

**MICHIGAN STRATEGIC FUND
BOARD MEETING AGENDA
Lansing, Michigan
April 22, 2014
10:00 a.m.**

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

Communications – [Information-Andrea Robach]

- Chief Compliance Officer FY14 Q2 Report - *[Information Only]*

A. Consent Agenda – [Action Items]

- Adoption of Proposed MSF Meeting Minutes, March 25, 2014
- Amendment of 2014 Entrepreneurial support Specialized Services Request for Proposal

B. Community Vitality – [Action Items]

- Lofts on Michigan, LLC – Community Revitalization Program and Grand Rapids Brownfield Work Plan – **Julius Edwards**
- 600 Clancy Redevelopment – Grand Rapids Brownfield Work Plan -- **Dan Wells**
- 2700 Block – Kalamazoo Brownfield Work Plan – **Dan Wells**

C. Access to Capital – [Action Items]

- Dominican Health Care Corporation d/b/a Lourdes Senior Community – Private Activity Bond Inducement – **Eric Hanna**
- Sunset Manor, Inc., Bond Authorizing – **Eric Hanna**
- 2014 Business Incubator RFP Recommendation – **Paula Sorrel & Rosalyn Zator**

D. Business Investment – [Action Items]

- Molina Healthcare, Michigan Business Development Grant—**Marcia Gebarowski**
- BASF – Michigan Jobs Incentive Credit Amendment—**Marcia Gebarowski**
- Systems in Motion -- Michigan Jobs Incentive Credit Amendment – **Trevor Friedeberg**

E. Administrative – [Action Items]

- Meditrina Pharmaceuticals, Inc. Forbearance Request; 2006 Commercialization Business - **Gabe Yancho**
- Approval of Amended and Restated MSF Bylaws – **Karla Campbell**

F. MSF Quarterly Reports on Delegated Authority - [Information Only]

- 21st Century Pure Michigan Venture Match Fund
- 21st Century Loan and Grant Portfolio
- Michigan Supplier Diversification Fund and State Small Business Credit Initiative
- Michigan's Community Revitalization and Business Development Programs
- Community Development Block Grant



STATE OF MICHIGAN
OFFICE OF THE CHIEF COMPLIANCE OFFICER
LANSING

RICK SNYDER
GOVERNOR

KEVIN FRAN CART, ESQ.
CHIEF COMPLIANCE OFFICER

MEMORANDUM

April 14, 2014

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

Michael A. Finney
Chairperson
Michigan Strategic Fund Board

FROM: Kevin L. Francart
Chief Compliance Officer

RE: FY2014 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 2014 fiscal year were successfully resolved or are being appropriately addressed.

I am pleased to report that during the second quarter the Chief Compliance Officer completed the necessary experience and education requirements and successfully passed the certification examination to earn the designation as a *Certified Compliance and Ethics Professional* from the Compliance Certification Board and the Society of Corporate Compliance and Ethics.

With respect to the Michigan Strategic Fund Board, work was done this quarter on drafting updates to the bylaws and conflict of interest policy. A new conflict of interest policy was adopted at the March 2014 meeting. The bylaws are undergoing further review, I anticipate amended and restated bylaws will be ready for presentment to the Board in the third quarter. The MSF is required, with assistance from the Michigan Economic Development Corporation (MEDC) and the Office of the Chief Compliance Officer (OCCO), to establish policies and procedures to conduct background checks on applicants under the Michigan Business Development Program. During the second quarter the MEDC, OCCO, and Department of Attorney General assisted the Fund with reviewing and updating a background policy. The Chief Compliance Officer notes that the MSF's Background Check Policy extends to additional 21st century jobs fund programs, exceeding the minimum requirements for due diligence in those other programs, and increasing the protection of the State's assets.

The Chief Compliance Officer provided informal advice regarding various issues arising this quarter concerning such topics as the breadth of delegated Board authority, statutory RFP requirements, and compliance with established Board policy and limitations. The Chief Compliance Officer gave formal approval of an amended Background Check Policy and a Board Conflict of Interest Policy.

Finally, during this quarter, the Chief Compliance Officer reviewed the progress of the MSF's compliance with its corrective action plan to address the 2013 Performance Audit of the 21st century jobs fund programs (Report Number 271-0410-13) performed by the Office of the Auditor General. The MSF was required to be in compliance within this quarter on two of the findings made in the 2013 Performance Audit: "Monitoring of Recipients" and "Reporting Requirements".

Finding – "Monitoring of Recipients":

The MSF Corrective Action Plan required random sampling for Michigan Defense Center, PTACs self-reporting, and full sampling of all PTACs annually with the results entered into Salesforce.

I reviewed records demonstrating that the MSF has performed random sampling of PTACs. The MSF reports that two 2 of 11 PTACs have been reviewed and 100% would be completed by the end of June 2014. However, results have not been entered into Salesforce at the time of review.

The MSF Corrective Action Plan required the standardization of site visit requirements for Centers of Energy Excellence.

All of these grants are reported closed and no further reporting required.

The MSF Corrective Action Plan required the institution of a policy to enforce timely progress reports and follow up if progress reports are past due.

The MSF provide a copy of the instituted policy and produced a progress report for review upon request.

Finding – "Reporting Requirements":

The MSF Corrective Action Plan required the establishment of procedures to verify self-reported data by companies in 21st century jobs fund programs to confirm the accuracy of their reporting.

The MSF has established or updated procedures to verify self-reported data. Additionally, the compliances responsibilities were separated from the business units managing the programs and review of the procedures is ongoing.

The MSF Corrective Action Plan required the MSF to assess the materiality of subsequent known events in the period between close of the fiscal year and the date of reporting to the Legislature and report any subsequent events determined to be material. Additionally, the MSF Corrective Action Plan also required steps to be taken to ensure program information reported to the Legislature is accurate for all 21st century jobs fund programs and verification that certain carry-forward data reported in the prior year's annual report is consistently reported the following year. Lastly, the MSF Corrective Action Plan required the verification that there is no missing data in the annual reports to the Legislature and that all statutory requirements for reporting are met.

The MSF submitted its report to the legislature on March 31, 2014. The MSF expanded the information included on programs and participants in the report, however, subsequent review by the Office of the Auditor General is required before satisfactory compliance can be determined.

**MICHIGAN STRATEGIC FUND BOARD MEETING
TUESDAY, MARCH 25, 2014
NEXT ENERGY OFFICES, DETROIT**

MEMBERS PRESENT:

Craig DeNooyer
Michael A. Finney
Mike Jackson
Terri Jo Umlor
Jody Vanderwel
Jay Wortley (on behalf of Treasurer Kevin Clinton)
Mike Zimmer (on behalf of Director Steve Arwood)

MEMBERS ABSENT:

Bill Martin
W. Howard Morris
Shawn Wilson

Mr. Finney brought the meeting to order at 10:05 am.

APPROVAL OF PROPOSED MEETING MINUTES - February 25, 2014

Mr. Finney asked if there were any questions from the Board. There being none, Mike Jackson motioned for the approval of the MSF Board February 25, 2104 meeting minutes. Craig DeNooyer seconded the motion. **The motion carried: 7 ayes; 0 nays; 0 recused; 3 absent.**

COMMUNICATIONS

Andrea Robach, MSF Board Relations Liaison, notified the Board of the following:

- Roskam Bakery, MBT Job Creation Credit Amendment, previously listed under the consent agenda, will be moved to the full agenda, under item D. Business Investment, and presented by Stacy Bowerman.

PUBLIC COMMENT

At this time Mr. Finney asked if there was any public comment from the audience, and noted that any comments should be kept to three minutes.

Mr. John Lovitt introduced himself, and shared with the Board and the audience, his contention with the proposed "Illitch" Arena Project" (Not on the meeting agenda). He wished to make it known that the vested interest the MSF has in the project makes it unethical to fund. He also is in disagreement with any large investments in the City of Detroit, which is in bankruptcy.

OLD BUSINESS

Resolution 2014-029 Weber Shandwick Contract Amendment

Leslie Hornung, SVP Marketing and Communications, provided the Board with information regarding this action item. In accordance with Section 88b(5) of the Michigan Strategic Fund Act (the "Act"), 1984 PA 270, as amended, MCL 125.2088b(5) the Michigan Strategic Fund ("MSF") may use up to five percent of the annual appropriation from the 21st Century Jobs Trust Fund for business development and

marketing costs. By Resolution 2011-123, adopted on August 24, 2011, the MSF Board awarded the public relations contract to Weber Shandwick Worldwide, for the period of September 1, 2011 to September 30, 2014, at \$3,750,000, with two one-year additional extensions. The annual funds allocated for this contract have been within the appropriation for each given year. The year to year contract amounts have been:

FY2012 - \$3,684,004 (Note: \$1,563,070 of this amount was for paid media spend FY12 only)

FY2013 - \$1,449,250

FY2014 – Utilized FY12 and FY13 carry over funds of \$450,420 and requested amending the contract with an increase of \$996,000.

Staff Recommendation

The MEDC recommends that the MSF increase the amount of the allocated funds to \$6,130,254, an increase of \$996,000 for fiscal year 2014.

Board Discussion

Mr. Finney asked if there were any questions from the Board. Discussion pertaining to the details of the additional services this funding would cover, above and beyond what was already covered in the initial contract outline. As this was a tabled discussion from the February 25, 2014 meeting, Mike Zimmer motioned to bring the item back to the table for approval. Mike Jackson seconded the motion.

The motion carried: 7 ayes; 0 nays; 0 recused; 3 absent.

Craig DeNooyer motioned for the approval of Resolution 2014-029. Mike Zimmer seconded the motion.

The motion carried: 7 ayes; 0 nays; 0 recused; 3 absent.

Resolution 2014-030 – Approval of March 2014 Consent Agenda

Mr. Finney asked if there were any questions from the Board regarding any items listed under the consent agenda. There being none, Mike Jackson motioned for the approval of the following items:

- **2014-031 - Michigan Community Revitalization Program Amendment – Woodward Brown Associates, LLC**
- **2014-032 - 2014 University RFP**
- **2014-033 & 2014-033a– Entrepreneurial Support Services – Specialized Services RFP**
- **2014-034 - Magna Electronics Job Creation MBT Amendment**

Jody Vanderwel seconded the motion. **The motion carried: 7 ayes, 0 nays; 0 recused; 3 absent.**

COMMUNITY VITALITY

Resolution 2014-035 Michigan Energy Office – RFP Award Recommendation

Robert Jackson of the Michigan Energy Office, provided the Board with information regarding this action item. On December 18, 2013 the MSF Board approved the release of the Advanced Energy Acceleration Services Request for Proposals in the amount of \$2,500,000. The JEC, Scoring Instructions, and Evaluation Form were approved by the MSF Fund Manager (Exhibit A). One proposal was received (NextEnergy Center). The written reviews were completed and the JEC met to discuss, agree to a consensus score and to provide a funding recommendation to the MSF Board. The NextEnergy Center proposal received a score of 85.

Staff Recommendation

MEDC Staff recommends that the MSF Board approve \$2.5 million to be awarded to NextEnergy Center for the Advanced Energy Acceleration Services program.

Board Discussion

Mr. Finney asked if there were any questions from the Board. Discussion ensued pertaining to the possibility of breaking up the scope of future award criteria so that it may appeal to smaller organizations, thus opening up the potential for more applicants and a broader audience. Mr. Finney requested that once complete, a clear report on how NextEnergy performed be provided to the Board for review. He also thanked NextEnergy for their efforts, and for hosting the 2014 March meeting of the MSF Board. There being no further questions, Mike Zimmer motioned for the approval of Resolution 2014-035. Mike Jackson seconded the motion. **The motion carried: 7 ayes; 0 nays; 0 recused; 3 absent.**

Michigan Community Revitalization Program & Brownfield TIF

Joe Martin, Manager MCRP and Brownfield Programs, provided the board with information regarding these action items.

Resolution 2014-036 – (Grand Rapids) Arena Place Development, LLC – Loan Participation

The Arena Place Development, LLC (Company) along with Mercantile Bank of Michigan (Lender) is requesting approval of a Michigan Community Revitalization Program incentive in the amount of \$4,500,000 in the form of a performance-based other economic assistance (loan participation). The Company anticipates that the project could result in eligible investment of \$35,189,000 and total capital investment in the amount of \$44,000,000 in the City of Grand Rapids and the creation of 65 full-time and 150 part-time jobs.

The project anticipates the use of two separate loan facilities seeking MSF participation in coordination with Mercantile Bank as the senior lender. Mercantile Bank, along with the Borrower, have requested the MSF participate up to \$2,500,000 on a \$36,500,000 construction to permanent loan facility. The MSF would participate in all payments in proportion to its interest in the loan, but would allow the collateral to apply first to Mercantile's share in an event of liquidation. The second facility involves a \$2,000,000 term loan to be repaid through tax increment revenues from the City of Grand Rapids Downtown Development Authority. Approximately, \$2,900,000 in tax increment revenue is available to the Company. It is anticipated that all \$2,000,000 of this second facility will be participated to the MSF. The funding into the project on both loans will be on a pro-rata basis. The second facility would be fully subordinate to facility #1 in terms of payment from cash flow from the project and the real estate mortgage during liquidation.

Staff Recommendation

MEDC staff recommends approval of an MCRP performance-based other economic assistance (loan participation) in the amount of \$4,500,000 for Arena Place Development, LLC. The commitment will remain valid until July 23, 2014 (120 days after approval) with approval for the MSF Fund Manager to extend the commitment an additional 60 days.

Board Discussion

Mr. Finney asked if there were any questions from the Board. Discussion ensued pertaining to the conditions of the financing, and the legislative guidelines which cap the Michigan Community Revitalization program allowance at \$10 million. There being no further questions, Craig DeNooyer motioned for the approval of Resolution 2014-036. Jody Vanderwel seconded the motion. **The motion carried: 7 ayes, 0 nays, 0 recused; 3 absent.**

Resolution 2014-037 – MidTowne Village, LLC – Loan Participation

MEDC staff is seeking an amendment of the Michigan Community Revitalization Program incentive in the amount of \$3,000,000 in the form of a performance-based loan participation for Mid Towne

Hospitality, LLC (Applicant) and Mercantile Bank of Michigan (Lender). On August 28, 2013, the Michigan Strategic Fund board approved a \$3,000,000 performance-based loan participation for Mid Towne Hospitality, LLC under the Michigan Community Revitalization Program (MCRP). The project was again reauthorized on February 25, 2014 as a final agreement was not executed during the allotted time period. The total loan amount, including the MSF Share, is expected to reach \$19,134,043.

Staff Recommendation

The MEDC staff recommends approval of the amendment to the MCRP commitment, as outlined above and in the attached briefing memo dated August 28, 2013, with the commitment to remain valid until May 26, 2014 with approval for the MSF Fund Manager to extend the commitment an additional 30 days.

Board Discussion

Mr. Finney asked if there were any questions from the Board. There being none, Mike Zimmer motioned for the approval of Resolution 2014-037. Terri Jo Umlor seconded the motion. **The motion carried: 7 ayes, 0 nays; 0 recused; 3 absent.**

Resolution 2014-038 – Joe Louis Arena Agreement for Economic Assistance

The city of Detroit and its Downtown Development Authority is requesting approval of a Michigan Community Revitalization Program incentive in the amount not to exceed \$6 million of performance-based “economic assistance” for the purpose of demolishing Joe Louis Arena (JLA) once the Detroit Red Wings have vacated the facility and moved to the new multi-purpose event center to be built on the NW corner of Woodward and I-75. It is anticipated that the project will result in eligible investment of at least \$24 million for a commercially viable project.

