addition to the existing buildings, buried foundations from former residential structures and an auto sales shop remain on the property and will need to be removed. Certain areas of soils across the site are unsuitable for new construction, as they are mixed with contaminated urban fill, and will be removed and replaced with engineered fill. These activities will alleviate Brownfield conditions across the site and make it suitable for redevelopment and will help protect human health and the environment.

Approximately six permanent, full-time jobs are anticipated to be created by the project at an average hourly wage of $15.00. The total capital investment will be approximately $8 million.

Property Eligibility
The project is located within the boundaries of the City of Mason, which is a Qualified Local Governmental Unit. 222 West Ash Street has been determined to be a facility as verified by Michigan Department of Environmental Quality (DEQ) on April 8, 2015, and 368 South Park Street is eligible based on it being adjacent and contiguous.

The property is the subject of a Brownfield Plan, duly approved by the County of Ingham on February 11, 2014, and concurred with by the City of Mason on January 20, 2014.

Other State and Local Assistance to the Project
The Department of Environmental Quality is currently considering $87,147 in Act 381 environmental activities.

Tax Capture Breakdown
There are 58.8016 non-homestead mills available for capture, with school millage equaling 24 mills (40.82%) and local millage equaling 34.8016 mills (59.18%). Tax increment capture will begin in 2016 and is estimated to continue for ten years. The requested tax capture for MSF eligible activities breaks down as follows:

School tax capture (40.82%)	$ 451,418
Local tax capture (59.18%)	$ 654,457
TOTAL	**$1,105,875**

Cost of MSF Eligible Activities

Demolition	$ 380,000
Lead or Asbestos Abatement	80,000
Infrastructure Improvements	62,000
Site Preparation	+ 430,500
Sub-Total	$ 952,500
Contingency (15%)	+ 142,875
Sub-Total	$1,095,375
Brownfield/Work Plan Preparation	+ 10,500
TOTAL	**$1,105,875**

Recommendation
The MEDC recommends approval of the request by County of Ingham Brownfield Redevelopment Authority to capture local and school taxes for the MSF eligible activities totaling $1,105,875 described above. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at $451,418.

KEY STATUTORY CRITERIA

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

a) Overall Benefit to the Public:
The project will provide several benefits to the public and downtown Mason. The project includes demolition of a former industrial building that was left contaminated, unoccupied and deteriorating since 2010. The project also includes the demolition of three Dart Bank buildings that are too small for the current banking operations, lack efficiency and are not in the character with the rest of Mason's walkable, historic downtown. In addition, the current soil is unsuitable to construct on and contaminated, making the project not financially feasible without brownfield assistance. Revitalizing the property will greatly improve the aesthetics of the area and is likely to boost surrounding property values. Furthermore, Dart Bank will be in a position to grow and create new jobs in the community.

This development will improve the appearance of the area, reduce potential human health and environmental impacts from site contamination to nearby neighborhoods and add over $3,000,000 of taxable value to the property. The new building will face downtown, and the site will be reconstructed to improve walkability via foot paths through a landscaped pathway to get to the building.

b) Jobs Created (Excluding Construction and other Indirect Jobs):
This project is expected to create approximately six new, full-time jobs in the community.

c) Area of High Unemployment:
The jobless rate for Ingham County was 4.6% in March 2015.

d) Level and Extent of Contamination Alleviated:
Based on environmental investigations on the property, soil contamination is present on the property at concentrations above the Part 201 Generic Residential and Nonresidential Cleanup Criteria. Contaminants, which were identified on the central portion of the property, include arsenic, chromium and silver. The contamination was identified in the shallow fill material (0.5 to two feet below grade) at up to five locations.

e. Reuse of Functionally Obsolete Buildings and/or Redevelopment of Blighted Property:
The project is not qualifying as functionally obsolete or blighted and will not reuse the current buildings on the property.

f. Cost Gap that Exists between the Property and a Similar Greenfield Property:
The Brownfield TIF is needed to offset the extraordinary costs associated with this brownfield site. The work plan identifies $1,358,150 of environmental and non-environmental costs that are above the cost to develop a similar Greenfield property.

g. Whether Project will Create a New Brownfield Property in the State:
No new Brownfields will be created by this project.

