MICHIGAN STRATEGIC FUND
ADVISORY COMMITTEE MEETING
July 15, 2013
10:00 a.m.

AGENDA

A. Catalyst Development Project *[Action Items – Mark Morante]*
1. IDRB Bond Inducement – Olympia Development of Michigan, LLC
2. DDA Development Plan Approval

B. Industrial Revenue Bond Program
1. United Methodist Retirement Communities, Inc. – Bond ***[Action Item – Diane Cranmer]***
2. NSF International ***[Action Item – Diane Cranmer]***
3. Porter Hills ***[Action Item – Diane Cranmer]***

C. Community Development Block Grant
1. 2013 Downtown Development Planning Grant Program ***[Action Item – Deborah Stuart]***
2. St. Joseph - Harbor Village at Harbor Shores ***[Action Item – Deborah Stuart]***
3. Village of Nashville - Façade Amendment ***[Action Item – Deborah Stuart]***
4. Reed City –Tubelite, Inc. ***[Action Item – Stacy Bowerman]***
5. Ingham County - Jackson National Life Insurance Company ***[Action Item – Trevor Friedeberg]***

D. 21st Century Jobs Fund Program
1. Michigan Business Development Program – Jackson National Life Insurance Company ***[Action Item – Trevor Friedeberg]***
2. Tellurex, Inc. Conversion Request ***[Advisory Committee Only – Dean Wade]***
3. NRG Dynamix Extension Request ***[Action Item – Dean Wade]***
4. Develop Michigan, Inc. – Appointments to the Board of Directors ***[Action Item – Eric Hanna]***
5. Develop Michigan, Inc. – Revision of Business Terms ***[Action Item – Eric Hanna]***
6. Michigan Community Revitalization Program – 618 South Main, LLC ***[Action Item – Joseph Martin]***

E. Brownfield – Harbor Shores Parcel 3 Project - MBT Amendment ***[Action Item – Mary Kramer]***

F. Job Creation MBT Credit Amendment – Rec Boat Holdings, LLC ***[Action Item – Ken Murdoch]***

G. Administrative
1. Revision to the Composition of the Revolving Loan Fund Regions ***[Action Item – Deborah Stuart]***
2. MSF Fund Manager Request for Delegated Authorities for SBT/MBT Credits and Act 381 Work Plan Amendments ***[Action Item – Karla Campbell]***

MEMORANDUM

DATE: July 24, 2013

TO: Michigan Strategic Fund Board Members

PREPARED BY: Mark Morante, Senior Advisor, Strategic Projects

SUBJECT: Private Activity Bond – Bond Inducement and Catalyst Development Project Approval
Olympia Development of Michigan, LLC
$450,000,000 – New Financing

COMPANY BACKGROUND

Olympia Development of Michigan, LLC is requesting assistance in financing the Catalyst Development Project (as defined by State law) in Detroit, Wayne County, Michigan. The project is a multipurpose events center to be designed and constructed to host a variety of entertainment and sporting events, including NHL hockey. The events center will become the home of the Detroit Red Wings.

PROJECT DESCRIPTION

The project includes the acquisition of land if not already acquired, construction of the events center on the property and the acquisition and installation of furnishings and equipment. The surrounding area will be further developed, and MSF's assistance with that development may be requested at a later date.

The City of Detroit's Downtown Development Authority (the "Detroit DDA") will acquire title to the necessary property and enter into a long term concession and management agreement, along with any other necessary agreements, with Olympia Development of Michigan, LLC or its affiliate and any other necessary parties. The funds to be pledged by the Detroit DDA, consisting of statutory tax increment collections, along with concession payments and other funds to be provided by the Detroit DDA, will be sufficient to pay the principal of and interest on the MSF bonds.

Attached is a summary of the memorandum of understanding, frequently asked questions and related exhibits.

ADDITIONAL INFORMATION

Bond Counsel:
Miller Canfield

Proposed Placement of the Bond Issue:
First Southwest Company is serving as financial advisor on this project.

RECOMMENDATION

After reviewing the Private Activity Bond Application for Olympia Development of Michigan, LLC, staff recommends the adoption of an Inducement Resolution in the amount of Not to Exceed $450,000,000 for this project, and approval of the Catalyst Development Project as required by MCL 125.1669(3).

MEMORANDUM

DATE: July 15, 2013

TO: Michigan Strategic Fund Board Members

FROM: Mark Morante, SVP Special Projects

RE: DDA Development Plan Approval

Request

The Board is being asked to:

1. Approve a request from the Detroit Downtown Development Authority (DDDA) pursuant to 2012 Amendments to Act No. 197 of Public Acts of 1975, as amended, the Downtown Development Authority Act (the "DDA Act"). Those changes permit the DDDA to use specified tax increment revenues levied on or after July 1, 2010 (the "Catalyst Project Revenues") to fund a Catalyst Development Project approved by the Michigan Strategic Fund ("MSF"). A Catalyst Development Project is defined in the DDA Act as a project occurring in a city with a population greater than 600,000 resulting in at least $300,000,000 in capital investment. DDA and MEDC staffs have been engaged in discussions with Olympia Development of Michigan, LLC ("ODM"), and Wayne County (the "County") to establish a Catalyst Development Project northwest of the current DDA Downtown District.

2. Approve a request from Olympia Development LLC of Michigan (ODM) for an inducement resolution in the amount of $450 million to finance the construction of the new arena.

Staff recommends approval of both requests.

Background and Summary of the Project

For the past year or so, the parties of been actively engaged in negotiations regarding the building and financing of a new multipurpose event center anchored by the Detroit Red Wings. Negotiations included amending the DDA Act itself, which occurred last December, entering into a new Joe Louis Arena lease and entering into a Memorandum of Understanding between ODM, the DDDA and the County. Now that this work has been completed, various boards, city and county approvals are now necessary. Briefly, the terms of the proposal are as follows:

1. The Catalyst Development Project will consist of two components: (i) the development of a new events center consisting of approximately 650,000 square feet, approximately 18,000 seats, attached parking and ground floor retail to serve as a new home arena for the Detroit Red Wings and as a year-round venue for a wide range of sports and entertainment events (the "Events Center"), the Events Center will be located in the area on the NW corner of I-75 and Woodward and specified in Area in **Exhibit C**,

2. The total cost of the Catalyst Development Project is estimated at $650 Million, in 2013 dollars, with an estimated private investment of $365.5 Million and an estimated public investment of $284.5 Million

3. The development of the Events Center will cost approximately $450 Million, to be funded through a contribution by the DDA of existing Catalyst Project Revenues, private land acquisition and other project related costs incurred by ODM, and revenue bonds having a term of 30 years to be issued by MSF (the "MSF Bonds").

4. The MSF Bonds will be repaid over the term of the MSF Bonds through the following sources: (i) a pledge by the DDA of at least $12.8 Million per year but not to exceed $15 Million per year in Catalyst Project Revenues; (ii) a contribution by the DDA of $64.5 Million from other tax increment revenues, including but not limited to tax increment revenues attributable to certain County assessments of approximately $4.75 Million, payable pursuant to an agreed upon schedule; (iii) an annual payment by ODM of $11.5 Million; and (iv) other financial support from the County as may be identified by the County. In addition to debt service on the MSF Revenue Bonds, the above sources will also fund a debt service reserve, coverage reserve and maintenance and repair reserve.

5. Subject to approvals by Wayne County contemplated in Paragraph 12 below, the DDA and the County will enter into an Intergovernmental Agreement (the "IGA") identifying the capture of County taxes from the expanded portion of the DDA downtown district to be used towards the Events Center.

6. Subject to approvals contemplated in Paragraph 12 below, it is anticipated that each of the City of Detroit (the "City"), The Economic Development Corporation of the City of Detroit (the "EDC") and ODM will transfer to the DDA their respective lands located within the EC Project Area for no cash consideration.

7. The DDA will own the Events Center and the DDA and ODM will enter into a concession management agreement pursuant to the terms of which ODM will assume operational control of the Events Center and be responsible for the costs of its operations and maintenance.

8. In addition to the Events Center, ODM has committed, and/or will induce other private developers to commit, at least $200 Million for other developments within the Catalyst Development Area.

9. The DDA and ODM (or its affiliates) will enter into a development agreement or agreements relating to such additional developments.

10. Subject to approvals contemplated in Paragraph 12 below, it is anticipated that certain City-owned and EDC-owned properties will be conveyed to the DDA to be held for additional development projects.

11. Provided that ODM has entered into development agreements on or before five (5) years after the Events Center is open and pursuant to the terms of those agreements ODM is obligated to commence projects with aggregate budgeted costs in the amount of at least $200 Million, the DDA will contribute up to $62 Million over approximately 30 years in Catalyst Project Revenues in excess of those pledged to the repayment of the MSF Bonds to support such additional development projects, to be allocated between the projects on a pro-rata basis.

12. The transactions contemplated by the MOU are subject to various approvals further described in Section XIII of the MOU by the parties to the MOU, MSF, the EDC, and the City, including, but not limited to the approval by the DDA Board and the City of the expansion of the existing DDA downtown district and amendments to the DDA's Tax Increment and Development Plan and the

approval by the EDC, and the City of contemplated land transfers. Upon approval of the MOU by the Board of Directors of the DDA, DDA staff will present the Board the proposed amendments to DDA Plan and related matters in the near future.

Attachments

The following are attached:

1. Fully executed MOU with exhibits.

2. A formal letter of request from the DDDA with Exhibits.

3. Excerpt from DDA Plan describing Catalyst Development Project the Board is being asked to approve.

4. Letter from ODM requesting the MSF to issue up to $450 million in bonds.

Representatives of ODM, the finance and legal teams, and the City will be at meeting to make a presentation covering all the attachments and to answer any questions the Board may have.

MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding ("MOU") is executed on this 19th day of June 2013 by and between the City of Detroit Downtown Development Authority ("DDA"), the Charter County of Wayne ("County") and Olympia Development of Michigan, LLC ("ODM") (collectively, "Parties").

