

**MICHIGAN STRATEGIC FUND
BOARD MEETING AGENDA
April 28, 2015**

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

A. Consent Agenda - Action Item

Proposed Meeting Minutes – March 24, 2015
DTED Transition Memorandum of Understanding - Christin Armstrong
DTED Director/MEDC CEO Memorandum of Understanding - Christin Armstrong
CDBG Application Guide Approval – Chris Whitz

B. Administrative – Action Item

New International Trade Center – Escrow Agreement – Andrew Doctoroff
Michigan Land Bank – Blighted Property Notes – Jarrod Smith

C. Business Investment

1. Entrepreneurship – Action Item

Venture Capital Fund Program – Award Recommendation – Mike Flanagan

2. Business Growth - Action Items

Sakthi Automotive – MBDP Grant & Renaissance Zone – Marcia Gebarowski
SMR/City of Marysville – CDBG – Jeremy Webb
Norplas Industries, Inc. – MBDP Amendment – Mike Gietzen

3. Access to Capital – Action Items – Chris Cook

Lutheran Homes of Michigan, Inc. (dba Wellspring Lutheran Services) – Bond Inducement
Master Automatic Machine Company, Inc. – Bond Inducement

D. Community Vitality – Action Items

MSU Grand Rapids Research Center - Act 381 Work Plan - Ryan Kilpatrick
Moso Village, LLC/Moso Village- MCRP/Brownfield TIF - Rosalyn Jones

E. Informational Items

MSF Quarterly Updates



STATE OF MICHIGAN
OFFICE OF THE CHIEF COMPLIANCE OFFICER
LANSING

RICK SNYDER
GOVERNOR

KEVIN FRAN CART, ESQ.
CHIEF COMPLIANCE OFFICER

MEMORANDUM

April 17, 2015

TO: Honorable Richard D. Snyder
Governor and Chairperson of the State Administrative Board.

Steve Arwood
Chairperson
Michigan Strategic Fund Board

FROM: Kevin L. Francart
Chief Compliance Officer

RE: FY2015 Q2 Report of the Chief Compliance Officer.

The Chief Compliance Officer is required to report quarterly to the State Administrative Board and the Michigan Strategic Fund Board regarding compliance with internal policies and procedures and with applicable laws related to 21st century jobs fund programs. I am pleased to report that all compliance matters addressed during the second quarter of the 2015 fiscal year were successfully resolved or are being appropriately addressed.

With respect to the Michigan Strategic Fund Board, the Michigan Strategic Fund Act requires the Chief Compliance Officer to review and evaluate compliance with internal policies and procedures along with applicable state and federal law. The review and evaluation of the tourism promotion programs and activities for FY 2013 and FY 2014 continues. The Chief Compliance Officer provided advice regarding changes to the procurement authority of the MSF Board made by Executive Order 2014-12. The Office of the Auditor General released its report on internal control, compliance, and other matters for FY 2014. (Report Number 271-0401-15M). The Auditor General made two findings regarding insufficient internal controls in accuracy and timeliness of the MSF's financial reporting. It should be noted that subsequent to the Auditor General's review adjusted entries were recorded to correct most of the identified misstatements and the final financial statements were materially correct. The Office of the Chief Compliance Officer will assist the MSF in developing a plan to comply with the audit recommendations.

The Chief Compliance Officer provided informal advice regarding various issues arising this quarter concerning such topics as conflict of interest issues, the breadth of delegated Board authority, authorized use of 21st century job fund funds, and compliance with established Board policy and limitations.

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:

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

Ayes:

Nays:

Recused:

Lansing, Michigan
April 28, 2015

**MICHIGAN STRATEGIC FUND BOARD
PROPOSED MEETING MINUTES
March 24, 2015**

Members Present:

Paul Anderson
Steve Arwood
Andrew Lockwood (on behalf of Treasurer Clinton)
Terri Jo Umlor
Jody DePree Vanderwel
Jim Walsh
Shaun Wilson
Mike Zimmer

Members Absent:

Larry Koops

Call to Order: Mr. Arwood called the meeting to order at 10:02 am

Public Comment: Mr. Arwood asked if there were any members of the audience. No comments.

Communications: None

A. Administrative

Resolution 2015-025 Ratification of Board Operating Documents

Jarrod Smith, Assistant Attorney General, Finance Division, provided the Board with information on this item.

As a result of Governor Snyder's Executive Order 2014-12, effective March 16, 2015, the Michigan Strategic Fund was transferred from the state Department of Treasury to the newly created Department of Talent and Economic Development. Included in this transfer of the agency to the new department, the MSF Board was abolished and recreated. This resolution therefore ratifies: "all rules, orders, contracts, plans, and agreements relation to the functions transferred by this [Executive] Order lawfully adopted prior to the effective date of this [Executive] Order by the responsible state agency shall continue to be effective until revised, amended, or rescinded".

Mr. Arwood asked if there were any questions from the Board. There being none, Andrew Lockwood motioned for the approval of Resolution 2015-025. Paul Anderson seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

B. Consent Agenda

Resolutions 2015-026 through 2015-030 – March 2015 Consent Agenda

Mr. Arwood asked if there were any questions from the Board on any of the items within the Consent Agenda. There being none, Jody DePree Vanderwel motioned for the approval of the following:

Proposed Meeting Minutes – **February 24, 2015**
Harrington Tool & Die – Renaissance Zone Revocation **2015-027**
BorgWarner, Inc. – MBDP Amendment **2015-028**
ADP Dealer Services, Inc. – MBDP Amendment **2015-028**
Huron River Ventures Agreement – Accelerator Fund Amendment **2015-030**

Mike Zimmer seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

C. Business Investment

Resolution 2015-031 Superior Trade Zone Approval

Peter Anastor, Next Michigan Development Corporation, provided the Board with information regarding this action item. The MEDC received the application for the Superior Trade Zone Next Michigan Development Corporation (NMDC), which includes the interlocal agreement approved by Governor Snyder's office. The benefits of an NMDC include the ability to form partnerships to leverage assets in order to support the development of multi-modal companies and the ability to utilize incentives that are not otherwise available to certain communities due to their population or other factors. Current legislation allows for seven NMDCs in Michigan. Five NMDCs have been designated thus far.

The following counties and communities have entered into the Interlocal Agreement to create the Superior Trade Zone NMDC:

- Delta County, Marquette County, City of Escanaba, City of Gladstone, City of Marquette, Bark River Township, Chocolay Township, Ely Township, Ford River Township, Forsyth Township, Garden Township, Township of Ishpeming, Township of Maple Ridge, Nahma Township, Richmond Township, Wells Township

Staff Recommendation

Staff recommends to the Michigan Strategic Fund the designation of the Superior Trade Zone as a Next Michigan Development Corporation with immediate effect, March 24, 2015.

Board Discussion

Mr. Arwood asked if there were any questions from the Board. Discussion ensued pertaining to the immediate execution strategy, should the agreement be approved, and the benefit to all participating in the collaborative effort. There being no further questions, Terri Jo Umlor motioned for the approval of Resolution 2015-031. Jim Walsh seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

Resolution 2015-032 Detroit Diesel Corporation – MBDP Grant

Marcia Gebarowski, Development Finance Team, provided the Board with information regarding this action item. This is request from the Applicant for a \$1,300,000 performance-based grant. This project involves the creation of 245 Qualified New Jobs, and a capital investment of up to \$208,000,000 in the Charter Township of Redford, Wayne County. The Applicant plans to make significant investment in plant upgrades and new machinery and equipment for a new medium-duty engine line at their facility in the Charter Township of Redford, make investments and create jobs related to heavy duty truck manufacturing. Competitive locations, including other Daimler facilities, including Mexico and Germany, offer cost savings based on several factors. With the commitment of state and local support, the Company made the decision to place production in Michigan so it will be made under the "Detroit" brand name.

Staff Recommendation

MEDC Staff recommends approval of the MBDP Grant for the amount requested, pursuant to the terms outlined in the resolution.

Board Discussion

Mr. Arwood asked if there were any questions from the Board. Discussion ensued pertaining to the rehabilitation and expansion site details, as well as to the type of job creation anticipated. There being no further questions, Mike Zimmer motioned for the approval of Resolution 2015-032. Jody DePree Vanderwel seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

Resolution 2015-033 St. Mary's Cement – Brownfield Act 381 Work Plan

Ken Murdoch, Development Finance Team, provided the Board with information regarding this action item. The County of Charlevoix Brownfield Redevelopment Authority is seeking approval to capture new local and school tax increment revenue for MSF eligible activities in the amount of \$4,133,214 over approximately 16 years. The total project investment is expected to be approximately \$130 million. The tax increment revenue will be utilized to redevelop approximately 100 acres of property located at 16000 Bells Bay Road in the Charlevoix Township. St. Mary's Cement Inc. owns and operates a cement manufacturing plant located in Charlevoix Township. The company is evaluating plans to expand operations and modernize the cement making process in order to increase production capacity at the plant from 1.2 million metric tons to two million metric tons. Approximately 10 permanent full-time jobs are anticipated to be created by the manufacturing portion of the project at an average hourly wage of \$49.34. The total capital investment will be approximately \$130 million.

St. Mary's Cement Inc. is evaluating other potential alternatives to this project, including reactivation of the St. Mary's Cement Inc. plant located in Dixon, Illinois. Officials in Illinois are considering potential assistance and incentives that might be offered to the Company to reactivate that facility. Brownfield TIF support is critical to the consideration of the Charlevoix expansion. When completed, the project will significantly add to local and state taxes. Charlevoix County's unadjusted jobless rate was 6.1% in November 2014. This project is expected to create approximately 10 new, full-time jobs in Charlevoix Township and retain approximately 139 full time jobs.

Staff Recommendation

The MEDC recommends approval of the request by the County of Charlevoix Brownfield Redevelopment Authority to capture local and school taxes for the MSF eligible activities totaling \$4,133,214 described above. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at \$3,104,457.

Board Discussion

Mr. Arwood asked if there were any questions from the Board. Discussion ensued pertaining to the environmental remediation costs, as well as the retention of the dock at the site, which would otherwise close to barge traffic, should the company relocate operations. There being no further questions, Andrew Lockwood motioned for the approval of Resolution 2015-033. Jody DePree Vanderwel seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

Resolution 2015-034 Triton Industries/Watertown Township – CDBG Grant

Trevor Friedeberg, Development Finance Team, provided the Board with information regarding this action item. The Applicant is requesting \$1,400,000 in Community Development Block Grant (CDBG) funds for infrastructure improvements needed for the project. The Applicant expects that this project could result in private investment of \$2,643,650 and the creation of 37 jobs. The Company is a Lansing-based manufacturer of Manitou pontoon boats and has been in the area since 1985. Manitou pontoon boats are the industry leader in leisure, luxury, and performance pontoons. Manitou boats have a strong position within the luxury boat market and this has directly correlated to growth.

The Company's current facility cannot support its future growth. Due to the lack of room to expand, the Company began looking at alternatives in the region as well as out of state, particularly Elkhart, Indiana. Incentive assistance was critical to help level the playing field to make an expansion in the region viable from a cost standpoint and sway stockholders to choose Michigan.

Staff Recommendation

MEDC Staff recommends a CDBG Infrastructure grant agreement in the amount of \$1,400,000 be authorized for the Watertown Charter Township for the Triton Industries, Inc. Project.

Board Discussion

Mr. Arwood asked if there were any questions from the Board. Extensive discussion ensued pertaining to the methods and strategy used to search for an appropriate site in the Lansing area. It was determined that due to the massive size necessary for operations (over 100,000 square feet), options in the Lansing Area were not available. Discussion continued regarding federal funding of the CDBG program, the allocations to Michigan and remaining budget available for the funding year. Deb Stuart, Director of Community Development Incentive Programs, joined the discussion from the audience, and addressed specific concerns voiced by Mr. Walsh regarding the program funding. There being no further questions, Andrew Lockwood motioned for the approval of Resolution 2015-034. Mike Zimmer seconded the motion. **The motion carried: 7 ayes; 1 nay, 0 recused.**

D. State Branding

Resolution 2015-035 Travel Website Re-launch – Request to Issue RFP

Kelly Wolgamott, Travel Michigan Team, provided the Board with information regarding this action item. As a part of our continuing efforts to enhance and evolve the travelers' experience at Michigan.org; MEDC/Travel Michigan is seeking to rebuild the travel website. Michigan.org is one of the nation's premiere Travel and Tourism websites. In the end, we want to be the top destination website in the U.S. The purpose of this Request for Proposal is to locate a web design and development organization with a proven record of creating custom web solutions. The qualified company selected will be required to assist the Michigan Economic Development Corporation (MEDC) and its partners in creating a new website for Michigan.org.

Staff Recommendation

The MEDC recommends that the MSF Board approve the release of the RFP to complete a competitive review process for the michigan.org website rebuild.

Board Discussion

Mr. Arwood asked if there were any questions from the Board. Discussion ensued pertaining to the proposed project timeline once the RFP had been issued, as well as the use of Google Trekker for the photographs. There being no further questions, Jody DePree Vanderwel motioned for the approval of Resolution 2015-035. Jim Walsh seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

At this time, Mr. Walsh requested that the Board receive information regarding the appropriated funding that requires MSF Board action, and what the balances of those appropriations. Mr. Anderson further requested that same information be available for the prior two years, so that there was a basis for comparison. This information will be provided to the Board as requested.

Mr. Arwood adjourned the meeting at 11:08 am.

**MEMORANDUM OF UNDERSTANDING BETWEEN
THE
MICHIGAN DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS
AND THE
MICHIGAN DEPARTMENT OF TALENT AND ECONOMIC DEVELOPMENT**

I. INTRODUCTION

This Memorandum of Understanding (MOU) between the Michigan Department of Talent and Economic Development (TED) and the Michigan Department of Licensing and Regulatory Affairs (LARA) is entered into for the purpose of delineating the respective roles, responsibilities and resources regarding the implementation of Executive Order 2014-12 creating TED.

This MOU is also between LARA, the Michigan State Housing Development Authority (MSHDA), the Talent Investment Agency (TIA), and the Michigan Strategic Fund (MSF) for purposes of Section V(3) only.

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 2014-12. 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. 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 March 16, 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 2014-12 transfers all of the statutory authority, powers, functions, responsibilities, unexpended balances of appropriations, allocations, and other funds of the Unemployment Insurance Agency (UIA) from LARA to TED. It is hereby understood that each party agrees that it will comply with Executive Order 2014-12 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 and TED agree that LARA will continue providing accounting services for UIA until September 30, 2015. LARA shall perform such accounting services, according to the State of Michigan Financial Management Guide and the State of Michigan Travel Regulations, or any subsequently formalized TED travel regulations.

3. The following are specific charges that LARA will allocate to UIA based upon this

agreement:

- a. LARA will charge UIA for the central administrative costs of providing administrative support to UIA through 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. LARA will charge UIA the LARA federally approved indirect rate for the period through September 30, 2015.
4. LARA agrees to prepare and submit interim and final financial status reports for the following grants. LARA will submit the reports to the United States Department of Labor.
5. LARA will request DTMB to transfer all inventory related to TED documented within ITAM from LARA inventory count effective October 1, 2015. LARA and TED will work together to develop the list of inventory that will transfer to TED.

V. HUMAN RESOURCES

1. The Department of Civil Service (DCS)/LARA Human Resources (HR) will provide all human resources, payroll, and labor relations services to the UIA staff through the pay period ending October 10, 2015.
2. Effective October 12, 2015, LARA will transfer all mutually agreed upon UIA staff to TIA through the HRMN system and provide TIA with all human resources, payroll, and labor relations information for the transferred programs. DCS/LARA 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. 864.0 appropriated FTEs will transfer to TIA, effective October 1, 2015.
3. MSHDA, TIA and MSF shall reimburse or pay LARA for costs, including salaries, fringes and agreed upon expenses, incurred in filling three (3) TED unclassified positions (the TED Unclassified Positions) that will have certain responsibilities for each agency.
 - a. The cost to MSHDA, TIA and the MSF will be allocated based on the appropriated FTEs (headcount) of each respective agency. MSHDA, LARA and TED acknowledge that MCL 125.1421(1) prohibits compensation to MSHDA Board members for services rendered; accordingly, payments or reimbursements by MSHDA for services rendered by any of the TED Unclassified Positions shall not be used to compensate the TED Unclassified Positions for time spent or services rendered as a MSHDA Board member. MSHDA, LARA and TED further acknowledge that MCL 125.2005(6) prohibits compensation to MSF Board members for services rendered; accordingly, payments or reimbursements by MSF for services rendered by any of the TED Unclassified Positions shall not be used to compensate the TED Unclassified Positions for time spent or services rendered as

- a MSF Board member.
- b. LARA HR shall assign the TED Unclassified Positions to a department code EO050 (the LARA Unique Department Code) on March 19, 2015 with an effective date of March 15, 2015.
- c. LARA HR shall assign the following index codes to the TED Unclassified Positions: 06072 for salary and wage charges and 06073 for fringe benefits.
- d. Effective October 1, 2015, the TED Unclassified Positions shall be transitioned from the LARA Unique Department Code to a new process code established by DTMB for TED.
- e. MSHDA, TIA and the MSF shall advance funding quarterly to fund costs, including salaries, fringes and agreed upon expenses, incurred by the TED Unclassified Positions for the quarters ending March 31, 2015, June 30, 2015 and September 30, 2015.

4. TIA shall reimburse LARA for costs, including salaries, fringes and agreed upon expenses, incurred in filling one (1) TIA unclassified position.

- a. LARA HR shall assign the TIA unclassified position to a department code EO050 (the LARA Unique Department Code) on March 19, 2015 with an effective date of March 15, 2015.
- b. LARA HR shall assign the following index codes to the TIA unclassified position: 06072 for salary and wage charges and 06073 for fringe benefits.
- c. Effective October 1, 2015, the TIA unclassified position shall be transitioned from the LARA Unique Department Code to a new process code established by DTMB for TED.
- d. TIA shall advance funding quarterly to fund costs, including salary, fringes and agreed upon expenses, incurred by the TIA unclassified positions for the quarters ending March 31, 2015, June 30, 2015 and September 30, 2015.

VI. BUDGETARY TRANSACTIONS

1. Effective October 1, 2015, TED assumes all budgetary responsibilities for programs and agencies transferred from LARA to TED under Executive Order 2014-12.

2. If applicable and necessary, LARA agrees to transfer any spending authority related to FY2015 qualifying encumbrances by September 30, 2015.

3. LARA 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 TED.

VII. PURCHASING

1. LARA will perform the following Purchasing services on behalf of UIA until September 30, 2015:

- a. Administer OfficeMax Accounts;
- b. Administer contracts, including: direct contact with DTMB Procurement, Buy-4-Michigan accounts and postings, attending DTMB Procurement Leadership Team meetings;
- c. Administer MIPrint;
- d. Administer state vehicles assigned to UIA, including auditing monthly mileage

- logs;
- e. Administer Westlaw accounts;
- f. Administer Procurement Cards;
- g. ITRAC approvals and routing to DTMB.

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

3. LARA will transfer all IKON accounts to TED effective October 1, 2015.

4. LARA will cancel all procurement cards held by transferred staff by September 30, 2015. LARA agrees to provide TED with a list of those employees whose cards will be cancelled.

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

6. LARA will identify those UIA contracts issued by DTMB and request the contracts be transferred to TED effective October 1, 2015.

VIII. OFFICE SERVICES

1. LARA will perform the following services on behalf of UIA until September 30, 2015:

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

2. LARA agrees to provide TED a list of UIA telecom equipment by employee before September 30, 2015.

3. LARA agrees to transfer to TED all UIA furniture and electronic equipment before September 30, 2015.

4. LARA agrees to transfer records retention schedules to TED related to UIA before September 30, 2015.

5. All current UIA lease agreements will remain intact and all costs and charges arising out of such leases will be paid by LARA through September 30, 2015. The leases will transfer to TIA effective October 1, 2015.

IX. DOCUMENTATION AND INFORMATION REQUESTS

1. LARA agrees to forward copies of all pertinent correspondence, reports, studies or information that relates to the programs and agencies transferred under Executive Order 2014-12, including requests made by DTMB or the Legislature to TED.

2. LARA shall respond to all pending Freedom of Information Act (FOIA) requests relating to

UIA until September 30, 2015.

X. AUDITS, PENDING ACTIONS AND/OR PENDING LAWSUITS

1. LARA will provide copies of all UIA audit findings requiring closure to TED.
2. Federal funds related to LARA transferred to TED will cover all costs related to any audits of the programs initiated after the execution of this MOU.
3. LARA agrees to develop and submit to TED 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 UIA.
4. Except as otherwise identified to TED under Section X(3) of this MOU, LARA certifies that at the time of the transfer of the functions described in the MOU to TED, 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 TED Director's direction.
2. LARA has a Service Level Agreement with DTMB for technology services. Items in the agreement pertaining to UIA are hereby made a part of this MOU, and a copy of which shall be provided to TED.
3. LARA and TED agree to meet as often as necessary to address Executive Order 2014-12 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
Director

Date

Talent and Economic Development:

Steve Arwood
Director

Date

For Section V(3) Only:

Michigan State Housing Development Authority:

Wayne Workman
Acting Executive Director

Date

Talent Investment Agency:

Stephanie Comai
Director

Date

Michigan Strategic Fund:

Mark Morante
MSF Fund Manager

Date

MICHIGAN STRATEGIC FUND

**RESOLUTION
2015-**

**APPROVAL OF TRANSITION MEMORANDUM OF UNDERSTANDING
RELATED TO EXECUTIVE ORDER 2014-12**

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

WHEREAS, the Michigan Talent Investment Agency (“TIA”) was created as an agency within TED;

WHEREAS, under EO 2014-12, Workforce Development Agency (“WDA”) was transferred from the Michigan Strategic Fund (“MSF”) to TIA, the Unemployment Insurance Agency (“UIA”) was transferred from the Department of Licensing and Regulatory Affairs (“LARA”) to TIA, the MSF was transferred from the Department of Treasury to TED, and the Michigan State Housing Development Authority (“MSHDA”) was transferred from the MSF to TED (collectively, “EO Matters Transferred to TED”);

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

WHEREAS, to that end, the MSF wishes to enter into the Memorandum of Understanding attached as Exhibit A to this resolution to delineate the responsibilities of TED, TIA, LARA MSHDA, and the MSF relative to EO Matters Transferred to the TED (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 execute the Transition MOU on behalf of the MSF.