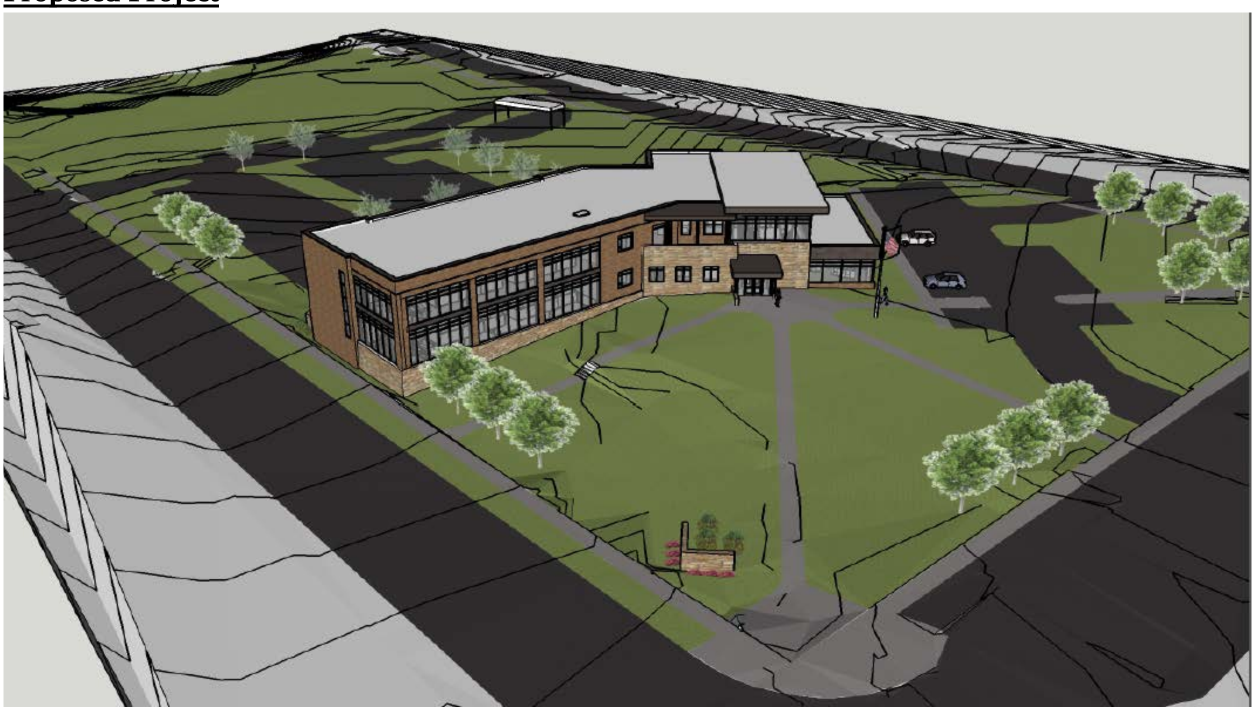
h. Whether the Project is Financially and Economically Sound:
From the materials received, the Michigan Economic Development Corporation (MEDC) infers that the Work Plan is financially and economically sound.

i. **Other Factors Considered:**

This project is extremely important to the City of Mason. Dart Bank's new headquarters will be important to the economic development efforts that have already taken place and continue the theme of Mason's redevelopment as a vibrant, walkable community that is attractive to talent. Mason has completed 36 new apartments with the assistance of the Michigan State Housing Development Authority (MSHDA) and is currently in the middle of a 2.25 million dollar redevelopment that was jointly assisted by the MEDC and MSHDA.

MAP OF PROJECT AREA

Proposed Project



MICHIGAN STRATEGIC FUND

RESOLUTION 2015-

APPROVAL OF A BROWNFIELD WORK PLAN
INGHAM COUNTY BROWNFIELD REDEVELOPMENT AUTHORITY
DART BANK HEADQUARTERS

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 Michigan Strategic Fund (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 Ingham County Brownfield Redevelopment Authority (the "Authority") has submitted a work plan for property located at 222 West Ash Street and 368 South Park Street within the City of Mason, known as Dart Bank Headquarters (the "Project");

WHEREAS, the City of Mason 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;

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 40.82% to 59.18% ratio currently existing between school and local taxes for non-homestead properties, to reimburse the cost of site preparation, demolition, lead and asbestos abatement and infrastructure improvements as presented in the revised Work Plan dated May 8, 2015. Any change in millage that increases the capture percentage of school operating taxes by more than five 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 **$**1,095,375 for the principal activity costs of non-environmental activities and a contingency, and a maximum of $10,500 for Brownfield/Work Plan preparation, and with the capture of taxes levied for school operating purposes being limited to a maximum of $451,418.

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 Ingham County, 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 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:

June 8, 2015
Lansing, Michigan

PURE MICHIGAN®

MEMORANDUM

Date: **June 8, 2015**

To: **Michigan Strategic Fund Board**

From: **Deborah Stuart, Director, Community Incentive Programs**
Julius L. Edwards, Manager Capital Projects and Portfolio
Dan Wells, Brownfield Program Specialist
Stacy Esbrook, Senior Community Assistance Team Specialist

Subject: **Woodward and Erskine LLC – City of Detroit**
Request for Amendment to an Act 381 Work Plan,
Michigan Community Revitalization Program Performance Based Loan, and
Amendment to a Large Brownfield MBT/SBT Credit

Request

The project requests to use the Michigan Community Revitalization Program (MCRP), amend the previously approved Brownfield Act 381 work plan, and amend the previously approved MBT Brownfield Credit amendment for the Scott at Brush Park project located at 3152 Woodward Avenue, Detroit, Michigan.

This project is a sustainable infill development in Brush Park, a sub-district of downtown Detroit. The project is a couple of blocks north of the Arena District, and is currently characterized as a blighted area, and has been vacant for at least ten years. The project will significantly increase residential and commercial density in a form that promotes walkable communities. The development team is in the process of securing senior financing from Fifth Third Bank in an amount anticipated to be $36,250,000 and subordinate financing totaling $8,000,000 (50/50 split) from Invest Detroit and Capital Impact Partners, which is equal to 82% of the appraised value. The financing is above traditional financing limits of between 70-80% of appraised value. Additionally, it is anticipated that the development will be raising approximately $9 million (14.6% of the total development cost). The remaining gap will be filled by Brownfield credit funding, and a $1.5 million MCRP loan with a five year term, bearing an interest rate of five percent. It is anticipated that following the five year term the project will have reached a stabilized occupancy and have access to additional capital to replace the MCRP loan.

Woodward and Erskine LLC (Applicant) is requesting approval of a MCRP performance-based loan in the amount of $1,500,000. The Applicant anticipates that the project will result in eligible investment of $53,785,309 million and total capital investment in the amount of $61,275,000 million in the City of Detroit and the creation of 50 jobs (Appendix A). The project is located in a downtown and qualifies for a MCRP award because it is a facility.