Recitals

A. In the spirit of providing the highest benefit to our community and consistent with how most successful projects throughout our country are structured, a public-private partnership is being created to develop a Catalyst Development Project that will serve the citizens of our City, County, Region and State.

B. The DDA and the County have determined that the construction of a new events center, which will attract concerts and other sports and entertainment events, and related facilities ("Events Center"), will act as a major economic development catalyst for the City of Detroit (the "City") and the County, will have a beneficial effect on the property values of property within the City and will create new business and employment opportunities.

C. The DDA has determined that there is a public purpose for construction of: (1) a new multipurpose Events Center; (2) commercial, residential, retail and mixed-use development adjacent to the new Events Center; and (3) other public facilities, public infrastructure, public parking facilities, and public spaces in the development area.

D. The Parties have determined that it is in the best interest of the public, the City, the County, the region, the State and the Parties to this MOU to relocate the sports and entertainment activities now conducted at the Joe Louis Arena, which include Detroit Red Wings hockey, to the new Events Center.

E. In conjunction with the Events Center, ODM, or its affiliates, will commit to make, or will cause private parties to commit to make an investment of approximately $200 million in projects adjacent to the Events Center and within the area defined as the "Catalyst Development Area" (these projects, together with the Events Center, are referred to herein as the "Catalyst Development Project"), subject to the terms and conditions of a development agreement or agreements to be entered into in accordance with the terms hereof.

F. The Parties estimate that the total cost of the Catalyst Development Project will be approximately $650 million and the Parties anticipate that the private investment in the Catalyst Development Area will be approximately $367 million and the public investment will be approximately $283 million, in 2013 dollars.

G. The Parties desire to memorialize their mutual understandings and intentions relative to the terms of the Catalyst Development Project and the intended roles of each party in assuring the successful completion of the Catalyst Development Project, and the respective contributions toward the costs of land acquisition and infrastructure improvements for, and construction of, a first-class professional sports and entertainment complex (the Events Center) and commitment to the other developments that comprise the Catalyst Development Project.

I. General Description of the Catalyst Development Project

A. Events Center

The Events Center portion of the Catalyst Development Project will include an approximately 650,000 square foot NHL caliber arena, with approximately 18,000 seats. The Events Center will be designed to be multipurpose and to host a variety of entertainment and other sporting events in addition to NHL hockey. It will also include premium seating and amenities of a contemporary first-class professional sports and entertainment complex.

B. Other Catalyst Development Projects

The development plan may include retail, office, business, business innovation, housing, education, entertainment and recreation projects. Subject to approval of the Michigan Strategic Fund ("MSF"), projects that are a part of the "Catalyst Development Project" are described in **Exhibit A,** although the parties may mutually agree that other projects may be substituted for these projects, and the Catalyst Development Project may also include additional projects to be identified later. Infrastructure shall be a part of the definition of a "Catalyst Development Project" to the extent that such infrastructure supports development in the Catalyst Development Area.

II. Costs of the Catalyst Development Project

It is understood that costs will include all costs ("Costs") of the Catalyst Development Project, including the following: (i) all land acquisition costs; (ii) site development costs, including demolition, environmental remediation, public infrastructure, public parking facilities and utilities; (iii) the specifications and designs for the Events Center; (iv) costs of construction, equipment, furniture, and furnishings; (v) financing costs, including underwriting costs, fees, and expenses, and the fees and expenses of attorneys, market analysts, consultants, and the costs of credit enhancements, if any; (vi) capitalized interest during construction and reserve fund requirements (capital repairs, replacements and improvements, and deferred maintenance) attendant to financing; (vii) DDA and County administrative costs associated with monitoring the development and construction of the Events

Center, including internal personnel and third party consultants; (viii) out-of-pocket costs of the State, City, County, DDA and ODM and its affiliates for attorneys, appraisers, environmental and other consultants, inspecting architects, and a disbursing agent, paid out or incurred in connection with the creation, negotiation, documentation, and delivery of all agreements and memoranda and other documents related to the design and construction of the Catalyst Development Project; (ix) all costs associated with the issuance of bonds; (x) relocation costs from JLA to new Events Center and (xi) such other costs and expenses as the Parties shall mutually approve, which approval shall not be unreasonably withheld. Costs shall include any costs described above whether incurred prior to or after the date hereof.

III. <u>Ownership Structure</u>

A. Events Center

The Events Center Complex, including the attached parking deck, and all associated infrastructure, shall be owned by the DDA, and the DDA will enter into a Concession Management Agreement ("CMA") with an affiliate of ODM. The parties anticipate that the Events Center Complex will be located in the area generally depicted on **Exhibit B** attached hereto (referred to herein as the "Events Center Complex").

B. Other Catalyst Development Projects

The remainder of the Catalyst Development projects, which shall include related infrastructure (as described above and on **Exhibit A**), will be made by ODM, its affiliates or other developers (unless otherwise funded from other public or private sources), and completed in accordance with a time schedule established by the Parties and such other terms and conditions to be included in one or more development agreements to be entered into between the DDA and ODM, or an affiliate of ODM, or other private developers (the "Development Agreement(s)") relating to the other projects. These projects will be located within the area outlined on **Exhibit C** attached hereto and identified as the "Catalyst Development Area". Each developer shall retain ownership of the land and improvements which are part of its project, unless another agreement has otherwise been made.

IV. <u>Land Acquisition and Related Development</u>

A. Events Center Complex

The DDA will acquire the land necessary for the Events Center Complex development as follows: (1) the DDA will work with the City and the Economic Development Corporation of the City of Detroit ("Detroit EDC") in order to enable the DDA to acquire the land described on Part A of the Schedule of City/Detroit

EDC Property attached hereto as **Exhibit D** (the "Public Property"), and (2) ODM will cause the owners of the property identified on the Schedule of ODM Property attached hereto as **Exhibit E**, to convey such property to the DDA. The acquisition of the land shall be without payment to the Detroit EDC, the City, the DDA or ODM. The DDA and ODM, and/or its affiliates, will work cooperatively in submitting a request to the City to vacate all streets, alleys and utilities in the Events Center Complex that are required for the Events Center Complex.

B. Other Development Area Property

The DDA will request that the City and the Detroit EDC convey to the DDA the property they own within the Catalyst Development Area which is identified on Part B of Exhibit D attached hereto. In accordance with the Development Agreement, the DDA shall agree to convey all such property to ODM, or an affiliate, as developer for the purpose of redeveloping the neighborhoods around the Events Center Complex. In accordance with the Development Agreement(s), ODM, or its designated affiliate, will agree to pursue development of the property conveyed by the DDA at a time and manner provided in, and subject to other terms of, the Development Agreement. The Parties will cooperate in requesting that the City vacate all streets, alleys and utilities in the Catalyst Development Area that are required to further development of the area surrounding the Events Center Complex.

V. Financing and Contributions

The Parties estimate that the total cost of the Catalyst Development Project will be approximately $650 million.

A. Events Center

The Events Center Complex will cost approximately $450 million, including financing costs, but excluding debt service and coverage reserves. The Parties anticipate that the MSF will issue one or more series of revenue bonds to fund the Events Center Complex (the "MSF Bonds"). The costs of the Events Center Complex shall be paid from money deposited into a fund to be established by the MSF ("Events Center Fund"), which funds shall be controlled by the bond trustee and disbursed to ODM (or its affiliate) as construction progresses in accordance with the CMA and bond-related agreements, including any draw requests. Except for the obligations set forth herein, the MSF Bonds shall be non-recourse to the governmental parties to this MOU. The MSF Bonds and the interest obligation thereon shall never constitute an obligation of the State of Michigan or a general obligation of the MSF within the meaning of any constitutional or statutory limitation and shall never constitute nor give rise to a charge against the general credit or taxing power of the State, but shall be a limited obligation of MSF payable solely from the security pledged. The MSF has no taxing power. ODM, or its affiliates, shall be solely responsible for any construction cost overruns relating to the construction of the Events Center. The obligations of the governmental parties with respect to debt service on the MSF Bonds shall not exceed the amounts specified herein.

Upon closing of the MSF Bonds, approximately $450 million will be deposited in the Events Center Fund from the following sources: all funds that the DDA has obtained as a result of certain captured property taxes, continues to hold, and is authorized by MCL 125.1651 or, if necessary, by the State of Michigan (the "State") to contribute to the Events Center Fund ("Catalyst Project Funds"); funds from other sources for application to pay costs of infrastructure within the Events Center Complex; and proceeds of the MSF Bonds to be issued by the MSF.

It is anticipated that the MSF Bonds will be repaid from the following sources:

1. An irrevocable pledge of annual property tax capture by the DDA pursuant to MCL 125.1664(6) (the "Catalyst Project Revenues") of approximately $12.8 million, to be applied to debt service on the MSF Bonds, provided that the maximum annual payment from this source shall be $15 million, plus such additional sum as may be necessary in the event that any annual payment amount in a prior year was less than $12.8 million, to restore the difference plus any deficit caused by the delay in payment.

2. The sum of $64.5 million, scheduled to be paid by the DDA during the term of the MSF Bonds, in accordance with the Schedule attached hereto as **Exhibit F**, as such schedule may be modified or adjusted by agreement between the DDA and ODM (or its affiliate), from the local incremental tax revenues captured by the DDA (the "DDA Contribution"). The payment obligation of DDA shall terminate when the MSF Bonds have been paid in full.

3. $11.5 million annually payable by ODM (or its affiliate) pursuant to the CMA (the "Concession Management Fee"); such payment shall terminate when the MSF Bonds have been paid in full.

In addition to repayment of the MSF Bonds, any of the foregoing funds may be used for all costs permitted by statute, including but not limited to: costs associated with development of other components of the Catalyst Development Project, the establishment of appropriate reserves (including bond reserves, maintenance reserves, and capital reserves). The Parties specifically acknowledge that a reserve for maintenance and capital improvements will be established from these funds, and that, commencing in the fourth year after the closing on the MSF Bonds, the sum of $500,000 per year, escalating at the rate of 4% per year, will be placed in this reserve.