Staff Recommendation

The MEDC staff recommends approval of an MCRP performance-based economic assistance in the amount of \$6,000,000 and directs the MSF Fund Manager to reserve \$6,000,000 of MCRP funds for the JLA Redevelopment Project. Staff also recommends the MSF Fund Manager and the MSF President may jointly approve an increase in the amount of the Economic Assistance Award based on the final JLA Redevelopment Project budget, provided that the Economic Assistance Award shall not exceed the lesser of (i) the costs of demolition of the JLA, (ii) 25% of the eligible investment for the JLA Redevelopment Project, and (iii) \$10,000,000. The Economic Assistance Award, and any increase, is subject to termination of funding by the State of Michigan legislature or government. The Economic Assistance Award shall not be disbursed unless the following conditions set forth in the resolution have been satisfied.

Board Discussion

Mr. Finney asked if there were any questions from the Board. There being none, Jody Vanderwel motioned for the approval of Resolution 2014-038. Mike Zimmer seconded the motion. **The motion carried: 7 ayes; 0 nays; 0 recused; 3 absent.**

Resolution 2014-039 – 965 Wanda Project – Brownfield TIF

The City of Ferndale Brownfield Redevelopment Authority is seeking approval of local and school tax capture for MSF eligible activities and interest in the amount of \$717,829. The tax increment revenues will be used to offset the costs to redevelop a vacant industrial building into a new industrial space for use by Brass Aluminum Forging and the addition of a new industrial building on approximately 20.41 acres of property located at 965 Wanda Street in the City of Ferndale. Approximately 50 permanent full-time jobs are anticipated to be created by the primary tenant Brass Aluminum Forging, and approximately 50 additional jobs will be created by other tenants of the building. A majority of the newly created jobs will be skilled manufacturing and will have average hourly wages of \$14. A few of the jobs will be engineering and supervisory averaging \$78,000 per year. The total capital investment will be approximately \$8,600,000.

Staff Recommendation

The MEDC recommends approval of the request by City of Ferndale Brownfield Redevelopment Authority to capture local and school taxes for the MSF eligible activities totaling \$717,829 described above. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at \$236,596.

Board Discussion

Mr. Finney asked if there were any questions from the Board. There being none, Jay Wortley motioned for the approval of Resolution 2014-039. Mike Jackson seconded the motion. **The motion carried: 7 ayes, 0 nays; 0 recused; 3 absent.**

BUSINESS INVESTMENT

Resolution 2014-040 – Manufacturing Support Services RFP – Award Recommendation

Jacob Schroeder, Director, Pure Michigan Business Connect, provided the Board with information regarding this action item. The MEDC requests that the MSF Board award funding in the amount of \$1.38 Million to the Michigan Manufacturing Technology Center (MMTC) to maintain Manufacturing Support Services. The evaluated Manufacturing Support Services RFP was purposed to identify a contractor to provide services to the Michigan manufacturing (and related) industry. With the goal of increasing sales, profitability, the Michigan tax base, as well as creating and retaining jobs. MMTC has been evaluated by a Joint Evaluation Committee (“JEC”), scored (see attached documentation), and is being recommended to provide the following services:

- Matchmaking assistance in support of Pure Michigan Business Connect (“PMBC”) initiatives.
- Research and consultation as it relates to the MEDC’s Economic Gardening (second stage growth) program.
- Consulting and training related to process improvement and efficiency.
- Provide business outreach and services in support of the MEDC Business Development efforts.

Staff Recommendation

MEDC Staff recommends that the MSF Board award the allocated \$1.38 million for the program to MMTC as suggested by the JEC.

Board Discussion

Mr. Finney asked if there were any questions from the Board. There being none, Mike Jackson motioned for the approval of Resolution 2014-040. Craig DeNooyer seconded the motion. **The motion carried: 7 ayes; 0 nays; 0 recused; 3 absent.**

Resolution 2014-041 – MBT Credit Amendment – Roskam Baking Company

Stacy Bowerman, Business Development Manager, provided the Board with information regarding this action item. This is a request from the Company for an amendment to its existing Job Creation MBT Credit. The amendment is required to accurately reflect how the Company hires Qualified New Jobs related to the original Job Creation MBT Credit. The Company is requesting an amendment to its existing tax credit to allow job creation at all Roskam Baking facilities in Kent County. The Company’s hiring practice is to place experienced staff on new product lines. As a result, the new hires backfill the vacated positions and are placed at other Roskam Baking sites within Kent County. Expanding the Project Site to include the Company’s related entities and allow job creation within Kent County will allow the Company to claim the actual new hires as a result of the original project.

Staff Recommendation

MEDC Staff recommends the amendment, as outlined in the resolution and terms sheet.

Board Discussion

Mr. Finney asked if there were any questions from the Board. There being none, Jay Wortley motioned for the approval of Resolution 2014-041. Mike Zimmer seconded the motion. **The motion carried: 7 ayes; 0 nays; 0 recused; 3 absent.**

Michigan Business Development Program

Resolution 2014-042 – BorgWarner, Inc. – Performance Based Grant Request

Trevor Friedeberg, Business Development Manager, provided the Board with information regarding this action item. He introduced the following guests: Scott Gillette & Andy Minkus of BorgWarner, Mark Adams of Oakland County. Mr. Gillette provided the Board with a brief history of the company, and of the project. This is a request from the Applicant for a \$3,200,000 Performance-based grant. The Applicant is a global product leader in powertrain solutions focusing on developing leading powertrain technologies that improve fuel economy, emissions and performance. The Company is headquartered in Auburn Hills, Michigan. This project involves the creation of 180 Qualified New Jobs, with the potential for up to 200 total jobs as a result of the project, and a capital investment of up to \$11,000,000 in the City of Auburn Hills, Oakland County.

Staff Recommendation

MEDC Staff recommends the approval of this project as outlined in the resolution and terms sheet.

Board Discussion

Mr. Finney asked if there were any questions from the Board. Discussion ensued regarding the potential alternate locations, had the company not elected to expand in Michigan, and the anticipated timeline for the job creation component of the agreement. There being no further questions, Mike Jackson motioned for the approval of Resolution 2014-042. Craig DeNooyer seconded the motion. **The motion carried: 7 ayes; 0 nays; 0 recused; 3 absent.**

Resolution 2014-043 – M1 Rail – Performance Based Grant Request

Marcia Gebarowski, Business Development Manager, provided the Board with information regarding this action item. She introduced Jenny Norman, Chief Financial Officer for M1Rail, who provided a background on how the project came to fruition, and the potential the Rail has to act as a catalyst for future growth. This is a request from the Applicant for a \$10 million performance-based loan. This project involves a Qualified Investment of \$70 million and a total of up to 41 new jobs in the City of Detroit, Wayne County. The Applicant was formed by private sector and philanthropic leaders in 2008, as a result of Super Bowl XL when the need for reliable transit alternatives became more evident, to provide connections to key Detroit destinations within the Downtown, Midtown and New Center areas.

The Applicant plans to construct and operate a circulating streetcar route, approximately 3 miles in length along Woodward Avenue (M-1) from Larned Street in the Central Business District to Grand Boulevard in the New Center area in the City of Detroit. Eleven proposed stations along the new transit line were strategically selected to connect with DDOT and SMART bus routes, the Detroit People Mover, Megabus and Amtrak Service.

Staff Recommendation

MEDC Staff recommends the approval of this project, according to terms as provided in the resolution.

Board Discussion

Mr. Finney asked if there were any questions from the Board. Discussion ensued pertaining to the studies the organization conducted in preparation for this request, the projected annual operating costs, as well as the anticipated charges to citizens for use. There being no further questions, Craig DeNooyer motioned for the approval of Resolution 2014-043. Jay Wortley seconded the motion. **The motion carried: 7 ayes; 0 nays; 0 recused; 3 absent.**

ACCESS TO CAPITAL

Eric Hanna, Director, Debt Capital Programs, provided the Board with information regarding these action items.

Resolution 2014-044 – Michigan Loan Guarantee Program & Decision Document Approval

The program is a 21st Century Jobs Investment funded companion to the Loan Guarantee Program (“LGP”) which is funded with federal State Small Business Credit Initiative (“SSBCI”) dollars. Having a companion program allows the MSF to respond to transactions that are desirable but do not meet one or more federal rules. Those rules could include but are not limited to the maximum guarantee amount, the obligation to meet federal lender and borrower assurance standards, and some “use of proceeds” or “business type” restrictions which are unique to the federal program. In February the MSF approved a request to hold a public hearing on the Michigan Loan Guarantee Program (“MLGP”) guidelines. The meeting was held at 9AM on March 11, 2014 and there was no attendance. Staff also received no comments via phone or email on the proposed and posted guidelines.

Staff Recommendation

MEDC Staff Recommends approval of the program and decision document as outlined in the resolution.

Board Discussion

Mr. Finney asked if there were any questions from the Board. Discussion ensued pertaining to the reporting requirements for the program. Mr. Finney asked for confirmation that the existing programs are available on the website, and requested the Board have access to the interactive map which shows the locations of each participant. There being no further questions, Craig DeNooyer motioned for the approval of Resolution 2014-044. Jay Wortley seconded the motion. **The motion carried: 7 ayes; 0 nays; 0 recused; 3 absent.**

Resolution 2014-045 – Sunset Manor, Inc. – Bond Inducement

Sunset Manor, Inc. (“Sunset”), is requesting private activity bond financing for a project located in the Charter Township of Georgetown, Ottawa County, consisting of the construction and equipping of 40 new skilled nursing beds, 24 assisted living units and a therapy pool. The new facilities will be added to Sunset’s existing independent living facility known as Waterford Place. The project will commence in February 2014 and is anticipated to attain substantial completion by August of 2015. Upon completion, the project is estimated to create a total of approximately 30 full and 86 part-time positions.

Staff Recommendation

After reviewing the Private Activity Bond application for Sunset Manor, Inc., staff recommends the adoption of an Inducement Resolution in the amount of \$20,000,000.

Board Discussion

Mr. Finney asked if there were any questions from the Board. There being none, Mike Jackson motioned for the approval of Resolution 2014-045. Jody Vanderwel seconded the motion. **The motion carried: 7 ayes; 0 nays; 0 recused; 3 absent.**

Resolution 2014-046 – Four Seasons Development – Bond Inducement

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

Staff Recommendation

After reviewing the Private Activity Bond Application for Four Seasons Development, LLC, staff recommends the adoption of an Inducement Resolution in the amount of \$2,300,000 for this project.

Board Discussion

Mr. Finney asked if there were any questions from the Board. There being none, Craig DeNooyer motioned for the approval of Resolution 2014-046. Mike Jackson seconded the motion. **The motion carried: 7 ayes; 0 nays; 0 recused; 3 absent.**

Resolution 2014-047 – Lifecare, Inc. – Bond Authorizing

Lifecare, Inc. d/b/a Friendship Village is requesting private activity bond financing for a project consisting of constructing, installing, equipping, acquiring, and furnishing multiple facility improvements. Fifth Third Bank has committed to purchase 100% of the bonds in a private placement/direct purchase. Lifecare, Inc. d/b/a Friendship Village will realize interest cost savings of approximately 20% by financing the project through tax-exempt bonds. If the bond issuance amount is \$14,000,000 at an initial fixed rate of 3.81% per annum, those savings would total approximately \$133,000 in the first year.

Staff Recommendation

Based upon a determination by Warner Norcross & Judd LLP and the State of Michigan Attorney General’s office that the project complies with state and federal law requirements, for tax exempt financing, staff recommends the adoption of a Bond Authorizing Resolution in the amount of not to exceed \$14,000,000.

Board Discussion

Mr. Finney asked if there were any questions from the Board. There being none, Craig DeNooyer motioned for the approval of Resolution 2014-047. Mike Jackson seconded the motion. **The motioned carried with a roll call vote: 7 ayes; 0 nays; 0 recused; 3 absent.**

Resolution 2014-048 – Facility for Rare Isotope Beams (FRIB) – Bond Authorizing

The State is seeking to support the community share of the construction of the Facility for Rare Isotope Beams (FRIB) to be built on the campus of Michigan State University (MSU). The construction of the FRIB project involves more than \$600 million in direct investment, mainly from the Federal Government, and the operation of the FRIB is expected to create new employment in research and development for the State. MSU indicates the proposed facility will be approximately 220,160 square feet of a newly constructed facility to adjoin the existing National Superconducting Cyclotron Laboratory (NSCL). The project site is bounded by Wilson Road to the south, Bogue Street to the east and Shaw Lane to the north of the NSCL. The facility will consist of above ground and below ground facilities. The total civil construction cost is estimated to be \$165,000,000.

Staff Recommendation

Based upon a determination by Miller, Canfield, Paddock and Stone, P.L.C. and the State of Michigan Attorney General’s office that the project complies with state and federal law requirements, for tax exempt financing, staff recommends the adoption of a Bond Authorizing Resolution in the amount not to exceed \$100,000,000.

Board Discussion

Mr. Finney asked if there were any questions from the Board. There being none. Craig DeNooyer motioned for the approval of Resolution 2014-048. Jody Vanderwel seconded the motion. **The motion carried with a roll call vote: 7 ayes; 0 nays; 0 recused; 3 absent.**

ADMINISTRATIVE

Resolution 2014-049 – Amendment of MSF Background Check Policy

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

This request is primarily to amend the MSF Background Review Policy regarding the type of review on publicly traded companies that have filed all of its required SEC filings.

Staff Recommendation

After consulting with the Chief Compliance Officer and the Office of the Attorney General, staff recommends: Approval of an amendment of the MSF Background Review Policy, as follows:

- a) If an applicant (or its parent company) is publicly traded, and has filed all of its required SEC filings, a certification form shall not be required and a background check, covering the previous five (5) calendar year period, shall be conducted by reviewing the applicant's (or, as applicable, its parent company's) public filings with the SEC (e.g. annual reports and current event reports); provided, however, that if the applicant (or, as applicable, its parent company) has not filed all of its required SEC filings, then a certification form shall be required and processed as required for other entities.

Board Discussion

Mr. Finney asked if there were any questions from the Board. There being none, Mike Jackson motioned for the approval of Resolution 2014-049. Jody Vanderwel seconded the motion. The motion carried: 7 ayes; 0 nays; 0 recused; 0 absent.

Resolution 2014-050 – Amendment of Conflict of Interest Policy

Jarrold Smith, Assistant Attorney General, provided the Board with information regarding this action item on behalf of Kevin Francart, Chief Compliance Officer, and not acting on behalf of the Attorney General.

The Chief Compliance Officer (CCO) is required to assist the MSF Board with the creation, implementation, monitoring, and enforcement of various policies and procedures to prevent illegal, unethical, or improper conduct on the part of MSF Fund Board members. One of the policies the CCO is charged with recommending is a Conflict of Interest Policy. The Michigan Strategic Fund Act (MSF Act), MCL 125.2006, requires an MSF Board member who has a conflict of interest related to any matter before the MSF Board to disclose the conflict of interest as soon as possible and in any event before the MSF Board takes any action with respect to the matter. However, the MSF Act does not define what constitutes a conflict of interest, leaving that determination up to this Board subject to common conflict of interest principles. This Policy is drafted with those principles in mind and with the scope of the policy being guided by the Lobbyists, Lobbying Agents, and Lobbying Activities Act, MCL 4.411 *et seq.*; the Contracts of Public Servants with Public Entities Act, MCL 15.321 *et seq.*; and the Standards of Conduct for Public Officers and Employees Act, MCL 15.341 *et seq.*

Staff Recommendation

Mr. Smith, on behalf of Mr. Francart and appropriate staff, recommends the approval of the policy as revised.

Board Discussion

Mr. Finney asked if there were any questions from the Board. Mr. Finney asked if there were any question from the Board. Mike Jackson noted that after discussing his concerns with Jarrod Smith, Assistant Attorney General, he offered the following amendment to items (a) and (b) with the changes in **bold**:

“ A Business with which the MSF Board member or his or her immediate family member is associated, and that business’ interest **in the matter before the Board** would be, **solely with respect to that matter only**, indirect and amount to 2% or less of that Business’ annual revenue. An indirect interest is a pecuniary benefit to the business, but one in which the business is not receiving the proceeds or benefits of the matter before the MSF Board (1) directly from the MSF, (2) as a direct pass through from the MSF, or (3) depended to the outcome of the MSF Board’s decisions regarding the matter.”