Ayes:

Nays:

Recused:

Lansing, Michigan
April 28, 2015

**MEMORANDUM OF UNDERSTANDING
BETWEEN
THE MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
AND
THE TALENT INVESTMENT AGENCY
AND
THE MICHIGAN STRATEGIC FUND
AND
THE MICHIGAN ECONOMIC DEVELOPMENT CORPORATION**

I. Introduction and Purpose

This Memorandum of Understanding (“MOU”) establishes the responsibilities and procedures for the Michigan Economic Development Corporation (“MEDC”) to be reimbursed by the Michigan State Housing Development Authority (“MSHDA”), the Talent Investment Agency (“TIA”), and the Michigan Strategic Fund (“MSF”) (MSHDA, TIA, and the MSF, collectively, the “Agencies”) for the cost of the MEDC Chief Executive Officer’s (“CEO”) time spent acting in his capacity as Department Director for the Department of Talent and Economic Development (“TED”). Section II.B of Executive Order 2014-12, provides that the Director of TED also may serve as the CEO of the MEDC if appointed as CEO of the MEDC by its Executive Committee.

II. Term of MOU

This MOU between the MEDC and the Agencies is effective as of March 16, 2015 and remains effective for so long as the Director of TED simultaneously serves as CEO of the MEDC and may only be terminated upon the mutual written agreement of the MEDC and the Agencies.

III. Responsibilities

1. The Agencies shall reimburse the MEDC for the CEO’s time spent acting as Director of TED, not to exceed thirty percent (30%) of the total cost of the CEO’s actual salary and benefits paid by the MEDC for services rendered to each agency.

2. The cost to the Agencies will be allocated based on the appropriated FTEs (headcount) of each respective agency.

3. On an annual basis the MEDC shall submit an expenditure report to the Agencies. This expenditure report shall indicate the total hours the CEO spent acting as Director of TED. This expenditure report shall be submitted to the Agencies within thirty (30) days from the end of the fiscal year. The Agencies shall remit payment to the MEDC within ten (10) days of receipt of the expenditure report. The MEDC, the Agencies and the CEO acknowledge that MCL 125.1421(1) prohibits compensation to MSHDA Board members for services rendered; accordingly, payments or reimbursements by MSHDA shall not include compensation to the CEO or reimbursement for time spent or services rendered as a MSHDA Board member. The MEDC, the Agencies and the CEO further acknowledge that MCL 125.2005(6) prohibits compensation to MSF Board members for services rendered; accordingly, payments or reimbursements by MSF shall not include compensation to the CEO or reimbursement for time spent or services rendered as a MSF Board member.

4. The MEDC and the Agencies shall periodically review this MOU to evaluate actual costs and to adjust percentages as may be necessary or appropriate.

IV. Miscellaneous

1. This MOU may be amended at any time upon written approval of the MEDC and the Agencies.

2. This MOU contains all the terms and conditions agreed upon by the parties. No other understanding, oral or otherwise, regarding the subject matter of this MOU shall be deemed or exist to bind any of the parties.

3. The parties' signatures below indicate their approval of this MOU.

Michigan State Housing Development Authority

Wayne Workman, Acting Executive Director

Talent Investment Agency

Stephanie Comai, Director

Michigan Strategic Fund

Mark Morante, Fund Manager

Michigan Economic Development Corporation

Jennifer Nelson, MEDC Secretary

MICHIGAN STRATEGIC FUND

**RESOLUTION
2015-**

**APPROVAL OF MEMORANDUM OF UNDERSTANDING
RELATED TO EXECUTIVE ORDER 2014-12 – COMPENSATION FOR DIRECTOR OF
DEPARTMENT OF TALENT AND ECONOMIC DEVELOPMENT**

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

WHEREAS, the Michigan Talent Investment Agency (“TIA”) was created as an agency within TED;

WHEREAS, under EO 2014-12, Workforce Development Agency (“WDA”) was transferred from the Michigan Strategic Fund (“MSF”) to TIA, the Unemployment Insurance Agency (“UIA”) was transferred from the Department of Licensing and Regulatory Affairs (“LARA”) to TIA, the MSF was transferred from the Department of Treasury to TED, and the Michigan State Housing Development Authority (“MSHDA”) was transferred from the MSF to TED;

WHEREAS, under Section II.B of EO 2014-12, the Director of TED may also serve as the Chief Executive Officer (“CEO”) of the Michigan Economic Development Corporation (“MEDC”) if appointed as CEO of the MEDC by its Executive Committee; and

WHEREAS, it is the desire of the MSF to enter into the Memorandum of Understanding (“MOU”) attached as Exhibit A to this resolution to delineate the responsibilities of the MSF, TIA, MSHDA, and the MEDC with respect to the compensation of the Director of TED when the Director of TED simultaneously serves as CEO of the MEDC (the “Compensation MOU”).

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

BE IT FURTHER RESOLVED, the MSF Board authorizes the MSF Fund Manager to execute the Compensation MOU on behalf of the MSF.

Ayes:

Nays:

Recused:

Lansing, Michigan
April 28, 2015

MEMORANDUM

Date: April 28, 2015

To: Michigan Strategic Fund (MSF) Board Members

From: Deborah Stuart, Director, Community Incentive Programs
Christine Whitz, Manager, Community Development Block Grant Program

Subject: *Community Development Block Grant Program
2015 Consolidated Plan and Application Guide*

Request

Michigan Economic Development Corporation (“MEDC”) Staff recommends the Michigan Strategic Fund approval of the attached Application Guide for Program Year 2015 and the submission of the Consolidated Plan to the U.S. Department of Housing and Urban Development (“HUD”)

Background

HUD allocates Community Development Block Grant (“CDBG”) funding to the State of Michigan, through the Michigan Strategic Fund (“State” or “MSF”), for further distribution to eligible Units of General Local Government to carry out State approved activities.

The State’s responsibilities include ensuring the State’s and their Grantee’s compliance with the statute, HUD regulations, and the Consolidated Plan. The State of Michigan’s Housing and Community Development Consolidated Plan is submitted pursuant to a HUD rule (24 CFR Part 91, 1/5/95) as a single submission covering the planning and application aspects of HUD’s CDBG, Emergency Shelter Grant, HOME Investment Partnership and Housing Opportunities for Persons with AIDS formula programs. While the Michigan State Housing and Development Authority (“MSHDA”) submits the Consolidated Plan on the State’s behalf, the MSF has authority over the Consolidated Plan related to CDBG funds.

The Consolidated Plan focuses on the method of distribution, programs descriptions, and how projects will be selected. Staff is recommending that the CDBG funds allocation and the method of distribution outlined in Attachment A be referenced and incorporated in the Consolidated Plan to be submitted to HUD. This CDBG method of distribution is consistent with past Consolidated Plan submissions. The method of distribution can be amended based on projects that are submitted, but is meant to provide an outline to HUD on how the State plans to spend its allocation.

Program descriptions and selection priorities are outlined in Attachment B. Attachment B is an excerpt from the Application Guide for potential applicants based on the Federal regulations and policies developed by staff to ensure consistency with grantees. This excerpt outlines the selection criteria for the various programs funded with the MSF’s portion of the CDBG allocation. The document is updated at least annually to assure that we are adjusting to the changing needs of the communities that are eligible and the goals of the State. These updates are based on conversations with grantees and internal staff that work with the program and will be effective for any project receiving funding after July 1, 2015. This document will be referenced in the Consolidated Plan to be submitted to HUD as how the State will prioritize projects.

Please note, the public comment period for the Consolidated Plan started on April 6, 2015, and will be completed on May 7, 2015. Any public comments received that would be appropriate to be incorporated

and would require substantial change to the method of distribution or prioritization of projects will be brought to the MSF Board for consideration at the June MSF meeting.

Recommendation

The MEDC Staff recommends:

- The MSF approve submission of the Consolidated Plan with the outlined allocation and method of distribution in Attachment A.
- The MSF approve the Application Guide Excerpt for Program Year 2015 (Attachment B) which will be incorporated into the Consolidated Plan by reference.

CDBG Grant Award Allocation Details

Total 2015 CDBG award:	\$30,238,376
Amount of Grant award to Admin (2% + \$100,000):	\$704,768
Amount of Grant award to Technical Assistance (1%):	\$302,384
Amount of Grant award to Projects (Pass Through):	\$29,231,224

Administrative and Technical Assistance Funds Breakdown

	MEDC/MSF	MSHDA
Administration	\$528,576	\$176,192
Technical Assistance	\$302,384	

Project Funds (Pass Through Detail)

Pass Through Grant Type	Percentage of PT*	Dollar Amount*
Housing - MSHDA	25%	\$7,307,806
Economic Development Jobs – MEDC	37%	\$10,815,553
Community Development Jobs – MEDC	9%	\$2,630,810
Community Development Infrastructure – MEDC	9%	\$2,630,810
Blight - MEDC	20%	\$5,846,245

**The percentages and dollar amounts in the chart above are an estimate and can vary by up to 25% without an amendment.*

Program Income Detail

It is also estimated that Program Income of various types will be received in program year 2015. All Program income that is received goes 2% to administrative costs and 98% to funding projects. These amounts are not included in the charts above because they are looser estimates and come in throughout the program year.

Type of Program Income	Estimated 2015 Amount
Standard Program Income – to fund new projects	\$550,000
MSDHA Locally Held Program Income – to MSHDA projects	\$500,000
Revolving Loan Fund Program Income – held regionally to support loans	\$1,500,000
Recaptured Funds – to fund new projects	\$357,000

Business Development Program Requirements

BUSINESS DEVELOPMENT PROGRAM EVALUATION-GENERAL

All Business Development Projects will be evaluated on the following:

- **National Objective:** Proposed projects are expected to result in the creation of full-time equivalent (FTE) positions of which at least 51% of the created positions will be held by LMI persons. Proposed projects are expected to create and/or retain the largest number of positions with the least amount of Community Development Block Grant (CDBG) investment.
- **Job Creation:** Priority will be given to projects creating ten or more permanent full-time positions that pay an average hourly rate of at least \$9.00 or 75% of the average hourly wage rate of the applicable county.
- **Leverage Ratio:** Proposed projects are expected to leverage private investment funds. Funding priority will be given to projects when the leverage ratio of all other private and public funds to CDBG funds is 1:1 or greater.
- **Local Participation:** Proposed projects are expected to demonstrate local government support.
- **Economic Impact:** Proposed projects are evaluated on their economic impact, including the diversification of the economic base of the local and State economies.
- **Financial Viability:** All projects must be financially viable. Please refer to the Economic Development Underwriting (Financial Viability) section for guidance on that evaluation process.

ELIGIBLE ACTIVITIES AND SPECIFIC RELATED CRITERIA:

- I. **Business Development-Assistance to Benefit Businesses:** Eligible under this category activity would be activities eligible under HCDA that provide assistance to private, for-profit entities. The following identifies specific related criteria for some eligible activities under this category.
 - A. **Machinery and Equipment:** These projects are generally supported by the CDBG Revolving Loan Program or other incentive programs available at the MEDC.
 - B. **Job Training:** Funds can be used for On the Job Training (OJT) or Vendor Training. On the Job Training (OJT) will be reimbursed per person for actual costs. OJT expenses for individual trainees must be completed within six months of their hiring date. Employees trained with CDBG funds must be retained for 90 days after conclusion of training, unless waived by the Michigan Strategic Fund (MSF) MSF or the MSF Fund Manager (for projects under one million dollars). Vendor training expenses must have a minimum of 20% match from the employer. There is no reimbursement for company trainers or out-of-state training expenses. Grant proceeds can only be used for Michigan residents, unless waived by the MSF or the MSF Fund Manager (for projects under one million dollars).
 - C. **Working Capital:** Grant proceeds may be used for working capital needs. Working capital is the money needed to grow business, to cover short term obligations and to cover business

expenses. Expenses to be considered include, but may not be limited to, rent or mortgage, salaries and wages, benefits, inventory, utilities, supplies, computer/printer/software, insurance, shipping and delivery costs, storage costs, equipment rental fees, marketing/advertising costs, accounting fees and vehicle expense.

- II. Business Development - Assistance to Benefit Communities:** Communities may request grants to provide public infrastructure improvements necessary for the location, expansion, and/or retention of a specific for-profit business firm(s) which is engaged in an economic base activity.

Eligible under this activity would be public improvements, as identified in Section 105(a)(2) of Title I of the HCDA. Examples of eligible public infrastructure projects include the following items: public water or sanitary sewer lines and related facilities, streets, roads, bridges, sidewalks, parking facilities, pedestrian malls, alleys, drainage systems, waterways, publicly-owned utilities and systems, and projects designed to reduce, eliminate or prevent the spread of identified soil or groundwater contamination.

In addition to the evaluation criteria, proposed public infrastructure projects are expected to have local government funding for public infrastructure activities. A minimum of ten (10%) percent local government cash match may be required.

- III. Business Development - Planning:** Planning grants may be available to help communities accomplish project specific planning which is likely to lead to an eligible economic development implementation project. Eligible under this activity would be planning and capacity building, as identified in Section 105(a)(12) of Title I of the of the HCDA. CDBG Planning funding cannot be utilized to create, update, or provide information solely for a community to meet legislatively mandated community planning requirements, including Local Development Financing Authority plans.

Projects will only be considered that can demonstrate that the planning grant will likely lead to an eligible implementation project. The planning study must be specific, with identified goals and outcomes. Funding priority will be given to communities with a higher percentage of matching funds (committed funds only), but a cash match equal to the awarded CDBG funds is required. The maximum individual grant award will not exceed \$100,000.

- IV. Business Development - Unique Grants:** Innovative and creative funding requests may be considered by the MEDC, based on special and/or unique needs, or situations requiring innovative program approaches not specifically provided for in identified programs. This may include, but is not limited to, brownfield site redevelopment, targeted industry development, building and building rehabilitation activities, CDBG Section 108 loan guarantees, activities and services listed in the above categories which do not meet identified screening or selection criteria and/or projects associated with other State or Federally funded initiatives. No additional criteria will be utilized to evaluate these projects beyond the general criteria.

Community Development Program Requirements

COMMUNITY DEVELOPMENT PROGRAM EVALUATION-GENERAL

All Community Development Projects will be evaluated on the following:

- **National Objective:** Proposed projects are expected to meet a National Objective of blight elimination; benefiting a population of individuals of whom at least 51% reside in LMI households; or projects that will result in the creation of full-time equivalent (FTE) positions of which at least 51% of the created positions will be held by LMI persons. Preference will be given to projects with job creation commitments. For job creation or retention projects, funding priority will be given to projects creating permanent, full-time equivalent positions and where the amount of CDBG funds per position created is \$35,000 or less.
- **Economic Impact:** Proposed projects are evaluated on their economic impact on local and State economies. This includes the following items:
 - **Location** - Projects will be given priority if they are located within a “traditional downtown” defined as a grouping of 20 or more commercial parcels of property that include multi-story buildings of historical or architectural significance. The area must have been zoned, planned or used for commercial development for 50+ years. The area must consist of, primarily, zero-lot- line development; have pedestrian friendly infrastructure, and an appropriate mix of business and services. The area should have characteristics that create a sense of place.
 - **Project Type** - Priority will be given to projects that demonstrate a majority of the following screening guidelines:
 - located within a community designated as a Main Street or Redevelopment Ready;
 - where building rehabilitation is a factor, consist of:
 - multi-story,
 - mixed-use components,
 - eligible for Historic or Contributing Designation,
 - partially or completely vacant building being returned to active use, and
 - complete and holistic projects.
- **Leverage Ratio:** Leveraging refers to additional non-CDBG funds required beyond the match to complete the project. Proposed projects are expected to leverage private and other public funds. Funding priority will be given to projects when the leverage ratio of all other private and public funds to CDBG funds is 1:1 or greater.
- **Local Participation:** Proposed projects are expected to demonstrate local government support. Preference will also be given to communities that provide additional local support either through tax abatement, direct grant, or other financial assistance to the project. Communities that do not request administrative costs, or use administrative costs as match, will also be considered as providing additional local support.
- **CDBG Request:** All grant requests, with the exception of planning grants, shall not be less than \$30,000.

- **Financial Viability:** All Community Development projects must be financially viable. Please refer to the Economic Development Underwriting (Financial Viability) section for guidance on that evaluation process.

ELIGIBLE ACTIVITIES AND SPECIFIC RELATED CRITERIA:

I. Community Development - Assistance to Benefit Small Business: Direct Assistance to Businesses provides grants to create and retain jobs in Michigan and help create vibrant communities. These grants enable communities to formulate an economic development strategy to support locally owned and operated businesses. The purpose of these grants is to provide funding to jumpstart growth of existing and new businesses, create new jobs, or retain existing jobs, and to enhance the entrepreneurial environment in the community. Eligible under this category would be activities eligible under the HCDA. The following identifies specific related criteria for some eligible activities under this category.

A. Community Development - Façade Improvements: Grants are available for communities that seek to target areas of traditional downtowns for facade improvements which will have a significant impact on the downtown/community. The Façade Improvement Program is structured to provide commercial/mixed-use building façade improvements to sustain and minimize deterioration of traditional downtowns. This program is based on the premise that the exterior improvements will stimulate additional private investment in the buildings, and the surrounding area, attract and increase additional customers, thereby resulting in additional downtown economic opportunities.

Communities that are qualified as LMI communities with a population over 15,000 must include at least five participating properties with façade improvements to meet the area wide benefit national objective for this initiative. LMI communities with a population of 15,000 or less must have at least two participating properties to meet the area wide benefit National Objective.

All projects which include historic resources must meet the Secretary of Interior's Standards for Rehabilitation. All projects should have a contribution of at least 25% of the total project costs. Only complete exterior historic rehabilitation projects will be considered for 25% contribution.

B. Community Development - Building Acquisition: Building Acquisition grants are available for acquisition of vacant, partially vacant, or substantially underused buildings, located in traditional downtowns for rehabilitation into a commercial/mixed use building that will result in position creation. CDBG funding can only be utilized for property acquisition activities.

The CDBG funding allows the community and/or the developer to acquire property that would not typically be purchased and redeveloped due to the substantial amount of money required to rehabilitate. Projects should be accompanied by a viable business plan, at least one appraisal completed within the past 12 months, along with the current SEV, documentation that all taxes

are current, as well as verification that non-mortgage liens have not been placed on the property. Specific requirements for appraisals are outlined in Chapter 6 (Acquisition) of the Grant Administration Manual (GAM) GAM.

Exclusively residential structures and government owned buildings, other than Land Bank properties, are not eligible for Building Acquisition funds. Ineligible activities for this initiative include appraisals, structural analysis, or other soft costs associated with acquisition. Projects that will rehabilitate significant structures, with preference to historic buildings, should have a contribution of at least 25% of the total acquisition costs and leverage private/public funds to assist with the rehabilitation of the property at a 1:1 ratio of CDBG funds. Projects that do not involve extensive rehabilitation projects and are intended for growing small businesses, should have a contribution of at least 50% of the total acquisition costs.

- C. Community Development – Rehabilitation:** Grants are available for rehabilitation of properties. Funding priority will be given to the rehabilitation of vacant, deteriorated and abandoned buildings which are considered to be detrimental to public health and safety. Funding priority will be given to projects with the highest percentage of private matching funds (committed funds only), but all projects should have a contribution of at least 50% of the total project cost.
- II. Community Development Assistance to Benefit Communities:** Assistance to Communities is designed to assist local units of government that have plans in place to promote and strengthen the infrastructure and environment in their downtowns. These grants are expected to create vibrant communities and enhance sense of place through blight elimination, job creation, and by benefiting areas of low-moderate income individuals. Public infrastructure includes items located on public property, such as: parking facilities, streetscape, farmers’ markets, public water or sanitary sewer lines, and related facilities, demolition as part of a larger project, streets, roads, bridges, private utilities and public utilities.
- A. Downtown Infrastructure Grants (DIG):** DIG grants may be available for public infrastructure projects that upgrade existing public infrastructure systems. Announcement of this activity will be made to eligible communities as funding becomes available. Competitive ranking of projects will be based on the proposals received, and awards will be based on the availability of funds. Selection criteria will be announced at the time of the competition. A minimum of twenty five (25%) percent local government cash match is required. The maximum individual grant award may not exceed \$750,000.
- B. Community Development – Farm to Food:** Grants are available for communities seeking to construct, rehabilitate, acquire, expand, or improve a facility. Awarded funds must be used for the construction, expansion, acquisition, or improvements of existing farmers’ markets. It is expected the structure(s) will be utilized mainly as a farmers’ market. In addition, it is expected that when the structure(s) is not operating as a farmers’ market, that it will be used for additional community activities year round.

Projects will be evaluated on the overall impact of the project on the community, the history of market operations, the financial viability of the market, the visibility of location, project start and completion date; use of the building and site during the farmers' market off season; offering of services to low-moderate income patrons such as Bridge Card use, Project Fresh, etc.; and innovative design elements that promote multiple uses of the project space. All projects must have a contribution of at least 25% of the total project cost.

C. Community Development - Public Infrastructure related to Small Business: Communities may request grants to provide public infrastructure improvements necessary for the location, expansion, and/or retention of a specific for-profit business. These projects will be considered on an ongoing basis. A minimum 25% local government cash match is required.

D. Community Development-Demolition of Blight: This program does not require the location to be within a traditional downtown and is allowable anywhere within the community that is designated a slum or blighted area. Eligible under this activity would be property acquisition and clearance/demolition. Ineligible activities for this initiative include any acquisition or demolition of privately owned structures, exclusively residential structures, historic structures and state owned buildings, except for Land Bank Properties.

Funding priority will be given to the demolition of vacant, deteriorated and abandoned buildings which are considered to be detrimental to public health and safety. The community must be able to demonstrate that their proposed project is clearly eliminating objectively determinable signs of blight and is strictly limited to eliminating specific instances of blight (spot blight). Priority projects will meet multiple definitions for blight and, if necessary, provide structural building analysis. No private match is required for this program. A minimum of 25% percent local government cash match is required.