Recourse to the parties herein in connection with the obligations under the MSF Bonds shall be limited to the payment obligations described above in Section V.A.1 and 2, for which they are responsible pursuant to this MOU, the CMA, the Development Agreement or any other agreement related to the contribution of public funds for the Events Center.

B. Other Catalyst Development Projects

The Parties will cooperate in an effort to obtain such public support, financial and otherwise, as necessary for the development projects located within the Catalyst Development Area so as to encourage private development activity in the area.

ODM will commit to make, or to cause other parties to commit to make, financial investments in projects in the Catalyst Development Area in an amount not less than $200 million (the "ODM Investment in Other Catalyst Development Projects"), subject to the terms and conditions to be set forth in a development agreement or agreements between ODM (or an affiliate) and the DDA. Such commitments shall be made in accordance with a development agreement or agreements, which, among other terms and provisions, include an obligation to commence projects with aggregate budgeted costs in the amount of at least $200 million on or before that date which is five (5) years after the date that the Events Center is open to the public for its first event. The $62 million to be provided by the DDA as set forth below shall be a credit against the $200 million commitment.

Subject to compliance by ODM or its affiliates with the terms of the Development Agreement(s) described above, including both the aggregate amount committed and the time period within which the aggregate commitment must be made, the DDA will provide all funds generated from the Catalyst Project Revenues which are not applied to the payment of the MSF Bonds (the "Additional Catalyst Project Revenues") up to a maximum of $62 million, as a contribution towards the costs of such projects. Such funds shall be allocated between the development projects commenced by ODM (or its affiliates) on a pro-rata basis (based on an overall project cost of $200 million), as such projects are commenced, and shall be paid if and when excess funds are available from the Catalyst Project Revenues. The foregoing commitment shall not be interpreted to restrict the ability of the Parties hereto or any other public entity to support development in other areas as well.

VI. <u>Concession/Management Agreement ("CMA")</u>

The DDA and ODM (or its affiliate) will enter into a Concession Management Agreement ("CMA") relating to the construction, operation and management of the Events Center. Pursuant to the CMA, and in consideration for the annual payment set forth in Section V, the DDA will grant to ODM (or its affiliate) the exclusive right:

A. To use, manage and operate the Events Center during the term of the CMA.

B. To all revenues derived from the Events Center and the Events Center Complex, including but not limited to revenues and concessions from all events, activities and operations in or on the Events Center Complex, including surface and deck parking, all of which will be more specifically set forth in the CMA.

C. To naming rights to the Events Center; ODM (or its affiliate) shall own the naming rights for the Events Center Complex and all rights of ownership with respect to the naming of the Events Center Complex, including the right to sell, market, copyright, secure a trademark for or otherwise exploit the same.

The Term of the CMA shall be 35 years, with twelve five year renewal options in favor of ODM (or its affiliate). The annual payment set forth above shall commence upon occupancy and shall be paid until the MSF Bonds are paid in full. ODM shall be entitled to assign its rights and obligations under the CMA to an affiliate.

VII. Design and Construction Management

ODM (or its affiliate) in consultation with the DDA and the County, will develop minimum program requirements, designs, plans and specifications and construction delivery systems for the Events Center, and will further define and finalize costs of constructing and developing the Events Center. The construction process shall comply with all laws, including applicable bidding and bonding requirements. ODM (or its affiliate) and the DDA shall agree to minimum requirements as part of the design of the Events Center. ODM (or its affiliate) shall have control over the design and construction of the Events Center. Some of the material terms and conditions to be incorporated into an agreement related to the construction of the Events Center are attached to this MOU as **Exhibit G**.

VIII. Disadvantaged, Minority, Women, City and County Resident Owned Businesses.

ODM (or its affiliate) will cause the general contractor for the Events Center to develop and administer a program or programs for involving Disadvantaged, Minority, Women, City and County Resident Owned Businesses in the work to be performed and materials to be supplied in connection with the construction of the Events Center, including a minority apprenticeship program. The City, County and ODM shall agree on a third party to assist in the development and administration of such programs. ODM (or its affiliate) will develop and administer a program or programs for involving such Businesses in the services to be performed at the Events Center after completion. The construction of the Events Center will comply with the City's Executive Order 2007-1, as well as other applicable laws and regulations of other governmental entities that pertain to workforce composition and business capital structure and ownership.

IX. Approvals of MSF

The DDA will work with the MSF to obtain any required review or approvals needed for the Catalyst Development Project plan and financing as outlined in this MOU.

X. Agreements and Responsibilities of DDA

A. The DDA will prepare and submit to the City for approval an expansion of the DDA district, expansion of Development Area No. 1 of the DDA and an amendment to the DDA's Tax Increment and Development Plan ("DDA Plan Amendment").

B. The DDA Plan Amendment will include provisions that expand the DDA district and expand Development Area No. 1 of the DDA to encompass the entire Catalyst Development Area.

In addition, the DDA Plan Amendment will expand the projects which may be supported thereunder to include:

(1) site acquisition for the Events Center complex, (2) the purchase, renovation and construction of ancillary facilities, (3) support for the Events Center as set forth in this MOU, and (4) support for retail, mixed use, residential and commercial development and other projects in the development area.

C. The DDA will work with the City and the Detroit EDC to transfer to the DDA all real property within the Catalyst Development Area, or interests therein, which are owned directly or indirectly by the City or Detroit EDC and which are necessary for the Catalyst Development Project.

D. The DDA agrees to pledge the sum of $64.5 million (to be paid as described in Section V.A.2 of this MOU) toward repayment of the bonds (such obligation to terminate upon repayment of the Bonds in full) and will cooperate in connection with the structure outlined in this MOU.

XI. Agreements and Responsibilities of the County

A. The County will review and submit to the Wayne County Commission an Intergovernmental Agreement ("IGA") approving the DDA's Tax Increment and Development Plan as it relates to the DDA expansion area. The IGA will identify the capture of County taxes to be used towards the Events Center.

B. The County is a party to this MOU in order to confirm its support for the Catalyst Development Project and its desire to provide funds to support the financing and/or the costs of the project. Upon confirmation by the County that it has identified a particular source or sources of funds, the Parties will discuss the most effective way in which to maximize the benefits available from such additional funding and will cooperate in an effort to re-structure the transaction, if necessary, including modifications to the CMA which may then include the County as a party, in order to establish a legal basis for the County participation.

XII. Agreements and Responsibilities of ODM (or its affiliates)

Pursuant to a separate Development Agreement or the CMA, ODM (or one or more of its affiliates) will commit to: (1) developing publicly owned property transferred to it for such purposes pursuant to the Development Agreement; and (2) pay all construction costs overruns for the Events Center complex to the extent not funded with Bond proceeds; (3) pay the maintenance costs and the costs of necessary capital improvements of the Events Center Complex and (4) pay an annual Concession Management Fee throughout the term of the bonds. Except as expressly set forth herein, neither the DDA nor the MSF shall have any obligation to make payments of debt service on the Bonds.

XIII. Conditions Precedent

The acquisition and construction of the Events Center Project and consummation of the transactions contemplated in this MOU are subject to the following conditions precedent, which conditions may be waived by subsequent agreement of the Parties hereto.

A. Approvals by the DDA. The approval by the Board of the DDA of the DDA Plan Amendment, including the expansion of the DDA District, the expansion of the Development Area No. 1 of the DDA, this MOU, the CMA and the other agreements and documents described herein.

B. Approvals by the City. The approval by the City of:

   a. The DDA Plan Amendment;

   b. Expansion of the DDA district and the expansion of Development Area No. 1 of the DDA;

   c. The transfer of City-owned and Detroit EDC owned property to the DDA and the termination of the EDC project plans as described in paragraph D below;

   d. Street vacations and zoning changes and such other governmental approvals as may be needed.

e. Joe Louis Arena lease extension through 2015-2016 hockey seasons; and, in order to protect the substantial investment of time, resources and money devoted to ensuring the success of the Events Center and the Catalyst Development Project, such lease extension (or another agreement between the City and ODM) shall include reasonable and mutually agreed-upon provisions limiting the ability of the Joe Louis Arena to compete with the Events Center with respect to the presentation of sports and entertainment events.

C. Approvals by Wayne County. The approval by the County Commission of:

a. The IGA with the DDA regarding the capture of property taxes and the approval of projects and the waiver of the right to opt out of the expansion area.

b. Such documents and agreements as may be entered into by the County pursuant to the terms of this MOU which require approval by the County Commission.

D. Approvals by Detroit EDC. The approval by the Detroit EDC of:

a. The transfer of EDC owned land; and

b. The termination of the Villages of Woodward Project Plan and the Motown Center Project Plan.

E. Approvals by the MSF. The approval by the Board of the MSF of that part of the DDA Plan Amendment constituting the Catalyst Development Project and approval of the projects included in the Catalyst Development Project.

F. Approvals by the State of Michigan. Such approvals as may be required by the State in order to complete and finance the Catalyst Development Project and the Events Center as set forth herein.

G. Regulatory Approvals. The issuance of any and all federal, state and local orders, licenses and permits needed to complete the acquisition and construction of the Events Center Complex.

H. Issuance of Bonds. The issuance and sale of one or more series of bonds by the MSF to fund certain undertakings under this MOU.

I. ODM Approval. The approval by the Board of ODM (and/or any necessary affiliates) of this MOU, the Development Agreement, Joe Louis Arena Lease Extension, and of the CMA

J. <u>Execution of Agreements</u>. The execution by all relevant parties on or before October 1, 2013 of the CMA, Joe Louis Arena Lease Extension, the Development Agreement and all other agreements as may be necessary or desirable in connection with the consummation of the transactions contemplated in this MOU.

This Memorandum of Understanding expresses the present understanding and intention of the Parties and their respective willingness, upon the approval of the proposed financing structure and agreement, subject to compliance with applicable statutes, codes, ordinances and regulations and to necessary approvals by the Board of the DDA, City, ODM, the MSF, any and all necessary County Boards, Agencies or Authorities and any other governing authority, to take all actions necessary to implement the proposed responsibilities. In addition, in the event that this Memorandum of Understanding is not executed by all of the named Parties, it shall nevertheless be deemed to express the present understanding of those Parties which have executed it.