As there were no further questions, Jay Wortley motioned to amend the original language. Craig DeNooyer seconded the motion. Therefore, Craig DeNooyer motioned for the approval of Resolution 2014-050, as amended. Mike Jackson seconded the motion. **The motion carried: 7 ayes; 0 nays; 0 recused; 3 absent.**

Resolution 2014-051 – 2014 CDBG Action Plan

Deb Stuart, Director, Community Development Incentives, provided the Board with information regarding this action item. The U.S. Department of Housing and Urban Development (“HUD”) allocates Community Development Block Grant (“CDBG”) funding to the State of Michigan, through the Michigan Strategic Fund (“MSF”), for further distribution to eligible Units of General Local Government to carry out State approved activities. The details on the selection criteria for each program are general in the Plan, but will be further defined in the Application Guide that will be considered for approval by the MSF at a later date. Project periods and grant amounts will be determined and tailored for each specific project proposal.

Staff Recommendation

After reviewing the programs and regulations, staff has concluded that the programs identified are in compliance with the federal CDBG regulations, and staff recommends the following action:

- The MSF authorizes the Fund Manager to submit the final CDBG 2014 Action Plan as part of the Consolidated Plan, in coordination with the MSHDA, to HUD for their consideration.

Board Discussion

Mr. Finney asked if there were any questions from the Board. There being none, Craig DeNooyer motioned for the approval of Resolution 2014-051. Jody Vanderwel seconded the motion. **The motion carried: 7 ayes; 0 nays; 0 recused; 3 absent.**

Mr. Finney adjourned the meeting at 11:20 am.

MEMORANDUM

Date: April 22, 2014
To: Michigan Strategic Fund Board
From: Michael Flanagan, Director, Equity Programs
Subject: *FY 2014 Entrepreneurial Support Specialized Services Request for Proposals
Request to Revise Joint Evaluation Committee Membership*

Action

The MEDC requests that the MSF approves the replacement of one Joint Evaluation Committee member for the Entrepreneurial Support Specialized Services RFP, which was approved by the MSF Board on March 25, 2014. Amy Cell, Senior Vice President, Talent Enhancement, MEDC, will be replaced by John Balbach, formerly from SBDC and Silicon Valley Bank.

The revised JEC will be as follows:

- John Balbach, Consultant
- Michael Flanagan, Director, Equity Programs, MEDC
- Pamela Lewis, Senior Program Officer, New Economy Initiative (NEI)
- Jack Miner, Director, Venture Center, University of Michigan
- Nataliya Stasiw, Senior Associate, Equity Programs, MEDC

Background

Amy Cell has already committed to participate on the JEC for the University Technology Acceleration Commercialization Program Request for Proposals where we feel her time and expertise will be utilized more effectively. As a proposed replacement, John Balbach will bring very valuable experience across multiple sectors including entrepreneurial ventures, banking, and public-private partnerships. For over 8 years John has had a stellar reputation in Michigan entrepreneurial eco-system and is presently responsible for establishing, managing and developing Midwest Innovation Partnerships for the Cleantech Open accelerator program.

Recommendation

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

- 1) Approval of the revised JEC for the Entrepreneurial Support Specialized Services RFP.

**MICHIGAN STRATEGIC FUND
RESOLUTION**

2014-

**ENTREPRENEURIAL SUPPORT SPECIALIZED SERVICES RFP – APPOINTMENT OF JOINT
EVALUATION COMMITTEE**

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

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

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

WHEREAS, at its March 25, 2014 meeting, the MSF Board authorized the issuance of the Entrepreneurial Support Specialized Services Request for Proposals (the “Entrepreneurial Services RFP”);

WHEREAS, the Act requires that proposals received in response to requests for proposals issued pursuant to MCL 125.2088k be reviewed by a joint evaluation committee (“JEC”);

WHEREAS, at its March 25, 2014 meeting, the MSF Board also appointed a JEC to review proposals submitted in response to the Entrepreneurial Services RFP;

WHEREAS, it is necessary to change the composition of the JEC appointed by the MSF Board on March 25, 2014; and

WHEREAS, the MEDC recommends and the MSF desires to appoint the following individuals the JEC to review proposals submitted in response to the Entrepreneurial Services RFP:

John Balbach, Consultant,
Michael Flanagan, Director, Equity Programs, MEDC,
Pamela Lewis, Senior Program Officer, New Economy Initiative,
Jack Miner, Director, Venture Center, University of Michigan, and
Nataliya Stasiw, Senior Associate, Equity Programs, MEDC.

NOW, THEREFORE, BE IT RESOLVED, the MSF Board approves the JEC as set forth above.

Ayes:

Nays:

Recused:

Lansing, Michigan
April 22, 2014



MEMORANDUM

Date: April 22, 2014

To: Michigan Strategic Fund Board

From: Joseph Martin, Manager, Community Revitalization and Brownfield Programs
Julius Edwards, Community Development Incentives
Ryan Kilpatrick, Community Assistance Team Specialist

Subject: City of Grand Rapids Brownfield Redevelopment Authority Request for Approval of an Act 381 Work Plan; and, Lofts on Michigan, LLC and The Bank of Holland Michigan Community Revitalization Program Request for Approval of a \$2,450,000 Other Economic Assistance –Loan Participation

Request

Lofts on Michigan, LLC (“Applicant” or “Borrower”) and The Bank of Holland (“Lender”) are requesting approval of a Michigan Community Revitalization Program incentive in the amount of \$2,450,000 in the form of loan participation under other economic assistance. The Applicant anticipates that the project could result in eligible investment of \$10,258,500 and total capital investment in the amount of \$15.2 million in the City of Grand Rapids and the creation of 15 jobs.

The City of Grand Rapids Brownfield Redevelopment Authority has submitted an Act 381 Work Plan (hereinafter Work Plan) request for the approval of local and school tax capture for eligible activities in the amount of \$3,151,225. Eligible activities that will be undertaken to alleviate Brownfield conditions on the property and complete the project include demolition of existing structures, and infrastructure improvements that include improvements to public sidewalks and curbs, as well as subsurface parking and green roof elements on private property.

Background

The proposed project is being developed by 616 Development, a boutique urban development firm based in Grand Rapids, Michigan. The two key principals of the organization are Derrick Coppess and Matt O’Connor. With a heavy emphasis on residential, 616 Development efforts focus on underutilized spaces in urban areas and their surrounding neighborhoods. All 616 residential properties in Grand Rapids are managed by the company’s community management arm, 616 Lofts. 616 Development has completed redevelopment of the upper floors of the Flanagan’s building and both buildings at 1&7 Ionia under the name of Ionia Ventures, LLC in Grand Rapids. In addition, 616 recently completed construction on the Kendall Building on Monroe Center in Grand Rapids.

Although the Applicant has not previously received a MSF award, 616 Development has an ownership interest in two projects in Grand Rapids that have received prior MSF awards – the Kendall Building at 16 Monroe Center and the buildings at 1 & 7 Ionia. The amounts of the awards were \$475,000 and \$361,500 respectively. Both projects have been successfully completed and are now fully occupied.

The Applicant plans to demolish the existing functionally obsolete and vacant building on the 0.68 acre property located at 740 and 756 Michigan Street in the City of Grand Rapids. The project includes construction of a new four-story 90,000 square foot building that will house an estimated 54 apartments above approximately 9,700 square feet of first floor commercial/retail space and 29,000 square feet of underground parking.

- a) 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 functionally obsolete by a Master Assessing Officer. The property is the subject of a Brownfield Plan, duly approved by the City of Grand Rapids on December 17, 2013.
- b) The Applicant plans to make an investment of \$2,741,500 to the project for the earthwork, environmental mitigation and site improvements, as authorized under the program. The project and the investment are described in more detail in the attached Summary of Terms. The project will be located in the City of Grand Rapids. The City has offered a financial commitment to the project in the form of TIF reimbursement for a period of 21 years. The estimated value of the TIF reimbursement is expected to be approximately \$3.1 million and will commence in July 2015.
- c) The project is located in a traditional commercial center along a high traffic corridor and qualifies for an MCRP award because it is functionally obsolete.

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

FINANCING OPPORTUNITY – MCRP LOAN PARTICIPATION

The project is seeking MSF participation in coordination with the Lender as the senior lender. The Lender, along with the Borrower, has requested the MSF participate in up to \$2,450,000 in a \$14,089,500 construction to permanent loan facility. The MSF would participate in all payments in proportion to its share of the loan, but would allow the collateral to apply first to the Lender’s share in an event of liquidation. It is anticipated that disbursements to project on loan will be made on a pro-rata basis. Below outlines a summary of the development sources and the proposed structure of the loan participation.

SUMMARY OF DEVELOPMENT SOURCES:

Loan Participation	\$	14,089,500
Developer Equity	\$	<u>1,060,500</u>
TOTAL	\$	15,150,000

LOAN FACILITY

MSF Facility	MCRP Loan Participation and Servicing Agreement Under “other economic assistance”
Borrower:	Lofts on Michigan, LLC
Lender:	The Bank of Holland
Total Loan Amount:	Currently estimated at \$14,089,500, not to exceed \$16,000,000
Lender Share:	Currently estimated at \$11,639,500, not to exceed 80% of Appraised Value
MSF Share:	Up to \$2,450,000
Term:	To match that of the Lender, not to exceed 120 months with an interest only period of up to 24 months.

- Amortization:** On the MSF Share up to 25 years following the interest only period.
- Interest Rate:** On the MSF Share 1.00% per annum
- Repayment Terms:** On the MSF Share up to 24 months of monthly interest only payments followed by monthly principal and interest payments.
- Up to \$1,000,000 of the MSF Share of the loan to be forgiven at issuance of a “Certificate of Occupancy” for the entire building.
- Collateral:** To match that of the Lender, currently anticipated being a mortgage lien on the property and assignment of leases and rents. MSF Share of collateral will be subordinated to that of the Lender.
- Guarantee:** To match that of the Lender, currently anticipated being the unlimited unsecured personal guarantees of 616 Holdings and Lofts on Michigan, LLC members. The MSF Share of guarantee will be subordinated to the Lender
- Fee:** The MSF shall be paid a one-time fee equal to 1.00% of the MSF’s Share of the loan. The Lender may charge the borrower for this fee.
- Funding:** The MSF will fund up to \$2,450,000 to be disbursed following closing of the Loan and other performance criteria.
- MSF Delegation:** It is requested the Board delegate to the MSF Fund Manager, in consultation with legal counsel and other MSF and MEDC staff the final terms for the payment and amortization schedule, collateral, interest rate on the lenders share, and guarantees.

Recommendation

The MEDC staff recommends approval of an MCRP performance-based loan participation in the amount of \$2,450,000 and approval of local and school tax capture for the Act 381 eligible activities totaling \$3,151,225 described above. The MCRP commitment will remain valid until October 22, 2014 (180 days after approval) with approval for the MSF Fund Manager to extend the commitment an additional 60 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 properties located at 740 and 756 Michigan are functionally obsolete and underutilized. Located along a traditional business corridor, the subject properties have been vacant and falling into disrepair for nearly a decade. The approximately \$16 million project will be a significant investment in a portion of the corridor which will help support local business and raise surrounding property values. The project fits with the vision of the community as expressed in the Michigan Street Corridor Area Plan.

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

This project is expected to have a significant impact upon the corridor and the surrounding neighborhood, providing much needed market rate apartments within walking distance to a major medical district a half mile to the east. The project will also contribute new retail/commercial opportunities within the immediate area. More than 230 feet of frontage along Michigan Street will be transformed from vacant buildings and parking lots into vibrant mixed use and pedestrian oriented project with more than 50 residential dwellings. Further, the project includes underground parking, a project component that has not yet been incorporated into any other projects outside of the core medical district or downtown. This creates an opportunity to create a new model for restricted sites to provide strong urban form without sacrificing tenant amenities such as parking.

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

The City of Grand Rapids has committed to both a Neighborhood Enterprise Zone as well as a Brownfield TIF for the project. The NEZ is expected to result in \$968,000 in tax savings for the developer and \$3.1 million in Brownfield TIF reimbursement over the life of the project. The local neighborhood organization (Midtown Neighborhood Association) and the local business community (Michigan Street Corridor Association) have also provided letters of strong support for the project.

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

The development team has been able to secure financing of up to 80% of the appraised value of the real estate and is contributing a minimum of 7% of the total development cost as an owner

equity contribution. The remaining gap is being filled with an MCRP incentive. The incentive will allow the project to be financially viable through the reduced interest rate, extended interest only period and debt forgiveness.

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

The site at 740 Michigan is currently occupied by a small two story building which has been determined to be functionally obsolete by the City of Grand Rapids.

F. Creation of jobs:

The development team has estimated a total of 15 permanent retail/service jobs will be created as a result of the development with an average hourly wage estimated to be \$15 per hour.

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

The developer/owner will provide more than \$1 million in equity (approximately 7% of total project cost), and the development team has secured financing from the Lender in the amount of not less than 80% of the appraised value anticipated to be a minimum of \$11.6 million.

H. Whether the project is financially and economically sound:

Following achievement of stabilized operations it anticipated that the projected debt service coverage ratio (DSCR) will be just under our typically required 1.20 to 1.00. Staff is comfortable with the coverage ratio due to the improving rental market in Grand Rapids and preleasing requirements that are being required by the Lender. Additionally, the projected DSCR was based on a relatively conservative vacancy rate of 7.5%; properties in the area are experiencing vacancy rates of less than 5%.

Staff performed a review of the rental assumptions for the project. Based on market information contained within an appraisal performed by CBRE and dated February 14, 2014, staff has concluded that rental and occupancy assumptions are reasonable for the project. Additionally, as mentioned above, the Lender has certain preleasing requirements for the property that furthers staff's comfort level.

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

The Midtown neighborhood which surrounds the project has an average density of approximately 12 dwelling units per acre, most of which are single family and duplex houses. The proposed project establishes a site density of 79 units per acre. This is six times as dense as the surrounding neighborhood and introduces a mix of commercial/retail and residential. The local neighborhood association has submitted a letter indicating their support.

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

The project will house an estimated 54 apartments above approximately 9,700 square feet of first floor commercial/retail space and 29,000 square feet of underground parking. The project is in a reasonable walking distance for residents in the surrounding neighborhoods and the overall project will reinforce the walkability of the neighborhood.

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

The project site/building is not publicly owned.

L. Whether the project promotes sustainable development:

The project incorporates sustainable construction including a green roof and underground parking which reduces the need for adjacent surface lots. The site will be highly walkable to the adjacent neighborhoods and is located along a primary transit route upon which both public and private transit services are provided at regular intervals. The increased residential density will create demand for service and commercial businesses in the immediate area.

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

No historic resources are located in the project area.

N. Whether the project addresses area-wide redevelopment:

The proposed project is the type of development envisioned for this area during the Michigan Corridor Area Plan, e.g. mixed use, high density and connected to transit. Success of the project will likely encourage similar development as it will not likely satisfy demand for this type of housing in the immediate area.

O. Whether the project addresses underserved markets of commerce:

A 2012 housing study commissioned by the City of Grand Rapids found that a majority of the available housing within this portion of the city is comprised of 80 to 120 year old single family homes. Although some of these homes have been converted into rental units, the housing study found that the near downtown portion of the City could accommodate nearly 5,000 new residential rental units per year for the next ten years. The proposed project will offer some of the first new construction, modern residential units available for rent on the northeast side of the City.

P. The level and extent of environmental contamination:

No environmental contamination has been identified on the property.