III. Community Development - Planning: Planning grants may be available to help communities accomplish project specific planning which is likely to lead to an eligible economic development implementation project. Eligible under this activity would be planning and capacity building, as identified in Section 105(a)(12) of Title I of the of the HCDA. CDBG Planning funding cannot be utilized to create, update, or provide information solely for a community to meet legislatively mandated community planning requirements, including Downtown Development Authority plans.

Projects will only be considered that can demonstrate that the planning grant will likely lead to an eligible implementation project. The planning study must be specific, with identified goals and outcomes. Funding priority will be given to communities with a higher percentage of matching funds (committed funds only), but a cash match equal to the awarded CDBG funds is required. The maximum individual grant award will not exceed \$100,000.

- IV. Community Development - Revolving Loan Fund (RLF):** The intent of the RLF is to provide CDBG eligible loans to businesses and Units of Local Governments (UGLGs) located within the nine geographic regions established by the MSF, or within the geographic boundaries of an existing Local RLF within the identified regional territory. The MEDC will work with the identified funds to consider projects with existing funding and new funds. However, the MEDC does not intend to further capitalize any funds that are remaining local due to the goal of streamlining funding and creating efficiencies throughout the state. Please note due to the unique nature of these projects and goal of supporting eligible projects brought forward by the funds, Community Development criteria may be waived by MEDC staff.

On March 16, 2015, all Regionalized and Locally held RLF Managers were notified that on January 16, 2015, CDBG Regional RLF Managers were notified that they would have until January 1, 2016, to meet the State of Michigan's definition of "Continuing Activity" as approved by the MSF. Continuing Activity is defined as the successful funding of an eligible CDBG loan or extension of commercial credit in the preceding 12 months or, in the cases in which the RLF had insufficient funds to advance on a proper loan request, a request for assistance was made of the State CDBG program and a loan/grant was approved, with a loan/grant agreement having been signed.

If the definition of Continuing Activity is not met, the CDBG Regional RLF Manager will have removed the revolving fund distinction from the CDBG funds. The funds will be reclassified as general CDBG funds, and, per State policy, must be returned to the State as general program income.

- V. Community Development - Unique Grants:** Innovative and creative funding requests may be considered by the MEDC based on special and/or unique needs, or situations requiring innovative program approaches not specifically provided in identified programs. This may include, but is not limited to, brownfield site redevelopment, small business development, CDBG Section 108 loan guarantees, activities and services listed in the above categories which do not meet identified screening or selection criteria, and/or projects associated with other State, or are Federally funded. Joint projects, which involve the Michigan State Housing Authority (MSHDA) and the MEDC/MSF, may be administered by the lead the agency, incorporating priorities from the non-lead agency. This will occur only when it is to the benefit of the UGLG applying for funding and must be approved by both agencies regarding who will be the lead agency, and outline responsibilities of both agencies.

MICHIGAN STRATEGIC FUND

RESOLUTION 2015- _____

**APPROVAL OF THE SUBMISSION OF THE COMMUNITY DEVELOPMENT BLOCK
GRANT PROGRAM CONSOLIDATED PLAN AND THE
2015 APPLICATION GUIDE SELECTION CRITERIA**

WHEREAS, Executive Order 1999-1, issued pursuant to Article V of the Michigan Constitution of 1963 and the laws of State of Michigan, consolidated the State's economic development functions and programs and the accompanying powers of the Michigan Strategic Fund ("MSF"); and

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; and

WHEREAS, the CDBG program has policies, criteria, and parameters which are enumerated in the Application Guide (the "Criteria");

WHEREAS, the Criteria are contained in the Michigan Annual and Five Year Consolidated Plan For Housing and Community Development ("Consolidated Plan") which by federal rule must be submitted to the U. S. Department of Housing and Urban Development ("HUD") every five (5) years;

WHEREAS, the CDBG program staff recommends that the MSF adopt the attached CDBG funds allocation and method of distribution in Attachment A (the "Distribution") for reference and incorporation in the Consolidated Plan;

WHEREAS, the CDBG program staff recommends that the MSF adopt the attached Guide Excerpt in Attachment B (the "Guide Excerpt") to update the selection criteria in the current Application Guide adopted in 2014 for the CDBG program and for reference and incorporation in the Consolidated Plan;

WHEREAS, the Consolidated Plan is currently in the required public comment period;

WHEREAS, the Fund Manager desires to submit to HUD in conjunction with the Michigan State Housing Development Authority the Consolidated Plan for July 1, 2015 through June 30, 2020; and

WHEREAS, the MSF desires to authorize the Fund Manager to submit, in coordination with the Michigan State Housing Development Authority, the final Consolidated Plan to HUD.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board adopts the attached Distribution and Guide Excerpt as the policies, criteria, and parameters for projects being considered and funded with 2015 Program Year funds;

BE IT FURTHER RESOLVED, that the MSF Board approves the submission of the Consolidated Plan with the Distribution and Guide Excerpt attached in Attachments A and B incorporated and referenced;

BE IT FURTHER RESOLVED, that the MSF Board authorizes the Fund Manager to make minor or non-material modifications to the document, if needed, and to take any action necessary to effectuate the terms of this Resolution; and

BE IT FURTHER RESOLVED, that the MSF Board authorizes Fund Manager to submit, in coordination with the Michigan State Housing Development Authority, the final Consolidated Plan to HUD.

Ayes:

Nayes:

Recused:

Lansing, Michigan
April 28, 2015



MICHIGAN STRATEGIC FUND

MEMORANDUM

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

From: Andrew S. Doctoroff, Special Projects Advisor to Governor Rick Snyder

Subject: Approval of Escrow Agreement

Date: April 21, 2015

Request

This is a request to approve the MSF’s execution of an escrow agreement relating to the New International Trade Crossing (“NITC”).

Background

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 NITC project. The Crossing Agreement is the operative document intended to identify Michigan’s and Canada’s duties and rights in connection with the NITC project. The Crossing Agreement contemplates MSF’s participation in the NITC project, particularly as it relates to funds received from Canada and intended to pay for certain activities in Michigan, including but not limited to land acquisition.

On October 28, 2014, this Board voted to approve an initial funding acknowledgment (“Funding Acknowledgment”), as well as a separate confidentiality acknowledgment and an acknowledgment regarding the operations of the International Authority. Thereafter, the MSF executed these acknowledgments, as did all other signatories. The Funding Acknowledgment, at Section 5, states that MSF “will serve as the funding agent for the Michigan Parties to facilitate, on their behalf, the deposit, receipt, holding and disbursement of all funds to be provided by the WDBA for each statement of activities.” NITC-related funds provided by Canada will be remitted to, and held by, an escrow agent. The Funding Acknowledgment, also at Section 5, further states that the MSF shall cause the fees of the escrow agent to be paid. 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 WDBA and overseen by a fairness monitor. The escrow agreement states the MSF’s primary finance-related duties will largely entail submitting to the escrow agent disbursement certificates and account closing certificates to confirm that requested work has been performed and that payment is required. 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.

The escrow agreement has been negotiated at length to ensure that it does not impose on MSF certain duties such as those relating to indemnification or tax payments. The escrow agreement has been reviewed and approved by the Attorney General's office.

The uninterrupted continuation of the NITC project is contingent on the immediate and full execution of the escrow agreement and the formal retention of the escrow agent. The WDBA and the escrow agent have already executed the escrow agreement. The MSF is the only remaining party to the escrow agreement that has not executed the document.

Business Case

As suggested, because of the MSF's overall involvement as funding agent, and because it is a party to the Crossing Agreement, execution of the escrow agreement is a condition precedent to further NITC-related activities, including the receipt and disbursement of funds provided by Canada – funds necessary for the NITC project to move forward. The NITC project will create thousands of jobs in Michigan and catalyze long-term and sustained economic growth in this region. Thus, there is a strong business case for authorizing MSF's execution of the escrow agreement. Approval of the escrow agreement is requested at this time because: (1) specific project-related activities are scheduled to occur within the very near future; and (2) those activities cannot occur unless and until the escrow agreement is fully executed and the escrow agent is formally retained.

ESCROW AGREEMENT

This Escrow Agreement (this “**Agreement**”) is made effective as of April ____, 2015 (the “**Effective Date**”) by and among the Windsor-Detroit Bridge Authority, a Canadian Crown Corporation (“**WDBA**”), the Michigan Strategic Fund, a Michigan public body corporate and politic (“**MSF**”), and The Canada Trust Company, as escrow agent (the “**Escrow Agent**”).

A. On June 15, 2012, a Crossing Agreement (“**Crossing Agreement**”) was executed by Canada and Michigan providing a framework for the Crossing Authority (n/k/a the Windsor-Detroit Bridge Authority) (“**WDBA**”) established by Canada to design, construct, finance, operate and maintain a new International Crossing between Canada and Michigan, under the oversight of a jointly established International Authority with three members appointed by Canada and the WDBA and three members appointed by the Michigan Parties, and with funding approved by Canada, but with no funding by the Michigan Parties. The Michigan Parties are not obligated to pay any of the costs of the new International Crossing.

B. On June 29, 2012, the Michigan Department of Transportation and the MSF executed the Crossing Agreement.

C. On October 9, 2012, Canada formed the WDBA under subsection 29(1) of the *International Bridges and Tunnels Act* (Canada).

D. On November 2, 2012, the WDBA executed the Crossing Agreement.

E. On March 25, 2013, the U.S. Secretary of State approved the Crossing Agreement in accordance with the International Bridge Act of 1972 (US).

F. Under the Crossing Agreement, the Michigan Parties are required to undertake certain activities, subject to funding by the WDBA and other conditions. The Parties have entered into an Acknowledgment of Implementation of Crossing Agreement: Michigan Activities Funding (“**Acknowledgment**”) setting forth the mutual understanding of the WDBA and the Michigan Parties as to the funding by the WDBA of the costs and expenses associated with the activities required of the Michigan Parties under the Crossing Agreement. The form of Acknowledgment is attached hereto as **Exhibit A**.

G. The Acknowledgment provides that MSF will serve as the funding agent for the Michigan Parties to facilitate, on their behalf, the deposit, receipt, holding, and disbursement of all funds to be provided by the WDBA for each statement of activities entered into pursuant to the Acknowledgment.

H. The Acknowledgment establishes a process for the WDBA and the Michigan Parties to enter into one or more statements of activities to, along with the Acknowledgment, govern the funding by the WDBA of the estimated costs and

expenses the Michigan Parties will incur in the performance of designated activities under each statement of activities.

I. The Acknowledgment establishes a process of quarterly budgeting for and funding of the estimated costs and expenses the Michigan Parties will incur in the performance of designated activities under each statement of activities; a process of periodic reporting by the Michigan Parties to the WDBA of costs and expenses incurred in the performance of designated activities under each statement of activities; a process to establish Party-Approved Costs and Expenses and Disputed Costs and Expenses; and a process to resolve Disputed Costs and Expenses and establish Monitor-Approved Costs and Expenses.

J. The Acknowledgment provides that the WDBA and MSF shall enter into an escrow agreement pursuant to which an escrow account shall be established with a bank or other institution selected by WDBA to hold all funds to be disbursed under all statements of activities and the Acknowledgment.

ACCORDINGLY, the parties agree as follows:

1. Definitions. The following terms have the following meanings:

“**Business Day**” means any day other than Saturday, a Sunday or a statutory holiday in the State of Michigan or the Province of Ontario.

“**MDOT**” means the Michigan Department of Transportation, a department of Michigan.

“**Michigan**” means the State of Michigan.

“**Michigan Parties**” means Michigan, MDOT and MSF.

“**MSF**” means the Michigan Strategic Fund, a public body corporate and politic and a public agency of Michigan.

Capitalized terms not defined in this Agreement have the meanings given to them in the Acknowledgment. “Costs and expenses” has the meaning given to it in the Acknowledgment.

2. Establishment of Escrow Fund. The Escrow Agent shall establish an escrow account (the “**Escrow Account**”). The account balance of the Escrow Account, including accrued interest and earnings, is the “**Escrow Fund.**” The Escrow Fund shall be in U.S. currency. The Escrow Agent shall hold and disburse the Escrow Fund in accordance with this Agreement.

3. Deposits to Escrow Fund. Following the establishment of the Annual Budget and each Adjusted Quarterly Budget and within five business days after the beginning of each fiscal quarter, the WDBA shall deposit in the Escrow Account the amount that the WDBA reasonably determines to be necessary for the resulting Escrow

Fund to cover (a) the Quarterly Budgeted Amount for such fiscal quarter and (b) the costs and expenses incurred or reasonably estimated to have been incurred by the Michigan Parties in the prior fiscal quarter that are yet to be funded by disbursement from the Escrow Account. Promptly following the establishment of any Supplemental Budget, the WDBA shall deposit in the Escrow Account an amount equal to the additional costs and expenses included in the Supplemental Budget. Deposits may be made directly by WDBA and its authorized employees or by any other person authorized by WDBA to make deposits to the Escrow Account. Each such deposit with the Escrow Agent is an “**Escrow Deposit.**”

4. Disbursements from Escrow Fund. All Party-Approved Costs and Expenses and all Monitor-Approved Costs and Expenses shall be funded by disbursement from the Escrow Account. Within five Business Days from the date on which the Escrow Agent receives a “**Disbursement Certificate**” executed by MSF and acknowledged by the WDBA in the form of Exhibit B, the Escrow Agent shall disburse funds from the Escrow Fund in the amounts and to the disbursees specified in the Disbursement Certificate (an “**Escrow Disbursement**”). Only Party-Approved Costs and Expenses and/or Monitor-Approved Costs and Expenses shall be included in any Disbursement Certificate.

5. Accounting of Escrow Fund; Reporting. The Escrow Agent shall keep and maintain an accounting of transactions and balances for the Escrow Account. The Escrow Agent shall deliver to the WDBA and MSF a prompt written acknowledgement of each Escrow Deposit and each Escrow Disbursement. The Escrow Agent shall deliver to the WDBA and MSF a monthly written accounting of the Escrow Fund, including all Escrow Deposits and Escrow Distributions during such month.

6. Investment of Escrow Fund. The Escrow Agent shall hold all cash balances in the Escrow Account in money market funds or interest-bearing accounts, as selected by WDBA and as agreed by the Escrow Agent at its discretion, which may be issued by the Canada Trust Company and/or its affiliates. All distributions and earnings of such money market funds and all interest payable on such interest-bearing accounts shall accrue to the Escrow Fund and shall be deposited by the Escrow Agent in the Escrow Account. Except making the accruals and deposits required by this Section 6, the Escrow Agent shall not be responsible or liable for the earnings, returns, profits or losses of the Escrow Fund.

7. Termination of Escrow. Provided that all fees, costs and expenses of the Escrow Agent have been paid in accordance with Section 11 of this Agreement, the WDBA and MSF may terminate this Agreement by providing joint, written termination instructions to the Escrow Agent. Unless otherwise provided in the joint, written instructions, the Escrow Agent shall, within five Business Days from the date of termination of this Agreement pursuant to this Section 7, disburse to the WDBA all funds remaining in the Escrow Fund and close the Escrow Account.

8. Duties of the Escrow Agent.

(a) The Escrow Agent undertakes to perform only such duties as are expressly set forth in this Escrow Agreement. The Escrow Agent shall not be bound by any waiver, modification, amendment, or revision of this Escrow Agreement, unless any of the foregoing is in writing and signed by the other parties to this Agreement, and, if the Escrow Agent's duties are affected, unless the Escrow Agent shall have given its prior written consent thereto. All of the Escrow Agent's obligations under this Agreement are contained in this Agreement.

(b) The Escrow Agent makes no representation as to the validity, value, genuineness or the collectability of any security or other document or instrument held by or delivered to the Escrow Agent.

(c) Except in cases of the Escrow Agent's willful misconduct or gross negligence, the Escrow Agent shall be protected by acting in reliance upon any Disbursement Certificate or any other written certificate, statement, request, notice, advice, direction, other agreement or instrument or signature believed by the Escrow Agent to be genuine, by assuming that any person purporting to give the Escrow Agent any of the foregoing, in connection with either this Agreement or the Escrow Agent's duties hereunder, has been duly authorized to do so, or by acting in good faith on the advice of counsel retained by the Escrow Agent. The Escrow Agent shall have no responsibility to determine whether or not the disbursements and the amounts to be paid pursuant to a Disbursement Certificate are permitted payments under this Agreement.

(d) The Escrow Agent shall not be liable for any mistake of fact or law or any error of judgment, or for any act or omission, except as a result of its willful misconduct or gross negligence. In the event that the Escrow Agent shall be uncertain as to its duties or rights hereunder, or shall receive any certificate, statement, request, notice, advice, direction or other agreement or instrument from any other party with respect to the Escrow Fund which, in the Escrow Agent's opinion is in conflict with any of the provisions of this Escrow Agreement, or shall be advised that dispute has arisen with respect to the payment, ownership or right of possession of the Escrow Fund or any part thereof (or as to the delivery, non-delivery or content of any certificate, statement, request, notice, advice, direction or other agreement or instrument), the Escrow Agent shall be entitled, without liability to any person, to refrain from taking any action other than to use its best efforts to keep safely the Escrow Fund until the Escrow Agent shall be directed otherwise in accordance with this Escrow Agreement.

(e) The Escrow Agent does not have any interest in the Escrow Fund deposited hereunder but is serving as escrow holder only and

having only possession thereof. Any payments of income from the Escrow Fund will be subject to withholding regulations then in force with respect to income taxes as required under applicable law.

(f) None of the provisions contained in this Agreement shall require the Escrow Agent to expend or risk its own funds or otherwise incur financial liability in performing its duties or in the exercise of any of its rights or powers. The Escrow Agent shall be under no duty to institute or defend any proceeding.

(g) In the event that the Escrow Account or any amount held in the Escrow Account shall be attached, garnished or levied upon by any court order, or the delivery or disbursement thereof shall be stayed or enjoined by an order of a court, or any order, judgment or decree shall be made or entered by any court order affecting the Escrow Account or any amount held in the Escrow Account, the Escrow Agent is hereby expressly authorized, in its sole discretion, to obey and comply with all writs, orders or decrees so entered or issued, provided that (i) the Escrow Agent shall promptly provide MSF and WDBA with written notice of any such requirement, together with any related writ, order or decree, to enable MSF and WDBA, independently or jointly, to seek an appropriate protective order or take other appropriate action to resist or narrow such attachment, garnishment or levy in accordance with applicable law; (ii) the Escrow Agent shall cooperate in good faith with MSF, WDBA and their representatives if they choose to obtain such a protective order or take other appropriate action to resist or narrow such attachment, garnishment or levy in accordance with applicable law; and (iii) if, in the absence of a protective order, the Escrow Agent is advised by legal counsel of its own choosing that such writ, order or decree is binding upon it, whether with or without jurisdiction, and in the event that the Escrow Agent obeys or complies with any such writ, order or decree after notice to WDBA and MSF, the Escrow Agent shall not be liable to any of the parties hereto or to any other person, firm or corporation, by reason of such compliance notwithstanding whether such writ, order or decree is subsequently reversed, modified, annulled, set aside or vacated.

(h) The Escrow Agent shall retain the right not to act and shall not be liable for refusing to act if, due to a lack of information or for any other reason whatsoever, the Escrow Agent, in its sole judgment, determines that such act might cause it to be in non-compliant with any applicable anti-money laundering or anti-terrorist legislation, regulation or guideline and the Escrow Agent promptly notifies the parties of its refusal to act and the reason therefor.

(i) If the Escrow Agent is threatened with litigation or is sued, the Escrow Agent may interplead all interested parties in any court of

competent jurisdiction and deposit the Escrow Fund with the clerk of that court.

9. Right to Disclose. The Escrow Agent shall have the right to disclose any information disclosed or released to it if in the opinion of the Escrow Agent it is required to disclose such information under any applicable laws or court order, provided that (a) the Escrow Agent shall promptly provide MSF and WDBA with written notice of any such requirement, together with any related request or order for the disclosure of such information, to enable MSF and WDBA, independently or jointly, to seek an appropriate protective order or take other appropriate action to resist or narrow such disclosure in accordance with applicable law; (b) the Escrow Agent shall cooperate in good faith with MSF, WDBA and their representatives if they choose to obtain such a protective order or take other appropriate action to resist or narrow the disclosure in accordance with applicable law; and (c) if, in the absence of a protective order, the Escrow Agent, after consulting with legal counsel, decides in good faith that it is required by law or court order to disclose certain information, the Escrow Agent, after notice to MSF and WDBA, may disclose such information.

10. Ownership for Tax Purposes. The parties hereto agree that, for tax reporting purposes, all interest or other income earned from the investment of the Escrow Fund shall be allocable to WDBA and WDBA will report all income that is earned on, or derived from, the Escrow Fund as its income, in the taxable year or years in which such income is properly includible.

11. Escrow Agent Fees, Costs and Expenses.

(a) MSF shall pay the fees stated in Exhibit C, as may be amended from time to time upon the agreement of the parties hereto;

(b) WDBA shall pay any goods and services, consumption, sales or other tax or assessment applicable to the services under this Agreement which the Escrow Agent may be required to collect under any law or regulation in the U.S. or Canada, whether federal, state, provincial or local; except that the fees stated in Exhibit C are inclusive of any Harmonized Sales tax for the first 12 months of this Agreement. Provincial and/or Federal Taxes will be levied on all fees, where applicable, after the first 12 months.

(c) If the Escrow Agent becomes involved in litigation on account of this Agreement, it shall have the right to retain counsel and WDBA agrees to pay to the Escrow Agent on demand its reasonable charges, reasonable attorneys' fees, disbursements and out-of-pocket expenses in connection with such litigation; and

(d) In addition to and without limiting any other protection of the Escrow Agent hereunder or otherwise by law, WDBA shall indemnify and hold the Escrow Agent harmless from and against any and all liabilities, losses, claims, damages, penalties, actions, suits, demands, levies, costs, expenses and

disbursements including any and all reasonable legal and adviser fees and disbursements of whatever kind or nature which may at any time be suffered by, imposed on, incurred by or asserted against the Escrow Agent, whether groundless or otherwise, howsoever arising from or out of any act, omission or error of the Escrow Agent in connection with its acting as Escrow Agent hereunder unless arising from the gross negligence or willful misconduct on the part of the Escrow Agent. Notwithstanding any other provision hereof, this indemnity shall survive the removal or resignation of the Escrow Agent and termination of this Agreement.