Signatories:

City of Detroit Downtown Development Authority

By:____________________

Its: Secretary

and

By:____________________

Its: Authorized Agent

Charter ~~County of~~ Wayne

By:____________________

Its: CHIEF EXECUTIVE OFFICER

Approved as to form only:
Lewis & Munday, a Professional Corporation
Counsel to the DDA

By:____________________
Brian J. Kott, Esq.

Olympia Development of Michigan, LLC

By:____________________

Its: Vice President

EXHIBIT A

The Catalyst Development Project

A. Events Center Complex

B. Parking Structure with 10,000 sf Ground Floor Retail to support Events Center and Ancillary Development

C. DTE Substation

D. Surface Parking Lot Improvements

E. New Construction at Woodward near Sproat (105,000 sf office and 35,000 sf retail)

F. 25,000 sf of Office/Retail on Woodward

G. Detroit Life Building Renovation (3,645 sf retail and 35 units residential)

H. Blenheim Building Renovation (1,833 sf retail and 16 units residential)

I. 1922 Cass Building Renovation (70,000 sf office)

J. New Parking Deck (700 cars) with 15,000 sf ground floor retail at Clifford

K. New Hotel/Retail – 20,000 sf floor plate

L. The development or redevelopment of other vacant properties or abandoned buildings within the Catalyst Development area, subject to further approval by the DDA and the MSF.

EXHIBIT B

Sketch of Location of Events Center Complex

[See attached]

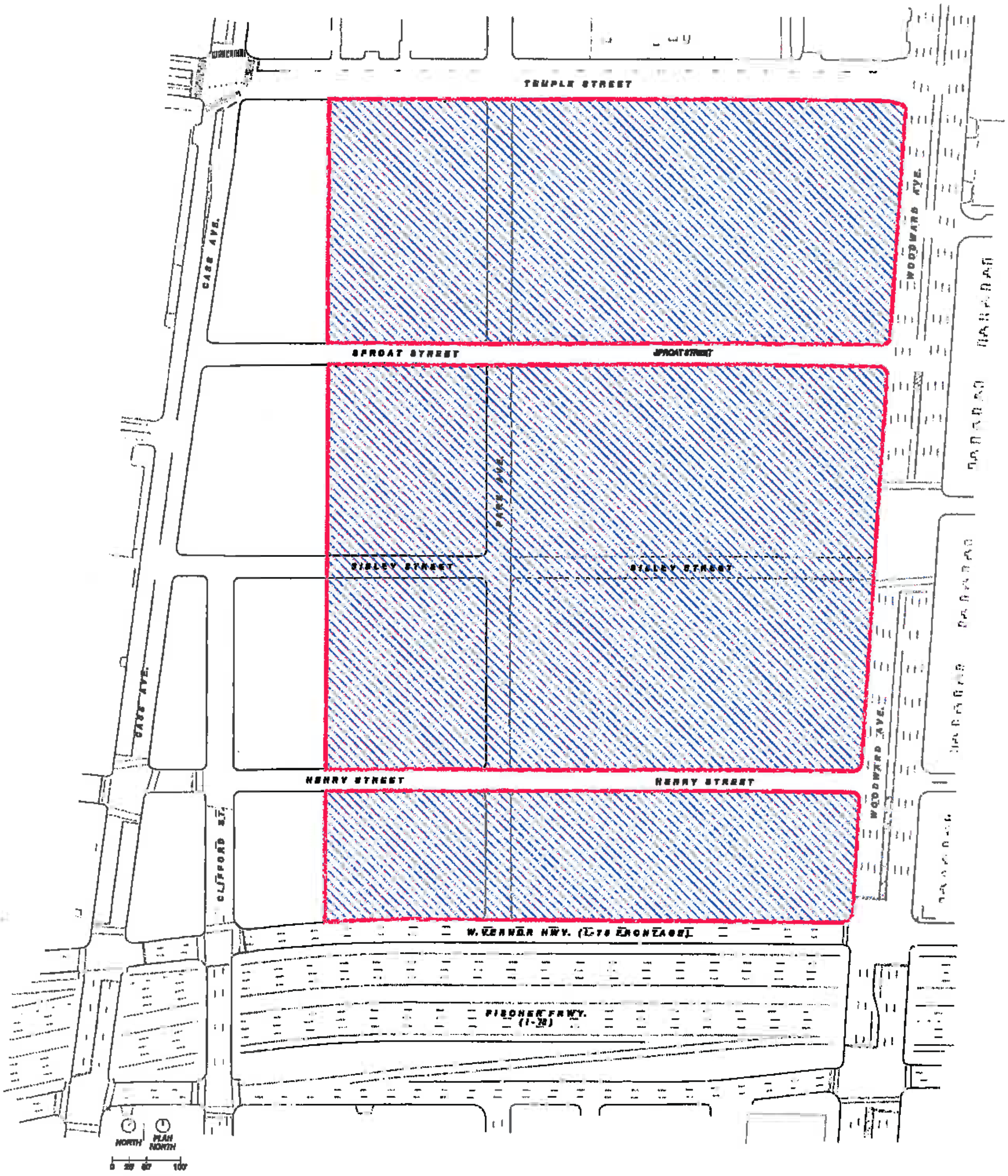
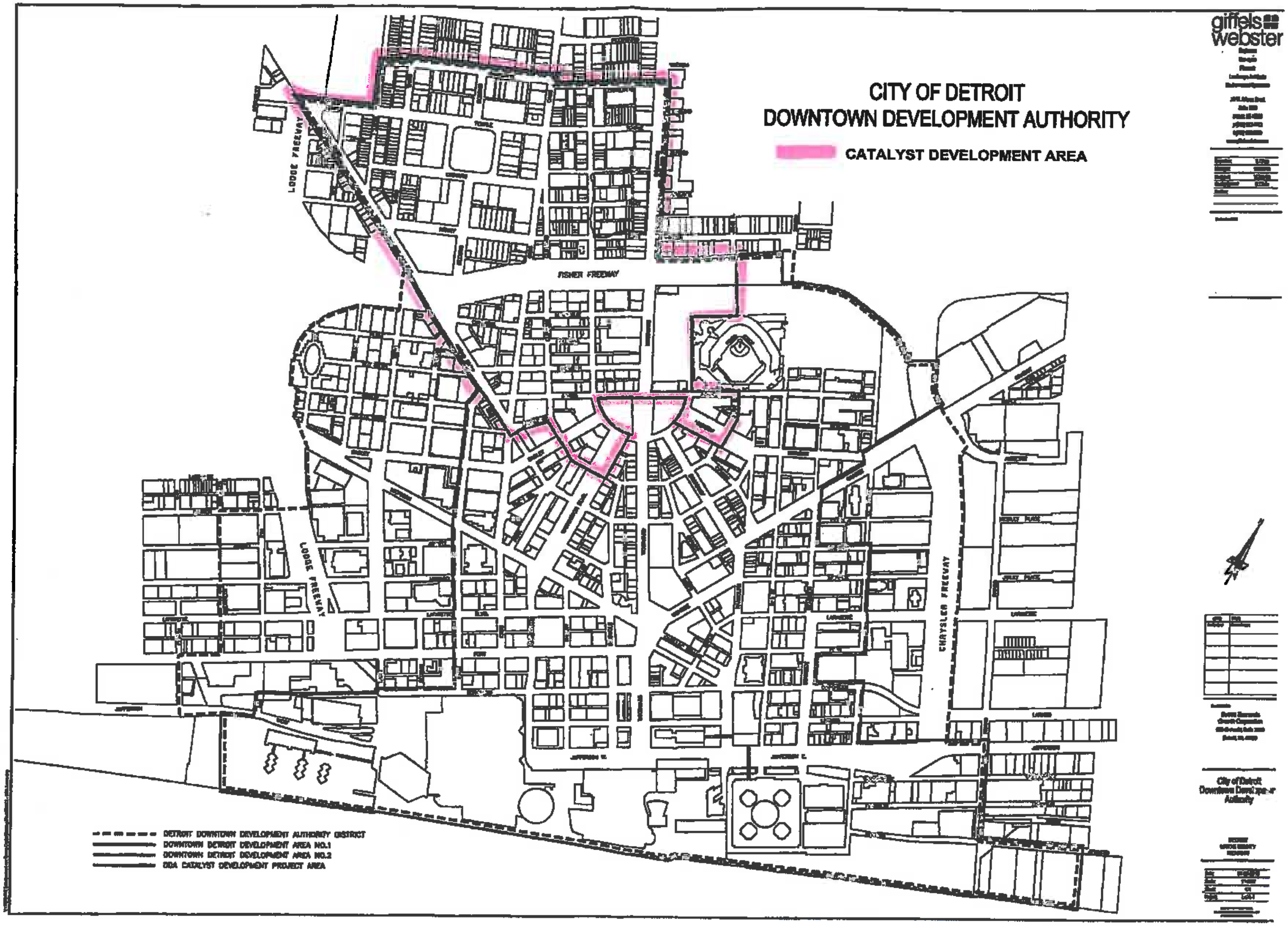

TEMPLE STREET
CASS AVE.
WOODWARD AVE.
SPROAT STREET
SPROAT STREET
PARK AVE.
SIBLEY STREET
SIBLEY STREET
CASS AVE.
HENRY STREET
HENRY STREET
WOODWARD AVE.
CLIFFORD ST.
W. VERNOR HWY. (I-75 FRONTAGE)
FISHER FRWY.
(I-75)
NORTH
PLAN NORTH

EXHIBIT C

Map Identifying the Catalyst Development Area

[See attached]