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):

No historic resources are located in the project area.

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

The commercial vacancy rate among usable sites along Michigan Street is very low. It is not expected that retail or commercial uses proposed by the project will disadvantage or compete with nearby businesses.

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

No additional criteria need to be considered for this project.

ADDITIONAL STATUTORY CRITERIA UNDER ACT 381:

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

The existing buildings on the site will be demolished.

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

The Brownfield Tax Increment Financing is needed to reduce the costs of demolition of existing buildings and assist with the costs of subgrade parking that supports high density residential use.

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

No new Brownfields will be created by this project.

d) Other Factors Considered

No additional factors need to be considered for this project.

INCENTIVE OPPORTUNITY Act 381 TIF:

There are 45.4524 non-homestead mills available for capture, with school millage equaling 24 mills (52.8%) and local millage equaling 21.4524 mills (47.2%). The requested tax capture for eligible activities breaks down as follows:

School tax capture (52.8%)	\$ 1,663,847
Local tax capture (47.2%)	<u>\$1,487,378</u>
TOTAL	\$3,151,225

COST OF ELIGIBLE ACTIVITIES

Demolition	\$ 30,000
Infrastructure Improvements	<u>+2,701,500</u>
Sub-Total	\$2,731,500
Contingency (15%)	<u>+ 409,725</u>
Sub-Total	\$3,141,225
Brownfield/Work Plan Preparation	<u>+ 10,000</u>
TOTAL	\$3,151,225

APPENDIX B



**MICHIGAN STRATEGIC FUND
RESOLUTION 2014-**

**APPROVAL OF A MICHIGAN COMMUNITY REVITALIZATION PROGRAM LOAN
PARTICIPATION AWARD TO LOFTS ON MICHIGAN, 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”), and (iii) approved the MSF Fund Manager to negotiate the final terms and conditions of the written agreements to be used to memorialize MCRP awards on the MSF’S behalf in accordance with the Guidelines (“Transaction Documents”);

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

WHEREAS, The Bank of Holland (“Lender”) has provided a loan commitment to Lofts on Michigan, LLC and /or related entities (“Proposed Borrower”) of up to \$14,150,000 toward financing construction activities and infrastructure improvements to real property (“Project”);

WHEREAS, the Lender and the Proposed Borrower have requested a performance based loan participation award from the MSF under the MCRP for the Project in an amount not to exceed up to \$2,450,000 (“Award Request”), along with other general terms and conditions for the Award Request which are outlined in the term sheet attached as Exhibit A (“Term Sheet”);

WHEREAS, the MEDC has recommended that the MSF approve the Award Request in accordance with the Term Sheet, subject to: (i) available funding, (ii) final due diligence performed to the satisfaction of the MEDC; and (iii) execution of the Transaction Documents by October 22, 2014 (“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 (“MCRP Award Recommendation”);

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

BE IT FURTHER RESOLVED, the Board delegates to the MSF Fund Manager, in consultation with legal counsel and other MSF and MEDC staff the final terms for the payment and amortization schedule, collateral, interest rate on the lenders share, and guarantees.

ADOPTED

Ayes:

Nays:

Recused:

Lansing, Michigan
April 22, 2014

Exhibit A

LOAN FACILITY

MSF Facility	MCRP Loan Participation and Servicing Agreement Under “other economic assistance”
Borrower:	Lofts on Michigan, LLC
Lender:	The Bank of Holland
Total Loan Amount:	Currently estimated at \$14,089,500, not to exceed \$16,000,000
Lender Share:	Currently estimated at \$11,639,500, not to exceed 80% of Appraised Value
MSF Share:	Up to \$2,450,000
Term:	To match that of the Lender, not to exceed 120 months with an interest only period of up to 24 months.
Amortization:	On the MSF Share up to 25 years following the interest only period.
Interest Rate:	On the MSF Share 1.00% per annum
Repayment Terms:	On the MSF Share up to 24 months of monthly interest only payments followed by monthly principal and interest payments. Up to \$1,000,000 of the MSF Share of the loan to be forgiven at issuance of a “Certificate of Occupancy” for the entire building.
Collateral:	To match that of the Lender, currently anticipated being a mortgage lien on the property and assignment of leases and rents. MSF Share of collateral will be subordinated to that of the Lender.
Guarantee:	To match that of the Lender, currently anticipated being the unlimited unsecured personal guarantees of 616 Holdings and Lofts on Michigan, LLC members. The MSF Share of guarantee will be subordinated to the Lender
Fee:	The MSF shall be paid a one-time fee equal to 1.00% of the MSF’s Share of the loan. The Lender may charge the borrower for this fee.
Funding:	The MSF will fund up to \$2,450,000 to be disbursed following closing of the Loan and other performance criteria.
MSF Delegation:	It is requested the Board delegate to the MSF Fund Manager, in consultation with legal counsel and other MSF and MEDC staff the final terms for the payment and amortization schedule, collateral, interest rate on the lenders share, and guarantees

**RESOLUTION 2014-
MICHIGAN STRATEGIC FUND**

**City of Grand Rapids Brownfield Redevelopment Authority
Lofts on Michigan LLC Redevelopment Project
Grand Rapids**

At the meeting of the Michigan Strategic Fund (“MSF”) held on April 22, 2014, in Lansing, Michigan.

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

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

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

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

WHEREAS, the City of Grand Rapids Brownfield Redevelopment Authority (the “Authority”) has submitted a work plan for property located at 740 and 756 Michigan Avenue NE within the City of Grand Rapids, known as Lofts on Michigan LLC Redevelopment Project (the “Project”);

WHEREAS, the City of Grand Rapids is a “qualified local governmental unit” and is eligible to provide for a) demolition; b) lead and asbestos abatement; c) public infrastructure improvements; d) site preparation; e) brownfield work plan preparation and 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 52.8% to 47.2% ratio currently existing between school and local taxes for

non-homestead properties, to reimburse the cost of demolition and infrastructure improvements as presented in the revised Work Plan dated January 16, 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 \$3,141,225 for the principal activity costs of non-environmental activities and a contingency, and a maximum of \$10,000 for Brownfield/Work Plan preparation, and with the capture of taxes levied for school operating purposes being limited to a maximum of \$1,663,847.

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 22, 2014
Lansing, Michigan



MEMORANDUM

Date: April 22, 2014

To: Michigan Strategic Fund Board

From: Dan Wells, Brownfield Specialist
Joe Martin, Manger Brownfield & Community Revitalization Program
Ryan Kilpatrick, Community Assistance Team

Subject: City of Grand Rapids Brownfield Redevelopment Authority
Community Development Program — Act 381 Work Plan Approval

Request

The city of Grand Rapids Brownfield Redevelopment Authority is seeking approval of local and school tax capture for MSF eligible activities in the amount of \$1,376,375.

Background

The tax increment financing will be utilized to redevelop a city block of approximately three acres of property located at 221 Trowbridge Street NE in the city of Grand Rapids. The project will include the demolition of twelve single family homes and two associated single car garages, with subsequent construction of four multi-story residential structures that integrate low impact stormwater management design elements. The buildings will include approximately 66 market rate apartment units and site amenities. Eligible activities include asbestos abatement prior to demolition, and site preparation activities include relocation of utility lines, and construction of soil retaining walls. Infrastructure improvements include green roofs, pervious pavement in parking areas and sub-grade parking on private property. Curb and gutter, landscaping and water and sewer line infrastructure improvements will be made in the public right-of-ways. The property is currently owned by JB Attorney Holdings Clancy 2, LLC, a subsidiary of RJM Properties, a development firm based in Allendale, Michigan and which has not previously received any MSF incentives.

Approximately three permanent full-time jobs are anticipated to be created by the residential portion of the project at an average hourly wage of \$15. The total capital investment will be approximately \$8 million.

Property Eligibility

The project is located within the boundaries of the City of Grand Rapids, which is a Qualified Local Governmental Unit, and has been determined to be a facility as verified by Michigan Department of Environmental Quality (DEQ). The property is the subject of a Brownfield Plan, duly approved by the City of Grand Rapids on March 25, 2014.

Other State and Local Assistance to the Project

No other incentives besides the Act 318 Brownfield plan will be utilized by the project. The Brownfield plan includes a request to DEQ for environmental eligible activities totaling \$466,348.

Tax Capture Breakdown

There are 46.4924 non-homestead mills available for capture, with school millage equaling 24 mills (51.62%) and local millage equaling 22.4924 mills (48.38%). The requested tax capture for MSF eligible activities breaks down as follows:

School tax capture (51.62%)	\$ 710,485
Local tax capture (48.38%)	<u>\$ 665,890</u>
TOTAL	\$1,376,375

Cost of MSF Eligible Activities

Demolition	\$ 95,000
Asbestos Abatement	54,000
Infrastructure Improvements	508,500
Site Preparation	+ <u>535,000</u>
Sub-Total	\$1,192,500
Contingency (15%)	+ <u>178,875</u>
Sub-Total	\$1,371,375
Brownfield/Work Plan Preparation	+ <u>5,000</u>
TOTAL	\$1,376,375

Recommendation

The MEDC recommends approval of the request by City of Grand Rapids Brownfield Redevelopment Authority to capture local and school taxes for MSF eligible activities totaling \$1,376,375 described above. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at \$710,485.

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 proposed project represents a collaborative effort between the neighborhood and the developer. It will provide a broad range of housing opportunities while maintaining neighborhood character. The project will also abate environmental contaminants, including heavy metals and Suspected Volatile Organic Compounds which are above safe residential levels.

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

This project is expected to create approximately three new, full-time jobs in property management.

c) Area of High Unemployment:

The City of Grand Rapids adjusted jobless rate was 7.6% in January, 2014.

d) Level and Extent of Contamination Alleviated:

Approximately 10,000 cubic yards of contaminated soil will be removed from the site and disposed of within a Type II landfill. All asbestos within the existing single family homes will be properly removed and disposed of.

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

The project is not qualifying as functionally obsolete or blighted.

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

The Brownfield reimbursement is required to offset the costs of pre-demolition asbestos abatement, demolition of existing structures and foundations on site, and construction of retaining walls to allow higher density building construction and subgrade parking. The project also includes costs for removal of contaminated soils, green infrastructure elements and public improvements that support the development, without reimbursement the costs would make the project unfeasible.

g) Whether Project will Create a New Brownfield Property in the State:

No new Brownfields will be created by this project.

h) Whether the Project is Financially and Economically Sound:

From the materials received, the MEDC infers that the Work Plan is financially and economically sound.

i) Other Factors Considered:

No additional factors need to be considered for this project.

MAP OF PROJECT AREA



**RESOLUTION 2014-
MICHIGAN STRATEGIC FUND**

**City of Grand Rapids Brownfield Redevelopment Authority
JB Attorney Holdings Clancy 2, LLC Redevelopment
Grand Rapids**

At the meeting of the Michigan Strategic Fund (“MSF”) held on April 22, 2014, in Lansing, Michigan.

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

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

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

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

WHEREAS, the City of Grand Rapids Brownfield Redevelopment Authority (the “Authority”) has submitted a work plan for property located at 221 Trowbridge Street NE within the City of Grand Rapids, known as JB Attorney Holdings Clancy 2, LLC Redevelopment (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 51.62% to 48.38% ratio currently existing between school and local taxes

for non-homestead properties, to reimburse the cost of site preparation, demolition, asbestos abatement and infrastructure improvements as presented in the revised Work Plan dated March 26th, 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 \$1,371,375 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 \$710,485.

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 22, 2014
Lansing, Michigan



MEMORANDUM

Date: April 22, 2014

To: Michigan Strategic Fund Board

From: Dan Wells, Brownfield Specialist
Joseph Martin, Manager, Community Revitalization and Brownfield Programs
Roselyn J. Jones, Community Assistance Team Specialist

Subject: City of Kalamazoo Brownfield Redevelopment Authority
Community Development Program — Act 381 Work Plan Approval

Request

The City of Kalamazoo Brownfield Redevelopment Authority is seeking approval of local and school tax capture for MSF eligible activities in the amount of \$1,403,604.

Background

The tax increment financing will be utilized to redevelop property located within the “2700 Block of West Michigan Avenue” in the City of Kalamazoo. This project involves construction of a new five story, mixed use building on approximately 1.54 acres of property. The site is a single parcel owned by Main Street Properties V, LLC, which has not previously received incentives from MSF.

The 130,000 square foot development includes first floor commercial retail, restaurant, and office space; forty four-bedroom apartments on the second through fifth floors; and on-site parking. The first floor will provide approximately 15,000 square feet of commercial retail, fast food, and pub/café space along with 1,000 square feet of office space and 4,500 square feet of secured parking (15 spaces). The second, third, fourth, and fifth floors will provide about 16,000 square feet of residential apartments per floor. Each apartment will be approximately 1,500 square feet in size. Eligible activities that will be undertaken to alleviate Brownfield conditions on the property and complete the project include demolition of existing buildings, pre-demolition asbestos abatement, infrastructure improvements to surrounding streets, roads and sidewalks on public right-of-way and stormwater management on private land. Site preparation costs include clearing and grubbing, temporary construction facilities, excavation of urban fill and replacement with engineered fill, and final grading.

Approximately 100 full-time equivalent jobs are anticipated to be created by the commercial portion of the project at an average hourly wage of \$5.80, based on the restaurant tenants use of part-time student labor. The total capital investment will be approximately \$13.6 million.

Property Eligibility

The project is located within the boundaries of the City of Kalamazoo, which is a Qualified Local Governmental Unit, and has been deemed functionally obsolete as verified by a Michigan Master Assessing Officer (MMAO) assessor. The property is the subject of a Brownfield Plan, duly approved by the City of Kalamazoo on January 13, 2014.

Other State and Local Assistance to the Project

The applicant has requested reimbursement for \$14,375 in environmental costs from the Department of Environmental Quality. No other incentives will be utilized by the project.

Tax Capture Breakdown

There are 61.7701 non-homestead mills available for capture, with school millage equaling 24 mills (38.85%) and local millage equaling 37.7701 mills (61.15%). The work plan details \$1,406,755 in costs related to the project, but the Brownfield development and reimbursement agreement caps the amount available for reimbursement at \$1,403,604, so the MSF will limit total school and local tax capture at that amount. To bring the total amount being approved in the work plan into line with the reimbursement agreement, the contingency was reduced accordingly. The requested tax capture for MSF eligible activities breaks down as follows:

School tax capture (38.85%)	\$ 545,300
Local tax capture (61.15%)	\$ 858,304
TOTAL	\$1,403,604

Cost of MSF Eligible Activities

Demolition	\$ 154,300
Lead or Asbestos Abatement	40,000
Infrastructure Improvements	682,500
Site Preparation	+ 336,900
Sub-Total	\$1,213,700
Contingency (14.7%)	+ 178,904
Sub-Total	\$1,392,604
Brownfield/Work Plan Preparation	+ 11,000
TOTAL	\$1,403,604

Recommendation

The MEDC recommends approval of the request by City of Kalamazoo Brownfield Redevelopment Authority to capture local and school taxes for the MSF eligible activities totaling \$1,403,604 described above. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at \$545,300.

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 is located at the western gateway to Western Michigan University's campus. It improves the quality of housing options available to students and complements infill development taking place in the neighborhood. A significant change in the existing streetscape is planned – providing improved sidewalks, lighting, parking, landscaping, new curb and gutter, burial of overhead electric and other features. These infrastructure activities will take place in the public right of way, provide the public with improved amenities, and create a walkable neighborhood center.

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

This project is expected to create approximately 100 new, full-time equivalent jobs in the retail and food service sectors ranging from servers to managerial positions.

c) Area of High Unemployment:

The City of Kalamazoo's unadjusted jobless rate was 9.0% in February 2014. This compares to the statewide seasonally adjusted average of 8.5% in February 2014.

d) Level and Extent of Contamination Alleviated:

The project is not qualifying as a facility and the level of contamination is unknown.