12. Resignation; Removal; Successor Escrow Agent.

(a) The Escrow Agent may resign and be discharged from its duties or obligations under this Agreement at any time by giving no less than 20 Business Days' notice of such resignation to the WDBA and MSF specifying the date when such resignation shall take effect. After such resignation, the Escrow Agent shall have no further obligation under this Agreement except to hold the Escrow Fund, and the Escrow Agent shall otherwise refrain from taking any action until it shall receive joint directions from the WDBA and MSF designating a banking corporation, trust company, attorney or other person as successor Escrow Agent. Upon receipt of such joint directions and the Acceptance, as defined in Section 12(d), the Escrow Agent shall promptly deliver the Escrow Fund to such successor Escrow Agent and render the accounting required by Section 12(c) and shall thereafter have no further obligations hereunder.

(b) The WDBA and MSF acting together shall have the right to terminate the appointment of the Escrow Agent by giving joint directions of such termination to the Escrow Agent, specifying the date upon which such termination shall take effect. After termination, the Escrow Agent shall hold the Escrow Fund, pending transfer to a successor. In the event of such termination, the WDBA and MSF agree that they will jointly appoint a successor Escrow Agent within 20 Business Days of giving such notice and the Escrow Agent agrees that it shall turn over and deliver to such successor Escrow Agent all of the Escrow Fund and any other amounts held by it pursuant to this Escrow Agreement and render the accounting required by Section 12(c). Upon receipt of the funds and other amounts and execution of the Acceptance, the successor Escrow Agent shall thereupon be bound by all of the provisions of this Agreement.

(c) In the event of the resignation or removal of the Escrow Agent or upon the termination of the appointment of the Escrow Agent pursuant to Section 12, the Escrow Agent shall render to the WDBA and MSF and to the successor Escrow Agent, if any, an accounting in writing of the property constituting the Escrow Fund and all distributions therefrom.

(d) If at any time the Escrow Agent shall give notice of its resignation pursuant to Section 12(a), shall be removed pursuant to Section 12(b) hereof, or shall be dissolved or otherwise become incapable of acting, or the position of the Escrow Agent shall become vacant for any other reason, the WDBA and MSF shall promptly mutually appoint a successor Escrow Agent. Upon such appointment such successor shall execute, acknowledge and deliver to its predecessor, and also to the WDBA and MSF, an instrument in writing (the “Acceptance”) accepting such appointment and agreeing to be bound by the terms and provisions of this Agreement. Thereupon such successor Escrow Agent, without any further act, shall become fully vested with all the rights, immunities, and powers, and shall be subject to all of the duties and obligations of its predecessor. Promptly after its receipt of the successor’s Acceptance, the predecessor Escrow Agent shall deliver the Escrow Fund to such successor Escrow Agent and render the accounting required by Section 12(c) and shall thereafter have no further obligations under this Agreement. If a successor Escrow Agent has not been appointed within 60 days of the date of any such resignation, removal, dissolution, incapacity or vacancy, the Escrow Agent may deposit the Escrow Fund with the clerk of a court of competent jurisdiction and interplead the parties to this Agreement. Upon so depositing the Escrow Fund and filing its pleading, this Escrow Agreement shall terminate as to the Escrow Agent.

13. Miscellaneous Provisions.

(A) Notices. All notices given under this Agreement (“**Notice**”) shall be in writing and shall be delivered personally or by courier addressed:

If to WDBA to: Mr. Michael Cautillo
President and CEO
Windsor-Detroit Bridge Authority
100 Ouellette Avenue, Third Floor
Windsor, Ontario, Canada N9A6T3

With a copy to: Mr. Timothy L. Horner
Warner Norcross & Judd LLP
900 Fifth Third Building
111 Lyon Street, NW
Grand Rapids, MI 49503

If to MSF to: Mr. Mark Morante
MSF Fund Manager
Michigan Strategic Fund
300 N. Washington Square
Lansing, MI 48913

With a copy to: Ms. Andrea Robach
MSF Board Administrator
Michigan Strategic Fund
300 N. Washington Square
Lansing, MI 48913

If to Escrow Agent: WDBA Escrow Agency
The Canada Trust Company
TD Wealth Private Client Group
Attention: Lisa Koscic, Manager, Private
Trust
156 Ouellette Avenue, Suite 301
Windsor, Ontario N9A 1A4

or to such other address or addressed in such other manner as any party may from time to time designate in writing to the other parties.

Any Notice shall be considered to have been received on the date of delivery.

(b) Assignment. No party may assign this Agreement or any of its rights, duties or obligations thereunder and any attempt by a party to assign this Agreement or any of its rights, duties or obligations under this Agreement shall be null and void.

(c) Amendments. This Agreement may be amended, supplemented or restated by a written agreement signed by all parties. No amendment, supplement, or restatement to or of this Agreement shall have any force or effect unless it is in writing and unless signed by all parties.

(d) Waiver. The failure of any party to insist in any one instance upon the strict performance by any other party of its obligations under this Agreement shall not constitute a waiver or relinquishment of any such obligations as to any other instances, and the same shall continue in full force and effect. No covenant or condition of this Agreement may be waived by any party except by written consent of that party, and forbearance or indulgence of that party in any regard whatsoever and no matter how long shall not constitute a waiver of the covenant or condition until performed or waived in writing, and that party shall be entitled to invoke any remedy available to that party under this Agreement or by applicable law, despite the forbearance or indulgence.

(e) Entire Agreement. This Agreement shall constitute the entire agreement between the parties in respect of the subject matter and supersedes and revokes all negotiations, arrangements, letters of intent, representations and information conveyed, whether oral or in writing, between the parties or their representatives or any other person purporting to represent one or more of the parties.

(f) No Partnership. Except as specifically provided to the contrary, each of the parties expressly disclaims any intention to create an agency, partnership, joint venture or joint enterprise. It is understood, acknowledged and agreed that, except as specifically provided to the contrary, nothing contained in this Agreement nor any acts of any of the parties shall constitute or be deemed to constitute any of the parties as partners, joint venturers or principal and agent in any way or for any purpose. None of the parties shall hold itself out to be a partner of or joint venturer with any other party. Except as specifically provided to the contrary, no party shall have the authority to act for or to assume any obligations or responsibility on behalf of any other party.

(g) No Trust Relationship. There is no intention to create a relationship of trustee and beneficiary between the Escrow Agent and the parties hereto and the escrow arrangements contemplated by this Agreement shall not be deemed to be a trust.

(h) No Rights of Third Parties. Nothing in this Agreement is intended or shall be construed to confer or give any person, other than the parties and their respective successors, any rights or remedies under or by reason of this Agreement.

(i) Severability. If any provision of this Agreement is or becomes illegal, invalid or unenforceable in any jurisdiction or in respect of any party, the illegality, invalidity or unenforceability of that provision in that jurisdiction or in respect of that party shall not affect:

(i) the legality, validity or enforceability of that provision in any other jurisdiction or in respect of the other parties, or

(ii) the legality, validity or enforceability of the remaining provisions of this Agreement.

(j) Time of Essence. Time shall be of the essence of this Agreement.

(k) Further Assurances. Each party shall, from time to time, promptly execute and deliver and take all further action as may be reasonably necessary or appropriate to give effect to the provisions and intent of this Agreement and to complete the transactions contemplated in this Agreement.

(l) Counterparts. This Agreement and any amendment, supplement, restatement or termination of any provision of this Agreement may be executed and delivered in any number of counterparts, each of which when executed and delivered is an original but all of which taken together constitute one and the same instrument.

(m) Choice of Law; Dispute Resolution. This Agreement shall be governed, construed and enforced in accordance with the laws of Ontario and the laws of Canada applicable therein. The laws of the State of Michigan shall govern the authority of MSF to execute this Agreement. In entering into this Agreement, the WDBA and MSF do not waive their sovereign immunity beyond any claims that might arise among the parties under this Agreement. Any dispute, controversy or claim arising out of or relating to this Agreement between WDBA and MSF and not involving the Escrow Agent shall be considered a "Dispute" under the Crossing Agreement and subject to Article XIV of the Crossing Agreement.

(n) Waiver of Jury Trial. Each of the parties waives to the fullest extent permitted by applicable law any right it may have to a trial by jury with respect to any action or proceeding directly or indirectly arising out of, under or in connection with this Agreement or the transactions contemplated hereby.

(o) Survival. Sections 8, 9, 10, 11, and 13 of this Agreement shall survive termination of this Agreement or the resignation or removal of the Escrow Agent.

[Signature page follows.]

This Escrow Agreement is EXECUTED by Michigan Strategic Fund as of this _____ day of April, 2015.

MICHIGAN STRATEGIC FUND

By: _____
Name:
Title:

This Escrow Agreement is EXECUTED by Windsor-Detroit Bridge Authority as of this _____ day of April, 2015.

WINDSOR-DETROIT BRIDGE AUTHORITY

By: _____

Name:

Title:

This Escrow Agreement is EXECUTED by The Canada Trust Company as of this _____ day of April, 2015.

THE CANADA TRUST COMPANY

By: _____
Name:
Title:

9421818

EXHIBIT A

FORM OF ACKNOWLEDGMENT

**Acknowledgment of Implementation of Crossing Agreement:
Michigan Activities Funding**

Preamble:

On June 15, 2012, a Crossing Agreement was executed by Canada and Michigan providing a framework for the Crossing Authority (n/k/a the Windsor-Detroit Bridge Authority (“WDBA”)) established by Canada to design, construct, finance, operate and maintain a new International Crossing between Canada and Michigan, under the oversight of a jointly established International Authority with three members appointed by Canada and the WDBA and three members appointed by the Michigan Parties, and with funding approved by Canada, but with no funding by the Michigan Parties. The Michigan Parties are not obligated to pay any of the costs of the new International Crossing.

On June 29, 2012, the Crossing Agreement was executed by the Michigan Department of Transportation and the Michigan Strategic Fund.

On October 9, 2012, the WDBA was formed by Canada pursuant to subsection 29(1) of the *International Bridges and Tunnels Act* (Canada).

On November 2, 2012, the Crossing Agreement was executed by the WDBA.

On March 25, 2013, the US Secretary of State approved the Crossing Agreement in accordance with the *International Bridge Act of 1972* (US).

1. Implementation of Crossing Agreement.

Under the Crossing Agreement, the Michigan Parties are required to undertake certain activities, subject to funding by the WDBA and other conditions. The Parties hereby acknowledge their mutual understanding ("**Acknowledgment**") as to the funding by the WDBA of the costs and expenses associated with the activities required of the Michigan Parties under the Crossing Agreement, thereby ensuring full and prompt reimbursement of any costs and expenses temporarily incurred by the Michigan Parties in accordance with this Acknowledgment.

2. Interpretation.

Capitalized terms not otherwise defined herein shall have the meaning given to them in the Crossing Agreement. As used in this Acknowledgment, “**Governor’s Designee**” means the individual holding the position of "Senior Advisor – Transportation Initiatives," or any other individual the Governor may designate, within the Executive Office of the Governor. As provided in the Crossing Agreement, “**costs and expenses**” means amounts paid by the Michigan Parties to third parties on a cost recovery basis. For purposes of this definition, “third parties” shall include employees of the Parties. Accordingly, “costs and expenses” shall include, on a cost recovery basis, the wages paid and other costs incurred by the Michigan Parties for time spent by their employees working on designated activities in accordance with each statement of activities.

3. Statements of Activities.

From time to time, the WDBA may request the Michigan Parties to perform particular activities consistent with the Crossing Agreement. Thereafter, the WDBA and the appropriate Michigan Party or Michigan Parties shall enter into one or more statements of activities, which, along with this Acknowledgment, will govern the funding by the WDBA of the costs and expenses associated with such activities.

A statement of activities may address a single designated activity or several designated activities. Each statement of activities will contain such terms, conditions, requirements and standards of performance as may be appropriate for the particular designated activities, each of which shall be set forth with the degree of specificity that is reasonable for the particular designated activity.

Each statement of activities shall set forth the total estimated costs and expenses the Michigan Parties are reasonably expected to incur in the performance of designated activities. If a Michigan Party is expected to enter into a contract with a third party in connection with any designated activity, the statement of activities will set forth, separately, the estimated costs and expenses and the disbursees for each such contract. By execution of each statement of activities, the WDBA shall be obligated to fund all designated activities performed by the Michigan Parties in accordance with the statement of activities and this Acknowledgment up to the amount of the total estimated costs and expenses for such activities set forth in the statement of activities. However, the WDBA shall have no obligation to fund any costs and expenses related to any contract between a Michigan Party and any third party unless a statement of activities authorizes the contract and the WDBA has approved the contract prior to execution.

As provided in the Crossing Agreement, the Michigan Parties shall be responsible for complying with all federal aid eligibility requirements applicable to each designated activity set forth in a statement of activities. Notwithstanding the foregoing, each statement of activities shall include such description or list of the federal aid eligibility requirements and regulations applicable to the designated activities as the WDBA may reasonably request and as the Michigan Parties may reasonably provide.

The parties to each statement of activities may amend a statement of activities from time to time based on new developments or for any other reason.

4. Budgets.

On or before the 30th day before the commencement of each fiscal year for the WDBA, the WDBA and the Governor of Michigan or the Governor's Designee in consultation with the Michigan Parties shall establish an annual budget of the total costs and expenses reasonably expected to be incurred by the Michigan Parties during each quarter of such fiscal year for designated activities under all statements of activities (the "**Annual Budget**"). On or before the 15th day before the commencement of the second, third and fourth fiscal quarters for the WDBA, the WDBA and the Governor of Michigan or the Governor's Designee in consultation with the Michigan Parties shall adjust the budget for such fiscal quarter, to the extent reasonably necessary, to reflect the total costs and expenses that are then reasonably expected to be incurred by the Michigan Parties for designated activities under all statements of activities for such fiscal quarter (each, an "**Adjusted Quarterly Budget**"). The amount budgeted in the Annual Budget for the first fiscal quarter and in each Adjusted Quarterly Budget for the second, third and fourth fiscal quarters shall be the "**Quarterly Budgeted Amount.**"

During any fiscal quarter, a supplemental budget may be established by mutual agreement of the WDBA and the Governor of Michigan or the Governor's Designee in consultation with the Michigan Parties to account for unexpected costs and expenses or unexpected activities that may need to be performed during the fiscal quarter (a "**Supplemental Budget**").

Each Annual Budget, Adjusted Quarterly Budget and Supplemental Budget shall set forth the budgeted designated activities and budgeted costs and expenses by reference to applicable statements of activities or otherwise with sufficient specificity to avoid any reasonable ambiguity regarding the budgeted designated activities and budgeted costs and expenses.

5. Escrow Account.

MSF will serve as the funding agent for the Michigan Parties to facilitate, on their behalf, the deposit, receipt, holding and disbursement of all funds to be provided by the WDBA for each statement of activities.

Promptly after execution of this Acknowledgment, the WDBA and MSF shall enter into an escrow agreement pursuant to which an escrow account shall be established with a bank or other institution selected by the WDBA to hold all funds to be disbursed under all statements of activities and this Acknowledgment (the “**Escrow Account**”). MSF shall pay, or cause to be paid, all amounts payable at any time to the escrow agent under the escrow agreement. The balance on deposit in the Escrow Account at any time, including any interest or investment returns, shall be the “**Escrow Amount.**”

Following the establishment of the Annual Budget and each Adjusted Quarterly Budget and within five business days after the beginning of each fiscal quarter, the WDBA shall deposit in the Escrow Account the amount that the WDBA reasonably determines to be necessary for the resulting Escrow Amount to cover (a) the Quarterly Budgeted Amount for such fiscal quarter and (b) the costs and expenses incurred or reasonably estimated to have been incurred by the Michigan Parties in the prior fiscal quarter that are yet to be funded by disbursement from the Escrow Account in accordance with the escrow agreement. Promptly following the establishment of any Supplemental Budget, the WDBA shall deposit in the Escrow Account an amount equal to the additional costs and expenses included in the Supplemental Budget.

All Party-Approved Costs and Expenses and all Monitor-Approved Costs and Expenses (as defined below) shall be funded by disbursement from the Escrow Account in accordance with the escrow agreement.

6. Performance of Designated Activities

The Michigan Parties shall not perform any designated activities other than those designated activities set forth in an Annual Budget for the first fiscal quarter, in an Adjusted Quarterly Budget for the second, third and fourth fiscal quarters or in a Supplemental Budget.

If, at any time, a Michigan Party performing designated activities under a statement of activities reasonably believes that the costs and expenses of such activities will exceed the Escrow Amount during the remainder of a particular fiscal quarter, the Michigan Party shall promptly notify the WDBA and provide a revised estimate of the costs and expenses. Thereafter, the WDBA and the

Michigan Party will cooperate in good faith to supplement the existing budget as appropriate to address the increased estimate of costs and expenses. Any time after the Michigan Party has provided the revised estimate of costs and expenses, the Michigan Party may deliver a notice to the WDBA invoking a maximum of ten Business Days for the budget to be supplemented as appropriate to address the increased estimate of costs and expenses. If such supplement is not achieved within ten Business Days after delivery of such notice, the Michigan Party, acting reasonably and in consultation with the WDBA, may suspend or delay the performance of designated activities to the extent reasonably necessary for it to avoid incurring costs and expenses during the remainder of such fiscal quarter greater than the Escrow Amount. The Michigan Parties and the WDBA shall cooperate and consult with each other to identify which particular designated activities should be suspended or delayed until an appropriate supplement is achieved.

The WDBA may at any time, by written notice, terminate or suspend a statement of activities and/or direct a Michigan Party to cease performing any designated activities under a statement of activities. The Michigan Party shall promptly comply with such direction and shall promptly notify the WDBA of any costs and expenses the Michigan Party reasonably anticipates it will incur as a result of such cessation of activities notwithstanding reasonable efforts by the Michigan Party to mitigate such costs and expenses (“**Cessation Related Costs and Expenses**”). The WDBA shall be required to fund any Cessation Related Costs and Expenses of the Michigan Parties in addition to funding the costs and expenses of designated activities incurred by the Michigan Parties in accordance with this Acknowledgment and the statement of activities before the WDBA directed the cessation of the designated activities. The WDBA may at any time un-suspend a suspended statement of activities and/or direct a Michigan Party to resume performing designated activities under a statement of activities, and the Michigan Party shall promptly comply with such direction.

7. Periodic Reporting/ Party-Approved Costs and Expenses.

On no more often than a bi-weekly basis, *i.e.*, once every other week, the Governor of Michigan or the Governor’s Designee shall submit to the WDBA an itemized report (“**Costs and Expenses Report**”) of the costs and expenses, including any Cessation Related Costs and Expenses, incurred under each statement of activities and this Acknowledgment during the period since the most recently submitted Costs and Expenses Report. Each Costs and Expenses Report shall provide such supporting detail and documentation as necessary to reasonably substantiate, and for the WDBA to reasonably verify, that the costs and expenses were incurred in accordance with the applicable statement of activities and this Acknowledgment.

Within 15 days of receipt of a Costs and Expenses Report, the WDBA may deliver to the Governor or the Governor's Designee a written objection to a Costs and Expenses Report, which shall include a reasonably detailed explanation for the objection. The WDBA shall not object to a Costs and Expenses Report except on the grounds that the costs and expenses incurred were previously reimbursed by WDBA or that the activities performed and the related costs and expenses incurred were not in accordance with the applicable statement of activities and this Acknowledgment, including (i) the costs and expenses were more than the Quarterly Budgeted Amount or the amount budgeted in an applicable Supplemental Budget or (ii) the activities performed were not in accordance with the first fiscal quarter budget in an Annual Budget, an Adjusted Quarterly Budget or a Supplemental Budget. The WDBA and the Governor of Michigan or the Governor's Designee will cooperate in good faith and share such information as either party may reasonably request to resolve any objection.

As promptly as reasonably possible and by no later than 30 days after the WDBA's receipt of a Costs and Expenses Report, the WDBA and the Governor of Michigan or the Governor's Designee shall sign a form identifying all costs and expenses, and the related disbursees, for which there is no objection ("**Party-Approved Costs and Expenses**") and a form identifying all costs and expenses, and the related disbursees, for which there remains any objection ("**Disputed Costs and Expenses**").

In addition, the WDBA and the Governor of Michigan or the Governor's Designee may from time to time, without having delivered or received an applicable Costs and Expenses Report, sign a Party-Approved Costs and Expenses form identifying particular disbursees and the related disbursement amounts which the WDBA and the Governor of Michigan or the Governor's Designee may agree to be necessary or appropriate under an applicable Statement of Activities and this Acknowledgment (such amounts shall be included as Party-Approved Costs and Expenses).

The requirements stated in this paragraph may be satisfied through a mutually acceptable and agreed upon electronic or other process.

8. Payment Monitor.

On or before December 1 of each year and promptly after resignation or removal of the Payment Monitor, the WDBA and the Governor of Michigan or the Governor's Designee shall either agree upon an individual or select by lot one of the three Neutral Arbitrators to perform the function of payment monitor

under this Section 8 (the “**Payment Monitor**”) for the 12 month period beginning January 1 and ending December 31 or for such other period as agreed by the WDBA and the Governor of Michigan or the Governor’s Designee.

At any time, the Governor of Michigan or the Governor’s Designee may submit Disputed Costs and Expenses to the Payment Monitor to make a determination whether such Disputed Costs and Expenses were incurred in accordance with the applicable statement of activities and this Acknowledgment. If, at any time, the aggregate of all unresolved Disputed Costs and Expenses equals USD \$100,000 or more, then either the WDBA or the Governor of Michigan or the Governor’s Designee may submit such Disputed Costs and Expenses to the Payment Monitor to make a determination whether such Disputed Costs and Expenses were incurred in accordance with the applicable statement of activities and this Acknowledgment. If on September 30 of each year there are any unresolved Disputed Costs and Expenses, then either the WDBA or the Governor of Michigan or the Governor’s Designee may submit such Disputed Costs and Expenses to the Payment Monitor to make a determination whether such Disputed Costs and Expenses were incurred in accordance with the applicable statement of activities and this Acknowledgment.

The Payment Monitor may request, and the WDBA and the Governor of Michigan or the Governor’s Designee shall provide, such information as the Payment Monitor considers necessary or appropriate to make a determination. The Payment Monitor shall make such determination in writing as promptly as possible. The Payment Monitor’s determination shall be final and binding on the WDBA and the Michigan Parties.