CITY OF DETROIT
DOWNTOWN DEVELOPMENT AUTHORITY
CATALYST DEVELOPMENT AREA
LODGE FREEWAY
FISHER FREEWAY
CHRYSLER FREEWAY
DETROIT DOWNTOWN DEVELOPMENT AUTHORITY DISTRICT
DOWNTOWN DETROIT DEVELOPMENT AREA NO.1
DOWNTOWN DETROIT DEVELOPMENT AREA NO.2
DDA CATALYST DEVELOPMENT PROJECT AREA
giffels webster
City of Detroit

EXHIBIT D

Schedule of City/Detroit EDC Owned Properties to be Conveyed to DDA

Part A

Property Included within Events Center Complex

1	48 Henry	Ward 02 Item 000585 002L	Economic Development Corporation of the City of Detroit
2	2515 Woodward	Ward 02 Item 001849	Economic Development Corporation of the City of Detroit
3	2521 Woodward	Ward 02 Item 001848	Economic Development Corporation of the City of Detroit
4	2529 Woodward	Ward 02 Item 001847	Economic Development Corporation of the City of Detroit
5	2533 Woodward	Ward 02 Item 001846	Economic Development Corporation of the City of Detroit
6	2539 Woodward	Ward 02 Item 001845	Economic Development Corporation of the City of Detroit
7	21 Sibley	Ward 02 Item 000589	Economic Development Corporation of the City of Detroit
8	29 Sibley	Ward 02 Item 000590	Economic Development Corporation of the City of Detroit
9	43 Sibley	Ward 02 Item 000591	Economic Development Corporation of the City of Detroit
10	73 Sibley	Ward 02 Item 000593	Economic Development Corporation of the City of Detroit
11	2550 Park	Ward 02 Item 000594 002L	Economic Development Corporation of the City of Detroit
12	76 Henry	Ward 02 Item 000582-4	Economic Development Corporation of the City of Detroit
13	44 Sibley	Ward 02 Item 000615	City of Detroit
14	40 Sibley	Ward 02 Item 000616	City of Detroit

15	34 Sibley	Ward 02 Item 000617	City of Detroit
16	2603 Woodward	Ward 02 Item 001844	City of Detroit
17	2631 Woodward	Ward 02 Item 001843	City of Detroit
18	2645 Woodward	Ward 02 Item 001842	City of Detroit
19	25 Sproat	Ward 02 Item 000625	City of Detroit
20	51 Sproat	Ward 02 Item 000627-9	City of Detroit
21	61 Sproat	Ward 02 Item 000630	City of Detroit
22	67 Sproat	Ward 02 Item 000631-2	City of Detroit
23	2743 Woodward	Ward 02 Item 001838-9	City of Detroit
24	2771 Woodward	Ward 02 Item 001835-7	City of Detroit
25	2720 Park	Ward 02 Item 001928	City of Detroit
26	84 Sproat	Ward 02 Item 001927	City of Detroit
27	2715 Woodward	Ward 02 Item 001840-1	City of Detroit
28	54 W. Fisher	Ward 02 Item 000543	Economic Development Corporation of the City of Detroit
29	83 Henry	Ward 02 Item 000550-1	Economic Development Corporation of the City of Detroit
30	2473 Woodward	Ward 02 Item 001851	Economic Development Corporation of the City of Detroit

31	128 Henry	Ward 02 Item 000575	City of Detroit
32	122 Henry	Ward 02 Item 000576	City of Detroit
33	106 Henry	Ward 02 Item 000579-80	City of Detroit
34	2531 Park	Ward 02 Item 001976	City of Detroit
35	129 Sibley	Ward 02 Item 000595	City of Detroit
36	135 Sibley	Ward 02 Item 000596	City of Detroit
37	2723 Park	Ward 02 Item 001967	City of Detroit

Schedule of City/Detroit EDC Owned Properties to be Conveyed to DDA

Part B

Property within Catalyst Development Area Outside the Events Center Complex

1	140 Henry	Ward 02 Item 000573	City of Detroit
2	134 Henry	Ward 02 Item 000574	City of Detroit
3	155 Sibley	Ward 02 Item 000599	City of Detroit
4	154 Sibley	Ward 02 Item 000605	City of Detroit
5	202 Sibley	Ward 02 Item 000603	City of Detroit
6	643 Temple	Ward 04 Item 000564	City of Detroit
7	2770 Third	Ward 04 Item 003374	City of Detroit
8	2733 Second (Cass Park)	Ward 02 Item 002329-30	City of Detroit*
9	28 Temple	Ward 02 Item 000660	City of Detroit
10	2901 Woodward	Ward 02 Item 001834	Economic Development Corporation of the City of Detroit
11	2929 Woodward	Ward 02 Item 001833	Economic Development Corporation of the City of Detroit
12	2939 Woodward	Ward 02 Item 001832	Economic Development Corporation of the City of Detroit
13	2913/2915 Third	Ward 04 Item 003597-8	City of Detroit
14	2923 Third	Ward 04 Item 003596	City of Detroit
15	2931 Third	Ward 04 Item 003595	City of Detroit
16	2939 Third	Ward 04 Item 003594	City of Detroit
17	2951/2953 Third	Ward 04 Item 003592	City of Detroit
18	2961 Third	Ward 04 Item 003591	City of Detroit
19	2969 Third	Ward 04 Item 003590	City of Detroit
20	2981 Third	Ward 04 Item 003589	City of Detroit
21	3008 Fourth	Ward 04 Item 003715-20	City of Detroit
22	3000 Fourth	Ward 04 Item 003714	City of Detroit
23	2940 Fourth	Ward 04 Item 003713	City of Detroit
24	2934 Fourth	Ward 04 Item 003712	City of Detroit
25	2928 Fourth	Ward 04 Item 003711	City of Detroit
26	2922 Fourth	Ward 04 Item 003710	City of Detroit
27	2916 Fourth	Ward 04 Item 003709	City of Detroit
28	2841 Fourth	Ward 04 Item 004050	City of Detroit
29	2837 Fourth	Ward 04 Item 004051	City of Detroit
30	2831 Fourth	Ward 04 Item 004052	City of Detroit
31	2825 Fourth	Ward 04 Item 004053	City of Detroit
32	2811 Fourth	Ward 04 Item 004055	City of Detroit
33	2727 Fourth	Ward 04 Item 004058	City of Detroit
34	2719 Fourth	Ward 04 Item 004059	City of Detroit
35	2713 Fourth	Ward 04 Item 004060	City of Detroit
36	2709 Fourth	Ward 04 Item 004061	City of Detroit
37	200 W. Montcalm	Ward 02 Item 000465	City of Detroit

*Parcel to be "adopted" not acquired.

1

EXHIBIT E

Schedule of ODM Controlled Properties to be Conveyed to DDA

Included Within the Events Center Complex

	Address	Parcel Identification Number
1	2530 Park	Ward 02 Item 001926
2	2500 Park	Ward 02 Item 000581
3	34 Henry	Ward 02 Item 000587
4	42 Henry	Ward 02 Item 000586
5	28 Henry	Ward 02 Item 000588
6	2501 Woodward	Ward 02 Item 001850
7	59 Sibley	Ward 02 Item 000592
8	2540 Park	Ward 02 Item 000594.001
9	52 Henry	Ward 02 Item 000585 001
10	66 Sibley	Ward 02 Item 000609-14
11	31 Sproat	Ward 02 Item 000626
12	2734 Park	Ward 02 Item 001930
13	2728 Park	Ward 02 Item 001929
14	48 Sproat	Ward 02 Item 000640-3
15	33 Temple	Ward 02 Item 000644-5
16	2776 Park	Ward 02 Item 001931
17	63 Temple	Ward 02 Item 000646
18	84 W. Fisher	Ward 02 Item 000539
19	76 W. Fisher	Ward 02 Item 000540
20	68 W. Fisher	Ward 02 Item 000541
21	60 W. Fisher	Ward 02 Item 000542
22	48 W. Fisher	Ward 02 Item 000544
23	42 W. Fisher	Ward 02 Item 000545
24	41 Henry	Ward 02 Item 000546
25	47 Henry	Ward 02 Item 000547
26	59 Henry	Ward 02 Item 000548.001
27	67 Henry	Ward 02 Item 000548 002L
28	71 Henry	Ward 02 Item 000549
29	2457 Woodward	Ward 02 Item 001853-6
30	2465 Woodward	Ward 02 Item 001852
31	150 W. Fisher	Ward 02 Item 000535
32	138 W. Fisher	Ward 02 Item 000536
33	132 W. Fisher	Ward 02 Item 000537
34	128 W. Fisher	Ward 02 Item 000538
35	2453 Park	Ward 02 Item 001977-9
36	127 Henry	Ward 02 Item 000552.001
37	131 Henry	Ward 02 Item 000552-3
38	143 Henry	Ward 02 Item 000554
39	136 Henry	Ward 02 Item 000577
40	124 Henry	Ward 02 Item 000578
41	2571 Park	Ward 02 Item 001975

	Address	Parcel Identification Number
42	141 Sibley	Ward 02 Item 000597-8
43	2601/2605 Park	Ward 02 Item 001974
44	2607/2611 Park	Ward 02 Item 0001973
45	2617/2621 Park	Ward 02 Item 01971-2
46	2643 Park (Partial)	Ward 02 Item 00633-8
47	124 Sibley	Ward 02 Item 00608
48	140 Sibley	Ward 02 Item 00607
49	110 Sproat	Ward 02 Item 001969-70
50	2727 Park	Ward 02 Item 001968
51	2733 Park	Ward 02 Item 001964-6
52	2753 Park	Ward 02 Item 001963
53	2763 Park	Ward 02 Item 001961-2
54	131 Temple	Ward 02 Item 000647
55	145 Temple	Ward 02 Item 000648
56	124 Sproat	Ward 02 Item 000639

EXHIBIT F

Schedule of DDA Payments

DDA PROPOSED SCHEDULE OF PAYMENT TO EVENTS CENTER PROJECT

		DDA
1	6/30/2014	
2	6/30/2015	
3	6/30/2016	
4	6/30/2017	
5	6/30/2018	
6	6/30/2019	2,000,000
7	6/30/2020	2,000,000
8	6/30/2021	2,000,000
9	6/30/2022	2,000,000
10	6/30/2023	2,000,000
11	6/30/2024	2,250,000
12	6/30/2025	2,500,000
13	6/30/2026	3,250,000
14	6/30/2027	3,500,000
15	6/30/2028	3,500,000
16	6/30/2029	3,500,000
17	6/30/2030	4,000,000
18	6/30/2031	4,000,000
19	6/30/2032	2,000,000
20	6/30/2033	2,000,000
21	6/30/2034	2,000,000
22	6/30/2035	2,000,000
23	6/30/2036	2,000,000
24	6/30/2037	2,000,000
25	6/30/2038	2,000,000
26	6/30/2039	2,000,000
27	6/30/2040	2,000,000
28	6/30/2041	2,000,000
29	6/30/2042	2,000,000
30	6/30/2043	2,000,000
31	6/30/2044	2,000,000
32	6/30/2045	2,000,000
		64,500,000

EXHIBIT G

Material Terms and Conditions for Construction Administration

1. General Concept. ODM and the DDA agree that:

(a) The development and construction of the Events Center should be coordinated and centrally managed as outlined in this Exhibit G; and

(b) ODM (or its affiliate) shall enter into a guaranteed maximum price contract for the construction of the Events Center, subject to the approval of the DDA, which approval shall not be unreasonably withheld.