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

The project involves demolition of eight residential buildings, three of which have been converted to commercial use and five are vacant. The City of Kalamazoo Assessor has inspected all of them and determined them to be functionally obsolete.

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

The Brownfield TIF is needed to cover \$1.4 million in demolition, asbestos abatement infrastructure improvement, and site preparation costs for the conditions that exist on the property which would not be present on a greenfield development.

g) Whether Project will Create a New Brownfield Property in the State:

No new Brownfields will be created by this project.

h) Whether the Project is Financially and Economically Sound:

From the materials received, the MEDC infers that the work plan is financially and economically sound.

i) Other Factors Considered:

No additional factors need to be considered for this project.

MAP OF PROJECT AREA



**RESOLUTION 2014-
MICHIGAN STRATEGIC FUND**

**City of Kalamazoo Brownfield Redevelopment Authority
West Michigan Avenue Redevelopment
City of Kalamazoo**

At the meeting of the Michigan Strategic Fund (“MSF”) held on April 22, 2014 in Lansing, Michigan.

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

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

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

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

WHEREAS, the City of Kalamazoo Brownfield Redevelopment Authority (the “Authority”) has submitted a work plan for property located at the 2700 block of West Michigan Avenue within the City of Kalamazoo, known as West Michigan Avenue Redevelopment (the “Project”);

WHEREAS, the City of Kalamazoo 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 38.85% to 61.15% ratio currently existing between school and local taxes for non-homestead properties, to reimburse the cost of site preparation, demolition, lead and asbestos abatement and infrastructure improvements as presented in the revised Work Plan dated April 3, 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 \$1,392,604 for the principal activity costs of non-environmental activities and a contingency, and a maximum of \$11,000 for Brownfield/Work Plan preparation, and with the capture of taxes levied for school operating purposes being limited to a maximum of \$545,300.

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 Kalamazoo 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 22, 2014
Lansing, Michigan



MEMORANDUM

Date: April 22, 2014

To: Michigan Strategic Fund Board

From: Eric Hanna, Director, Debt Capital Programs

Subject: *Private Activity Bond – Bond Inducement
Dominican Health Care Corporation d/b/a Lourdes Senior Community
Non-Profit - \$14,500,000 – New*

Request:

Dominican Health Care Corporation d/b/a Lourdes Senior Community (“Lourdes”) is requesting private activity bond financing for the conversion of all of its skilled nursing rooms to private rooms. These renovations will be made to Lourdes Nursing Home, which is located on Lourdes’ 38-acre campus in the Charter Township of Waterford, Oakland County. Currently there are 16 private rooms for its skilled nursing residents, and with this project an additional 92 rooms will be available for private residency. The current 4-bed ward and semi-private units are 488 square feet and 255 square feet respectively. As private rooms, they will be converted to 295 square foot resident rooms. The estimated cost of the construction is \$10.2 million and the acquisition and installation of equipment and furnishings is estimated to be approximately \$1.2 million, in addition to capitalized interest and required reserves.

Lourdes currently employs approximately 176 individuals. No new jobs are expected to be created.

Background:

Lourdes is a Michigan nonprofit corporation founded in 1965 which maintains its tax-exempt status under Section 501(c)(3) of the Internal Revenue Code. Lourdes owns and operates four senior living facilities in Michigan. These facilities allow Lourdes to offer independent and assisted living, Alzheimer’s care, and skilled nursing amenities to their residents.

Plan of Finance:

Lourdes has retained the services of B. C. Ziegler and Company to conduct a tax-exempt credit solicitation search process. Ziegler will act as an agent on behalf of Lourdes by soliciting and negotiating offers from prospective lenders for Lourdes’ Series 2014 financing. At the time of preparation, PNC Bank, National Association has offered terms to privately purchase all of the bonds. On these terms, Lourdes would realize a savings of approximately \$1,329,780 over ten years against comparable taxable interest rates.

Recommendation:

After reviewing the Private Activity Bond application for Lourdes, staff recommends the adoption of an Inducement Resolution in the amount of \$14,500,000.

Michigan Economic Development Corporation

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MICHIGAN STRATEGIC FUND

INDUCEMENT RESOLUTION

2014-

Dominican Health Care Corporation d/b/a Lourdes Senior Community

WHEREAS, Dominican Health Care Corporation d/b/a Lourdes Senior Community (“the Company”), a Michigan non-profit corporation, is presently located at 2300 Watkins Lake Road, Charter Township of Waterford, Oakland County, Michigan;

WHEREAS, the Company desires to construct private skilled nursing rooms, expand the rehabilitation and therapy space and acquire equipment and furnishings for its nursing facility in the Charter Township of Waterford, Oakland County (the “Project”);

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

WHEREAS, the Company has advised the MSF that the cost of the Project will not exceed Fourteen Million Five Hundred Thousand Dollars (\$14,500,000);

WHEREAS, the Act authorizes 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 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 31, 2014.

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 Fourteen Million Five Hundred Thousand Dollars (\$14,500,000). The Company shall be obligated to make loan repayments in an amount sufficient to assure full repayment of the Bonds, establish appropriate reserves, if any, 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; and 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, 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, if required, 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 or depository 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.

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; 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 22, 2014

To: Michigan Strategic Fund Board

From: Eric Hanna, Director, Debt Capital Programs

Subject: *Private Activity Bond – Bond Authorizing
Sunset Manor, Inc.
Non-Profit – Not to Exceed \$20,000,000 – New*

Request:

Sunset Manor, Inc. (“Sunset”), is requesting private activity bond financing for a project located in the Charter Township of Georgetown, Ottawa County, consisting of the construction and equipping of 40 new skilled nursing beds, 24 assisted living units and a therapy pool. The new facilities will be added to Sunset’s existing independent living facility known as Waterford Place.

The project commenced in February 2014 and is anticipated to attain substantial completion by August of 2015. The project is estimated to create a total of approximately 65 full and part-time positions.

Background:

Sunset Manor, Inc., is a Michigan nonprofit corporation, which was incorporated in 1968, and is tax-exempt under Section 501(c)(3) of the Internal Revenue Code. Sunset owns several skilled nursing and licensed assisted living facilities and independent living apartments in western Michigan. Sunset owns and operates independent senior living facilities under the name of Waterford Place and Sunset Village, and licensed homes for the aged, skilled nursing and dementia care units as Sunset Manor and Brookcrest. Sunset offers life-lease arrangements which provide residents with assurance that care will be provided to them through all phases of life during their senior years.

Plan of Finance:

The Bonds will be purchased by RBS Citizens, N.A. in a private placement transaction. Ziegler Investment Banking/Senior Living is acting as placement agent for the Bonds. It is anticipated Sunset will realize interest cost savings of approximately \$608,724 by financing the project through tax-exempt bonds. If the bond issuance amount is \$20,000,000 at an initial fixed rate of 1.34% per annum, those savings would total approximately \$105,445 in the first year.

Recommendation:

Based upon a determination by Dickinson Wright PLLC, and the State of Michigan Attorney General’s office that the project complies with state and federal law requirements for tax exempt financing, the staff recommends the adoption of a Bond Authorizing Resolution in the amount of not to exceed \$20,000,000.

Michigan Economic Development Corporation

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RESOLUTION TO AUTHORIZE THE ISSUANCE OF THE MICHIGAN STRATEGIC FUND LIMITED OBLIGATION REVENUE BONDS, SERIES 2014 (SUNSET MANOR, INC. PROJECT) (THE "BONDS")

Resolution 2014-__

Background

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

B. Sunset Manor, Inc., a Michigan nonprofit corporation (the "Obligor"), has requested a loan from the Fund to assist the Obligor in: (1) financing the acquisition, construction, installation, furnishing and equipping of an approximately 70,000 sq. ft. assisted living and skilled nursing facility to be owned and operated by the Obligor, which will include 40 new skilled nursing beds, 24 assisted living units and a new therapy pool, to be added to the Obligor's existing independent living facility known as Waterford Place located at 1725 Port Sheldon Street, Georgetown Charter Township, Ottawa County, Michigan (the "Project"), and (ii) to pay capitalized interest and certain Bond issuance costs. The Project will be owned and operated by Obligor in furtherance of its charitable purpose of providing healthcare and housing services to seniors.

C. The Obligor has requested the Fund to issue the Bonds in one or more series in a principal amount not to exceed \$20,000,000 pursuant to this resolution (the "Resolution"), and a bond indenture (the "Indenture"), between the Fund and RBS Citizens, N.A. as depository (the "Bank") relating to the Bonds to obtain funds which will be loaned to the Obligor pursuant to a loan agreement between the Fund and the Obligor (the "Loan Agreement"), to pay costs of the Project, capitalized interest and certain Bond issuance costs.

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

E. The Bonds will be purchased by RBS Citizens, N.A. (the "Bank"), pursuant to a bond purchase agreement among the Bank, the Fund, and the Obligor (the "Bond Purchase Agreement").

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

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

The terms of the Bonds shall be substantially in the form contained in the Indenture, with the changes permitted or required by action of the Fund and the Indenture. The Bonds shall bear the manual or facsimile signature of a member of the Fund's Board of Directors (a "Member") or of a person authorized by Board Resolution to sign Bond documents on behalf of the Fund (an "Authorized Officer"), and the official seal of the Fund (or a facsimile of the seal) shall be impressed or imprinted on the Bonds. The Bonds and the interest and any premium on the Bonds are not a debt or obligation of the State of Michigan or a general obligation of the Fund within the

meaning of any constitutional or statutory limitation and do not constitute a charge against the credit or taxing powers of the State of Michigan or the general funds or assets of the Fund (including funds relating to other Fund loans or activities), but shall be limited obligations of the Fund payable solely from the revenues derived from the Loan Agreement and otherwise as provided in the Indenture.

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

- a. Bond Purchase Agreement
- b. Loan Agreement
- c. Indenture

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

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

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

- a. an opinion of bond counsel to the Fund acceptable to the Fund and the Attorney General of the State of Michigan (the "Attorney General"),
- b. an opinion of counsel to the Obligor and necessary certificates and representations of the Obligor acceptable to the Fund, the Attorney General, and bond counsel, and
- c. an approving opinion of the Attorney General.

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

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

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

SECTION 7. Conflict and Effectiveness. All resolutions or other proceedings of the Fund in conflict with this Resolution are repealed to the extent of the conflict. This Resolution shall become effective upon adoption. If the Bonds are not delivered to their original purchaser on or before June 1, 2014, the authority granted by this Resolution shall lapse.

Adopted.

Ayes:

Nays:

April 22, 2014 Meeting
Lansing, Michigan



MEMORANDUM

Date: April 22nd, 2014
To: Michigan Strategic Fund Board
From: Roselyn Zator, Managing Director, Entrepreneurial Services
Subject: *FY 2014 Business Incubator Programs Recommendations*

Action

The MEDC requests that the MSF Board approve funding of \$1,300,000 for Lakeshore Advantage, \$500,000 for Lansing Economic Area Partnership and \$450,000 for Detroit Creative Corridor Center for their 2014 Business Incubator Programs.

Background

Since 2009 the Michigan Strategic Fund (“MSF”) has provided funding to business incubators to stimulate the creation and continued growth of technology-based businesses and jobs by capitalizing on the State of Michigan's growing base of high technology industry, its skilled labor force, its nationally recognized university system, its SmartZones, and its business incubators. For the 2013 fiscal year, the business incubators reported the following results occurred as a result of their activities: 145 companies created, 3,869 companies served, 587 jobs created, and \$135 million investment. These results reflect levels at or improved over 2012 results. The Michigan Economic Development Corporation (“MEDC”) provides administrative services for the business incubator grants.

On February 25th, 2014 the MSF Board approved:

- 1) Allocation of \$4,535,000 from funds appropriated to the MSF for innovation and entrepreneurship to the 2014 Business Incubator Program to solicit proposals from organizations that have received prior MSF funding and require additional funding to support them in reaching self-sustainability.
- 2) 2014 Business Incubator RFP
- 3) JEC to review the submissions to the RFP and,
- 4) Scoring and evaluation criteria for the review of the business incubator proposals.

Results

The MEDC received 7 proposals totaling \$7,340,511 in response to the RFP. The JEC reviewed the proposals and decided to fund all proposals that received a consensus score of 70 or higher. In general terms, those proposals that scored less than 70 did not convincingly justify their eligibility or their sustainability plans. Exhibit A lists all of the proposals received.

Of the 7 proposals, 3 were recommended for funding totaling \$2,250,000.

- **Lakeshore Advantage (\$1,300,000 over 2 years to support operations at the MSU Bioeconomy Institute in Holland, MI):** Lakeshore will use the funds to support the operations at the MSU

Michigan Economic Development Corporation

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Bioeconomy Institute which provides proof of concept for companies' technologies allowing these companies to avoid the costs associated with designing, building and running pilot scale facilities. Prior to this award Lakeshore had received approximately \$10.5 million in support from the MSF in the form of "Retention of Pfizer Assets" grants. In the last year they have served 10 companies producing 13,389kg of product and achieved revenues in the amount of \$578k from these scale-up plant customers.

- **Lansing Economic Area Partnership-LEAP (\$500,000 over 18 months to support services provided by the Technology Innovation Center-TIC):** LEAP will offset incubator infrastructure expenses in conjunction with a \$250,000 match from Michigan State University and help the center reach sustainability. The TIC is eligible for the award because it is associated with a SmartZone designated since 2005. Prior to this award the awardee managed similar MSF supported programs beginning in 2011 with which they were able to create 51 new companies, 67 new jobs, service 239 companies and raise \$2,759,000 in follow-on- funding.
- **Detroit Creative Corridor Center-DC3 (\$450,000 over 2 years to support the DC3 Design Exchange):** Detroit Creative Corridor Center will use this funding to develop and manage the DC3 Design Exchange, a deal-sourcing initiative that enables high-potential tech-based start-ups in Michigan to apply for marketing and design services provided by businesses enrolled in or graduated from the DC3's programs. DC3 projects that eventually the program will be self-sustaining because with companies' increased success and revenues, they will be able to pay for these marketing and design services on their own. And as a result of the DC3's programs, these marketing and design companies will be better able to provide the valued services to the companies. The DC3 is eligible for the award because it provides services to at least 8 counties. Prior to this award the awardee managed similar MSF supported programs where it incubated 41 companies, created 90 jobs and overall \$4,140,000 in additional funds were raised or earned by the awardee and its portfolio companies.

Recommendation

The MEDC requests that the MSF Board approve funding of \$1,300,000 for Lakeshore Advantage, \$500,000 for Lansing Economic Area Partnership and \$450,000 for Detroit Creative Corridor Center for their 2014 Business Incubator Programs.

Exhibit A- Scores of Proposals (Sorted in Descending Order of Consensus Score)

Organization	Requested Amount	Score	Recommended Award
Lansing Economic Area Partnership	\$604,995	85	\$500,000
Detroit Creative Corridor Center	\$450,000	77.25	\$450,000
Lakeshore Advantage	\$4,535,000	70.5	\$1,300,000
MidMichigan Innovation Center	\$300,000	63.5	-
Macomb/OU Incubator	\$500,135	62.25	-
Southwest Michigan Innovation Center	\$532,500	48.75	-
Oakland University Incubator	\$417,881	46	-
TOTAL	\$7,340,511		\$2,250,000

**MICHIGAN STRATEGIC FUND
RESOLUTION**

2014-

BUSINESS INCUBATOR AWARDS

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

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

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

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

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

WHEREAS, at its February 25, 2014 meeting, the MSF Board authorized the issuance of the Business Incubator Request for Proposals (the “Business Incubator RFP”);

WHEREAS, the Act required that proposals received in response to the Business Incubator RFP be reviewed by a joint evaluation committee (“JEC”);

WHEREAS, seven proposals were received in response to the Business Incubator RFP;

WHEREAS, the JEC has evaluated all proposals in accordance with the requirements of the RFP, including all statutory requirements, and the scoring and evaluation criteria adopted by the MSF Board on February 25, 2014;

WHEREAS, the JEC determined that three proposals satisfied the requirements of the RFP, including all statutory requirements, and earned sufficient scores under the scoring and evaluation criteria adopted by the MSF Board; and

WHEREAS, the JEC recommends that the entities identified in Exhibit A to this resolution receive awards in the amounts listed (the “Business Incubator Awards”).