The City of Detroit Brownfield Redevelopment Authority has submitted an Act 381 Work Plan Amendment (hereinafter Work Plan) request for the approval of local and school tax capture for eligible activities in the amount of $7,790,631. The initial work plan request in 2006 was for $7.2 million in demolition, infrastructure, lead and asbestos abatement and site preparation costs across an area that extended an additional block to the east, but is no longer part of the current project. The Brownfield plan was amended to restrict the eligible property to the current project. The amended work plan costs include infrastructure improvements related to construction of the underground parking and interest costs for the commercial loans required to finance the project. Only about half of the parking deck costs will be covered by the work plan; additional costs incurred beyond the TIF reimbursement will be used as basis for the eligible investment under the Brownfield MBT credit. Contaminated soils present on the site will be removed during construction of the underground parking (Appendix B). The project is located within the boundaries of the City of Detroit, which is a Qualified Local Governmental Unit, and has been deemed a facility as verified by the Michigan Department of Environmental Quality (MDEQ). The property is the subject of an amended Brownfield Plan, duly approved by the City of Detroit on April 28, 2014.

Woodward and Erskine LLC requests the following amendment be made to the project which was originally approved for a Brownfield SBT credit by the MEGA Board on October 17, 2006 (Appendix C): Addition of Woodward and Erskine LLC as a qualified taxpayer, change in project scope and conversion of the tax credit from the ten percent SBT Credit to the 15% Urban Development Area Project MBT Credit, and reduce the number of phases from ten to two.

Background

The Applicant plans to construct a five-story building in Brush Park, Detroit with one level of underground parking on approximately two acres of land. The ground floor will include 14,693 square feet of retail/restaurant space fronting Woodward and Erskine and includes 120 parking spaces, the majority of which will be enclosed and covered by the building. The top four stories will include a total of 199 market-rate apartments and includes of mix of studio, one-bedroom, two-bedroom and three-bedroom units. One story of underground parking will provide an additional 167 parking spaces. A swimming pool, outside recreational area and other amenities are planned for the 2nd floor of the building. The total development is over 332,000 square feet.

The project developer is Woodward and Erskine LLC, an entity formed by principals of Broder & Sachse Real Estate Services. Broder & Sachse currently manages over 500,000 square feet of real estate in Detroit. The project will be constructed by Sachse Construction, which has vast experience with the redevelopment of the Woodward Corridor and other areas of Downtown and Midtown Detroit in recent years. It has worked on over 2,000,000 square feet of the recent revitalization of Detroit, including many recent and upcoming residential projects.

The Applicant has not received any incentives from the Michigan Strategic Fund (MSF) previously. The previous qualified taxpayer that received the SBT Brownfield credit for the completion of Phase I (3100 Woodward LLC) is no longer involved with the completion of the project.

The project's statutory requirements are addressed in Appendix A, B, and C and a project map and renderings are provided in Appendix D.

FINANCING OPPORTUNITY – MCRP PERFORMANCE BASED LOAN

The project is seeking a MSF Performance Based Loan. It is anticipated that the MSF Loan will be unsecured and subordinated on a limited basis. Below outlines a summary of the total development sources for the project.

SUMMARY OF DEVELOPMENT SOURCES:

Fifth Third Bank	$	36,250,000	59.2%
Invest Detroit	$	4,000,000	6.5%
Capital Impact Partners	$	4,000,000	6.5%
Brownfield Tax Credit Equity	$	6,546,732	10.7%
MCRP Loan	$	1,500,000	2.5%
Owner Equity	$	8,978,268	14.7%
TOTAL	**$**	**61,275,000**	**100.0%**

LOAN FACILITY

MSF Facility: Performance Based Loan

Borrower: Woodward and Erskine LLC

Loan Amount: Up to the lesser $1,500,000 or 20% of eligible investment

Term: Not to exceed 60 months

Interest Rate: Anticipated to be five percent per annum

Repayment Terms: Interest only monthly, with principal due at the earliest of project sale, refinance, or loan maturity

Collateral: Unsecured

Guarantee: N/A

Fee: One-time fee equal to one percent of the MSF's MCRP Award

Funding: Certificate of Occupancy and other performance criteria to be contained in final loan documents

Other Conditions: The MSF's investment will be contingent upon a minimum owner equity contribution being made to the project of not less than $8,978,000.

Additionally, closing on the MSF Loan will be contingent upon receipt and satisfactory review by MEDC staff of the following:

- A "Guaranteed Maximum Price" construction contract
- Construction and permanent financing commitments totaling $44,250,000
- Evidence of bridge financing for the Brownfield tax credit equity and the MCRP award
- Local approval of an Obsolete Property Rehabilitation Act tax abatement
- Evidence of available equity
- Full third-party cost review

MSF Delegation: It is requested the Board delegate to the MSF Fund Manager, in consultation with legal counsel and other MSF and Michigan Economic Development Corporation (MEDC) staff the final terms for the payment and amortization schedule, collateral, interest rate on the lenders share, and guarantees.

Recommendation
MEDC Staff recommends the following:

a) Approval of local and school tax capture for the amended Act 381 eligible activities totaling $7,790,631 described above. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at $4,271,759. However, in order for school tax capture to occur on this project, the applicant shall: submit invoices related to the underground parking simultaneously to the City of Detroit and MEDC.
b) Approval of the requested MBT Brownfield credit amendment. However, at the time a Certificate of Completion for the project is requested to receive the Credit, the applicant shall: submit invoices related to the underground parking simultaneously to the City of Detroit and MEDC.
c) Approval of an MCRP performance-based loan in the amount of $1,500,000 for Woodward and Erskine LLC.