2. Events Center Design and Construction Process.

(a) The DDA will grant ODM (or its affiliate) full rights to construct and, in conjunction with the DDA, to supervise the construction of the Events Center. Except for funds to be provided by the DDA as specified in the MOU for this purpose, the DDA shall have no responsibility to pay for any part of such construction.

(b) ODM (or its affiliate) and the DDA shall agree upon the minimum requirements to be incorporated in the final design plans and specifications for the Events Center (the "Minimum Requirements") on or before a date to be specified in the Concession Management Agreement ("CMA"). Changes or deviations from the Minimum Requirements approved by the DDA shall not be made by ODM (or its affiliate) without the prior written consent of the DDA, which consent shall not be unreasonably withheld. The Parties' firm intention is that the design and construction process shall be a cooperative, mutual endeavor in which the DDA and ODM (or its affiliate) will work together and each will participate actively. The DDA shall also have the right to participate actively in all phases of the design and construction processes, including without limitation, the right to prior concurrence in all decisions with respect to all architectural programs, schematic designs, plans and specifications, interior design programs, and construction stages, which concurrence shall not be unreasonably withheld. The DDA recognizes that the concessionaire selected by ODM (or its affiliate) also has the right to participate actively in the design and construction of the concessions facilities at the new Events Center, including the right to prior concurrence in all decisions with respect to architectural programs, schematic designs, interior design programs, and construction stages of the new Events Center to the extent that these would affect the concession facilities to be constructed by the concessionaire, which concurrence will not be unreasonably withheld. With respect to all instances where participation and decisions of the DDA and/or ODM's (or its affiliate's) concessionaire are required hereunder, the DDA and ODM's (or its affiliate's)concessionaire shall provide such participation and decisions promptly so as not to cause any delay in the design and construction of the new Events Center or the Events Center Complex, but in any event, at least 48 hours before the expiration of any deadline imposed upon ODM (or its affiliate) by the architect for the Events Center or any contractor for the Events Center provided ODM (or its affiliate) has delivered, within 36 hours of receipt by ODM (or its affiliate) of any notice to ODM (or its affiliate) from such architect or contractor, a written notice to the DDA specifying the nature of the participation or decision required and the requisite deadline.

3. Approval of Contracts. The DDA shall be entitled to approve any subcontract for the construction of the Events Center in excess of the amount to be specified in the CMA, which approval shall not be unreasonably withheld. The DDA shall grant ODM (or its affiliate) the right to approve any contract, which approval shall not be unreasonably withheld, proposed to be entered into by the DDA which is payable from funds provided by the MSF, the DDA or ODM (or its affiliate, as applicable).

4. Change Orders.

(a) The DDA shall not be entitled to initiate or require, without the approval of ODM (or its affiliate), any change order to the construction contract for the Events Center.

(b) All costs of change orders to the construction contract for the Events Center that are requested by ODM (or its affiliate) or required by law shall be paid by ODM (or its affiliate). Any change order authorizing work in excess of the amount to be specified in the CMA or which results in an increase or decrease in the Project Budget in excess of the amount to be specified in the CMA shall be approved by the DDA, which approval shall not be unreasonably withheld.

5. DDA's Failure to Consent. The DDA shall agree to reimburse ODM (or its affiliate) for any increase in the Costs of the Events Center or any reduction in revenues available from the Events Center associated with the failure of the DDA to exercise any right of consent or approval granted to the DDA by this MOU, including any increased costs associated with the failure of the DDA to consent to proposed modifications of the final design of the stadium, provided, however, such obligation to reimburse shall arise only if a court of competent jurisdiction determines in a final non-appealable order that the failure of the DDA to give its consent or approval, as the case may be, was not reasonable.

6. Construction Disbursement Procedures. The Events Center Fund shall be held by a financial institution selected by the DDA and approved by ODM, or its affiliate (the "Disbursing Agent"). Moneys shall be disbursed from the Events Center Fund by the Disbursing Agent to pay Costs of the Events Center upon satisfaction of the following conditions:

(a) ODM (or its affiliate) is not in default under the Concession/Management Agreement.

(b) Presentation by ODM (or its affiliate) of a requisition certificate that (i) specifies the Costs of the Events Center for which payment is being requested, (ii) affirms that the work for which payment is being requested is in place and that such work has been completed in accordance with the approved plans and specifications for the Events Center, and (iii) certifies that the moneys remaining on deposit in the Events Center Fund or irrevocably committed to be available for deposit in the Events Center Fund will be sufficient to pay the remaining costs of the Events Center.

(c) Approval of the above requisition certificate as correct by the architect for the Events Center and by an inspecting architect hired by the DDA.

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City of Detroit
DDA
Downtown Development Authority
500 Griswold • Suite 2200
Detroit, Michigan 48226
Phone: 313 963 2940
Fax: 313 963 8839

July 11, 2013

Mr. Michael A. Finney
Board President & Chairman
Michigan Strategic Fund
300 North Washington, 3rd Floor
Lansing, Michigan 48913

Re: Proposed Catalyst Development Project, Detroit, Michigan

Dear Mr. Finney:

On June 26, 2013 the Board of Directors of the City of Detroit Downtown Development Authority ("DDA") adopted proposed amendments to the Restated City of Detroit Downtown Development Authority Tax Increment Financing Plan and Development Plan for Development Area No.1 (the "DDA Plan"). The amended DDA Plan has been submitted to Detroit City Council for approval pursuant to the Downtown Development Authority Act (Act 197 of 1975, MCL 125.1651, et. seq.). The amendments contain a proposed "catalyst development project", as that term is defined at MCL Section 125.1651(g) (the "Catalyst Development Project"). We are enclosing with this letter a copy of Section 407.11 of the DDA Plan which sets forth the proposed Catalyst Development Project (Exhibit A) and a graphic depicting the geographic area within which the project will be conducted (Exhibit B). MCL 125.1669(3) requires that the Michigan Strategic Fund (MSF) approve or reject this section of the DDA Plan. We are hereby requesting that Board of the MSF approve Section 407.11.

We understand that Olympia Development of Michigan, LLC ("ODM") has submitted an application for financing relating to the Events Center portion of the Catalyst Development Project to the MSF. Said financing would be in furtherance of the Catalyst Development Project and the DDA is in support of the request.

Sincerely,

Brian J. Holdwick
Authorized Agent
Downtown Development Authority

EXHIBIT A TO LETTER TO MSF

407.11 Catalyst Development Project

The Events Center Project and the EC Ancillary Development Project, described below in Sections 407.11.1 and 407.11.2, constitute the Catalyst Development Project under the Plan and as authorized pursuant to the Act. The Catalyst Development Project is located in the area depicted in Exhibit A to Section 407.11 (the "Catalyst Development Area"), the legal description for which is as follows:

> Beginning at the north right of way line of the Fisher Freeway North Service Drive and the east right-of-way line of Woodward Avenue; then north along Woodward Avenue to a point on the north right-of-way line of Charlotte Street and its extension thereof; then west along Charlotte to the west right-of-way line of Fourth; then south along Fourth to the north right-of-way line of Temple; then west along Temple to the west right-of-way line of Grand River; then southeast along the west right-of-way line of Grand River to the south right-of way line of Middle; then easterly along Middle to the west right-of-way line of Clifford; then easterly to the east right-of-way line of Washington Boulevard; then north along Washington Boulevard to the north right-of-way line of Park; then northwesterly along Park to the south right-of-way line of Adams; then east along Adams to the west right-of-way line of Witherell; then southwesterly to the west right-of-way of Madison extended; then southeasterly along Madison to the east right-of-way of John R; then north along John R to the north right-of-way of Adams; then west along Adams to the east right-of-way line of Witherell; then north along Witherell to the south right-of-way line of Montcalm; then east along Montcalm to the east right-of-way line of John R; then north along John R extended to the north line of the Fisher Freeway North Service Drive; then west along the Fisher Freeway North Service Drive to the point of beginning.

407.11.1 Events Center Project

Project Description

The proposed "Events Center Project" is a sports/entertainment complex that is part of an initiative conceived to expand the traditional downtown business district into the area north of the Fisher Freeway and west of Woodward Avenue and to effectively connect downtown Detroit to Detroit's Midtown area. Its objective is to transform the 2013 Expansion Area from its currently largely blighted state into a vibrant year-round business, residential and entertainment district that will enhance the viability of the Authority's past and present economic development efforts throughout the Development Area, and in particular in the adjacent Grand Circus North Development Area. The initiative will also stimulate private and public development efforts in Detroit's Midtown area.