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board approves the Business Incubator Awards;

BE IT FURTHER RESOLVED, the MSF Board may, at its sole discretion, extend the grant periods of the Business Incubator Awards for up to an additional three years and may increase the amount of the Business Incubators Awards, subject to available funds for so long as the Business Incubator Awards are active; and

BE IT FURTHER RESOLVED, that MSF Fund Manager or the MSF Chairperson, with only one required to act and in coordination with MEDC Staff, is authorized to the negotiate final terms and conditions of the Business Incubator Awards and to execute all documents necessary to effectuate the Business Incubator Awards.

Ayes:

Nays:

Recused:

Lansing, Michigan
April 22, 2014

Exhibit A

Entity	Funding Amount
Lakeshore Advantage	\$1,300,000
Lansing Economic Area Partnership (LEAP)	\$500,000
Detroit Creative Corridor Center (DC3)	\$450,000



MEMORANDUM

Date: April 22, 2014

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

From: Marcia Gebarowski, Senior Development Finance Manager

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

Request

This is a request from the Applicant for a \$2,296,000 Performance-based grant. The project involves the creation of 462 Qualified New Jobs and a capital investment of up to \$20,323,311 in the City of Troy, Oakland County and City of Detroit, Wayne County.

Background

The Applicant is a subsidiary of Molina Healthcare, Inc., a Fortune 500 and multi-state health care organization. Molina Healthcare is headquartered in Long Beach, CA. The Applicant, along with other subsidiaries of Molina Healthcare, Inc. provide health management solutions to individuals and families who receive their care through Medicaid, Medicare and other government funded programs. The Applicant is headquartered in Troy and began operating in Michigan in 1997.

The Applicant and their parent company plan to increase employment throughout Michigan as a result of Molina Healthcare’s decision to consolidate Midwest operations and add new company growth into Michigan. Current employees will re-locate to a larger building in Troy which will have the required space to accommodate this new growth. The Applicant will also lease approximately 20,000 s/f of office space in downtown Detroit to house new employees for a newly created Detroit office.

The Applicant has not received MSF incentives in the past.

The Applicant along with its parent Molina Healthcare, Inc. will purchase a building in Troy and lease downtown office space in Detroit to expand their operations in Michigan, make investments and create jobs related to health and medical insurance carriers.

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 Troy and City of Detroit. Both cities have offered a “staff, financial, or economic commitment to the project”; in the form of a property tax abatement from the City of Detroit and value-add services including staff time from the City of Troy.
- c) The Applicant has demonstrated a need for the funding. The Company indicates that there is a wage gap between employees in Michigan compared to other states, including Kentucky. Additionally, the Company expects to incur other increased costs of having a Detroit operation due to higher income taxes, parking reimbursement and higher job training needs.

Michigan Economic Development Corporation

- d) The Applicant plans to create 462 Qualified New Jobs above a statewide base employment level of 318.
- e) Pursuant to the program guidelines, the following was taken into consideration for the proposed project: The project involves heavy out of state competition with Kentucky, Texas, Florida, and Arizona; the project will result in a significant number of jobs; the company indicates that the new jobs and capital investment will begin in Q2 2014; the project will result in a positive ROI for Michigan.

Recommendation

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

- a) Approval of the MBDP Proposal as outlined in the attached term sheet (collectively, “MBDP Proposal”);
- b) Closing the MBDP Proposal, subject to available funding under the MBDP at the time of closing (“Available Funding”), satisfactory completion of due diligence, (collectively, “Due Diligence”), finalization of all MBDP transaction documents, and further subject to the following terms and conditions:
 - a. Commitment will remain valid for 120 days with approval for MSF Fund Manager to extend the commitment an additional 60 days;
 - b. MSF Fund Manager can negotiate final milestone performance terms from that contained in the Term Sheet, and additional and other terms so long as the additional and other terms are not otherwise materially adverse to the MSF, to accommodate final signing of the Transaction Documents.





**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: April 8, 2014

- 1. Company Name:** Molina Healthcare of Michigan, Inc. ("Company" or "Applicant")

- 2. Company Address:** 200 Oceangate #100
Long Beach, CA 90802

- 3. Project Address ("Project"):** 880 Long Lake Road
Troy, Michigan 48098

Address TBD
Detroit, Michigan

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

- 5. Maximum Amount of MBDP Incentive:** Up to \$2,296,000 ("MBDP Incentive Award")

- 6. Base Employment Level** 318 The number of jobs currently maintained in Michigan by the Company and its parent Molina Healthcare, Inc. based on data submitted by the Company to the MEDC reflecting the Company and related entities **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:** 462 The minimum number of total Qualified New Jobs the Company and its parent Molina Healthcare, Inc. shall be required to create statewide (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
(above Base Employment Level)

resident (whose Michigan income taxes are withheld as required), be employed by the Applicant and each Qualified New Job must be in excess of the Base Employment Level. The final terms and conditions of the requirements for the minimum number of Qualified New Jobs that must be created, including provisions addressing disbursements of portions of the MBDP Incentive Award, shall be included in the final Agreement.

a. **Start Date for Measurement of Creation of Qualified New Jobs and Additional Jobs:** Date of Executed Terms Sheet

8. **Company and Parent Company Investment:** \$20,323,311 in building acquisition, building renovations, annual lease costs, leasehold improvements, furniture and fixtures, computers, or any combination thereof, for the Project.

9. **Municipality supporting the Project:** City of Troy and 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 from the City of Detroit related to the Project. One or more of the following from the City of Troy: expedited permitting, pre-development meetings, use of public facilities, and marketing/promotions assistance 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 \$750,000 Upon demonstrated creation of 150 Qualified New Jobs above the Base Employment Level, and verification of final approval of municipality support by no later than December 31, 2014.

b. **Disbursement Milestone 2** Up to \$750,000 Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 150 additional Qualified New Jobs (for a cumulative total of 300 Qualified New Jobs) above the Base Employment no later than December 31, 2015.

- c. **Disbursement Milestone 3** Up to \$500,000 Upon completion of Disbursement Milestone 1, Milestone 2, and upon demonstrated creation of 100 additional Qualified New Jobs (for a cumulative total of 400 Qualified New Jobs) above the Base Employment no later than June 30, 2016.

- d. **Disbursement Milestone 4** Up to \$296,000 Upon completion of Disbursement Milestone 1 Milestone 2, Milestone 3, and upon demonstrated creation of 62 additional Qualified New Jobs or Additional New Jobs (for a cumulative total of at least 462 Qualified New Jobs) above the Base Employment by no later than December 31, 2016.

11. Term of Agreement: Execution of Agreement to December 31, 2018

12. Repayment Provisions:

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

13. Reporting Requirements:

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

14. Public Announcements:

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

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

If the Company is interested in the MEDC pursuing a recommendation to the MSF for a possible MBDP Incentive Award for the Company along the above parameters, please sign and date this Term Sheet. If the MEDC does not receive the signed Term Sheet from the Company by April 8, 2014, the MEDC may not be able to proceed with any recommendation to the MSF.

Acknowledged as received by:

Molina Healthcare of Michigan, Inc.

By:



Printed Name:

Stephen Harris

Its:

President

Dated:

4/8/14

Michigan Economic Development Corporation

By:

Marcia Gebarowski

Printed Name:

Marcia Gebarowski

Its:

Snr. Dev't Finance Mgr.

Dated:

April 8, 2014

MICHIGAN STRATEGIC FUND

RESOLUTION 2014-

**APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT TO
MOLINA HEALTHCARE OF MICHIGAN, INCORPORATED**

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

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

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

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

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

WHEREAS, Molina Healthcare of Michigan, Inc. (“Company”) has requested a performance based MBDP grant of up to \$2,296,000 (“Grant Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”);

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan
April 22, 2014



MEMORANDUM

Date: April 22, 2014

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

From: Marcia Gebarowski, Senior Development Finance Manager

Subject: BASF Corporation (“Company” or “Applicant”)
Job Creation MBT Credit Amendment

Request

The Company is requesting an amendment to their Standard MEGA job creation credit to add an additional project location as well as increase the maximum eligible qualified new job total beginning September 1, 2013. The Company has seen growth in the area of structural and functional polymers in North America. This industry growth will support growth in several of the Company’s business units. To support this growth, the Company is proposing to invest \$3.5 million in upgrades and new equipment as well as add up to 156 additional high paying jobs at their campus in the City of Wyandotte, Wayne County as well as their R&D facility in the City of Southfield, Oakland County.

Background

The Company was formed in 1986 and is the North American affiliate of BASF AG, of Ludwigshafen, Germany, one of the world’s leading chemical companies. The Company has a strong portfolio of products that ranges from chemicals, plastics, performance products, agricultural products and fine chemicals to crude oil and natural gas.

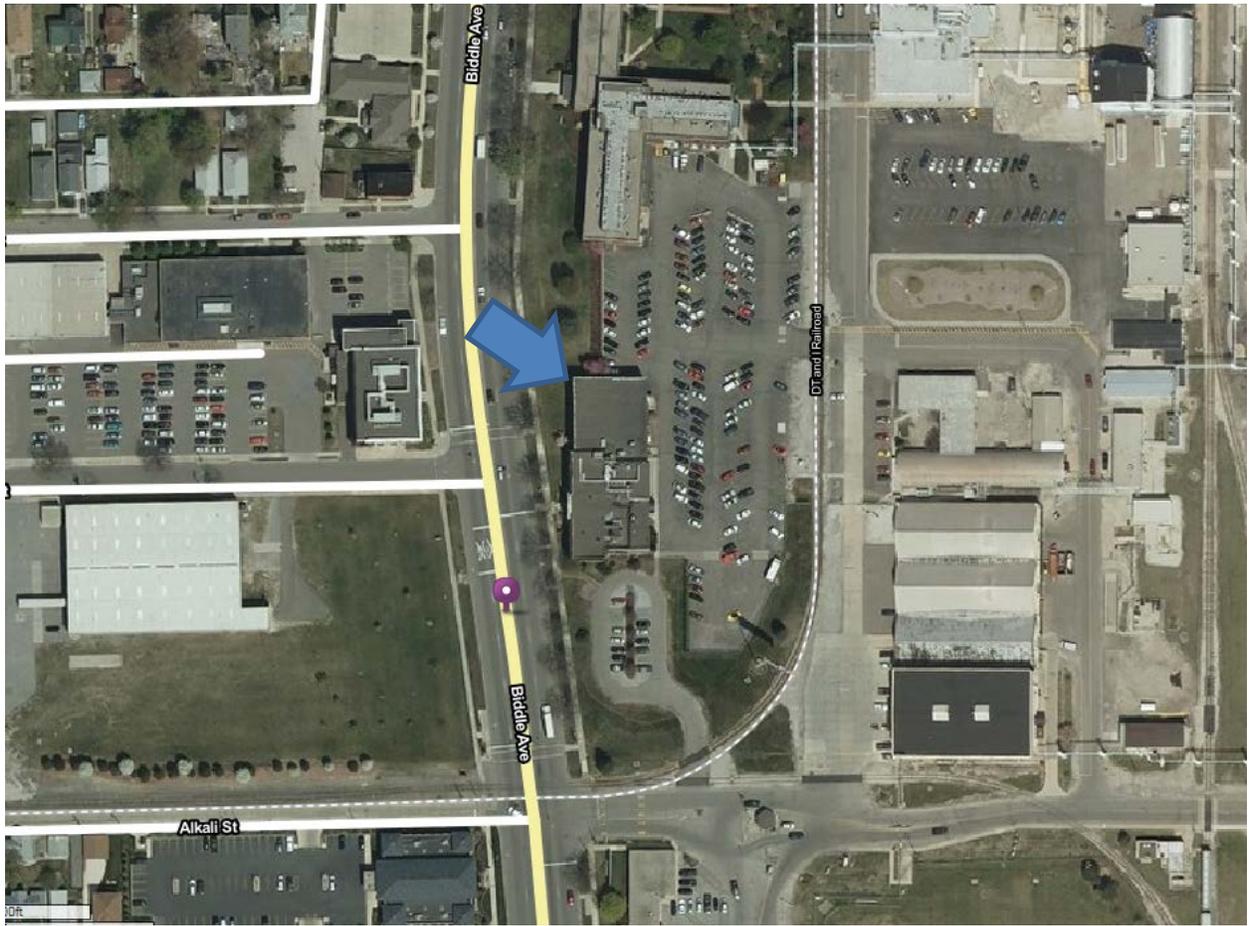
On October 17, 2006, the MEGA Board approved a 10 year 100 percent Job Creation MBT Credit (Resolution 2006-79) for the Company to relocate a newly acquired business into their campus in the City of Wyandotte. The Job Creation MBT Credit is for a maximum of 175 Qualified New Jobs with a Base Employment Level of 1,213. The City of Wyandotte provided a PA 328 tax abatement in support of this project. The Company has successfully collected their credit through 2012 and expects to reach their maximum number of Qualified New Jobs with their 2013 credit application. The credit was amended in 2010 to add a related entity for purposes of counting base employment; amended in 2011 to redefine related entities in Sec. 1.0(s); and, amended in 2012 to add a related entity for purposes of counting base employment.

Recommendation

MEDC Staff recommends the following amendments to the Job Creation MBT Credit Tax Credit (Resolution 2006-79):

- a) Increase the number of Qualified New Jobs from 175 to 331 over the Company’s Base Employment Level of 1213 beginning September 1, 2013.
- b) Amend the Project Description to include City of Southfield as a location eligible for the Company to create Qualified New Jobs.

Michigan Economic Development Corporation



MICHIGAN STRATEGIC FUND

Resolution 2014-

**BASF Corporation
Standard Credit (Amendment #4)**

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

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

WHEREAS, in Resolution 2006-79 adopted on October 17, 2006, the MEGA Board authorized a Tax Credit for BASF Corporation (the “Company”) of 100 percent for a period of ten consecutive years, beginning no later than the Company’s tax year ending December 31, 2007 to expand its R&D and Administrative functions and create jobs in the City of Wyandotte, Wayne County (the “Project”);

WHEREAS, the MEGA agreement was amended on September 14, 2010 (Resolution 2010-153) to add related entities for purposes of counting base employment;

WHEREAS, the MEGA agreement was amended on October 12, 2011 to amend the definition of Average Weekly Wage and Quarter Ending Date;

WHEREAS, the MEGA agreement was amended on October 9, 2012 to add related entities for purposes of counting base employment;

WHEREAS, the Company is expanding the project scope in the City of Wyandotte, Wayne County, and in the City of Southfield, Oakland County by growing their operations and creating additional jobs;

WHEREAS, the Company requests that the Tax Credit and Agreement be amended to (the following, collectively, “Amendment”):

- (i) Increase the number of Qualified New Jobs from 175 to 331 over the Company’s Base Employment Level of 1213 beginning September 1, 2013;
- (ii) Revise the Project Description to include Southfield, as a location eligible for Company to create Qualified New Jobs;

WHEREAS, the Michigan Economic Development Corporation provides administrative services to the MSF, and recommends approval of the Amendment to the Standard Tax Credit by the MSF Board.

NOW, THEREFORE, BE IT RESOLVED, that the Amendment is approved; and

BE IT FURTHER RESOLVED, that all other provisions of Resolution 2006-79, are reaffirmed and the MSF authorizes the MSF Fund Manager to implement the terms of this resolution.