Each written determination by a Payment Monitor shall include a form signed by the Payment Monitor and delivered to the WDBA and the Governor or the Governor’s Designee identifying all costs and expenses, and the related disbursees, which the Payment Monitor has determined to be in accordance with the applicable statement of activities and this Acknowledgment (“**Monitor-Approved Costs and Expenses**”).

9. Reimbursement of Prior Costs and Expenses.

Notwithstanding anything to the contrary in this Acknowledgment, within 30 days after the date of this Acknowledgment, the WDBA shall pay USD \$91,925.76 to Michigan as reimbursement of all costs and expenses incurred by the Michigan Parties prior to July 31, 2014. The WDBA shall promptly reimburse the Michigan Parties for any costs and expenses incurred by the Michigan Parties on and after such date and prior to the effective date of this Acknowledgment upon submission by the Michigan Parties to the WDBA of

supporting documentation in form and scope substantially similar to that information previously submitted to substantiate the amount of the foregoing payment.

10. General.

The WDBA and the Michigan Parties acknowledge and agree that Transport Canada may perform the obligations and exercise the rights of the WDBA under this Acknowledgment until such time as the WDBA informs the Michigan Parties in writing that it is prepared to perform such obligations and exercise such rights.

All requests, approvals, consents, waivers, reports, notices, certifications and acknowledgments under this Acknowledgment shall be in writing.

Any dispute, controversy or claim arising out of or relating to this Acknowledgment or the Escrow Account shall be considered a Dispute and be subject to Article XIV of the Crossing Agreement.

This Acknowledgment may be amended, supplemented or restated by a written document signed by all Parties. No amendment, supplement, or restatement to or of this Acknowledgment shall have any force or effect unless it is in writing and unless signed by all Parties.

This Acknowledgment shall be subject to the provisions of Sections 1, 2 and 4 through 12 of Article XVIII of the Crossing Agreement as if this Acknowledgment were the "Agreement" as set forth in such provisions.

Michigan shall cause an original executed copy of this Acknowledgment to be filed with the Michigan Secretary of State, Office of the Great Seal and with the Clerk of Ingham County, in the State of Michigan.

This Acknowledgment shall be effective and binding upon execution of it by all of the Parties.

[Signature page follows.]

This Acknowledgment of Implementation of Crossing Agreement: Michigan Activities Funding is EXECUTED by Canada on this _____ day of _____, 2014.

HER MAJESTY THE QUEEN
IN RIGHT OF CANADA, as
represented by the Minister of
Transport

By: _____
Name:
Title:

This Acknowledgment of Implementation of Crossing Agreement: Michigan Activities Funding is EXECUTED by Windsor-Detroit Bridge Authority on this _____ day of _____, 2014.

WINDSOR-DETROIT BRIDGE
AUTHORITY

By: _____

Name:

Title:

This Acknowledgment of Implementation of Crossing Agreement: Michigan Activities Funding is EXECUTED by Michigan on this _____ day of _____, 2014.

STATE OF MICHIGAN

By: _____

Name:

Title:

This Acknowledgment of Implementation of Crossing Agreement: Michigan Activities Funding is EXECUTED by Michigan Department of Transportation on this _____ day of _____, 2014.

MICHIGAN DEPARTMENT OF
TRANSPORTATION

By: _____

Name:

Title:

This Acknowledgment of Implementation of Crossing Agreement: Michigan Activities Funding is EXECUTED by Michigan Strategic Fund on this _____ day of _____, 2014.

MICHIGAN STRATEGIC FUND

By: _____

Name:

Title:

EXHIBIT B

DISBURSEMENT CERTIFICATE

[Date]

This Disbursement Certificate is delivered by Michigan Strategic Fund, a Michigan public body corporate and politic (“MSF”) to _____ (“Escrow Agent”), pursuant to the Escrow Agreement made effective as of _____, 2014 by and among Windsor-Detroit Bridge Authority, a Canadian Crown Corporation (“WDBA”), MSF and the Escrow Agent (the “Escrow Agreement”).

Identification of Statement of Activities:

Party-Approved Costs and Expenses

Party Approval Date:

Disbursee(s):

[Insert name, disbursement instructions, amount for each disbursement]

Total Disbursement: US\$ _____

[REPEAT FOR EACH PARTY APPROVAL DATE]

Total Disbursement of Party-Approved Cost and Expenses:

Monitor-Approved Costs and Expenses

Payment Monitor Approval Date:

Disbursee(s):

[Insert name, disbursement instructions, amount for each disbursement]

Total Disbursement: US\$ _____

[REPEAT FOR EACH PAYMENT MONITOR APPROVAL DATE]

Total Disbursement of Monitor-Approved Cost and Expenses: US\$ _____

Total Disbursement for Statement of Activities: US\$ _____

[REPEAT FOR EACH STATEMENT OF ACTIVITIES]

Total Disbursement for Disbursement Certificate dated _____: US\$_____

* * *

MSF hereby directs the Escrow Agent to disburse funds from the Escrow Fund in accordance with the Escrow Agreement in the amounts and to the disbursees identified in this Disbursement Certificate dated _____.

MSF hereby certifies that (i) this Disbursement Certificate includes only Party-Approved Costs and Expenses and/or Monitor-Approved Costs and Expenses, (ii) each disbursement identified in this Disbursement Certificate is in accordance with the Escrow Agreement, the Crossing Agreement and the Acknowledgment, as defined in the Escrow Agreement and (iii) MSF has delivered a copy of this executed Disbursement Certificate to WDBA simultaneously with delivery hereof to the Escrow Agent.

EXECUTED by Michigan Strategic Fund on this _____ day of _____, _____.

MICHIGAN STRATEGIC FUND

By: _____
Name:
Title:

ACKNOWLEDGED by Windsor-Detroit Bridge Authority on this _____ day of _____, _____.

WINDSOR-DETROIT BRIDGE AUTHORITY

By: _____
Name:
Title:

EXHIBIT C

ESCROW AGENT ADMINISTRATION FEE SCHEDULE

Initial setup fee:	CAD\$25,000
Annual flat rate administration fee:	CAD\$100,000
Termination fee:	Waived

The initial setup fee shall be payable within two Business Days after the Effective Date of the Agreement.

The annual flat rate administration fee shall be payable in equal monthly installments of CAD\$8,333.33. The first installment shall be payable within two Business Days after the Effective Date of the Agreement and shall be prorated for the number of days remaining in the month in which the Agreement becomes effective. All subsequent monthly installments shall be payable on or before the first day of each applicable month.

From time to time upon request, the parties will meet to discuss the role of the Escrow Agent, the volume of deposits to and disbursements from the Escrow Account and the other activities required of the Escrow Agent under the Agreement and will discuss and consider in good faith whether the amount of the annual flat rate administration fee is and remains commensurate with the work, effort and requirements of the Escrow Agent under the Agreement.

**MICHIGAN STRATEGIC FUND
RESOLUTION 2015 -
NITC Project Escrow Agreement**

WHEREAS, on July 28, 2012, the Michigan Strategic Fund (the “MSF”) executed a Crossing Agreement between Michigan and Canada, specifically among the Governor of the State of Michigan, the Michigan Department of Transportation (“MDOT”), MSF, Her Majesty the Queen in Right of Canada (as represented by the Minister of Transport) and the Windsor Detroit Bridge Authority (“WDBA”), the Canadian entity that will manage the New International Trade Crossing (“NITC”) project (the “NITC Project”);

WHEREAS, the State of Michigan, MDOT and MSF are collectively referred to as the “Michigan Parties” in the Crossing Agreement;

WHEREAS, the Crossing Agreement is the operative document prescribing the State of Michigan’s (the “State”) and Canada’s duties and rights in connection with the NITC Project;

WHEREAS, Article X, Section 10 of the Crossing Agreement contemplates the retention of an escrow agent, paying agent or similar party, pursuant to an escrow agreement or similar agreement, to hold, disburse or pay funding monies on behalf of the WDBA in accordance with the Crossing Agreement;

WHEREAS, as part of the process of implementing the Crossing Agreement, and in order to identify the procedures for the MSF to submit statements of activities from time to time to the escrow agent in order to secure payment for endeavors contemplated by the Crossing Agreement and related ancillary agreements, the Michigan Parties, including the MSF, have executed the Michigan Activities Funding Acknowledgment (“Funding Acknowledgment”), the Confidentiality Acknowledgment and the International Authority Acknowledgment pursuant to MSF Resolution 2014-175 (collectively, the “Acknowledgments”);

WHEREAS, the MSF will serve as the Funding Agent for the Michigan Parties to facilitate with the escrow agent, on their behalf, the deposit, receipt, holding and disbursement of all funds to be provided by the WDBA for each statement of activities, as finally described in the Funding Acknowledgment;

WHEREAS, pursuant to 1984 Public Act 270, as amended (the "Act") MSF has broad authority to further economic development within the State, and to participate in any other way in any federal, state, or local government program; and

WHEREAS, in order to formally engage MSF as the Funding Agent for the Michigan Parties, it is recommended that MSF approve the form of an Escrow Agreement and authorize its execution by the MSF Board President.

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

1. The Escrow Agreement in the form attached to this resolution is approved, with such additional changes as are approved by the MSF board President and the Michigan Department of Attorney General.
2. The President of the MSF Board is authorized to execute the Escrow Agreement on behalf of the MSF.

3. By entering into the Escrow Agreement, the MSF assumes no obligations nor makes any representations or covenants other than those explicitly ascribed to it in the Escrow Agreement.

4. Except as otherwise provided in the Crossing Agreement, the Escrow Agreement, a statement of activities, or any of the Acknowledgements, i) the MSF shall not be liable for any obligation, including for the payment of any disputed costs not reimbursed pursuant to any statements of activities or similar items, ii) the MSF shall not be responsible for indemnifying any party for any disputed funds received by or on behalf of any Michigan Party, and iii) the funds of the MSF shall not be available or used for any obligations contemplated in the Escrow Agreement, except as specifically contemplated therein.

5. The MSF Board President, the MSF Fund Manager, and designated staff of the MSF are authorized to perform any follow-up or ongoing obligations pursuant to the Escrow Agreement and not inconsistent with the terms of this Resolution.

6. This Resolution shall be effective upon adoption.

Ayes:

Nays:

Recused:

Lansing, Michigan
April 28, 2015



MICHIGAN STRATEGIC FUND

MEMORANDUM

To: Michigan Strategic Fund Board

From: Jarrod Smith, Assistant Attorney General, State of Michigan
Michelle Wildman, Director of Federal Incentives & Strategic Initiatives, MSHDA

Re: Approval to Issue Michigan Land Bank Notes

Summary

In 2008, the United States Department of the Treasury ("U.S. Treasury") established several programs under the Emergency Economic Stabilization Act to stabilize the housing market by facilitating mortgage loan modifications to prevent avoidable foreclosures. As part of this initiative, a federal housing program entitled the Housing Finance Agency Innovation Fund for the Hardest Hit Housing Markets (known as the "Hardest Hit Fund" or "HHF" Program) was created. Using funds provided through the HHF Program, the Michigan Homeowner Assistance Nonprofit Housing Corporation ("MHA") acting through the Michigan State Housing Development Authority ("MSHDA") designed forgivable loan programs to help homeowners in Michigan who have had a financial hardship. In general, the loans are forgivable at 20 percent per year over a five year period. This five year forgiveness period is a method to ensure compliance with program requirements.

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 and 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.

Request

Approve Resolution to issue Michigan Land Bank Notes, not to exceed the amount of \$11,910,000 Mortgage and Demand Notes

**MICHIGAN STRATEGIC FUND
RESOLUTION 2015 –**

**RESOLUTION TO AUTHORIZE THE ISSUANCE OF BLIGHT REDUCTION MORTGAGE
AND DEMAND NOTES ON BEHALF OF THE MICHIGAN LAND BANK FAST TRACK
AUTHORITY**

WHEREAS, the Michigan Strategic Fund (“MSF”) was established and operates pursuant to 1984 PA 270, as amended (the “MSF Act”) and certain other public acts, and possesses certain powers set forth in the Act, including authorization to issue bonds or other forms of indebtedness, and the refunding of outstanding bonds or notes of the MSF;

WHEREAS, Executive Order 2014-12 transferred to the MSF “any revenue bonding powers of the State Land Bank Fast Track Authority”;

WHEREAS, the Michigan Land Bank Fast Track Authority (“MLB”) participates as a “Blight Partner” (as defined by the Program, defined below) with the Michigan State Housing Development Authority (“MSHDA”) and the Michigan Homeowner Assistance Nonprofit Housing Corporation (“MHA”) in the Help for Hardest Hit Blight Program (the “Program”), to assist with the demolition, removal, restoration or repair of certain blighted properties in the State of Michigan (“State”) in order to promote increased values of remaining property and promote positive growth;

WHEREAS, to participate, MLB must issue certain Demand Notes and Mortgage Notes in favor of MHA (the “Notes”).

WHEREAS, pursuant to Executive Order 2014-12, MLB is requesting the MSF’s approval of the forms of the Notes, approval of the issuance of the Notes in the name of MLB, in one or more transactions, all related to and pursuant to federal and State parameters of the Program, and to authorize Fund Manager and other MSF and Michigan Economic Development Corporation (“MEDC”) staff, to issue the Notes and otherwise assist MLB with its participation in the Program.

WHEREAS, pursuant to the Section 19(6) of the 2003 PA 258 (“MLB Act”), the notes or bonds of the MLB are negotiable instruments within the meaning of and for all the purposes of the uniform commercial code, 1962 PA 174, MCL 440.1101 to 440.11102.

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

1. Issuance of Notes.

A. The MSF hereby approves the Program and the issuance of the Notes in the name of MLB in one or more transactions from time to time, pursuant to the MSF Act and the MLB Act,

and as more fully described below, in a total par amount of not to exceed \$11,910,000. The Notes shall bear the facsimile, affixed or manual signature of the Fund Manager of the MSF, and the Mortgage Note shall be acknowledged and accepted by an authorized officer of MLB.

B. The Notes shall be issued for the purposes of and as provided in and subject to, this Resolution, the Commitment to Purchase Financial Instrument and HFA Participation Agreement, as amended from time to time, by and among the United States Department of the Treasury, MSHDA, and MHA (the "Federal Agreement"), and MLB's Blight Participation Agreement, as it may be amended from time to time (the "Blight Agreement").

C. The Notes shall be issued only at the request of and on behalf of MLB, be payable solely from the sources provided in the Notes, the Federal Agreement and the Blight Agreement, and in all cases from sources other than those of the MSF. The Notes shall not constitute a general obligation of the MSF or a debt or liability of the State or any political subdivision thereof or a charge against their taxing powers.

D. A Mortgage Note must be issued in connection with any Demand Note. Any Demand Note shall be immediately redeemed upon the execution of a corresponding Mortgage Note, and such Mortgage Note, upon its execution by Fund Manager, and upon its written acceptance by MLB, shall be deemed immediately and effectively the sole obligation of MLB.

E. The Notes may be issued such that interest thereon, if any, shall be excludable or includable from gross income for federal income tax purposes.

F. The Notes may be issued when and as requested by MLB, and as determined by the Fund Manager.

2. Approval, Execution, and Delivery of the Notes and other documents to which the MSF may be a Party.

A. The MSF approves the forms of the Notes attached to this Resolution.

B. The Fund Manager is authorized to execute and deliver the Notes with such completions and changes as are permitted by the terms of the Program, the Federal Agreement, the Blight Agreement, the MLB Act or otherwise by law, are authorized by this Resolution, are not materially adverse to the MSF, and are approved by the Fund Manager signing the Notes, as evidenced by his or her signature on the Notes, in consultation with the Attorney General.

3. Authorization and Ratification of Other Documents, Filings and Actions.

A. The Fund Manager is authorized to execute and deliver, or cause to be delivered, the certificates, opinions, and other documents as may be required or contemplated by the Federal Agreement and the Blight Agreement, and to take such other actions as may be necessary or convenient to effectuate the valid issuance and delivery of the Notes, including those required or contemplated by this Resolution, the Federal Agreement, or the Blight Agreement.

B. Any actions already taken by MSF or MEDC staff, the Fund Manager or the Attorney General, in connection with the contemplated issuance of the Notes, are ratified by the MSF.

4. No Obligation to Issue.

The MSF assumes no obligation or liability to any party resulting from the adoption of this Resolution or from the failure of the MSF to issue the Notes. All further action to approve the issuance of the Notes and related transactions shall be within the complete discretion of the Fund Manager.

5. Conflict and Effectiveness.

This Resolution shall become effective upon adoption. This Resolution shall expire upon the completion or termination of the Program, or at the time the State no longer participates in the Program.

Ayes:

Nays:

Recused:

Lansing, Michigan

April 28, 2015

MEMORANDUM

DATE: April 28, 2015
TO: MSF Board
FROM: Mike Flanagan, Director, Equity Programs
SUBJECT: *Pure Michigan Venture Development Fund: Award Recommendation*

REQUEST

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.

BACKGROUND

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.

Review Process

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 (*Attachment A*). The applicant fund scored above the threshold required to earn recommendation for award under the Program (*see scoring in Attachment B*). As such, the JEC is recommending the follow venture fund for award:

Detroit Innovate Fund I, LP

Detroit Innovate (the “Fund”, or “DI”) has been formed to realize maximum investment returns from investments in equity and equity-related securities of high growth technology companies, with a specific focus on companies located in Michigan. The Fund is a part of Invest Detroit’s family of funds, all of which are focused towards revitalizing Detroit’s urban core and Southeast Michigan, while maintaining the financial discipline and the goal of achieving returns.

Target Fund Size: \$15 million, with \$5.5 million currently raised.

Managing Directors: Patricia Glaza and Martin Dober have demonstrated expertise in investing, portfolio management and start-up operations. They have been active in Michigan’s entrepreneurial community for the past fifteen years and have held executive roles (CEO/VP/CFO/COO) at technology start-ups, have worked with investment portfolios totaling over \$300M, and have collectively reviewed thousands of investment opportunities and invested in several dozen. They serve on many local boards and committees including the Michigan Venture Capital Association, TechTown, Invest Michigan, and the University of Michigan Venture Council. (*see Attachment C*).

Investment Advisory Board: Consists of highly experienced investors (Tom Porter – formerly of EDF Ventures, Jim Adox – Venture Investors, Josh Beebe – MK Capital, and Ryan Waddington – Arsenal/Huron River Ventures). This Advisory Board will provide guidance and help make the investment decisions.

Industry Focus: General technology but with focus on MI core strengths: IT, Life Sciences, Agriculture, Materials, and Advanced Manufacturing/Automotive.

Investment Stage: Start-ups / Pre-seed / Seed stage companies with committed management teams and proven commercial viability.

Investment Size: Approximately \$100,000 to \$250,000 per initial investment. Maximum investment capped at 15% of the Fund.

Geographic Focus – Michigan.

RECOMMENDATION

Staff recommends all of the following to the MSF Board:

- Approval of Detroit Innovate Fund I, LP for an award under the Pure Michigan Venture Development Fund of up to \$2.25 million.
- Delegation of authority to the MSF Fund Manager and staff to negotiate and finalize the terms and conditions of the awards, including approval of any final agreements.

Scoring Criteria Venture Development Fund

	Sample Score = 0 to 1	Sample Score = 2 to 3	Sample Score = 4 to 5
A Management			
This involves an evaluation of the experience, expertise and cohesiveness of a fund's management team, and the degree of alignment of the interests of the general partner with those of the limited partners.			
1 Investment Experience of Principals: Demonstrable experience in sourcing, deal execution, value creation and exit. Seasoned investment professionals with financial, operating and domain expertise. Track record and expertise attributable to the team or individuals.	Fund management has little or no experience. Plan does not address how the fund will address this deficiency.	Fund management has significant experience. Plan addresses how the fund will address any lack of experience.	Fund management has extensive experience and success and has made arrangements to augment its own experience by establishing working relationships with others.
2 Investment Track Record: Demonstrable track record	Fund management has: -little or no track record -or a poor track record	Fund management has: -significant track record -or average track record	Fund management has: -extensive track record -or excellent track record
3 Investment Success Attributable to Principals: Track record of success is attributable to the team or individuals.	Fund successes are not attributable to fund management	Fund successes are sometimes attributable to fund management	Fund successes are highly attributable to fund management.
4 Organizational Dynamics: History of sound working relationship within the group; cohesiveness and leverage of knowledge base. Stability and consistency of management.	Fund management has little or no working relationship	Fund management has a significant working relationship that builds a strong foundation of knowledge but limited success in leveraging their collective knowledge base.	Fund management has an extensive working relationship that builds a foundation of expertise and has measurable success in leveraging their collective knowledge base.
5 Domain Expertise: Extensive knowledge and experience in one or more of Michigan's clusters of innovation. Clear experience in creating value in portfolio companies through strategy, business development and transaction efforts.	Fund management has little or no prior track record of investing in and or working in start-up technology companies in the targeted sector(s).	Fund management has reasonable prior track record of investing in and or working in start-up companies in the targeted sector(s).	Fund management has extensive prior track record of investing in and or working in start-up and early stage companies in the targeted sector(s). Can rely on a depth of experience to assist in due diligence and adding value to portfolio companies.
6 Consistency of Management: Limited or no turnover among senior investment professionals, with substantial history of working together.	Proposal does not describe a strategy for fund management continuity given the limited admin dollars provided.	Proposal describes a reasonable strategy for fund management continuity.	Proposal clearly articulates a coherent and compelling strategy for adding value during the life of the portfolio and fund management continuity and perhaps around developing a new, privately capitalized fund with goals consistent with the PMVDF goals (guidelines page 5).

B Ability to Leverage Additional Funds

This involves an evaluation of the experience and expertise of a fund's management team, in raising additional funds.