A primary component of the project will be the development of a multi-purpose sports and entertainment center, including an attached parking deck (collectively, the "Events Center") that will include a state of the art professional hockey arena which will become the new home of the Detroit Red Wings organization. In addition to serving as a venue for National Hockey League ("NHL") events, the Events Center will be able to host a wide variety of entertainment events, including but not limited to concerts, other sports and entertainment events and similar events.

It is currently anticipated that the Authority will own the Events Center and that the Authority will enter into a concession management agreement (the "EC CMA") with Olympia Development of Michigan, LLC or an affiliate thereof ("ODM"), pursuant to the terms of which ODM will assume the management and operation of Events Center. In the event that Wayne County provides a funding commitment for the construction of the Events Center, subject to the approval of the Board of Directors of the Authority, the Authority may transfer its ownership interest in all or a part of the Events Center to the Detroit/Wayne County Stadium Authority or other building authority formed under Act 31 of 1948, or other public entity, as determined by the Authority. Under such an alternative ownership structure, the EC CMA structure would also be modified, subject to the approval of the Board of Directors of the Authority. By way of example, such building authority may lease the Events Center (or such portion in which it has an ownership interest) to Wayne County and Wayne County, in turn, would sublease the Events Center (or such portion thereof) to the Authority and the Authority, in turn, would enter into the EC CMA as contemplated above.

The City and the EDC will convey to the Authority their respective properties located within the EC Project Area and described in Section 406.2.2 of the Plan for a nominal cash amount and other valuable consideration for the purposes of project implementation. Likewise, ODM (or its affiliates) will convey to the Authority those properties owned by it within the EC Project Area and described in Section 405.1.1 for a nominal cash amount and other valuable consideration for the purposes of project implementation.

Developer
It is anticipated that the Authority will own the Events Center and co-develop the Events Center with ODM or an affiliate thereof. Construction will be coordinated between the Authority, ODM and/or its affiliates, including but not limited to the Detroit Red Wings organization, and, if and as necessary, the City. In the event that the Detroit/Wayne County Stadium Authority or other building authority formed under Act 31 of 1948 owns the Events Center or a portion thereof as contemplated above, such building authority would also be involved in the development and coordination of construction of the Events Center.

Location, Extent and Character of Proposed Improvements
The Events Center will generally be located west of Woodward Avenue and east of existing and vacated alleys west of Park Street's existing location, commencing at the service drive for the I-75 Fisher Freeway and continuing north to Temple Street, as shown in the map attached hereto as Exhibit B to Section 407.11 (the "EC Project Area"), covering approximately 23.2 acres of generally vacant and underutilized land.

The EC Project Area may be amended from time to time by means of a resolution adopted by the Board of Directors of the Authority. In the event that the Events Center is owned by the Detroit/Wayne County Stadium Authority or other building authority or public entity as contemplated above, at the time of any such amendment, a resolution approving such amendment would also be required of the Board of Directors of such authority.

The Events Center will feature a NHL regulation ice rink and all fixtures, equipment and amenities customarily found in a first class professional sports and entertainment complex. The Events Center is planned generally as an approximately 650,000 square foot NHL caliber arena with approximately 18,000 seats, including approximately 1,200 premium seats. Plans include construction of an attached car parking deck located within the EC Project Area, estimated to accommodate 500 parking spaces. The ground floors of the buildings located within the EC Project Area, including of the attached parking garage, will feature approximately 10,000 square feet of retail space featuring a team store, restaurants and other retail. Such retail will be open to the public during appropriate days and hours, including when the Events Center is not being used for events.

Project implementation will impact a majority of structures within the EC Project Area and may require demolition of certain structures to accommodate construction of the Events Center. The existing street grid and block layout of the EC Project Area may be altered in order to facilitate access to the new uses and to facilitate vehicular and pedestrian circulation throughout the area. It is anticipated that major streets leading into the area will receive streetscape, curb and sidewalk improvements. Further detail on possible changes to the current streets and rights of way to accommodate the Events Center is set forth in Section 404.1.1.

Estimated Cost $450,000,000

Source of Funds[1]

Private:	\$188,412,775[2]
Public:	\$261,587,225

The costs of constructing the Events Center will be paid from money deposited into a fund to be established by the Michigan Strategic Fund ("MSF") (the "Events Center Fund"), which funds will be controlled by a bond trustee and disbursed to ODM (or its affiliate) as construction progresses in accordance with the EC CMA. The sources of the Events Center Fund will include: (i) funds that the Authority has obtained as a result of property tax capture, continues to hold, and is authorized by MCL 125.1651 or by the State of Michigan to contribute to the Events Center Fund, currently estimated at \$31 million[3][4]; and (ii) proceeds from one or more series of revenue bonds (the "EC Revenue Bonds") to be issued by the MSF. Funds from other public or private sources for application to pay costs of infrastructure in or around the EC Project Area and funds committed by Wayne County (if any) may also be deposited in the Events Center Fund, to the extent available.

It is anticipated that the EC Revenue Bonds will be repaid over a period not to exceed 30 years from the following sources:

1. An irrevocable pledge by the Authority of tax increment revenues described in MCL 125.1651(cc)(vi) (the "Catalyst Project Revenues") of approximately \$12.8 million and up to \$15 million annually as authorized by MCL 125.1664(6).
2. A contribution of \$64.5 million by the Authority from its local tax increment revenues, payable pursuant to a schedule to be determined by the Authority and the bond trustee. This amount will include all tax increment revenues attributable to Wayne County taxes in the 2013 Expansion Area for the duration of the EC Revenue Bonds, currently estimated at approximately \$4,740,000.
3. \$11.5 million annually payable by ODM (or its affiliate).

ODM, or its affiliate, shall be solely responsible for any construction cost overruns relating to the construction of the Events Center. The obligations of the governmental parties with respect to debt service on the EC Revenue Bonds shall not exceed the amounts specified above.

It is anticipated that ODM (or its affiliate), will be primarily responsible for paying the operating and maintenance costs of the Events Center. However, beginning four years following the issuance of the EC Revenue Bonds, a reserve for maintenance and capital improvements will be established from the above described sources and the sum of \$500,000 per year, escalating at the rate of 4% per year, will be placed in this reserve.

Estimated Completion Date

Construction of the Events Center is anticipated to be completed by 2017.

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[1] Amounts indicated represent the present values as of July, 2013 of sources of private and public funding over the term of the EC Revenue Bonds, discounted at a rate of approximately 5.91%.

[2] Amount includes land acquisition and other project related costs by ODM for privately owned parcels included in the EC Project Area.

[3] Such funds are comprised of Catalyst Project Revenues held by the Authority prior to the date of the 2013 Plan amendment and attributable to periods from and after July 1, 2010, deemed to be attributable to such periods or otherwise authorized by the Michigan Department of Treasury.

[4] It is possible that \$25 million rather than \$31 million may be available from existing tax capture for such use. In the event that the amount of available funds is so reduced, additional private funding from ODM in the amount of such reduction will be added to the project.

407.11.2 EC Ancillary Development Project

Project Description
As part of the Catalyst Development Project, other projects involving the development, redevelopment, rehabilitation and repurposing of existing buildings and vacant lands located in portions of the Catalyst Development Area outside of the boundaries of the Events Center are proposed (the "EC Ancillary Development Project"). The construction and development of the Events Center will give impetus to other mixed-use development in the Catalyst Development Area.

The City and the EDC will convey to the Authority their respective properties located within the Catalyst Development Area and described in Section 406.2.2 of the Plan for a nominal cash amount and other valuable considerations for the purposes of project implementation. Such properties will be held by the Authority for development.

Developer
It is anticipated that independent developers and/or owners of private property, including but not limited to ODM or its affiliates, will participate in the EC Ancillary Development Project. In addition, with respect to any properties owned by the Authority, it is anticipated that the Authority would enter into development agreements with private developers, which may include ODM or its affiliates, with respect to the development of such properties.

Location, Extent and Character of Proposed Improvements
Development projects could be located anywhere within the Catalyst Development Area outside of the Events Center. Such projects may include retail, office, business, business innovation, housing, and education projects.

Certain projects currently under consideration include the following:

- New construction at Woodward near Sproat consisting of approximately 105,000 square feet of office and 35,000 square feet retail;
- Approximately 25,000 square feet of Office/Retail on Woodward;
- Detroit Life Building Renovation consisting of approximately 3,645 square feet of retail and 35 residential units;
- Blenheim Building Renovation consisting of approximately 1,833 square feet retail and 16 residential units;
- 1922 Cass Renovation consisting of approximately 70,000 square feet of office;
- New parking deck to accommodate approximately 700 cars, with approximately 15,000 square feet ground floor retail; and
- Approximately 20,000 square feet footprint for new hotel and retail.

However, after the feasibility of these and other projects are assessed by the Authority and potential developers, different projects acceptable to the Authority may be substituted for these projects. In addition, subject to the approval of the Authority and MSF, other projects consisting of the development or redevelopment of other vacant properties or abandoned buildings within the Catalyst Development Area may be identified at a later date and funded with Catalyst Project Revenues.

It is also anticipated that a new DTE substation described in Section 404.5.3.1(a) of the Plan will constitute a component of the EC Ancillary Development Project. Infrastructure projects, to the extent such projects support new developments projects in the Catalyst Development Area, are also contemplated as part of the EC Ancillary Development Project. By way of example only, infrastructure projects may include the construction of an elevated pedestrian bridge over the Fisher Freeway, located at Park Avenue or Clifford Avenue, the widening of the Woodward Avenue bridge over the Fisher Freeway, and/or other similar streetscape projects, including those described in Section 404.1.1 of the Plan.

Estimated Cost

The exact cost of the EC Ancillary Development Project is not currently known, but estimated at least $200 million.

Source of Funds

Private: $177.0 million pursuant to a commitment by ODM or its affiliates to invest, or cause other private parties to invest, such amount in the EC Ancillary Development Project.

Public[1]: Approximately $23.0 million in Catalyst Project Revenues, estimated to be the amount of Catalyst Project Revenues over the term of the EC Revenue Bonds in excess of those pledged for purposes of debt service on the EC Revenue Bonds.

Additional public funds yet to be determined for specific projects[2].