APPENDIX A – MCRP REQUIREMENTS

MCRP PROGRAM AND ITS GUIDELINES

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

SOURCE OF INFORMATION

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

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

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

This project will be the first major investment into Brush Park in a very long time. Brush Park has a handful of historic structures still remaining and, unfortunately, has a significant amount of vacant land due to the loss of buildings over the past several decades. This project is a significant infill development that will substantially increase the residential and commercial density of the neighborhood. The Scott at Brush Park will meet the ever growing housing demands of Midtown, Detroit and will remove an otherwise eyesore visible from Woodward Avenue. Residents will also utilize the M-1 transit line currently under construction.

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

Brush Park has not seen the same redevelopment interest as the Eds and Meds neighborhoods of Midtown and the redevelopment efforts of downtown. The Scott at Brush Park is going to catalyze investment in this neighborhood, significantly by increasing the residential and commercial density which will draw more traffic to the area. The completion of the project will also aid in financing efforts of other developments by demonstrating success and proving comparable rental data.

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

This City of Detroit is supporting this project with their participation in the Brownfield Tax Increment Financing plan, as well as with a Commercial Rehabilitation Act (PA 210 of 2005) Abatement. That abatement has been approved for ten years and is valued at $5.8 million.

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

The development team is in the process of securing senior financing from Fifth Third Bank in the amount anticipated to be $36,250,000 and subordinate financing totaling $8,000,000 (50/50 split) from Invest Detroit and Capital Impact Partners, which equal to 82% of the appraised value. The financing is above traditional financing limits of between 70-80% of appraised value. Additionally, it is anticipated that the development will be raising approximately $9 million (14.6% of the total development cost). The remaining gap will be filled by Brownfield Credit funding and a $1.5 million MCRP loan with a five year term, bearing an interest rate of five percent. It is anticipated that following the five year term the project will have reached a stabilized occupancy and have access to additional capital to replace the MCRP loan.

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

This is an infill project on environmentally contaminated property.

F. Creation of jobs and areas of high unemployment:

The project is expected to result in the creation of 50 full-time equivalent jobs. Of the 50 jobs, 7.5 jobs will be created for the property management, and the wages for those jobs will range between $12 and $36 per hour. The remainder of the jobs will be created by the retail/restaurant tenants, and wages for those positions will range from $10 to $12 per hour.

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

The project includes $36 million in traditional debt (59% of the project), two $4 million subordinated loans from Capital Impact Partners and Invest Detroit and the developer is contributing $8.9 million in equity.

H. Whether the project is financially and economically sound:

Following reaching stabilized occupancy, it is anticipated that the project will be able to achieve a debt service coverage ratio of greater than 1.25 to 1.00. Additionally, the project will have the financial support of the owners.

Staff reviewed all rental 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 an appraisal performed by Terzo & Bologna, Inc. Commercial and residential demand is strong in the Midtown area, particularly in new developments such as the subject.

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

More than 332,000 new square feet of commercial and residential space will be constructed on vacant land between Woodward and John R, and Erskine and Watson. There is an existing historic two-story Fraternal Civic Center at the corner of Erskine and John R and an existing two-story structure at the corner of Watson and Woodward. This project will infill the remaining City block between the structures and will be five-stories above grade, with one level of underground parking.

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

The project includes both residential and commercial/retail uses. The design of the building promotes walkable communities by building on top of a parking deck, reducing the amount of surface parking required to support this level of density. In addition, the building includes significant retail square footage on Woodward and Erskine and will promote pedestrian traffic with various retail amenity destinations.

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

The project is not converting an abandoned public building into private use.

L. Whether the project promotes sustainable development:

Low flow fixtures will be installed in the development and will reduce water usage by 30% compared to traditional fixtures. A light colored roof will reduce the "island heat effect." The building will use much less energy that is typical by enhancing refrigeration management, thereby also reducing ozone depletion. The project will also boost ridership on the M1 Rail street car by providing parking and retail destinations.

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

The project is not a historic rehabilitation.

N. Whether the project addresses area-wide redevelopment:

Brush Park is a neighborhood district that is east of Woodward Avenue, west of I-75 Freeway, north of the Fisher Freeway and south of Mack Avenue. Although this district has attracted recent attention, it has seen very little redevelopment, and this new project will complement the revitalization efforts in downtown, the new Arena district, and the Cass Corridor/Wayne State neighborhoods.

O. Whether the project addresses underserved markets of commerce:

The project is providing significant residential and commercial density to Brush Park, which are both significantly underserved markets.

P. The level and extent of environmental contamination:

Heavy metals have been documented in environmental investigations that exceed the residential clean up criteria. The soils that will be excavated and removed from the site will be disposed of at a Type II landfill.

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

The project is not a historic rehabilitation.

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

The project will not compete with or affect existing Michigan businesses.

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

No additional criterion need to be considered.

APPENDIX B – ACT 381 REQUIREMENTS

Act 381 TIF: There are 63.62 non-homestead mills available for capture, with school millage equaling 24 mills (37.72%) and local millage equaling 39.62 mills (62.28%). Tax increment capture began in 2010 and is estimated to continue for 20 more years. Local tax capture will be abated at 100% between 2016 through 2025 due to the approval of a Commercial Rehabilitation Act (PA 210) abatement, which weighs tax capture more heavily to the state at a ratio of 54.832% to 45.168% overall. The requested tax capture for eligible activities breaks down as follows:

School tax capture (54.832%)	$4,271,759
Local tax capture (45.168%)	$3,518,872
TOTAL	**$7,790,631**

COST OF ELIGIBLE ACTIVITIES

Infrastructure Improvements	$5,290,998
Interest (five percent)	+2,499,633
TOTAL	**$7,790,631**

ADDITIONAL STATUTORY CRITERIA UNDER ACT 381:

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

The eligible property contains a single building, the previously redeveloped Crystal Lofts, which will not be utilizing the eligible activities. The property is otherwise vacant land that formerly developed with a mix of uses.