<p>7 Fundraising Abilities: The fund manager's experience and probability of raising additional investment dollars from qualified external investors.</p>	<p>Fund is unlikely to be able to raise the minimum required match from qualified outside investors. Fund managers have limited prior experience raising capital.</p>	<p>Fund will be able to raise more than the minimum with some of the limited partners having excellent strategic value. Fund managers have significant experience raising capital.</p>	<p>Fund will be able to raise more than the minimum required while beginning to build a strong group of sophisticated and or institutional investors who would have the potential for participating at a higher level in a follow-on fund. Fund managers have extensive experience raising capital from a variety of funding sources.</p>
<p>8 Sound Fundraising Strategy: Fund manager's have a clearly defined fundraising strategy</p>	<p>Proposal does not describe a strategy for meeting targeted fun size.</p>	<p>Proposal describes a reasonable strategy for achieving targeted fund size that includes LP's with excellent strategic value.</p>	<p>Proposal clearly articulates a compelling strategy for raising more than the targeted fund size that includes LP's with excellent strategic value and perhaps a strategy for raising another fund.</p>

C Investment Strategy

Many factors are taken into account when analyzing a fund's investment strategy, including the fund's value-addition proposition, the target area of focus (across various parameters such as geography, industry and stage of investment), and the fund's competitive advantages over other funds that have a similar investment strategy and profile.

<p>9 Target strategy/investment focus: The targeted strategy/investment focus conforms to the sector geographic investment parameters outlined in the program guidelines.</p>	<p>Proposal does not describe a strategy for creating a successful fund given the investment requirements outlined in the program guidelines.</p>	<p>Proposal describes a reasonable strategy for creating a successful fund.</p>	<p>Proposal clearly articulates a coherent and compelling strategy for adding value during the life of the portfolio.</p>
<p>10 Sound Investment Strategy: Unique and differentiated strategy with demonstrated superior returns over the long term either individually or as a team.</p>	<p>Proposal does not describe a strategy for creating a successful fund given the investment requirements outlined in the program guidelines and fund management continuity given limited admin dollars provided.</p>	<p>Proposal describes a reasonable strategy for creating a successful fund and perhaps for building fund management continuity.</p>	<p>Proposal clearly articulates a coherent and compelling strategy for adding value during the life of the portfolio and perhaps around developing a new, privately capitalized fund with goals consistent with the PMVDF goals (guidelines page 5)</p>
<p>11 Significant Role in Value Creation: Substantial value-add to portfolio companies in a number of areas including business strategy, corporate management, business development, financial management and exit.</p>	<p>Plan does not describe a robust portfolio management plan. Investments are managed passively.</p>	<p>Plan clearly articulates an active portfolio management strategy.</p>	<p>Plan clearly articulates a portfolio management strategy and the necessary experience in the management, strategy, funding, and oversight of early stage technology companies. Manager(s) have access to complementary human and financial resources when needed.</p>

D Investment Process				
Evaluation of the investment process is focused on the manager's ability to source deals, generate superior and consistent deal flow and conduct thorough due diligence on potential portfolio company investments.				
12	Sourcing: Access to extensive private equity, industry, research and academic networks in Michigan to ensure consistent and proprietary deal flow.	No deal pipeline at this time but cogent plan to develop one. Little or no experience with or access to university intellectual property.	Plan clearly demonstrates existing relationships with companies at the earliest stages of their development and access to university intellectual property.	Plan clearly demonstrates existing relationships with companies at the earliest stages of their development and access to university IP or other sources of deals. Fund management and advisors demonstrate a strong track record of sourcing and accessing early stage commercialization deals. Has good relationships with primary sources of deals for targeted sector.
13	Due Diligence Process: Original and thorough due diligence to facilitate a disciplined investment process.	Diligence process inadequately described. Fund management has little or no experience in conducting extensive, professional diligence of early stage company investments.	Diligence process described in detail. Plan in place to screen for high-quality commercialization/investment opportunities.	Diligence process described in detail. Plan in place to screen for high-quality commercialization/investment opportunities. Personnel have extensive experience in doing significant due diligence on early stage company investments and access to additional resources as needed.
14	Value-add: Active management of portfolio companies to create significant value add over holding period of investment in order to obtain optimum value at exit.	Plan does not describe a robust portfolio management plan. Investments are managed passively.	Plan clearly articulates an active portfolio management strategy.	Plan clearly articulates a portfolio management strategy and the necessary experience in the management, strategy, funding, and oversight of early stage technology companies. Manager(s) have access to complementary human and financial resources when needed.
15	Exit: Investments positioned to be well received by the market for a timely and profitable exit.	Proposal does not outline a detailed strategy for positioning investments for a timely and profitable exit.	Proposal outlines a strategy in detail for positioning investments for a timely and profitable exit.	Proposal outlines a strategy in detail for positioning investments for a timely and profitable exit. Fund managers and/or advisory board has a track record of successful exits.
E In-State Commitment				
A crucial ingredient for the success of the Fund is the identification and selection of managers, both local and national, that have a strong commitment to investing in the State.				
16	In-State presence: A history of presence in the State through permanent local office(s) with adequate investments in infrastructure, systems and processes.	Fund management has little or no history of presence in the State. Plan does not address motivation to invest in Michigan.	Fund management has significant history of presence in the State. Plan addresses motivations to invest in Michigan.	Fund management has extensive history of presence in the State. Plan addresses motivations to invest in Michigan in detail.
17	Profile and networking with key constituencies in the State/region: The professionals must be able to demonstrate strong networking abilities in the region, in particular, deep relationships with other VC firms and strong contacts with local academic and research institutions as well as with key government/regulatory agencies.	Fund management has little or no network in the State. Plan does not address a plan to develop a network in Michigan.	Fund management has significant network in the State.	Fund management has extensive network in the State. Plan gives a detailed plan for leveraging this network.

JEC Consensus Scoring Sheet
Pure Michigan Venture Development Fund

Detroit Innovate

A	Management	
	This involves an evaluation of the experience, expertise and cohesiveness of a fund's management team, and the degree of alignment of the interests of the general partner with those of the limited partners.	
	Total Score	20/30
B	Ability to Leverage Additional Funds	
	This involves an evaluation of the experience and expertise of a fund's management team, in raising additional funds.	
	Total Score	6/10
C	Investment Strategy	
	Many factors are taken into account when analyzing a fund's investment strategy, including the fund's value-addition proposition, the target area of focus (across various parameters such as geography, industry and stage of investment), and the fund's competitive advantages over other funds that have a similar investment strategy and profile.	
	Total Score	11/15
D	Investment Process	
	Evaluation of the investment process is focused on the manager's ability to source deals, generate superior and consistent deal flow and conduct thorough due diligence on potential portfolio company investments.	
	Total Score	15/20
E	In-State Commitment	
	A crucial ingredient for the success of the Fund is the identification and selection of managers, both local and national, that have a strong commitment to investing in the State.	
	Total Score	10/10
	Grand Total Score	
		62/85

**MICHIGAN STRATEGIC FUND
RESOLUTION**

2015-

PURE MICHIGAN VENTURE DEVELOPMENT FUND PROGRAM AWARDS

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

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 MSF is required to establish a competitive process to award grants, as set forth in the Act;

WHEREAS, pursuant to Section 125.2088k-1 of the Michigan Strategic Fund Compiled Resolutions (the "Compiled Resolutions"), the MSF Fund Manager may appoint members of a Joint Evaluation Committee ("JEC") as required by MCL 125.2088k(3);

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

WHEREAS, at its June 27, 2012 meeting the MSF approved the guidelines and process for the Pure Michigan Venture Development Fund ("PMVDF Program"), which established a competitive proposal process for making awards to qualified venture funds;

WHEREAS, at its January 23, 2013 meeting, the MSF authorized a second round of funding for the PMVDF Program;

WHEREAS, at its January 27, 2015 meeting the MSF authorized a third round of funding for the PMVDF Program;

WHEREAS, one proposal was received from Detroit Innovate Fund I, LP (the "Detroit Innovate Proposal");

WHEREAS, the Detroit Innovate Proposal was reviewed and scored by the JEC appointed by the MSF Fund Manager in accordance with scoring and evaluation criteria required by the Act and approved by the MSF;

WHEREAS, the JEC recommends that the MSF Board approve an award of up to \$2.25 million from the PMVDF Program to Detroit Innovate Fund I, LP (the “Detroit Innovate Award”); and

WHEREAS, the MSF wishes to approve the Detroit Innovate Award.

NOW, THEREFORE, BE IT RESOVED, the award to Detroit Innovate is approved; and

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

Ayes:

Nays:

Recused:

Lansing, Michigan
April 28, 2015



MEMORANDUM

Date: April 28, 2015

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

From: Marcia Gebarowski, Senior Development Finance Manager

Subject: *Sakthi Automotive Group USA, Inc. (“Company” or “Applicant”)
Michigan Business Development Program Performance-based Grant Request*

Summary

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.

Background

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 received a BDP grant for \$1.5 million BDP grant in 2012 to establish their first North American manufacturing operation in the City of Detroit which created 170 new jobs. The Company did require a short extension of time to formally close out their grant and receive their final disbursement, which is expected to be completed by June, 2015.

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. Over time, casting operations are expected to evolve to machine castings currently made at facilities overseas to over 90% of castings being made and machined in Detroit. The Company’s expansion includes the planned purchase and reuse of the vacant former Southwestern High School, just west of their current facility through a joint venture. This facility would be used for manufacturing, advanced worker training, as well as employee wellness programs. The Company also plans to reuse a vacant building west of the former high school as well as a fourth building east of their current facility for additional manufacturing and machining operations.

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.

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

Considerations

- a) The Applicant is a "Qualified Business", as defined in MCL 125.2088r(9)(b), that is located and operates in Michigan.
- b) The project will be located in the City of Detroit. The City has offered a "staff, financial, or economic commitment to the project" in the form of both a PA 198 property tax abatement as well as the consideration of an MSF-designated Renaissance Zone for all parcels involved in the project.
- c) The Applicant has demonstrated a need for the funding. The Company was presented with competing out-of-state offers that greatly offset initial costs to set-up operations in those states. The Company will incur higher costs to train a large workforce as well as operating a manufacturing facility in the City of Detroit compared to alternative locations.
- d) The Applicant plans to create 350 Qualified New Jobs above a statewide base employment level of 172
- e) Pursuant to the program guidelines, the following was taken into consideration for the proposed project: The Project presented out-of-state competition from South Carolina, Ohio, and Georgia; the project has a net positive return to Michigan; involves a high level of real property investment; is a shovel-ready project with the support of the MSF; involves the potential reuse of an existing school facility; wage level is very good for new jobs; projected employer benefits; project is located in the City of Detroit, a distressed community.

Recommendation

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

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



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

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

Date: 4/13/2015

- 1. Company Name:** Sakthi Automotive Group USA, Inc. ("Company" or "Applicant")

- 2. Company Address:** 6401 W. Fort Street
Detroit, Michigan 48209

- 3. Project Address ("Project"):** 6401 W. Fort Street
Detroit, Michigan 48209

6921 W. Fort Street
Detroit, Michigan 48209

6307 W. Fort Street
Detroit, Michigan 48209

150 American Way
Detroit, Michigan 48209

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

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

- 6. Base Employment Level** 172 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:** 350 The minimum number of total Qualified New Jobs the Company shall be required to create in the City of Detroit (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.
- (above Base Employment Level)
- a. **Start Date for Measurement of Creation of Qualified New Jobs:** Date of Approval of MSF Award
8. **Company Investment:** \$31,865,000 in building construction, building acquisition, building renovations, machinery and equipment, furniture and fixtures, computers, special tooling, *or any combination thereof, for the Project.*
9. **Municipality supporting the Project:** City of Detroit
- a. **Municipality Support.** One of the conditions of execution of the final Agreement is the requirement that the municipality shall have committed to provide: a property tax abatement and/or a Renaissance Zone 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 \$1,000,000 Upon demonstrated creation of 100 Qualified New Jobs above the Base Employment Level and verification of final approval of municipality support by no later than December 1, 2015.

- | | | |
|-------------------------------------|-------------------|---|
| b. Disbursement Milestone 2: | Up to \$1,000,000 | Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 100 additional Qualified New Jobs (for a total of 200 Qualified New Jobs) above the Base Employment Level, by no later than December 1, 2016. |
| c. Disbursement Milestone 3: | Up to \$1,500,000 | Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, and upon demonstrated creation of 150 additional Qualified New Jobs (for a total of 350 Qualified New Jobs) above the Base Employment Level, by no later than January 30, 2018. |

11. Term of Agreement: Execution of Agreement to January 30, 2020

12. Repayment Provisions:

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

13. Reporting Requirements:

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

14. Public Announcements:

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

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

If the Company is interested in the MEDC pursuing a recommendation to the MSF for a possible MBDP Incentive Award for the Company along the above parameters, please sign and date this Term Sheet. If the MEDC does not receive the signed Term Sheet from the Company by April 14, 2015, the MEDC may not be able to proceed with any recommendation to the MSF.

other business and legal review and due diligence as required, and the results of which must be satisfactory the MEDC, the MSF, and as applicable, the Chief Compliance Officer, (v) approval of an award by the MSF, and (vi) execution of a final Agreement containing the established milestones, repayment terms, reporting requirements, and all other detailed terms and conditions, required by the MSF.

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

Acknowledged as received by:

Sakthi Automotive Group USA, Inc.

By:



Printed Name:

LALIT KUMAR

Its:

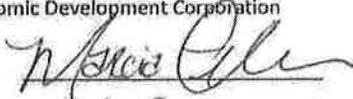
Chief Executive officer

Dated:

04/14/2015

Michigan Economic Development Corporation

By:



Printed Name:

Marcia Cebalowski

Its:

Sup Dev't Finance Mgr

Dated:

4/16/15

MICHIGAN STRATEGIC FUND

RESOLUTION 2015-

**APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT TO
SAKTHI AUTOMOTIVE GROUP USA, INC.**

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

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

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

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

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

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

WHEREAS, Sakthi Automotive Group USA, Inc. (“Company”) has requested a performance based MBDP grant of up to \$3,500,000 (“Grant Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”); and

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan
April 28, 2015

MEMORANDUM

Date: April 28, 2015

To: Michigan Strategic Fund (MSF) Board

From: Jeremy Webb, Development Finance Manager
Greg West, Program Specialist, Community Development Block Grant
Christine Whitz, Manager, Community Development Block Grant Program

Subject: *Community Development Block Grant Program
SMR Automotive Systems USA, Inc. (“Company”) Expansion Project
Saint Clair County (“Applicant”), Michigan*

Request

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.

Background

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.

In 2013, the MSF awarded the Company a Michigan Business Development Program grant in the amount of \$4,000,000 for the creation of 350 Qualified New Jobs and a capital investment of up to \$40,000,000. The Company is in good standing with the grant.

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 200 full time positions over the next two years. The business has agreed that at least 102 of the 200 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 \$10,000, with an average wage of \$11.00 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 involves out of state competition, has a new positive return to Michigan, is shovel-ready with the support of the MSF, and has the prospect of near-term job creation.
- **Minimum Local Participation:** The City of Marysville will make an anticipated contribution of a 12 year real property tax abatement worth approximately \$1,899,984 which is nine percent (9%) of the total Project costs.
- **Minimum Leverage Ratio:** The private leverage contribution, to be provided by the Company, equals \$18,681,239, which results in a leverage ratio of approximately 9:1 of the CDBG grant.
- **Financial Viability and Background Check:** The Company 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 on the job training grant agreement in the amount of \$2,000,000 be authorized for the County of Saint Clair for the SMR Automotive Systems USA, Inc. expansion project.

MICHIGAN STRATEGIC FUND

RESOLUTION 2015- _____

**APPROVAL OF COUNTY OF ST. CLAIR SMR AUTOMOTIVE SYSTEMS USA, INC.
EXPANSION PROJECT**

WHEREAS, Executive Order 1999-1, issued pursuant to Article V of the Michigan Constitution of 1963 and the laws of the State of Michigan, consolidated the State's economic development functions and programs and their accompanying powers in the Michigan Strategic Fund ("MSF");

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

WHEREAS, The CDBG program has policies, criteria, and parameters 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 County of St. Clair (the "Community") has submitted a complete application for approval requesting funding to be used to fund the SMR Automotive Systems USA, Inc. 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 an on the job training grant agreement be authorized and entered into with the Community for funds from the CDBG program for the reasons set forth in this Resolution.

NOW, THEREFORE, BE IT RESOLVED, that the MSF authorizes a grant to the Community not to exceed \$2,000,000 for the payment or reimbursement of on the job training costs associated with the Project. The MSF allocates \$2,000,000 from the Michigan CDBG program for the purpose of funding the Community's proposed Project contingent upon the MSF's continued receipt of CDBG funds and availability of adequate funds;

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan
April 28, 2015



MEMORANDUM

Date: April 28, 2015

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

From: Mike Gietzen, Development Finance Manager

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

Request

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.

Background

On January 27, 2013, the Michigan Strategic Fund Board approved a \$2,000,000 performance-based grant for Norplas Industries, Inc. under the Michigan Business Development Program. As a result of the project the Company invested The Company has established a new state of the art robotic paint line and injection molding facility in Delta Township, Eaton County.

On August 19, 2013 the Michigan Strategic Fund Board approved an amendment requesting that the total Qualified New Job Creation requirement be reduced from 620 to 520 and that the due date for the first milestone be moved from December 31, 2013 to June 30, 2014. This amendment was requested because the Company’s contract with the OEM was modified to ensure the inclusion of a diversity partner in the contract. The Company has chosen Dakkota Integrated Systems in Holt, Michigan to handle assembly and sequencing work related to the OEM contract. This modification to the project plans resulted in a reduction of the overall size of the Company’s manufacturing facility in Delta Township, and the creation of 100 fewer jobs by Norplas Industries, Inc. from a total of 620 to 520. However, the work and jobs remained in Michigan at the Dakkota Integrated Systems facility in Holt, Michigan. As a result of these modifications the total grant amount was reduced to \$1.7 million from \$2 million.

Recommendation

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

- a. Approval of the MBDP Proposal as outlined in the term sheet attached to the proposed Resolution.



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

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

Date: 4/13/2015

Company Name: Norplas Industries, Inc. ("Company" or "Applicant")

Company Address: 7825 Caple Boulevard
Northwood, Ohio 43619

Project Address ("Project"): Mt. Hope Highway
Delta Township, Michigan

And

17800 Dix-Toledo Highway
Brownstown, Michigan 48193

MBDP Incentive Type: Performance Based Grant

Current Status of the MBDP, as set forth the in MBDP Incentive Award Agreement ("Agreement"):

- **Maximum Amount of MBDP Incentive:** Up to \$1,700,000 ("MBDP Incentive Award")
- **Base Employment Level** 0
- **Total Qualified New Job Creation:** 520
(above Base Employment Level)
- **Company Investment:** *Up to \$81,750,485 in land costs, new construction, lease costs, leasehold improvements, machinery & equipment, furniture & fixtures, computers, pollution control equipment, special tooling, or any combination thereof, for the Project.*
- **Municipality supporting the Project:** Delta Township and Brownstown Township
- **Disbursement Milestones:** The terms and conditions of each of the disbursements of any portion of the MBDP Incentive Award are outlined in Exhibit B of the Agreement, and include:
 - **Disbursement Milestone 1:** Up to \$630,000 Upon demonstrated creation of 210 Qualified New Jobs above the Base Employment Level and verification of final approval of municipality support by no later than June 30, 2014.

- **Disbursement Milestone 2:** Up to \$870,000 Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 290 additional Qualified New Jobs above the Base Employment Level, by no later than December 31, 2014.
- **Disbursement Milestone 3:** Up to \$200,000 Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, and upon demonstrated creation of 20 additional Qualified New Jobs above the Base Employment Level, by no later than December 31, 2015.
- **Term of Agreement:** Execution of Agreement to December 31, 2017

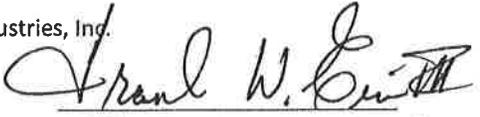
Proposed MBDP Incentive Amendment:

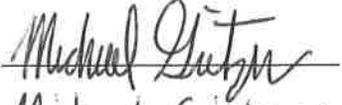
- **Maximum Amount of MBDP Incentive:** Up to \$1,250,000 ("MBDP Incentive Award")
- **Total Qualified New Job Creation:** 400
(above Base Employment Level)
- **Disbursement Milestones:** The terms and conditions of each of the disbursements of any portion of the MBDP Incentive Award will be amended as follows:
 - **Disbursement Milestone 1:** Up to \$630,000 Upon demonstrated creation of 210 Qualified New Jobs above the Base Employment Level and verification of final approval of municipality support by no later than June 30, 2014.
 - **Disbursement Milestone 2:** Up to \$620,000 Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 190 additional Qualified New Jobs above the Base Employment Level, by no later than June 30, 2015.
- **Term of Agreement:** Execution of Agreement to June 30, 2017

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

If the Company is interested in the MEDC pursuing a recommendation to the MSF for a possible MBDP Incentive Award Amendment for the Company along the above parameters, please sign and date this Term Sheet. If the MEDC does not receive the signed Term Sheet from the Company by April 17, 2015, the MEDC may not be able to proceed with any recommendation to the MSF.

Acknowledged as received by:

Norplas Industries, Inc.
By: 
Printed Name: FRANK W. ERWIN III
Its: DIRECTOR,
GOVERNMENT AFFAIRS
Dated: 4-23-2015

Michigan Economic Development Corporation
By: 
Printed Name: Michael Gietzen
Its: DFM
Dated: 4/23/2015

MICHIGAN STRATEGIC FUND

RESOLUTION 2015-

APPROVAL OF AN AMENDMENT TO A MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT TONORPLAS INDUSTRIES, INC.

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

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

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

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

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

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

WHEREAS, on January 23, 2013 by Resolution 2013-009, the MSF approved a \$2,000,000 Michigan Business Development Program Performance based grant with Norplas Industries, Inc. (“Company”) for the creation of 620 Qualified New Jobs and a capital investment of up to \$81,750,900 in Delta Township and Brownstown Township (the “Project”);

WHEREAS, on August 28, 2013 by Resolution 2013-131, the MSF approved an amendment to the Project, to reduce the award to \$1,750,000 and reduce the Qualified New Jobs from 620 to 520. This amendment also extended Key Milestone Number Two from December 31, 2013 to June 30, 2014;

WHEREAS, the Company has requested an amendment to decrease its grant by \$450,000 for a total grant amount of \$1,250,000 and reduce the Qualified New Jobs from 520 to 400 (“Grant Amendment Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”); and

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan
April 28, 2015



MEMORANDUM

Date: April 28, 2014

To: Michigan Strategic Fund Board

From: Christopher Cook, Director Capital Access

Re: *Private Activity Bond – Bond Inducement
Lutheran Homes of Michigan, Inc. d/b/a Wellspring Lutheran Services
Nonprofit - \$25,000,000 – New*

Request:

Lutheran Homes of Michigan, Inc. d/b/a Wellspring Lutheran Services, a Michigan nonprofit corporation (“Borrower”) is requesting private activity bond financing to: 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 (b) finance the acquisition of Livonia Woods, a skilled nursing and rehabilitation center located in the City of Livonia, Michigan, (c) finance deferred maintenance and capital improvements at the Borrower’s assisted living memory care and skilled nursing communities located in Comins Township, City of Livonia, Frankenmuth Township and Monroe Township, Michigan and (d) finance capital improvements to the assisted living community at Borrower’s Saginaw Township campus.