Ayes:

Nays:

Recused:

April 22, 2014
Lansing, Michigan



MEMORANDUM

Date: April 22, 2014

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

From: Trevor Friedeberg, Development Finance Manager

Subject: Systems In Motion, LLC (“Company” or “Applicant”)
Job Creation MBT Credit Amendment

Request

This is a request from the Applicant for an amendment to its existing Job Creation MBT Credit. The amendment is required to accurately reflect how the Company hired its Qualified New Jobs related to the original Job Creation MBT Credit.

Background

The Company is an Informational Technology (“IT”) services company that has pioneered a pure ‘Onshore’ service model. The Company has taken some of the best practices of the global IT industry and created an alternate domestic model to deliver more innovative, flexible, and effective solutions. Its Michigan-based delivery center serves the needs of its customers nationally and compete with the best IT services companies in the world.

Following a nationwide site selection process in 2009, Systems In Motion selected Pittsfield Township, Michigan for the location of its delivery center. On September 22, 2009, the MEGA Board approved a 7 year 100 percent Standard Job Creation MBT Credit (Resolution 2009-150) for the Company to locate in Pittsfield Charter Township, Washtenaw County. The Job Creation MBT Credit is for a maximum of 1,085 Qualified New Jobs with an Average Weekly Wage of \$557, with a Base Employment Level of 0. The credit was contingent on the Company creating 400 jobs by the end of the fifth year of operations. Failure to do so would result in forfeiture of the remaining years of the credit.

At the time of application, the Company projected hiring 804 employees by 2014. However, due to extenuating economic circumstances, the Company is below their hiring projections and will not meet their minimum threshold of 400 Qualified New Jobs to satisfy their credit requirements for years 2014 through 2016. The Company has created 123 to date and anticipates creating 981 by 2017. The Company is requesting this threshold be removed and the project site be expanded to include Meridian Township, Ingham County, Michigan to allow them to continue to claim credit for jobs they have created and will continue to create in Michigan.

Recommendation

MEDC Staff recommends the following amendments to the Standard MEGA Tax Credit (Resolution 2009-150):

- a) Reduce the minimum threshold for Qualified New Job creation of 400 to 50 in years five through seven.

Michigan Economic Development Corporation

- b) Reduce the maximum number of Qualified New Jobs for which the Company can claim credit in any year to 600.
- c) Amend the Project Description to include the following: The Company will build an IT service center in the City of Ann Arbor, Washtenaw County, and Meridian Township, Ingham County, and create jobs in Michigan.
- d) All other terms and conditions will remain the same.

MICHIGAN STRATEGIC FUND

Resolution 2014-

SYSTEMS IN MOTION, LLC STANDARD TAX CREDIT (AMENDMENT #2)

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

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

WHEREAS, in Resolution 2009-150, the MEGA Board authorized a Tax Credit for Systems In Motion, LLC (the “Company”) of 100 percent for a period of seven consecutive years, beginning no later than the Company’s tax year ending December 31, 2010 to build an IT service center and create jobs in the Pittsfield Charter Township, Washtenaw County (the “Project”);

WHEREAS, the Company will not be able to meet minimum job thresholds for years five through seven of the credit;

WHEREAS, the Company requests that the Tax Credit and Agreement be amended to (the following, collectively, “Amendment”):

- (i) Amend the minimum threshold for Qualified New Job creation of 400 to 50 in credit years five through seven;
- (ii) Amend the maximum number of Qualified New Jobs for which the Company can claim credit in any year to 600;
- (iii) Amend the Project Description to include the following: The Company will build an IT service center and create jobs in the City of Ann Arbor, Washtenaw County and Meridian Township, Ingham County.

WHEREAS, the Michigan Economic Development Corporation provides administrative services to the MSF, and recommends approval of the Amendment to the Standard Tax Credit by the MSF Board.

NOW, THEREFORE, BE IT RESOLVED, that the Amendment is approved; and

BE IT FURTHER RESOLVED, that all other provisions of Resolution 2009-150, are reaffirmed and the MSF authorizes the MSF Fund Manager to implement the terms of this resolution.

ADOPTED

Ayes:

Nays:

Recused:

April 22, 2014
Lansing, Michigan



MEMORANDUM

Date: April 22, 2014
To: MSF Board
From: Gabe Yancho, Portfolio Manager
Subject: Meditrina Pharmaceuticals, Inc. Forbearance Request; 2006 Commercialization Business Plan Competition (CBPC) Loan and 2007 Pfizer Company Formation and Growth Fund (CFGF) Loan

Request

Meditrina Pharmaceuticals, Inc. (“Meditrina” or the “Company”) and MEDC staff have negotiated the following Forbearance Agreement to modify both the 2006 and 2007 loan awards to the Company.

Forbearance Agreement

Forbearance Agreements will be executed between Meditrina and the MSF, granting the Company a Forbearance Period from May 1, 2014 until January 31, 2015, during which time, interest shall accrue at the established interest rates, 8.25% on the 2006 CBPC Loan and 1% on the 2007 CFGF Loan, but no interest or principal payments shall be due to the MSF during the forbearance period (the “Forbearance Request”).

Background

Meditrina was formed in 2006, and in January 2007, received a 2006 CBPC Loan in the amount of \$3,829,733 to repurpose existing approved drugs for unmet needs in women’s health. In March 2008, the MSF awarded Meditrina a CFGF Loan in the amount of \$200,000, for the purpose of hiring additional employees as well as the acquisition of equipment, to continue the Company’s drug repurposing research.

2006 Loan Summary

Loan Amount: \$3,829,733.00
Type of Loan: Convertible
Interest Rate: 8.25%
Loan Issuance Date: January 17, 2007
End of Grace Period: January 17, 2011
Maturity Date: January 17, 2013
Amount Repaid to Date: \$0
Loan Balance as of March 31, 2014: \$6,586,990.33

2007 Loan Summary

Loan Amount: \$200,000
Type of Loan: Straight
Interest Rate: 1%
Loan Issuance Date: March 6, 2008
End of Grace Period: March 6, 2013
Maturity Date: March 6, 2018
Amount Repaid to Date: \$0
Loan Balance as of March 31, 2014: \$214,081.34

Default of the Loan

The Company does not have sufficient revenues to service its loan obligations, and is in default under both loan agreements for failure to submit payment. Due to financial constraints, the Company was unable to successfully complete clinical studies for repurposing drugs for women's health, and has had no sales or revenues to date.

Collateral

The MSF has a lien on all tangible personal property of the Company, other than inventory ("Collateral"). Other than the Collateral, there was no other security granted, nor were any guarantees of the loan(s) granted. As of September 2013, the Company's Assets were valued at a total of \$4,344.26, including \$8,094.26 in cash and - \$3,750.00 in Fixed Assets.

Request Rationale

At this time, Meditrina is in early stage discussions with potential partners in the pharmaceutical industry regarding licensing agreements for Meditrina's intellectual property. The Forbearance Period should allow the Company sufficient time A) To pursue and execute a licensing agreement, generating licensing revenues for the Company, and hopefully allowing the Company to service the loan debt, or B) For Company management to evaluate whether or not to liquidate the Company. By the end of the Forbearance Period on January 31, 2015, staff anticipates that if the Company is able to execute a licensing agreement, a subsequent loan restructure will be necessary to modify the loan repayment schedule so that the Company is able to service the debt.

If the Company is unable to execute, or accomplish substantial progress towards, a licensing agreement by the end of the Forbearance Period, it is highly probable that the Company will cease operations. At this time, Meditrina's sole source of intellectual property is one patent that has been licensed through an exclusive agreement with another pharmaceutical company. Due to non-payment, Meditrina is in default on this licensing agreement, and it is expected that if Meditrina cannot sub-license the technology to generate revenues, the patent owner will terminate Meditrina's exclusive license and any rights to the patent and intellectual property. Upon such occurrence, MEDC staff would recommend to the MSF Board to write-off the balance of the loan for accounting purposes only. As of September 2013, the Company had \$8,094.26 in cash; it is expected that a majority, or all of this balance, will be expended in the pursuit of a licensing agreement and associated legal costs, due diligence and other related expenses. Due to the value of the assets, if Meditrina does cease operations, it is not expected that the MSF would recover any assets of noteworthy value.

Recommendation

MEDC staff recommends that the MSF Board support the Forbearance Request as detailed above and authorize the MSF Fund Manager to execute all documents necessary to effectuate the Forbearance Request. Additionally, MEDC staff recommends that the MSF Board authorize the MSF Fund Manager to execute a write-off of the loan, for accounting purposes only, if the Company cannot successfully execute, or accomplish substantial progress towards, a licensing agreement by the expiration of the Forbearance Period. The MSF Advisory Committee has indicated its support of this request.

MICHIGAN STRATEGIC FUND

**RESOLUTION
2014-**

MEDITRINA PHARMACEUTICALS, INC. – LOAN FORBEARANCE

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

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

WHEREAS, the MSF and Meditrina Pharmaceuticals, Inc. (“Meditrina” or the “Company”) entered into a 21st Century Business Plan Competition Convertible Loan Agreement, dated January 17, 2007 (the “21CJF Loan Agreement”), whereby the MSF and the Strategic Economic Investment and Commercialization Board (“SEIC Board”) agreed to loan up to \$3,829,733 to Meditrina under the terms and conditions set forth in the 21CJF Loan Agreement, Security Agreement and Promissory Note (the “Note”), each dated January 17, 2007 (the 21CJF Loan Agreement, Security Agreement, and Note, collectively, “21CJF Loan Documents”);

WHEREAS, the MSF and Meditrina also entered into a Company Formation and Growth Fund (“CFGF”) Loan Agreement, dated March 6, 2008 (the “CFGF Loan Agreement”), whereby the MSF and agreed to loan up to \$200,000 to Meditrinia under the terms and conditions set forth in the CFGF Loan Agreement, Security Agreement and Promissory Note (the “Note”), each dated March 6, 2008 (the CFGF Loan Agreement, Security Agreement, and Note, collectively, “CFGF Loan Documents”);

WHEREAS, Meditrina has requested that the MSF enter into a forbearance agreement with respect to the 21CJF Loan Documents and the CFGF Loan Documents with terms and conditions that shall include:

- (a) forbearing on exercising its rights under the 21CJF Loan Documents and CFGF Loan Documents from May 1, 2014 to January 31, 2015 (the “Forbearance Period”);
- (b) accruing interest on the loans at the current interest rates under each of the 21CJF Loan Documents and the CFGF Loan Documents during the Forbearance Period; and
- (c) requiring payments in equal installments of principal and interest to begin on February 1, 2015 under each the 21CJF Loan Documents and the CFGF Loan Documents;

(the aforementioned, collectively the “Forbearance Request”);

WHEREAS, the MEDC has reviewed the Forbearance Request and has determined that the Forbearance Request should allow Meditrinia sufficient time to pursue a licensing agreement or other revenue stream and contribute to economic development in the State of Michigan;

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

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

WHEREAS, the MSF has determined that the Forbearance Request should allow Meditritnia sufficient time to pursue a licensing agreement or other revenue stream and contribute to economic development in the State of Michigan.

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

BE IT FURTHER RESOLVED, that the MSF Fund Manager or the MSF Chairperson, in coordination with MEDC Staff, is authorized to negotiate all final terms and conditions and execute all documents necessary to effectuate the Forbearance Request;

BE IT FURTHER RESOLVED, if the Company is unable to secure a licensing agreement or other revenue stream by the expiration of the forbearance period, the MSF Fund Manager or the MSF Chairperson, with only one required to act, is authorized to pursue an asset recovery and write-off for accounting purposes only.

Ayes:

Nays:

Recused:

Lansing, Michigan
April 22, 2014



MEMORANDUM

Date: April 22, 2014

To: Michigan Strategic Fund Board

From: Karla Campbell
Fund Manager

Subject: Michigan Strategic Fund
Amended and Restated MSF Bylaws

Request: Staff is requesting that the attached Michigan Strategic Fund (MSF) Amended and Restated Bylaws be approved.

Background

Attached to this memo are draft bylaws that have been reviewed by MSF Staff, the Chief Compliance Officer and the Assistant Attorney General for MSF. The MSF bylaws have not been updated since February 2007, and the principle reasons for amending the Bylaws includes the ability to utilize various telecommunication methods to meet quorum while keeping with the MSF Statute and the Open Meetings Act, add various changes that the MSF has recently approved such as the Consent Agenda, and to recommend an order of business occurring at a regular meeting.

Recommendation

MSF staff, in consultation with the Chief Compliance Officer and the Assistant Attorney General, recommends that the attached Amended and Restated MSF Bylaws be approved.

Michigan Strategic Fund
Bylaws
Amended and Restated
April 22, 2014

Article I: Meetings.

Section 1: Regular Meetings:

1. At the last regular meeting of each calendar year, or as soon thereafter at the next Board meeting, the Board will schedule the dates, times, and places of its regular meetings for the ensuing calendar year.
2. The date, time, or place of a regular meeting may be changed by the Chairperson or by resolution of the Board. If there is a change in the date, time, or place of a regular meeting the change will be posted within three (3) days after the change is made and at least eighteen (18) hours before the meeting in accordance with the Open Meetings Act.
3. A regular meeting may be cancelled by the Chairperson or by resolution of the Board. If a regular meeting is cancelled, notice of the cancelation will be posted in the same locations as the meeting's notice was posted and if the meeting was canceled by the Chairperson the Board will be notified as soon as possible.

Section 2: Special Meetings:

1. A special meeting may be called by the Chairperson upon at least eighteen (18) hours' notice to the Board and the meeting being posted in accordance with the Open Meetings Act.
2. A special meeting will be called by the Chairperson pursuant to Section 2, subsection 1, above upon written demand of two (2) or more Board members. A special meeting called pursuant to this subsection is not subject to cancelation by the Chairperson pursuant to Section 2, subsection 5, below.
3. A special meeting may be scheduled by resolution of the Board. If a special meeting is schedule, notice will be posted at least eighteen (18) hours before the meeting in accordance with the Open Meetings Act.
4. The Board by resolution may require additional notice of special meetings be given to the Board.
5. A special meeting may be cancelled by the Chairperson or by resolution of the Board. If a special meeting is cancelled, notice of the cancelation will be posted in the same locations as the meeting's notice was posted and if the meeting was canceled by the Chairperson the Board will be notified as soon as possible.

Section 3: Attendance:

1. Members of the Board may be present at a meeting of the Board either in person or by use of telecommunications or other electronic communication devices that enable all participants in the meeting to communicate with each other.
2. The Chairperson may limit the use of telecommunications or other electronic communication devices for a meeting and require that to be counted as present at the meeting the members must attend in person, upon three (3) business days' notice to the Board.

Section 4: Presiding:

1. The Chairperson appointed by the Governor will preside, except as otherwise allowed by this Section, at all meetings of the Board.
2. If the Chairperson is unable to preside at a meeting or a portion of a meeting, for any reason, he or she may designate another Board member to preside at the meeting or the portion of a meeting in his or her place. If the Chairperson is the Director of the Department of Licensing and Regulatory Affairs, the State Treasurer, or the Chief Executive Officer of the MEDC, the Chairperson may alternatively designate a designee from within their respective agency to preside at the meeting or the portion of a meeting in his or her place.

Section 5: Order of Business:

1. The usual order of business of all meetings is as follows:
 - Call to Order
 - Review and approval of prior meetings' Minutes
 - Public Comment
 - Communications
 - Unfinished Business
 - New Business
 - Consent Agenda
 - General Agenda
 - Administrative Items
 - Adjournment
2. The Board by majority vote may suspend, waive, or modify the usual order of business at any meeting.
3. The President or designated staff will prepare and distribute an agenda before or at the meeting outlining the matters coming before the Board for each meeting. This agenda is for informational purposes only. The Chairperson or the Board may revise this agenda and remove or take up other matters at the meeting.