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

The Brownfield Tax Increment Financing is needed to offset the significant cost of building underground parking to service a denser urban use. The total cost of the parking deck is just over $10 million, but only a portion of that cost will be reimbursed, in addition to the TIF interest.

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

No new Brownfields will be created by this project.

d) **Other Factors Considered:**

No additional factors need to be considered for this project.

APPENDIX C – SBT/MBT CREDIT REQUIREMENTS

MBT/SBT Brownfield Credit Summary	Previous Approval	Amendment
Project Eligible Investment:	$102,061,734	$54,212,741
Requested Credit Amount:	$10,000,000	$7,845,989
Requested Credit Percentage:	10%	15%

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

Phase I – Has been completed, and included the renovation of the Crystal Lofts building at the corner of Woodward and Watson Streets. Eligible investment was $5,718,430 and a Brownfield credit for $571,843 was issued to 3100 Woodward, LLC on December 28, 2007.

Phase II – Construction of a five-story, mixed-use building housing 199 market rate apartments, approximately 14,693 square feet of ground floor retail and 300 spaces of below ground and integrated parking (exclusive of the costs reimbursed under the tax increment financing approved for this cost).

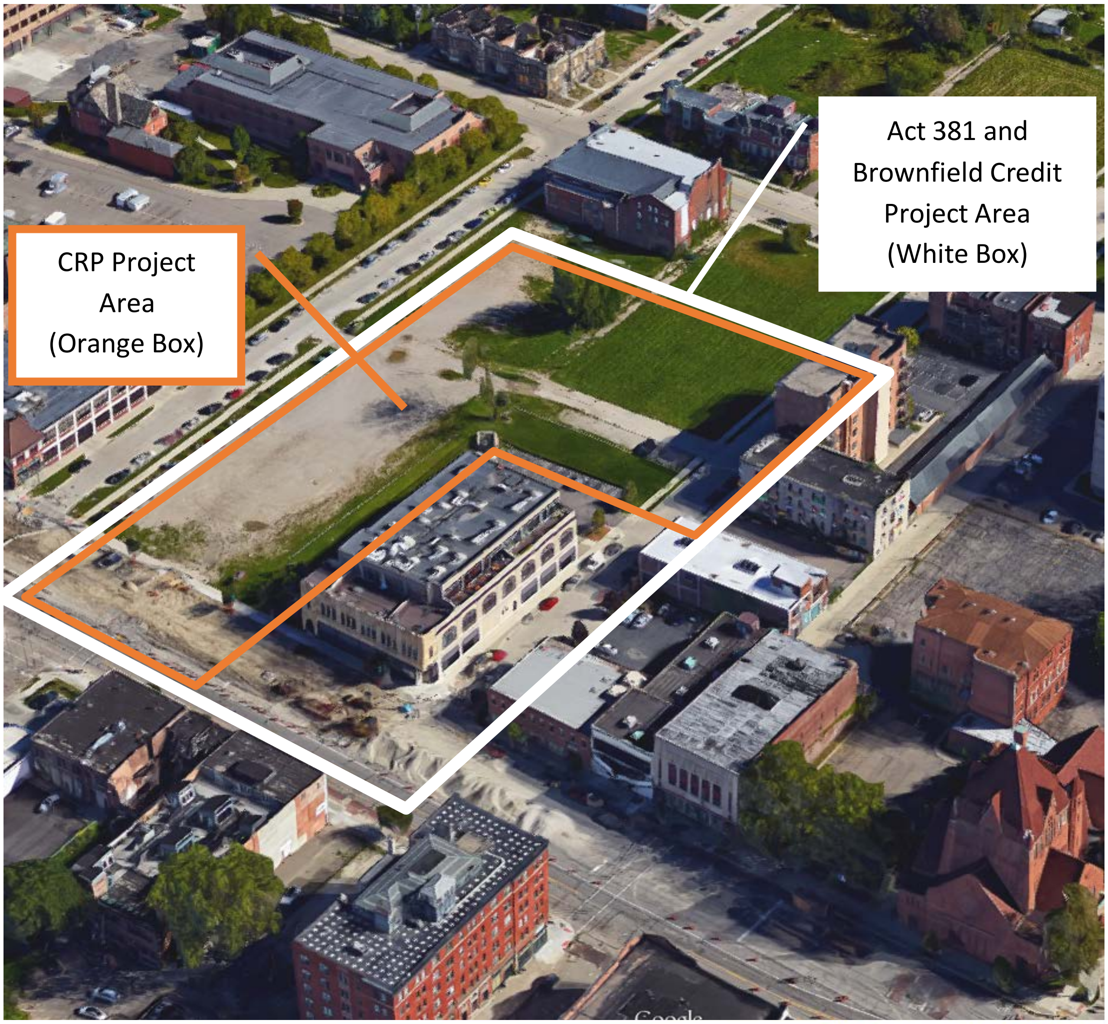
COST OF ELIGIBLE INVESTMENTS BY PHASE

Phase I (Completed)		
Building Renovation	$	5,718,430
Phase I Total	**$**	**5,718,430**
Phase II		
Demolition	$	37,592
New Construction		48,056,719
Addition of Machinery & Equipment	+	400,000
Phase II Total	**$**	**48,494,311**

TOTAL COST OF ELIGIBLE INVESTMENTS

Demolition	$	37,592
New Construction		48,056,719
Building Renovation		5,718,430
Addition of Machinery & Equipment	+	400,000
TOTAL	**$**	**54,212,741**

APPENDIX D – MAP AND RENDERINGS



MICHIGAN STRATEGIC FUND

RESOLUTION 2015-

City of Detroit Brownfield Redevelopment Authority
Central Brush Park, LLC Redevelopment Project
(Amendment #1)
City of Detroit

At the meeting of the Michigan Strategic Fund ("MSF") held on June 8, 2015 in Lansing, Michigan.