Background:

The Borrower was incorporated in 1924, as the successor to the Society of the Evangelical Lutheran Old Folks Home of the State of Michigan, which was founded in 1893. 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.

The Borrower is the parent company of Elder Housing, LLC, a Michigan limited liability company (“Elder”), Lutheran Home Care Agency, Inc., a Michigan nonprofit corporation (“LHCA”), LHM Asset Management, LLC, a Michigan limited liability company (“LHMAM”) and Ausable Valley Continuing Care Retirement Community, Inc., a Michigan nonprofit corporation (“AVCCRC”) and together with Borrower, Elder, LHCA and LHMAM,

The Borrower and its subsidiaries currently provide skilled nursing and assisted living in five locations in Michigan: Monroe, Frankenmuth, Livonia, Saginaw and Fairview.

Borrower is governed by a 12-15 person, not-for-profit Board of Directors (the “Board”). Together with Borrower’s President and CEO, the Board sets policy and strategic direction.

Plans of Finance:

It is contemplated that the bonds will be issued as fixed rate limited obligation revenue and refunding bonds, which will be sold in a public offering to both institutional and retail investors. Although it is too preliminary to provide a binding purchase commitment, HJ Sims intends to provide tax-exempt financing for this project through the purchase of the bonds in their capacity as Underwriter.

Recommendation:

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

LUTHERAN HOMES OF MICHIGAN, Inc., d/b/a WELLSPRING LUTHERAN SERVICES

MICHIGAN STRATEGIC FUND

INDUCEMENT RESOLUTION

2015 – _____

WHEREAS, Lutheran Homes of Michigan, Inc., d/b/a Wellspring Lutheran Services, a Michigan nonprofit corporation (the “Borrower”), is presently located at 4100 Pier North Boulevard, Suite A, Flint, MI 48504;

WHEREAS, the Borrower is the parent company of Elder Housing, LLC, a Michigan limited liability company (“Elder”), Lutheran Home Care Agency, Inc., a Michigan nonprofit corporation (“LHCA”), LHM Asset Management, LLC, a Michigan limited liability company (“LHMAM”) and Ausable Valley Continuing Care Retirement Community, Inc., a Michigan nonprofit corporation (“AVCCRC” and together with Borrower, Elder, LHCA and LHMAM, the “Obligated Group”);

WHEREAS, the Borrower desires 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 Obligated Group and located in City of Livonia, Frankenmuth Township, Saginaw Township and Comins Township, Michigan (b) finance the acquisition of Livonia Woods, a skilled nursing and rehabilitation center located in the City of Livonia, Michigan, (c) finance deferred maintenance and capital improvements at the Borrower’s assisted living, memory care and skilled nursing communities located in Comins Township, City of Livonia, Frankenmuth Township and Monroe Township, Michigan and (d) finance capital improvements to the assisted living community at Borrower’s Saginaw Township campus (the “Project”;

WHEREAS, the Borrower, for itself and as agent on behalf of the Obligated Group, 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-Five Million Dollars (\$25,000,000);

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

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

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

1. The MSF intends to provide the Loan to the 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 April, 3, 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 25 Million Dollars (\$25,000,000). 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:

Recused:

Lansing, Michigan



MEMORANDUM

Date: April 28, 2014

To: Michigan Strategic Fund Board

From: Christopher Cook, Director Capital Access

Re: *Private Activity Bond – Bond Inducement
Master Automatic Machine Company, Inc.
Manufacturing - \$3,000,000 – New*

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.

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 \$3,000,000 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 (6 interest only payments of \$9,650.00 followed by 78 payments of \$43,549.60).

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.

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 Echo Hill high-precision grinding machines and CNC turning and milling machines for the Livonia, Michigan facility (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 3 Million Dollars (\$3,000,000);

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 (\$3,000,000). 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 be a debt or obligation of the State of Michigan or a general obligation of the Michigan Strategic Fund, nor will the State of Michigan be liable on the Bonds.
9. All costs and expenses involved in the authorization, issuance, sale, and delivery of the Bonds and in the making of the Loan shall be paid from the Bond proceeds or, if they are insufficient, by the Company.
10. The staff of the MSF is authorized and directed to initiate the proceedings described in this Resolution and to enter into negotiations, subject to the approval of the MSF, with a bond purchaser for the sale of the Bonds. Any authorized signatory is authorized to prepare and file with the Michigan Department of Treasury a request for allocation as it relates to the State limitations on the issuance of private activity bonds.
11. Bond counsel to the MSF and the Attorney General are authorized and directed to prepare and submit to the appropriate parties all proceedings, agreements and other documents as shall be necessary or appropriate in connection with the issuance of the Bonds and to make applications on behalf of the MSF to the United States Internal Revenue Service and to other governmental agencies for such income tax and other rulings and approvals as may be necessary in relation to the issuance of the Bonds. Any authorized signatory is authorized to execute such powers of attorney and other documents as may be appropriate in connection with the foregoing. All costs and expenses pertaining to the above matter shall be paid from the bond proceeds or by the Company.
12. A preliminary official statement or other offering materials may be used in connection with the sale of the Bonds, 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



MEMORANDUM

Date: April 28, 2015

To: Michigan Strategic Fund Board

From: Brent Morgan, Manager, Brownfield and Community Revitalization Programs
Ryan Kilpatrick, CA Team Specialist
Dan Wells, Brownfield Program Senior Specialist

Subject: City of Grand Rapids Brownfield Redevelopment Authority
Community Incentive Program — Act 381 Work Plan Approval
Michigan State University Grand Rapids Research Center

Request

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.

Background

The school taxes will be utilized to redevelop approximately 4.3 acres of property located at 155 Michigan Street in the downtown. MSU is in the process of demolishing the former Grand Rapids Press building in preparation for the construction of an \$88,000,000 biomedical research facility. The property is currently owned by MSU and will be a significant contribution to the growing medical and biomedical economy that has been developing in Grand Rapids.

The proposed redevelopment includes an approximately 163,000 square foot biomedical research facility that is designed to accommodate 44 principal investigator teams. In order to facilitate the new construction, the existing approximately 250,000 square foot building that currently occupies the site, as well as the majority of the site improvements, must be demolished and removed from the property. The MSU Research Facility has been placed at the corner of Michigan and Monroe so that additional building sites for private

sector development are available, and MSU is planning to issue a request for proposals to develop the property this winter. It is the intent and goal that additional development occur concurrently or soon after development of the research center.

Eligible activities that will be undertaken to alleviate Brownfield conditions on the property and complete the project include demolition of the former Grand Rapids Press building, lead and asbestos abatement, infrastructure improvements – including a shared private parking deck, and site preparation activities.

Approximately 180 permanent full-time jobs are anticipated to be created by the MSU Research Facility portion of the project at an average hourly wage of \$43. The total capital investment will be approximately \$116,000,000.

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 March 23, 2015.

The property is the subject of a Brownfield Plan, duly approved by the City of Grand Rapids on January 27, 2015.

Other State and Local Assistance to the Project

The project is requesting from the DEQ \$620,000 in TIF and a \$1,000,000 DEQ grant to assist with environmental eligible activities. The City of Grand Rapids has planned for extensive public infrastructure improvements surrounding the project site to support additional traffic generated by the development and will be pursuing state and federal grants to help support that infrastructure.

Tax Capture Breakdown

There are 46.7182 non-homestead mills available for capture, with school millage equaling 24 mills (51.37%) and local millage equaling 22.7182 mills (48.63%). Tax increment capture is estimated to begin in 2017 and is estimated to continue for seventeen years. The requested tax capture for MSF eligible activities breaks down as follows:

School tax capture (51.37%)	\$ 14,835,836
Local tax capture (48.63%)	<u>\$ 14,044,514</u>
TOTAL	\$ 28,880,350

Cost of MSF Eligible Activities

Demolition	\$ 2,327,000
Lead or Asbestos Abatement	988,000
Infrastructure Improvements	\$ 20,634,000
Site Preparation	<u>+ 1,160,000</u>
Sub-Total	\$ 25,109,000
Contingency (15%)	<u>+ 3,766,350</u>
Sub-Total	\$ 28,875,350
Brownfield/Work Plan Preparation	<u>+ 5,000</u>
TOTAL	\$ 28,880,350

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.

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 result in a vacant property being redeveloped into a world-class research center with adjacent private development. As a result of the construction of a 600 space parking structure, additional site areas will be open for private infill development, will add significant private investment, and jobs to the downtown.

b) Jobs Created (Excluding Construction and other Indirect Jobs):

This project is expected to create a minimum of 180 new, full-time jobs in the biomedical research industry and retain an additional 80 full-time jobs within Grand Rapids. Average hourly wage is expected to be \$43.00.

c) Area of High Unemployment:

The City of Grand Rapids unadjusted jobless rate was five percent in February 2015.

d) Level and Extent of Contamination Alleviated:

The property is contaminated with arsenic, barium, chromium, copper, lead, mercury, selenium, silver, zinc, and benzene compounds. The redevelopment includes due care and environmental response activities to address this contamination and ensure that the completed development protects human health and the environment.

e) Reuse of Functionally Obsolete Buildings and/or Redevelopment of Blighted Property:

The former Grand Rapids Press Building was vacated when the paper moved its printing operations to a township west of Grand Rapids. The building has stood vacant since that time, as no new users have come forward to utilize the space, and newspaper printing has essentially become a digital format. It is highly unlikely the functionally obsolete building will be reused for newspaper printing. The former structure will be demolished in order to redevelop the property.

f) Cost Gap that Exists between the Property and a Similar Greenfield Property:

The Brownfield TIF is needed to offset costs associated with demolition and cleanup of the property. This will enable the site for future private development by constructing a multi-story parking deck as opposed to a sprawling surface parking lot.

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:

The City of Grand Rapids has undertaken significant and extensive work to leverage the investment of MSU in the pursuit of additional federal and state grant funding for the replacement and improvement of public infrastructure in the immediate vicinity. The MSU Research Center is expected to drive significant job growth in the biomedical research industry and related fields. The site development is planned to provide a much needed transition and gateway from the core of the downtown to the Monroe North business district. Furthermore, the construction of a 600 space

parking deck will enable a significant amount of additional private investment on the site which is anticipated to increase residential density, employment and quality of life in the downtown.

MAP OF PROJECT AREA



MICHIGAN STRATEGIC FUND

RESOLUTION 2015-

**APPROVAL OF A BROWNFIELD WORK PLAN
CITY OF GRAND RAPIDS BROWNFIELD REDEVELOPMENT AUTHORITY
MICHIGAN STATE UNIVERSITY RESEARCH CENTER PROJECT**

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

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

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

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

WHEREAS, the City of Grand Rapids Brownfield Redevelopment Authority (the “Authority”) has submitted a work plan for property located at 155 Michigan Street NW within the City of Grand Rapids, known as the Michigan State University Research Center (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 review costs and f) interest as provided under 2007 PA 204 and;

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

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

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board authorizes the Authority to capture taxes levied for school operating purposes in substantially the same proportion as the 51.37% to 48.63% 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 2, 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 \$28,875,350

for the principal activity costs of non-environmental activities and a contingency, and a maximum of \$5,000 for Brownfield/Work Plan preparation, and with the capture of taxes levied for school operating purposes being limited to a maximum of \$14,835,836.

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:

April 28, 2015
Lansing, Michigan



MEMORANDUM

Date: April 28, 2015

To: Michigan Strategic Fund Board

From: Brent Morgan, Manager, Brownfield and Community Revitalization Programs
Mary Kramer, Community Development Incentives Specialist
Dan Wells, Senior Brownfield Program Specialist
Roselyn Jones, Community Assistance Team Specialist

Subject: Moso Village LLC - City of Sturgis
Request for Approval of an Act 381 Work Plan and a Michigan Community Revitalization Program Performance-Based Grant

Request

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.

Moso Village LLC (Applicant) is requesting approval of a performance-based grant in the amount of \$1,000,000. The Applicant anticipates that the project will result in eligible investment of \$5,013,408 and total capital investment in the amount of \$6,693,668 and the creation of 25 full-time equivalent jobs on three parcels (210 John Street, 110 North Street and 105 North Clay Street).

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.

Background

Jeremy Gump is a local lawyer and business consultant. He and his wife, Jennifer, are the sole members of Moso Village LLC. Prior to moving back permanently to Sturgis, the developer was Vice President of Human Resources & Administrative Services for Daimler Sales & Financial Services Americas. In that capacity, he was responsible for construction and leasing of new office buildings in Farmington Hills, MI; Ft. Worth, TX; Sante Fe, NM and Mexico City, Mexico. Given his personal commitment to live and build in his hometown, the developer has invested a great deal of time exploring, developing, and designing the project in spite of obstacles and challenges that he faced in accessing capital.

Michigan Economic Development Corporation

300 North Washington Square | Lansing, MI 48913 | 888.522.0103 | michiganbusiness.org | michigan.org

The Applicant has not previously received any incentives from the MSF.

Project Description

The overall development encompasses five parcels of land and three segments of public streets in the City of Sturgis. Brownfield eligible activities will occur across all of these parcels in order to prepare the parcels for redevelopment. All existing buildings and site improvements will be demolished across the project area. Subsequently, Moso Village LLC plans to construct a new two-story building, estimated at 40,000 square feet, to accommodate office, residential, restaurant, and retail space. The mixed-use development will be built on three parcels located at 110 North Street, 210 John Street, and a portion of 105 North Clay Street. All of the parcels are currently owned by either the City of Sturgis or Inquire Partners, Inc., a Michigan corporation formed by the developer. Approximately 62 percent of the new building's total space (25,000 square feet) is devoted to commercial and retail use. Over half of this space has been committed with letters of intent provided by the Sturgis Journal, a new market and delicatessen, and financial and professional service tenants. The second floor will contain commercial office space and 12 residential apartment units.

- a) The project is located within the boundaries of the City of Sturgis, which is a Qualified Local Governmental Unit, and contains both functionally obsolete buildings and a parcel that has been determined to be a facility. Both 210 John Street and 110 North Street have been deemed functionally obsolete as verified by a Master Assessor (MAAO). The parcel addressed 207-209 John Street has been determined to be a facility by the Department of Environmental Quality. The property is the subject of a Brownfield Plan, duly approved by the City of Sturgis on August 14, 2013.
- b) The project is located in a downtown and qualifies for a MCRP award because the properties have been deemed functionally obsolete and adjacent or contiguous.

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

Recommendation

MEDC Staff recommends the following:

- a) Approval of local and school tax capture for the Act 381 eligible activities totaling \$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.
- b) Approval of a MCRP performance-based grant in the amount of \$1,000,000 for Moso Village LLC.

The commitment will remain valid until 120 days after approval with approval for the MSF Fund Manager to extend the commitment an additional 30 days.

APPENDIX A

MCRP PROGRAM AND ITS GUIDELINES

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

SOURCE OF INFORMATION

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

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

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

The project is closely aligned with the Sturgis 2022 Plan envisioned by the community. Moso Village represents the first significant new construction in downtown Sturgis within the past 40 to 50 years. The proposed development would reactivate a distressed and underutilized area currently filled with vacant buildings and poorly maintained surface parking lots.

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

Moso Village is considered by the City to be a transformational project, which will increase the density of the downtown area, create a new sense of place, and convert underutilized property into productive reuse. The project removes vacant buildings that have hindered new development, and it attracts private sector investment. Prompted by the project, plans are already underway to create a public gathering space in close proximity to the Moso Village site, where people can congregate for events such as 5K runs, small fairs, concerts, and other gatherings.

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

The City of Sturgis Brownfield Redevelopment Authority has committed \$1,044,270 in local taxes through tax-increment financing to completely reconstruct, maintain and operate the public infrastructure (streets, sidewalks, lighting, etc.) and place all utilities underground. In addition, a City-owned parking lot is included in the project. The St. Joseph County Brownfield Redevelopment Authority has pledged up to \$32,000 in funds to pay for environmental assessments, asbestos surveys, development of the Brownfield Plan, and development of the PA 381 work plan. In addition, the developer was successful in obtaining a USDA 80% loan guarantee.

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

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.

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

The project involves demolition of two functionally obsolete buildings that were designated as such based on their age and the need for major renovations that would not have been cost effective. One of the properties had extensive interior damage as a result of water intrusion.

F. Creation of jobs and areas of high unemployment:

The project will create 25 new full-time equivalent jobs with the average hourly wage estimated to be \$15.

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

The financing includes a \$2,840,000 loan by Southern Michigan Bank & Trust as well as a personal loan of \$840,000 and a \$300,000 equity investment by the developer. The United States Department of Agriculture-Rural Development has provided an 80% loan guarantee in support of the project.

H. Whether the project is financially and economically sound:

Upon reaching stabilization, the project will have sufficient cash flow to meet its debt service requirements and provide the owner with a reasonable rate of return.

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

The project attracts new residents to the area, by creating eight two-bedroom and four one-bedroom apartments. The building will also include retail and commercial office space that are anticipated to result in the creation of 25 full-time equivalent jobs.

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

Moso Village is a mixed-use development, immediately adjacent to the central business district and in close proximity to the City Library and City Hall. The project calls for wider sidewalks, slower vehicular traffic patterns, bike racks and other amenities to encourage walking and bike riding. The modernization of the public infrastructure is likely to encourage pedestrian traffic. Improved sidewalks will benefit everyone walking in the area.

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

The obsolete structures previously on the property have been cleared. It is likely that the City would have acquired one of the buildings through tax foreclosure and the cost of demolition would have been borne by the public. The new development increases the taxable value of the land and the resulting tax revenues to the City.

L. Whether the project promotes sustainable development:

Green principles are being utilized such as LED lighting, on-site storm water retention and low water landscape plantings.

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

There are no historic resources included in the project.

N. Whether the project addresses area-wide redevelopment:

The new development will increase the vitality, vibrancy, and sense of place in an area that has seen little growth in the past 50 years. The proposed development is in line with the community's vision of becoming a community of choice for entrepreneurs, businesses, and new residents. The private investment as well as the City's investment in new public infrastructure is significant.

O. Whether the project addresses underserved markets of commerce:

One of Sturgis' top three challenges is its aging housing stock and the cycle of disinvestment. In order to attract skilled workers — both college educated and a manufacturing ready workforce — this problem must be addressed. The project will make available a real estate product that currently does not exist in the downtown. This would be helpful to a number of Sturgis' employers who recruit young, knowledge based talent for high-tech manufacturing jobs.

P. The level and extent of environmental contamination:

There is no known environmental contamination on the CRP eligible project properties. The parcel at 207-209 John Street has been determined to be a "facility" by the Department of Environmental Quality on August 8, 2014, due to the presence of arsenic, lead, and mercury in soils in excess of generic residential cleanup criteria.

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):

There are no historic resources included in the project.

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

The project will not compete with or affect existing Michigan businesses within the same industry. Twenty five jobs are being retained by the Sturgis Journal's decision to lease space in the building. Existing businesses that offer financial and professional services will be expanding and locating in the building. New retail businesses are being attracted to Sturgis.

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:

Removal of obsolete structures provides a “clean slate” for this development.

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

Moso Village is designed to be a transformational mixed-use development within the core downtown. If the developer were to construct an office building exclusively for its own use on a greenfield site, it would likely be a \$250,000 to \$500,000 on the outskirts of the City. The cost between this project and construction of a smaller-scale office building is significant.

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.