Section 6: Voting:

Voting on all matters except bond issuances and authorizations may be by voice vote unless a member requests a roll call vote. Voting on bond issuances and authorizations must be by roll call vote.

Article II: Delegation.

Section 1: Board Delegation:

The Board may delegate by resolution those functions and authority it deems necessary or appropriate to the President, Vice-President, Staff, the MEDC, or others, unless otherwise prohibited by law.

Section 2: President and Vice-President Delegation:

The President or Vice-President may delegate a duty, function, or authority, assigned to him or her by law or the Board, to an MSF or MEDC employee, unless the authority to delegate is otherwise prohibited by law or resolution of the Board.

Article III: Official Compilation of Delegated Authority, Processes, or Policies.

Section 1: Compilation:

1. The President will provide for compilations of all general delegated authority; standard processes; and standard policies, in force. ("Strategic Fund Compiled Resolutions" or "SFCR").
2. The Strategic Fund Compiled Resolutions will be set forth without alteration from the enacting resolutions. All compilations will include appropriate headings and titles following an organized naming and numbering convention similar to the Michigan Compiled Laws and Michigan Administrative Code. The published compilations will contain an index of the delegated authority, processes, or policies contained in the compilations; the programs applicable for each; notes; references; and other materials as the President or the Board consider necessary from time to time.
3. Before any copies of a volume of Strategic Fund Compiled Resolutions may be relied on, they must be examined and compared by the President and, if in compliance with this Section, so certified.
4. After the certification, the Strategic Fund Compiled Resolutions will be considered to be the official delegated authority; processes; or policies of the Michigan Strategic Fund, as each may be amended, replaced or rescinded from time to time. The certification shall be included in each volume.

Section 2: Immediate effect:

Resolutions requiring compilation will have immediate effect upon approval unless otherwise provided for by the resolution, subject to reconsideration of the vote at the meeting. Any delay in publishing the compilation is of no effect on the validity of effect of the resolution.

Article IV: Miscellaneous.

Section 1: Consent Agenda:

The Board may adopt by resolution a process for the use of a Consent Agenda for those items, in the normal and usual course of business of the MSF, are routine, not anticipated to be controversial, and are not anticipated to prompt deliberations or discussions by the Board.

Section 2: Conflict of Interest:

The Board will adopt and at least biennially review a conflict of interest policy to foster public confidence in the integrity of the MSF, promote transparency, and protect the MSF's interests when it is contemplating a matter that might actually or appear to benefit the interest of a Board member.

Section 3: Resolutions Immediate Effect:

Resolutions will have immediate effect upon approval unless otherwise provided for by the resolution, subject to reconsideration of the vote at the meeting.

Section 4: Public Comment:

1. Before being permitted to address a meeting during the Public Comment portion a person must state their name and who they represent, if applicable.
2. A person may not address a meeting for longer than 3 minutes. The Board by majority vote may waive or modify the usual 3 minute limitation at any meeting.

Section 5: Severability:

If any article, section, subsection, paragraph, clause, or provision of these bylaws are deemed by competent authority to be contrary to law no other article, section, subsection, paragraph, clause, or provision of these bylaws will on account thereof be deemed invalid or ineffective.

Article V: Amendment and Suspension of Bylaws.

Section 1: Amendment:

These bylaws may be amended or repealed, in part or in whole, by the Board at a regular meeting as follows:

1. Any proposed amendment or repeal must first be submitted in writing, with a statement describing the nature of the proposed amendment, to the members of the Board at least 15 days, but not more than 31 days, prior to the regular meeting at which the amendment or repeal is to be first discussed.
2. At the subsequent regular meeting the proposed amendment or repeal will be placed on the agenda for discussion and deliberation only. Board action on the proposed amendment or repeal must be held over to the following regular meeting.
3. At the next regular meeting the bylaws may be amended or repealed by resolution by approval of two-thirds (2/3) majority vote of the members of the Board appointed and serving. The amendment or repeal cannot exceed the scope of the notice given pursuant to Article V, Section 1, subsection 1, above.

Section 2: Suspension:

No part of these bylaws may be suspended or waived except as expressly provided for herein.

MICHIGAN STRATEGIC FUND

RESOLUTION 2014-

APPROVAL OF AMENDED AND RESTATED BYLAWS

WHEREAS, it is the responsibility of the Michigan Strategic Fund (“MSF”) Board to provide for the management and control of the affairs of the MSF; and

WHEREAS, it is necessary and appropriate that the MSF Board periodically review their Bylaws ensuring compliance with the appropriate statutory requirements.

NOW, THEREFORE, BE IT HEREBY RESOLVED, that the MSF approves the adoption of the Amended and Restated Bylaws effective immediately; and

BE IT FURTHER RESOLVED, that previously adopted resolutions approving Amended and Restated Bylaws are rescinded. This resolution shall be effective April 22, 2014.

ADOPTED

Ayes:

Nays: None

Recused: None

Lansing, Michigan
April 22, 2014



**MSF DELEGATED AUTHORITY QUARTERLY UPDATE
FOR 21CJF PURE MICHIGAN VENTURE MATCH FUND
Board Meeting April 22, 2014**

FOR QUARTER ENDED 3/31/14

BACKGROUND

On March 28, 2012, the Michigan Strategic Fund (“MSF”) Board approved the creation and operation of the Pure Michigan Venture Match Fund (“PMVMF” or “Program”). At its August 28, 2013 meeting, the MSF Board authorized that companies which previously received an award under the PMVMF may apply for “Follow On” or “Catch Up” funding under the PMVMF. Under the MCL 125.2088k(3)(a), which was effective May 30, 2012, initial PMVMF evaluations may be performed by a Joint Evaluation Committee (“JEC”). To that end, the MSF Board delegated to the MSF Fund Manager the authority to approve PMVMF awards, including “Follow On” and “Catch Up” awards, upon the recommendation of a JEC to be appointed by the MSF Fund Manager.

APPROVALS BY AUTHORIZED DELEGATE

Between January 1, 2014 and March 31, 2014, the following actions were approved by one of the authorized MSF Board members:

Organization	Action(s)	Award Amount (full award amount)	Disbursed Amount (actual amount disbursed)	Date
Tissue Regeneration Systems, Inc.	Waive Audited Financial Statements Requirement	\$500,000	\$499,999	February 15, 2014
Larky, Inc.	Request for \$500,000 in PMVMF Funds	\$500,000	\$0	March 27, 2014

ABOUT THE COMPANIES

Tissue Regeneration Systems, Inc.

Tissue Regeneration Systems (TRS), an Ann Arbor, Michigan-based company, is a start-up medical device company commercializing a breakthrough skeletal reconstruction and bone regeneration technology platform licensed from the Universities of Michigan and Wisconsin. TRS will begin to commercialize products in the United States in two years. TRS was granted a Pure Michigan Venture Match Fund Award in late 2012 for commercialization and growth purposes as a match to a qualified venture-led investment.

Larky, Inc.

Larky, Inc. is an early stage Delaware Corporation that has developed a simple, intuitive system that helps consumers receive all the perks they deserve, at the right time and place, both online and offline. The Company’s alleged unique solution leverages location aware technology, data warehousing and analysis,

and proven transactional infrastructure to provide consumers with contextual reminders when they qualify for a discount.



**MSF DELEGATED AUTHORITY QUARTERLY UPDATE
FOR 21CJF LOAN/GRANT PORTFOLIO**

Board Meeting April 22, 2014

FOR QUARTER ENDED 3/31/14

BACKGROUND

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

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

APPROVALS BY AUTHORIZED DELEGATE

Between January 1, 2014 and March 31, 2014 the following actions were approved by one of the authorized MSF Board members:

Organization	Action(s)	Award Amount (full award amount)	Disbursed Amount (actual amount disbursed)	Date
Nucleico, LLC	Write Off Request	\$210,000	\$210,000	January 8, 2014
Metabolic Solutions Development Corp.	Subordination Request	\$100,000	\$100,000	January 31, 2014
NamesforLife, LLC	Restructure	\$50,000	\$50,000	February 24, 2014
BioSavita, Inc. 2001 Loan and Grant Agreement	Forbearance Agreement and Loan Amendment	\$528,000 (Full Loan Amount)	\$528,000	March 20, 2014
BioSavita, Inc. 2002 Loan Agreement	Forbearance Agreement and Loan Amendment	\$900,000	\$900,000	March 20, 2014

KTM Industries, Inc.	Request to Change Clerical Error on Restructure Request	\$2,011,185	\$1,962,055	March 17,2014
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ABOUT THE COMPANIES

Nucleico, LLC

Nucleico, LLC, a life sciences company located in Ann Arbor, Michigan, develops and sells DNA microarray probe sets including oligonucleotide probes for rat and mouse applications, as well as non-redundant cDNA microarray probe sets for porcine, xenopus and wheat.

Metabolic Solutions Development Corp.

Metabolic Solutions Development Corp. is a Kalamazoo-based company founded by former researchers from The Upjohn Company who pioneered the early development of insulin sensitizers for type 2 diabetes and who selected and led the early development of Actos® (pioglitazone).

NamesforLife, LLC

NamesforLife, LLC is an Okemos-based company, formed to develop computer software focusing on bibliographic retrieval for biological objects and concepts.

BioSavita, Inc

BioSavita, Inc. is a Plymouth-based CRO. The Company has developed platform yeast expression technologies for accelerated development of therapeutic antibodies (glycosylated and aglycosylated), antibody fragments, fusion proteins, next generation antibodies and subunit vaccines through its proprietary Twin Cassette® yeast system.

KTM Industries, Inc.

KTM is a Lansing, Michigan based company. The Company has developed bio-based foam material for protective packaging applications and for the craft and toy markets.



**MSF DELEGATED AUTHORITY QUARTERLY UPDATE
MSDF AND SSBCI PROGRAMS
DEBT CAPITAL PROGRAMS TEAM
January 1 – March 31, 2014**

BACKGROUND

On May 20, 2009, the MSF Board approved the Michigan Loan Participation Program (“MLPP”) guidelines, and on June 24, 2009, the Michigan Collateral Support Program (“MCSP”). Both programs are housed under the Michigan Supplier Diversification Fund (“MSDF”), and are funded by the state’s 21CJF initiative. The MSF Board must approve MSDF requests over \$2.5 million, and as delegated by the MSF Board on March 28, 2012, requests for collateral support or loan participation of \$2.5 million or less may be approved by any two of the following: MSF Chairperson, or the MSF Fund Manager, or the MSF State Treasurer Director.

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

APPROVALS BY AUTHORIZED DELEGATES

Between January 1, 2014 and March 31, 2014 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
Kirk’s Automotive, Inc.	MBGF-CSP	\$ 600,000	\$ 2,500,000	Approved by Chair and Fund Manager	January 17, 2014	Y
Plascon, Inc.	MBGF-LPP	\$ 875,000	\$ 2,500,000	Approved by Chair and Fund Manager	February 24, 2014	Y
Plascon, Inc.	MBGF-LPP	\$ 787,500	\$ 2,250,000	Approved by Chair and Fund Manager	February 24, 2014	Y
Plascon, Inc.	MBGF-LPP	\$ 472,500	\$ 1,350,000	Approved by Chair and Fund Manager	February 24, 2014	Y
AMI Hose, LLC	MBGF-CSP	\$ 499,000	\$ 1,000,000	Approved by Chair and Fund Manager	February 27, 2014	Y
Fairview Campus, LLC	MBGF-CSP	\$ 1,320,000	\$ 3,240,000	Approved by Chair and Fund Manager	March 7, 2014	N
Total		\$ 4,554,000	\$ 12,840,000			

MSDF:						
Organization	Request Type	MSF Support	Loan Amount	Action	Date Approved	Closed
No projects were approved under MSDF						
Total		\$ -	\$ -			

PORTFOLIO UPDATE

The SSBCI-MBGF portfolio includes one criticized asset. The total MSF exposure for that project is \$114,770. A criticized asset is defined as a loan with payments in arrears and rated as substandard, doubtful, or loss.

MEMORANDUM

DATE: April 22, 2013

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

FROM: Josh Hundt, Director, Business Incentives
Joseph Martin, Manager, Brownfield and MCRP

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 2nd quarter of the 2014 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
Urban Science Applicants, Inc.	1/17/2014	Detroit	\$700,000	126	\$2,084,105
Magna Exteriors and Interiors USA, Inc.	1/29/2014	Benzonia and China Township	\$822,000	274	\$3,639,100
Mann + Hummel USA, Inc.	1/31/2014	Portage	\$325,000	70	\$17,425,000
ThinkTech, Inc.	2/6/2014	Ann Arbor	\$500,000	50	\$2,938,551
Advance Engineering Company	2/6/2014	Canton	\$400,000	150	\$6,554,000
Capital Welding, Inc. (originally approved as Futuramic, Inc.)	2/24/2014	Detroit	\$600,000	100	\$20,030,000
Xanedu Publishing, Inc.	2/26/2014	Ann Arbor	\$325,000	65	\$1,030,000
Proos Manufacturing, Inc.	3/5/2014	Grand Rapids	\$200,000	50	\$5,665,370
Avon Protection Systems, Inc.	3/6/2014	Cadillac	\$100,000	29	\$925,500
Nyloncraft, Inc.	3/14/2014	Jonesville	\$150,000	42	\$4,693,000
Hirata Corporation of America	3/24/2014	New Hudson	\$200,000	39	\$2,065,380
Oerlikon Balzers Coatings USA, Inc.	3/28/2014	Lake Orion	\$250,000	50	\$6,038,000

MCRP APPROVALS

Project Name	Approval Date	Location	Incentive Approved	Jobs	Investment
Landmark Port Huron, LLC	3/6/2014	Port Huron	\$100,000	8	\$8,248,415
Bancroft Project Saginaw, LLC	3/12/2014	Saginaw	\$1,000,000	49	\$5,496,673
Diamonds and Rifles LLC	3/19/2014	Detroit	\$200,000	50	\$1,890,314
Alex and Beck, LLC	3/19/2014	Detroit	\$178,000	2	\$839,084



MEMORANDUM

Date: April 22, 2014
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 2014)*

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 feel free to contact me.

Grantee	Approval Date	CDBG Funds	Brief Summary of Project
City of Sturgis	3/3/14	\$170,275	The City received a grant in the amount of \$170,275 for blight clearance needed for the Wood Motel located in St. Joseph County. Demolition of the Wood Motel will eliminate a public nuisance and help create a safer, healthier urban space. The project will result in public investment of \$72,975.
Village of Bellaire	2/28/14	\$309,000	The Village received a grant in the amount of \$309,000 to be used to acquire two multi-story structures necessary for the Short's Brewing Company expansion project located in Antrim County. The project involves the acquisition and redevelopment of three, multi-story structures adjacent to Short's Brewing Company, which is located within the Village of Bellaire's downtown. The Village expects that this project will result in private investment of \$587,550 and the creation of 18 jobs.
City of Coldwater	2/24/14	\$703,000	The City received \$403,000 in CDBG funds and \$300,000 in CDBG Revolving Loan funds for blight elimination through historic rehabilitation needed for the Kerr-Milnes Building project located in Branch County. The project will redevelop three, three-story vacant, blighted structures totaling approximately 32,000 square feet, located within the City of Coldwater's historic downtown. The private leverage for this grant equals \$4,204,095. The total project cost is estimated at \$5.5 million to address the entire façade and all interior improvements.
City of Sault Ste. Marie	1/31/14	\$250,000	The City received a grant in the amount of \$250,000 for on the job training needs for the AMI Hose, LLC located in Chippewa County. The CDBG funding will assist the company with the training of skilled machine operators, as well as, several degreed process engineers. This project is expected to result in private investment of \$2.45 million and the creation of 40 jobs.
Total CDBG Funds for Quarter		\$1,432,275	