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

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

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

WHEREAS, the MEGA Board approved a Work Plan request for the Central Brush Park, LLC Redevelopment Project (the "Project"), by Resolution 2006-85 on October 17, 2006, authorizing the Authority to capture taxes levied for school operating purposes based on a maximum of $2,036,211 in eligible activities;

WHEREAS, the qualified taxpayer wishes to amend the scope of the Project by incorporating costs for infrastructure improvements related to underground parking into the building of the Project, and increasing the maximum amount for eligible costs;

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

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

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board authorizes a project scope amendment for the Authority to capture taxes levied for school operating purposes in substantially the same proportion as the 54.832% to 45.168% ratio currently existing between school and local taxes for non-homestead properties, to reimburse the cost of infrastructure improvements and site preparation as presented in the revised Work Plan dated May 18, 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 $5,290,998 for the principal activity costs of non-environmental activities and a contingency, a maximum of $2,499.633 in interest, and with the capture of taxes levied for school operating purposes being limited to a maximum of $4,271,759.

BE IT FURTHER RESOLVED, that the MSF Board authorizes the staff of the MSF, to provide written notification to the Authority, in the form of a letter which incorporates the terms set forth in this Resolution and consistent with the limitations of the Act, and that this approval is further conditioned upon the Authority, or the City of Detroit, as appropriate, maintaining adequate records regarding: a) all taxes captured for the project; and b) receipts or other appropriate documentation of the cost of eligible activities. The records shall be made available for review upon request by MSF staff. Eligible activities authorized by this resolution must be completed within three (3) years of the date this Resolution is adopted. At the time of a request for a Certificate of Completion for the Tax Credit related to this project, the applicant shall also submit appropriate documentation for reimbursement for Act 381 eligible activities related to the underground parking to the City of Detroit.

BE IT FURTHER RESOLVED, that the MSF Board is authorizing the capture of taxes levied for school operating purposes for the payment of interest, up to a maximum of $2,499,633 related to the eligible activities for the Project.

Ayes:

Nays:

Recused:

June 8, 2015
Lansing, Michigan

MICHIGAN STRATEGIC FUND
RESOLUTION 2015-

APPROVAL OF A MICHIGAN COMMUNITY REVITALIZATION PROGRAM LOAN AWARD TO WOOODWARD AND ERKSINE 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, Woodward and Erksine LLC ("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 $1,500,000 ("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 has recommended that the MSF approve the Award Request in accordance with the Term Sheet and Guidelines, subject to: (i) available funding, (ii) final due diligence performed to the satisfaction of the MEDC; and (iii) execution of the Transaction Documents for the Award Request within 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 90 days ("MCRP Award Recommendation");

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

ADOPTED

Ayes:

Nays:

Recused:

Lansing, Michigan
June 8, 2015

Exhibit A

LOAN FACILITY

MSF Facility	Performance Based Loan
Borrower:	Woodward and Erksine LLC
Loan Amount:	Up to the lesser $1,500,000 or 20% of eligible investment
Term:	Not to exceed 60 months.
Interest Rate:	Anticipated to be 5.00% per annum
Repayment Terms:	Interest only monthly, with principal due at the earliest of project sale, refinance, or loan maturity.
Collateral:	Unsecured
Guarantee:	N/A
Fee:	One-time fee equal to 1.00% of the MSF's MCRP Award.
Funding:	Certificate of Occupancy and other performance criteria to be contained in final loan documents.
Other Conditions:	The MSF's investment will be contingent upon a minimum owner equity contribution being made to the project of not less than $8,978,000. Additionally, closing on the MSF Loan will be contingent upon receipt and satisfactory review by MEDC staff of the following: - A "Guaranteed Maximum Price" construction contract - Construction and permanent financing commitments totaling $44,250,000 - Evidence of bridge financing for the Brownfield tax credit equity and the MCRP award - Local approval of an Obsolete Property Rehabilitation Act tax abatement - Evidence of available equity - Full third-party cost review
MSF Delegation:	It is requested the Board delegate to the MSF Fund Manager, in consultation with legal counsel and other MSF and MEDC staff the final terms for the payment and amortization schedule, collateral, interest rate on the lenders share, and guarantees.