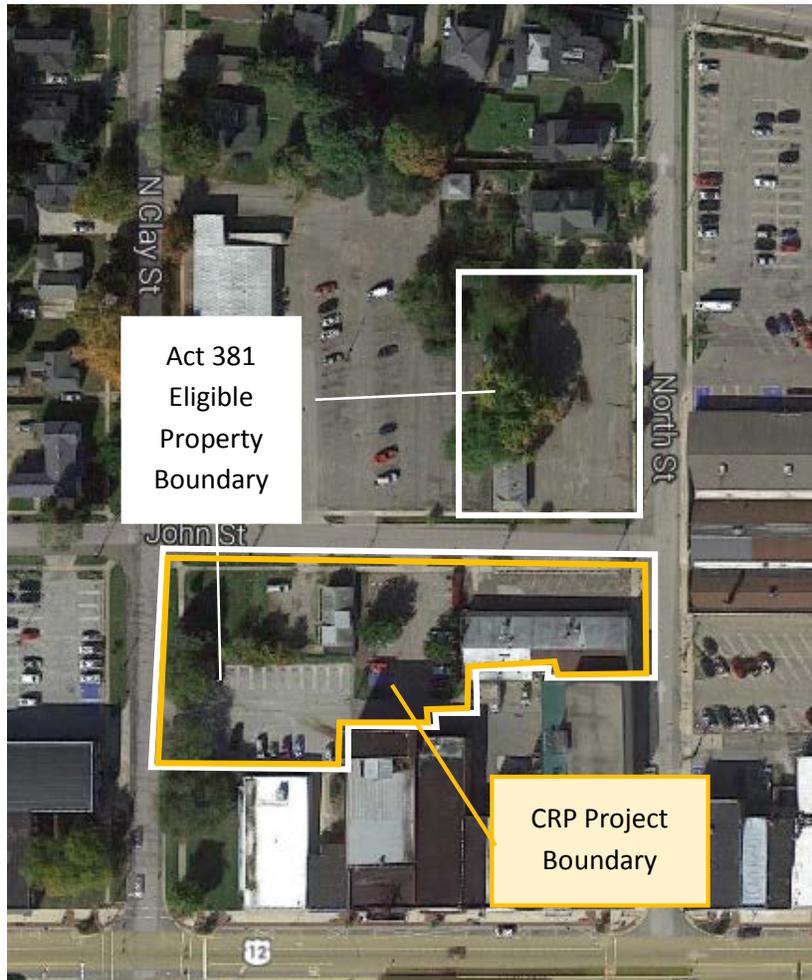
Act 381 TIF: There are 50.2886 non-homestead mills available for capture, with school millage equaling 23.6301 mills (46.99%) and local millage equaling 26.6585 mills (53.01%). Tax increment capture will begin in 2015 and is estimated to continue for 19 years. The requested tax capture for eligible activities breaks down as follows:

School tax capture (46.99%)	\$ 925,680
Local tax capture (53.01%)	<u>\$1,044,270</u>
TOTAL	\$1,969,950

COST OF ELIGIBLE ACTIVITIES

Demolition	\$ 77,000
Lead or Asbestos Abatement	40,000
Infrastructure Improvements	1,533,000
Site Preparation	<u>+ 63,000</u>
Sub-Total	\$1,713,000
Contingency (15%)	<u>+ 256,950</u>
TOTAL	\$1,969,950

APPENDIX B



APPENDIX C

Summary of Terms

1. **Company Name:** Moso Village LLC
2. **Company Address:** 64384 Shimmel Road
Sturgis, Michigan 49091
3. **MCRP Incentive Type:** Performance Based Grant
4. **Maximum Amount of MCRP Incentive:** Lesser of 20% of the Eligible Investment, as defined below, or \$1,000,000 (“MCRP Incentive Award”)
5. **Project Description (“Project”):** The project involves the construction of an approximately 40,000 square foot, two-story building to include approximately 5,000 square feet of common space; 12,500 square feet of retail space; 12,500 square feet of commercial office space; and 12 residential apartment units totaling 10,000 square feet.
6. **Anticipated Minimum Eligible Investment:** \$4,010,726 The minimum is based on 80% of the total Eligible Investment amount requested on the CRP incentive application. The Eligible Investment on the Project is anticipated to include:
 - New Building Construction
 - Site Improvements
 - Addition of Machinery, Equipment or Fixtures to the Project
 - Professional Fees
7. **Start Date for Measurement of Eligible Investment:** March 1, 2013
8. **Project Qualifying As:** -Functionally Obsolete
-Adjacent or Contiguous
9. **Progress and Milestones & Disbursement:** The final terms and conditions of each of the Progress Milestones shall be included in the final Agreement, including that before any disbursement is made to the Applicant, the Applicant must demonstrate timely completion of all Progress Milestones, as required, and otherwise be in full compliance with all terms and conditions of the final Agreement. The MSF Fund Manager, in coordination with MEDC Staff, is authorized to negotiate the final terms and conditions of the final Agreement to be used to memorialize MCRP awards on the MSF’s behalf in accordance with the Guidelines and are anticipated to include:
 - a. Pre-improvement Progress Milestone: Written certification from Southern Michigan Bank and Trust, or a copy of the executed loan agreement, note and mortgage, evidencing that the applicant has closed on financing in the minimum amount of \$2,840,000; written certification from Southern Michigan Bank and Trust, or a copy of the executed loan agreement, note and mortgage, evidencing

that the applicant has closed on a personal loan in the minimum amount of \$840,000; recorded deeds to verify the transfer of 110 North Street and 210 John Street from Inquire Partners Inc. to Moso Village LLC; recorded deed to verify the transfer of a portion of 105 N. Clay Street from the City of Sturgis to Moso Village LLC; and final site plan approval.

- b. Completion of the Project Progress Milestone: Issuance of a certificate of occupancy on terms and conditions satisfactory to the MSF Fund Manager.

10. Municipality supporting the Project (“Municipal Support”): The City of Sturgis is supporting the project with Brownfield Tax Increment Financing with an estimated local portion of \$1,044,270.

11. Site Plan Approval: A condition for execution of the final Agreement is that the local unit of government, or its’ designated planning body, has approved the final Site Plan for the Project, and that the form and substance of the Site Plan are acceptable to the MSF.

12. Term of Agreement: From execution of the final Agreement until the date three (3) years after the completion of the final Progress Milestone.

13. Repayment and Penalty Terms: Some repayment and penalty provisions are required by law. The repayment and penalty terms and conditions will be effective through the Term of the Agreement and shall be defined in the final Agreement, and may include any or all of the following: a penalty, reduction of all or a portion of the MCRP Incentive Award, repayment of any portion of any disbursement of the MCRP Incentive Award, or ineligibility of the Applicant and its sponsors for any support or economic assistance from the MSF, as the case may be, if the Applicant fails to comply with the Agreement, any reporting requirements defined in the final Agreement, or otherwise violates the MSF Act.

14. Final Terms and Conditions: The MSF Fund Manager, in coordination with MEDC Staff, is authorized to negotiate the final terms and conditions of the final Agreement to be used to memorialize MCRP awards on the MSF’s behalf in accordance with the Guidelines and is anticipated to include the terms described above.

MICHIGAN STRATEGIC FUND

RESOLUTION 2015-XX

**APPROVAL OF A MICHIGAN COMMUNITY REVITALIZATION PROGRAM GRANT
AWARD TO MOSO VILLAGE LLC**

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

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

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

WHEREAS, pursuant to SFCR 125.2090-1, the MSF approved the MSF Fund Manager or the MSF President to negotiate the terms and conditions and execute all final documents necessary to effectuate awards and decisions approved under the MCRP, (“Transaction Documents”);

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

WHEREAS, Moso Village LLC (“Company”) has requested a performance based grant of up to \$1,000,000 million (“Award Request”);

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan
April 28, 2015

MICHIGAN STRATEGIC FUND

RESOLUTION 2015-XX

**APPROVAL OF A BROWNFIELD WORK PLAN
CITY OF STURGIS BROWNFIELD REDEVELOPMENT AUTHORITY
MOSO VILLAGE PROJECT**

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

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

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

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

WHEREAS, the City of Sturgis Brownfield Redevelopment Authority (the “Authority”) has submitted a work plan for property located at 110 North Street, 210 John Street, and 105 North Clay Street and surrounding public right-of-ways within the City of Sturgis, known as Moso Village Project (the “Project”);

WHEREAS, the City of Sturgis 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 review costs 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 46.99% to 53.01% 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 July 22, 2014. Any change in millage that increases the capture percentage of school operating taxes by more than 5 percentage points must be approved by the MSF Board. The authorization is based on the Authority capturing all available local operating mills for the term of the capture period. The authorization for the capture of taxes levied for school operating purposes is based on a

maximum of \$1,969,0950 for the principal activity costs of non-environmental activities and a contingency, and with the capture of taxes levied for school operating purposes being limited to a maximum of \$925,680.

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 Sturgis 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:

April 28, 2015
Lansing, Michigan



**MSF DELEGATED AUTHORITY QUARTERLY UPDATE
MSF CONFIDENTIALITY MEMOS
Board Meeting – April 28, 2015**

FOR QUARTER ENDED MARCH 31, 2015

BACKGROUND

As a part of the process for negotiating with companies seeking to invest in Michigan, the Michigan Strategic Fund (MSF) receives information of a financial and/or proprietary nature from applicant companies. Avoiding the public disclosure of this information is desirable in order to protect against the potential for significant competitive harm to the applicant companies.

Via MCL 125.2005(9), as amended by Public Act 251 of 2011, information of a financial or proprietary nature considered by the applicant as confidential and acknowledged as confidential by the Michigan Strategic Fund Board or its designee is exempted from disclosure by the Michigan Freedom of Information Act (FOIA), Public Act 442 of 1976, as amended. Pursuant to Section 125.2005-1(3) of the Michigan Strategic Fund Compiled Resolutions, the MSF Fund Manager or the MSF President is authorized to acknowledge financial or proprietary information as confidential and not subject to disclosure under FOIA.

APPROVALS BY AUTHORIZED DELEGATE

During the period between January 1, 2015 and March 31, 2015, the following confidentiality memos were approved by the MSF Fund Manager:

Company Name and Location	Overview of Confidential Information
Metabolic Solutions Development Corporation, Inc. 161 E Michigan Ave., 4th Floor Kalamazoo, MI 49007	1. MSDC 2013 Audited Financial Statements 2. MSDC 2014 Audited Financial Statements
ProNAi Therapeutics, Inc. Mich. Life Science & Innovation Ctr 46701 Commerce Center Drive Plymouth, MI 48170	1. ProNAi Financial Statements and Capitalization Table: December 31, 2014
Mrs. Glee’s Gluten Free Foods, LLC and any related borrowers and guarantors and Northern Economic Initiatives 24291 Veterans Memorial Highway, Hillman, MI 49746	Any portion of any documents or record of any kind containing any of the following business or personal information pertaining to any of the Interested Parties to the Proposed Transaction: Financial statements (including without limitation, income statements, balance sheets, statements of cash flow and profit and loss statements), ratio analysis, appraisals and other appraisal reporting, collateral analysis, accounts receivable aging reports, customer names and lists, tax returns, credit reports, social security or other tax identification numbers, and any analysis, report or record of any kind by or on behalf of any of the Interested Parties to



	the Proposed Transaction containing any of the foregoing information.
Great Lake Woods, Inc., Great Lake Wood Products, LLC, GLW Finishing, LLC, Waters Edge Blinds, and Window Treatments, LLC and any related borrowers and guarantors and Chemical Bank 3303 John Donnelly Drive and 741 Waverly Court Holland, MI 49424	Any portion of any documents or record of any kind containing any of the following business or personal information pertaining to any of the Interested Parties to the Proposed Transaction: Financial statements (including without limitation, income statements, balance sheets, statements of cash flow and profit and loss statements), ratio analysis, appraisals and other appraisal reporting, collateral analysis, accounts receivable aging reports, customer names and lists, tax returns, credit reports, social security or other tax identification numbers, and any analysis, report or record of any kind by or on behalf of any of the Interested Parties to the Proposed Transaction containing any of the foregoing information.
Ferrous CAL Co. 28000 West Jefferson Gibraltar, Michigan 48173	Financial Statements of Ferragon Corporation and Affiliates (including without limitation, income statements, balance sheets, statements of cash flow and profit and loss statements)
Fori Automation, Inc. 50955 Wing Dr. Shelby Township, MI 48315	Wage data and capital investment breakdown as highlighted in the application
Cabejono Investments, LLC and any related borrowers and guarantors and Mercantile Bank 6656 Pine Ridge Court Jenison, MI 49428	Any portion of any documents or record of any kind containing any of the following business or personal information pertaining to any of the Interested Parties to the Proposed Transaction: Financial statements (including without limitation, income statements, balance sheets, statements of cash flow and profit and loss statements), ratio analysis, appraisals and other appraisal reporting, collateral analysis, accounts receivable aging reports, customer names and lists, tax returns, credit reports, social security or other tax identification numbers, and any analysis, report or record of any kind by or on behalf of any of the Interested Parties to the Proposed Transaction containing any of the foregoing information.



**MSF DELEGATED AUTHORITY QUARTERLY UPDATE
FOR 21CJF LOAN PORTFOLIO
Board Meeting April 28, 2015**

FOR QUARTER ENDED MARCH 31, 2015

BACKGROUND

Pursuant to Section 125.2088k-3 of the Michigan Strategic Fund Compiled Resolutions, the Michigan Strategic Fund (MSF) Board approved a delegation of authority for decisions with regard to awards under the (i) Company Formation and Growth Fund, (ii) 21st Century Jobs Fund 2006 and 2008 business plan competition rounds, as well as its predecessor programs, Michigan Technology Tri-Corridor Fund program and Michigan Life Sciences Corridor Fund program, and (iii) those loans awarded under the Choose Michigan program, including the authority to approve loan restructure requests (the “Delegation of Authority”). Under the Delegation of Authority, actions related to awards with an original amount of \$1,000,000 or less may be approved by the MSF Chairperson, the MSF Fund Manager and the MSF State Treasurer Director, with only one required to act. Actions related to awards with an original amount of \$1,000,001 to \$3,000,000 are reviewed by the MSF Advisory Subcommittee before presentation to the delegates for final approval. Actions related to awards with an original amount of \$3,000,001 are presented to the full MSF Board.

APPROVALS BY AUTHORIZED DELEGATE

Between January 1, 2015 and March 31, 2015 the following actions were approved pursuant to the Delegation of Authority:

Organization	Action(s)	Award Amount (full award amount)	Disbursed Amount (actual amount disbursed)	Date
PharmOptima, LLC	Loan Restructure	\$400,000	\$400,000	January 21, 2015
CytoPherx, Inc.	Grace Period Extension and Loan Conversion	\$2,000,000	\$2,000,000	January 23, 2015
NanoBio, Inc.	Loan Conversion	\$2,377,526	\$2,377,526	January 23, 2015
NephRx Corporation	Write-off (2004 Award)	\$799,500	\$799,500	January 26, 2015
NephRx Corporation	Write-off (2005 Award)	\$665,110	\$665,110	January 26, 2015
NephRx Corporation	Write-off (2008 Award)	\$1,828,981	\$1,828,981	January 26, 2015
XB TransMed, LLC	Grace Period Extension and Loan Amendment	\$508,263	\$385,000	February 26, 2015



**MSF DELEGATED AUTHORITY QUARTERLY UPDATE
FOR 21CJF PURE MICHIGAN VENTURE MATCH FUND
Board Meeting April 28, 2015**

FOR QUARTER ENDED MARCH 31, 2015

BACKGROUND

Pursuant to Section 125.2088k-5 of the Michigan Strategic Fund Compiled Resolutions, the Michigan Strategic Fund (MSF) Board approved a delegation of authority for decisions with regard to awards under the Pure Michigan Venture Match Fund.

APPROVALS BY AUTHORIZED DELEGATE

Between January 1, 2015 and March 31, 2015 the following actions were approved pursuant to the Delegation of Authority:

Organization	Action(s)	Award Amount (full award amount)	Disbursed Amount (actual amount disbursed)	Date
Tissue Regeneration Systems, Inc.	Waiver of Audited Financial Statements	\$999,999	\$750,000	March 24, 2015



MSF DELEGATED AUTHORITY QUARTERLY UPDATE
MSDF AND SSBCI PROGRAMS
CAPITAL ACCESS TEAM
January 1 – March 31, 2015

APPROVALS BY AUTHORIZED DELEGATES

Between January 1 and March 31, 2015 the following actions were approved by the MSF Chairperson and MSF Fund Manager, subject to due diligence, and available funding:

SSBCI - MBGF:						
Organization	Request Type	MSF Support	Loan Amount	Action	Date Approved	Closed
Great Lake Woods, Inc.	MBGF-CSP	\$ 1,000,000	\$ 4,000,000	Approved by Chair and Fund Manager	January 27, 2015	N
Mrs. Glee's Gluten Free Foods, LLC	MBGF-LPP	\$ 32,143	\$ 75,000	Approved by Chair and Fund Manager	February 2, 2015	Y
Mrs. Glee's Gluten Free Foods, LLC	MBGF-LPP	\$ 117,857	\$ 275,000	Approved by Chair and Fund Manager	February 2, 2015	Y
Advanced Interiors, Inc.	MBGF-CSP	\$ 474,050	\$ 950,000	Approved by Chair and Fund Manager	March 28, 2015	N
Total		\$ 1,624,050	\$ 5,300,000			
MSDF:						
Organization	Request Type	MSF Support	Loan Amount	Action	Date Approved	Closed
Applied Dynamics International, Inc.	MSDF-CSP	\$ 898,200	\$ 1,800,000	Approved by Chair and Fund Manager	February 17, 2015	Y
Accurate Machine & Tool LLC	MSDF-CSP	\$ 500,000	\$ 1,300,000	Approved by Chair and Fund Manager	March 20, 2015	N
Total		\$ 1,398,200	\$ 3,100,000			



MEMORANDUM

DATE: April 28, 2015

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

FROM: Josh Hundt, Director, Business Incentives
Deborah Stuart, Director, Community Incentive Programs

SUBJECT: Quarterly Report of Delegated Approvals on Michigan Business Development Program & Michigan Community Revitalization Program

On December 21, 2011, the MSF Board approved the Michigan Business Development Program (“MBDP”) and the Michigan Community Revitalization Program (“MCRP”). Both programs allow for delegated approval of projects that have incentives of \$1 million or less. Listed below is a synopsis of the delegated deals that were approved during the second quarter of the 2015 fiscal year.

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

MBDP APPROVALS

Project Name	Approval Date	Location	Incentive Approved	Jobs	Investment
TI Automotive LLC	1/20/2015	City of Auburn Hills	\$500,000	97	\$7,033,133
Cargill Kitchen Solutions	1/30/2015	Lake Odessa Charter Township	\$262,500	35	\$27,512,096
Orbtec 3D Technology International, Inc.	2/3/2015	City of Troy	\$300,000	40	\$3,228,118
Sensient Flavors	2/11/2015	City of Harbor Beach	\$150,000	28	\$31,850,000
OMT VEYHL USA Corporation	2/11/2015	Holland Charter Township	\$750,000	206	\$9,831,700
MIG Molding	2/12/2015	Almont Charter Township	\$105,000	42	\$1,242,422
Gentherm Corporation	2/19/2015	City of Farmington Hills	\$750,000	175	\$8,442,500
3CON Corporation	2/25/2015	City of Wixom	\$550,000	136	\$6,417,500
Denso Manufacturing Michigan, Inc.	2/26/2015	City of Battle Creek	\$640,000	100	\$56,635,500
KUKA Systems North America LLC	3/3/2015	Clinton Charter Township	\$900,000	116	\$14,400,000

Superior Industries International	3/16/2015	City of Southfield	\$900,000	75	\$2,517,000
LHP Software	3/20/2015	City of Pontiac	\$399,000	57	\$2,300,000
Emhart Teknologies	3/27/2015	Chesterfield Charter Township and City of Troy	\$350,000	83	\$32,871,000
Plasan North America, Inc.	3/30/2015	City of Walker	\$850,000	121	\$12,330,000

MCRP APPROVALS

Project Name	Approval Date	Location	Incentive Approved	Jobs	Investment
1145 Griswold Street LLC	1/30/2015	City of Detroit	\$1,000,000	60	\$22,682,898
Roebuck Residential, LLC	2/5/2015	City of Wyandotte	\$798,000	56	\$5,050,000
Cedar Springs Brewing Company, LLC and 95 North Main, LLC	2/18/2015	City of Cedar Springs	\$285,614	15	\$1,564,570
KWA I Residential LLC and KWA I Financing, Inc.	2/18/2015	City of Detroit	\$1,000,000	20	\$12,765,896
George F. Eyde Family, LLC	3/25/2015	City of Lansing	\$289,250	20	\$1,666,200
Wabash & Main LLC and Wabash & Main Properties Corp	3/25/2015	City of Milan	\$873,601	25	\$5,265,118



MEMORANDUM

Date: April 28, 2015
To: Michigan Strategic Fund Board
From: Christine Whitz, Manager, Community Development Block Grant Program
Subject: *Community Development Block Grant Program
 Quarterly Report of Delegated Approvals (January-March, 2015)*

On October 23, 2013, the MSF Board approved the Community Development Block Grant (CDBG) program delegated approval of projects that have incentives of \$1 million or less. Listed below is a synopsis of the delegated deals that were approved during the previous quarter. If you would like additional information on a project, please let us know.

Grantee	Approval Date	CDBG Funds	Brief Summary of Project
City of Boyne City	1/8/15	\$328,000	The City of Boyne City and Boyne Valley Township requested \$328,000 in CDBG funds for infrastructure improvements needed for the Boyne Mountain Alpine Coaster project located in Boyne Valley Township, Michigan. CDBG funding will pay for \$5,000 of grant administration. The City and Township expect that this project could result in private investment of \$5,184,600 and the creation of 38 jobs.
City of Greenville	1/28/15	\$202,999	The City of Greenville requested \$202,999 in CDBG funds for façade improvements located in downtown Greenville. The City expects that this project will result in private investment of \$67,650.
City of Marquette	2/9/15	\$228,750	The City of Marquette requested \$228,750 in CDBG funding for façade improvements needed for the North Third Street Properties Façade Improvements Project. The City expects that this project could result in private investment of \$287,256 and the creation of 12 jobs
City of Brighton	3/12/15	\$76,886	The City of Brighton requested \$76,886 in CDBG funds for façade improvements needed for the Yogurtopia Building Façade Project. The City expects that this project could result in total investment of \$220,940 and the creation of ten jobs.
Technical Assistance*	3/10/15	\$20,000	The CDBG Program requested \$20,000 in CDBG Technical Assistance funding for the CDBG Certified Grant Administrator Training project.

City of Milan	3/13/15	\$252,000	MSHDA and the City of Milan requested \$252,000 in CDBG funds for the redevelopment of four downtown historic buildings. This was an increase of \$252,000 to MSHDA's CDBG sub recipient funding to be utilized for the City of Milan's Wabash & Main Historic Building Redevelopment project.
City of Evert	3/20/15	\$65,994	The City of Evert requested \$65,994 additional CDBG funds to amend their existing Downtown Infrastructure Grant to conduct improvements related to the Downtown Evert Streetscape project. The local match was increased proportional to the CDBG amended grant amount.
Village of Constantine	3/25/15	\$50,343	The Village of Constantine requested an additional \$50,343 in CDBG funds for infrastructure improvements regarding their Downtown Infrastructure Grant project. The local match was increased proportional to the CDBG amended grant amount.
Total CDBG Funds for Quarter		\$1,224,972	

*contractual services



MEMORANDUM

DATE: April 28, 2015

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

FROM: Brent Morgan, Manager, Brownfield and Community Revitalization Programs
Deborah Stuart, Director, Community Incentive Programs

SUBJECT: Quarterly Report of Delegated Approvals on Act 381 Work Plans

On December 31, 2012, The Brownfield Redevelopment Financing Act (Act 381) was amended to allow the chairperson of the Michigan Strategic Fund delegated approval of work plans that consist of tax capture of less than \$500,000. Listed below is a synopsis of the delegated work plans that were approved during the 2nd quarter of the 2015 fiscal year.

Project Name	Approval Date	Location	Approved TIF Amount	Jobs	Investment
Cedar Springs Brewing Company	2/18/2015	City of Cedar Springs	\$ 56,800	15 FTE	\$ 1,564,570
Total			\$56,800	15 FTE	\$ 1,564,570

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