MICHIGAN STRATEGIC FUND

Resolution 2015 –

Woodward and Erskine LLC
Brownfield Redevelopment MBT Credit – Amendment #1
City of Detroit

At the meeting of the Michigan Strategic Fund ("MSF") held on June 8, 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 2006-84 on October 17, 2006, the MEGA Board awarded a Brownfield SBT Tax Credit to Central Brush Park, LLC, 3100 Woodward, LLC and American House at Brush Park LDHA Limited Partnership to make eligible investment up to $100,000,000 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, a request has been submitted to amend the Project to add Woodward and Erskine LLC as an additional qualified taxpayer, increase the credit percentage from 10% to 15% available under the Urban Development Area Project Michigan Business Tax, and amend the scope of the project to reduce the Project from ten phases to two phases; and

WHEREAS, the Michigan Economic Development Corporation provides administrative services to the MSF, and recommends approval of the amendment by the MSF Board, provided that the maximum credit amount does not exceed $7,845,989.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board amends the Project by adding Woodward and Erskine LLC as an additional qualified taxpayer, increase the credit percentage from 10% to 15% provided that the maximum Tax Credit does not exceed $7,845,989, and reduce the scope of the project to two phases as follows:

Phase I – Renovations of the Crystal Lofts building at the corner of Woodward Avenue and Watson Street.

Phase II – Construction of a five story mixed use building housing approximately 199 market rate apartments, approximately 14,693 square feet of ground floor retail, and approximately 300 spaces of below ground and integrated parking.

BE IT FURTHER RESOLVED, that at the time of a request for a Certificate of Completion for the Tax Credit, the applicant shall also submit appropriate documentation for reimbursement for Act 381 eligible activities related to the underground parking to the City of Detroit.

BE IT FURTHER RESOLVED, that all other provisions of Resolution 2006-84, as amended are reaffirmed and the MSF authorizes the MSF Fund Manager to implement the terms of this resolution.

Ayes:

Nays:

Recused:

Lansing, Michigan
June 8, 2015

MEMORANDUM

Date: June 8, 2015

To: MSF Board

From: Christin Armstrong, Senior Corporate Counsel & Director, Compliance

Subject: Ford Motor Company – Amendment to Electrification MEGA Agreement and Global MEGA Agreement

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Background

On May 9, 2009, the MEGA Board authorized a Retention Tax Credit for Ford Motor Company ("Ford" or "Company") of up to 100 percent for ten consecutive years for a maximum of 4,700 Retained Jobs at its Michigan Assembly Plant and the Wayne Stamping Plant (the "Electrification MEGA Tax Credit"). An amendment to the Electrification MEGA was approved by the MEGA Board at its January 11, 2010 meeting, which consolidated all electrification project locations (by adding its Van Dyke Transmission Plant, Product Development Center and Rawsonville Plant locations) under one MEGA agreement and increased the maximum number of retained jobs to 8,600.

On October 26, 2010, the MEGA Board authorized a second Retention Tax Credit for Ford of up to 100 percent for fifteen consecutive tax years for 28,000 retained employees (the "Global Retention MEGA"). An amendment to the Global Retention MEGA was approved by the MEGA Board at its December 13, 2011 meeting to increase the number of retained employees to 31,600 for additional employment at its Flat Rock Assembly Plant (formerly AutoAlliance International).

Through December 31, 2013, Ford has retained 35,992 MEGA-eligible full-time jobs and made qualifying investments totaling $3.4 billion dollars in the State of Michigan.

Request

MEDC Staff requests and recommends that the Michigan Strategic Fund ("MSF") Board amend the Electrification MEGA Tax Credit and the Global MEGA Tax Credit, consistent with the MEDC's objectives of achieving budget transparency and certainty for MEGA Tax Credits and in accordance with the following (collectively, the "Amendment Request"):

(1) Combine the Electrification MEGA Tax Credit and the Global MEGA Tax Credit into one MEGA Agreement beginning with the Company's tax year ending December 31, 2015 and continuing until the Company's tax year ending December 31, 2025 (the "Amended Global MEGA Tax Credit), for a maximum of 40,200 retained jobs (8,600 from the Electrification MEGA and 31,600 from the Global MEGA);

(2) Require Ford to provide periodic forecasts of its estimated tax credits earned under the Amended Global MEGA Tax Credit to assist the MSF and the State of Michigan with budgeting and cash flow-planning (the "Tax Credit Forecast")

(3) Require Ford, in order to be eligible for the maximum eligible MEGA credit amounts, to make additional new capital investment of $3.1 billion over the remaining term of the Amended Global MEGA Tax Credit, for a total cumulative investment under the

Electrification MEGA, Global MEGA and Amended Global MEGA Tax Credit of $6.2 billion (the “Cumulative Project Investment”);

(4) Limit the obligations of the State of Michigan under the Amended Global MEGA Tax Credit with an overall cap of $2.3 billion on the total amount of the tax credit (the “Tax Credit Limit”) that may be claimed over the life of the Amended Global MEGA Tax Credit, inclusive of tax credits that have already been issued;

(5) Set annual limits on the tax credit value that may be claimed in a given year and allow Ford to re-earn any unrealized credit value in a given year in the subsequent tax year provided it has sufficient eligible wages and has achieved the full Cumulative Project Investment required through that tax year to support the full value of the credit, and subject to the overall Tax Credit Limit;

(6) Allow investment at all Ford locations under the Amended Global MEGA Tax Credit to count toward the Cumulative Project Investment for the life of the Amended Global MEGA Tax Credit; and

(7) Provide stability and predictability for the timing of audit and payment for annual Global MEGA tax credits throughout the life of the tax credit.

Request Rationale

Ford has agreed that, to be eligible to earn out the maximum remaining value of the Electrification and Global MEGAs, Ford would have make an additional $3.1 billion capital investment in the State of Michigan over the next ten years, for a total $6.2 billion. This is a strong incentive for Ford to continue to grow and maintain its operations in Michigan for the long term.

In addition, this amendment does not increase the State’s liability under the MEGA. In fact, the amendment would serve to limit the State’s costs and provide more certainty with its long term obligations to Ford under the Amended MEGA Tax Credit. The amendment will also provide greater predictability in the amount and timing of claimed tax credits.

Recommendation

MEDC Staff recommends approval of the Amendment Request and further recommends that the MSF President or MSF Fund Manager, with only one required to act, be authorized to negotiate the final terms and conditions of and execute all documents necessary to effectuate the Amendment Request.

MICHIGAN STRATEGIC FUND

RESOLUTION 2015-

Ford Motor Company
MEGA Retention Tax Credit Amendments

WHEREAS, the Michigan Legislature created the Michigan Economic Growth Authority ("MEGA") under the Michigan Economic Growth Authority Act, 1995 PA 24, a amended, with the authority to grant an authorized business a credit against the tax imposed by the Michigan Business Tax Act, 2007 PA 36, as amended (a "Tax Credit");

WHEREAS, on May 9, 2009, the MEGA Board authorized a Retention Tax Credit for Ford Motor Company ("Ford" or "Company") of up to 100 percent for ten consecutive years for a maximum of 4,700 Retained Jobs at the Michigan Assembly Plant and the Wayne Stamping Plant (the "Electrification MEGA Tax Credit");

WHEREAS, on January 11, 2010, the Electrification MEGA Tax Credit was amended to consolidate all of its electrification programs in Michigan under the Electrification MEGA Tax Credit and to increase the maximum number of Retained Jobs to 8,600;

WHEREAS, in exchange for the Electrification MEGA Tax Credit, as amended, Ford agreed to maintain a minimum of 1,800 full time jobs and make a minimum capital investment of at the Michigan Assembly Plan and Wayne Stamping Plant facilities; retain a minimum of 2,800 total full time jobs, including minimum of 1,000 full time jobs related to the Company's advanced Company is eligible to receive a tax credit under the Electrification MEGA Tax Credit; and retain a minimum of 3,000 total full time jobs at all facilities listed under the agreement in order to be eligible for 100 percent of the tax credit in any given year;

WHEREAS, on October 26, 2010, the MEGA Board authorized a Retention Tax Credit for Ford Motor Company ("Ford" or "Company") of up to 100 percent for fifteen consecutive years for a maximum of 28,000 Retained Jobs at its facilities throughout the State of Michigan, except for those facilities included under the Electrification MEGA Tax Credit (the "Global MEGA Tax Credit");

WHEREAS, on December 13, 2011, the Global MEGA Tax Credit was amended by the MEGA Board to add the Company's AAI facility at Flat Rock and to increase the maximum number of Retained Jobs to 31,600;

WHEREAS, in exchange for the Global MEGA Tax Credit, as amended, Ford agreed to maintain a minimum of 14,400 full time jobs, at least 8,900 of which must be salaried positions, and agreed to invest in its facilities throughout the State of Michigan, except for those facilities included under the Electrification MEGA Tax Credit, at least $50,000 per Retained Job;

WHEREAS, by Executive Order 2012-9, the all the authority, powers, duties and functions of the MEGA Board were transferred to the Michigan Strategic Fund ("MSF");

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

WHEREAS, the Company and the MSF wish to amend the Electrification MEGA Tax Credit and the Global MEGA Tax Credit in accordance with the following (collectively, the "Amendment Request"):

(1) Combine the Electrification MEGA Tax Credit and the Global MEGA Tax Credit into one MEGA Agreement beginning with the Company's tax year ending December 31, 2015 and continuing until the Company's tax year ending December 31, 2025 (the "Amended Global MEGA Tax Credit), for a maximum of 40,200 retained jobs (8,600 from the Electrification MEGA and 31,600 from the Global MEGA);

(2) Require Ford to provide periodic forecasts of its estimated tax credits earned under the Amended Global MEGA Tax Credit to assist the MSF and the State of Michigan with budgeting and cash flow-planning (the "Tax Credit Forecast")

(3) Require Ford, in order to be eligible for maximum MEGA credit amounts, to make additional new capital investment of $3.1 billion over the remaining term of the Amended Global MEGA Tax Credit, for a total cumulative investment under the Electrification MEGA, Global MEGA and Amended Global MEGA Tax Credit of $6.2 billion (the "Cumulative Project Investment");

(4) Limit the obligations of the State of Michigan under the Amended Global MEGA Tax Credit with an overall cap of $2.3 billion on the total amount of the tax credit (the "Tax Credit Limit") that may be claimed over the life of the Amended Global MEGA Tax Credit, inclusive of tax credits that have already been issued;

(5) Set annual limits on the tax credit value that may be claimed in a given year and allow Ford to re-earn any unrealized credit value in a given year in the subsequent tax year provided it has sufficient eligible wages and has achieved the full Cumulative Project Investment required through that tax year to support the full value of the credit, and subject to the overall Tax Credit Limit;

(6) Allow investment at all Ford locations under the Amended Global MEGA Tax Credit to count toward the Cumulative Project Investment for the life of the Amended Global MEGA Tax Credit; and

(7) Provide stability and predictability for the timing of audit and payment for annual Global MEGA tax credits throughout the life of the tax credit.

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

BE IT FURTHER RESOLVED, except as to those provisions that must be revised in order to effectuate the Amendment Request, the terms and conditions of the Electrification MEGA Tax Credit and the Global MEGA Tax Credit shall remain in full force and effect.

BE IT FURTHER RESOLVED, the MSF Board authorizes the MSF President or the MSF Fund Manager, with only one required to act, to negotiate the final terms and conditions of the Amendment Request and to execute all documents necessary to effectuate the Amendment Request.

Ayes:

Nays:

Recused:

Lansing, Michigan
June 8, 2015