Estimated Completion Date: To be determined

[1] Represents present value as of July, 2013 of $62 million in Catalyst Project Revenues estimated to be collected over the term of the EC Revenue Bonds, discounted at a rate of approximately 5.91%.

[2] Such public funds may include tax increment revenues reallocated from other projects, upon approval of the Board of Directors of the Authority, as permitted by the Plan.

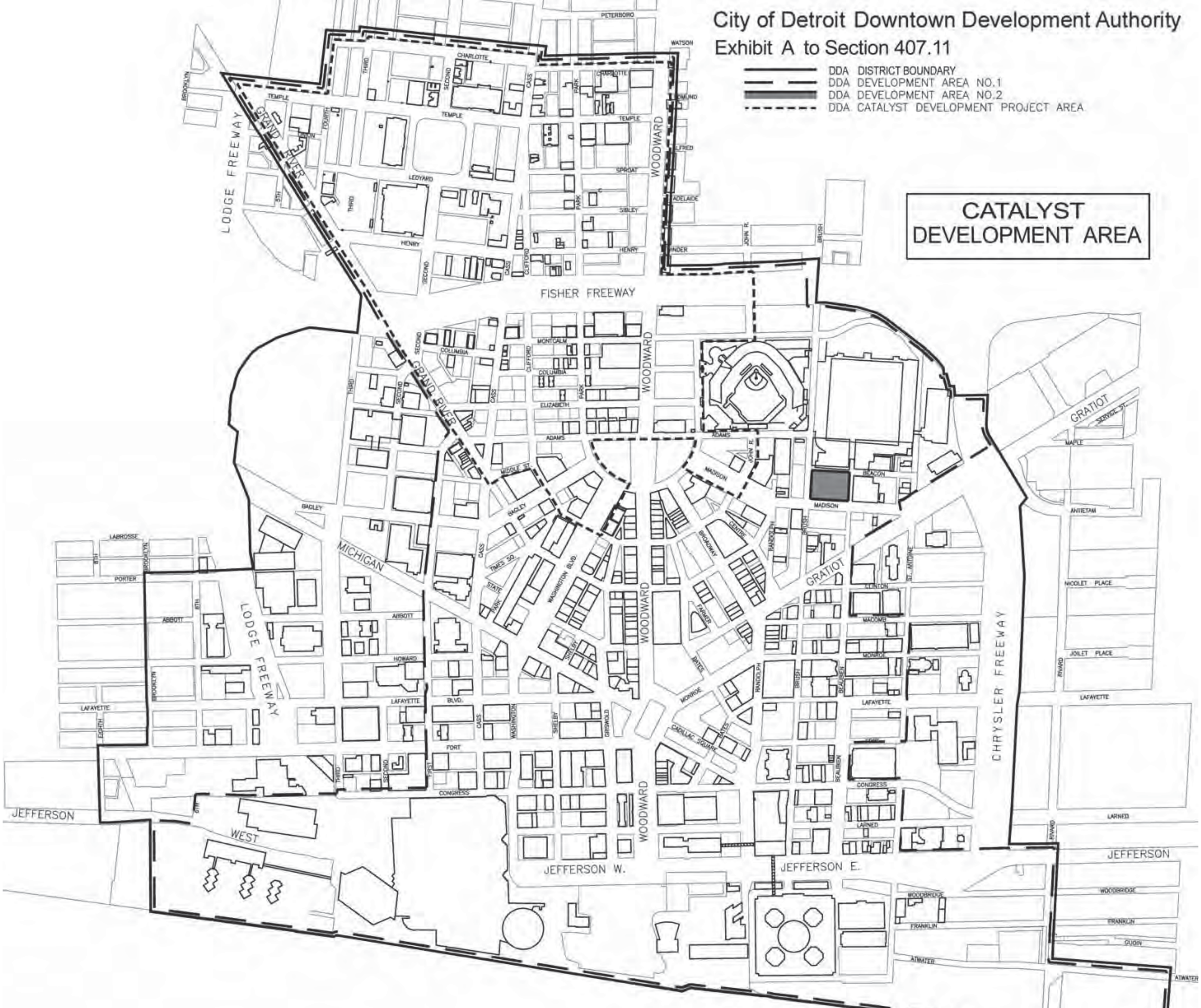
CATALYST DEVELOPMENT PROJECT
Sources and Uses of Funds[1]

Events Center:		
Land acquisition costs, preliminary site work and construction of Event Center		
Private Financing (ODM)		$188,412,775
Public Financing		$261,587,225
Existing Catalyst Project Revenues	$31,000,000	
Catalyst Project Revenues Commencing 12/2013	$206,244,442	
Wayne County tax increment revenues in 2013 expansion area	$1,717,277	
Other tax increment revenues	$22,625,506	
Events Center Subtotal		***$450,000,000***
EC Ancillary Development Project:		
Land acquisition, demolition, construction, rehabilitation, infrastructure for EC Ancillary Development Project		
Private Financing		$177,028,000
Public Financing		$22,972,000
EC Ancillary Development Project Subtotal		***$200,000,000***
Overall Catalyst Development Project		
Private Financing		$365,440,775
Public Financing		$284,559,225
Catalyst Development Project Total		**$650,000,000**

[1] Private and public funding for Event Center construction and public funding for the EC Ancillary Development Project represents the present value as of July, 2013 of sources of such funding sources over the term of the EC Revenue Bonds, discounted at a rate of approximately 5.91%.

City of Detroit Downtown Development Authority

Exhibit A to Section 407.11



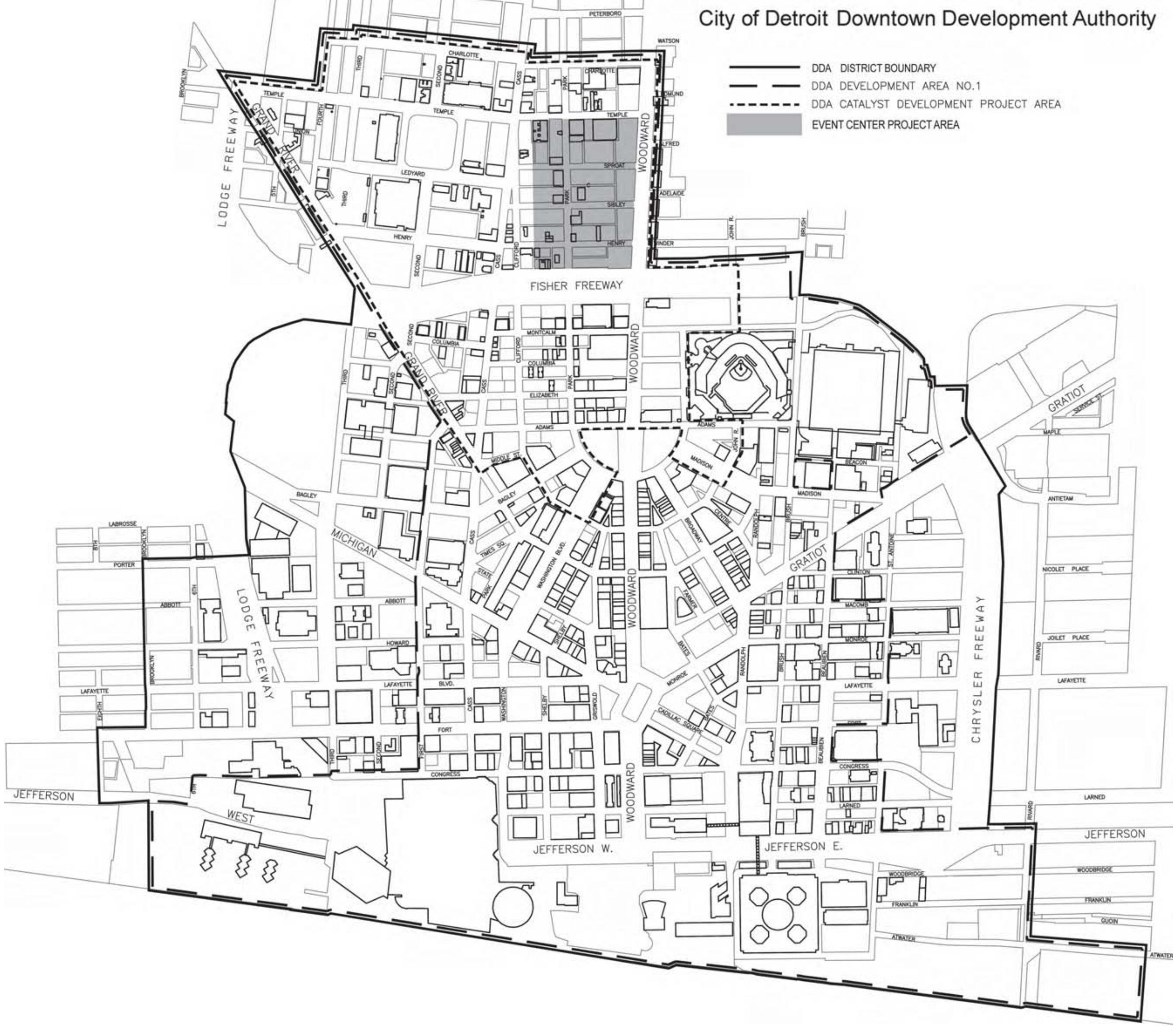
City of Detroit Downtown Development Authority

Exhibit B to Section 407.11

DDA DISTRICT 2013 EXPANSION AREA
EVENT CENTER PROJECT AREA

Event Center Project
Area Map

EXHIBIT B TO LETTER TO MSF



RESTATED TAX INCREMENT FINANCING PLAN
AND DEVELOPMENT PLAN FOR DEVELOPMENT AREA NO. 1

Summary of Proposed Amendments
June 2013

DEVELOPMENT AREA NO. 1

Boundary Modifications

The proposed modifications to the Tax Increment Plan and Development Plan for Development Area No. 1 (the "Plan") expand the boundaries of the Plan's Development Area No. 1 to include the area bounded by the Fisher Freeway on the South; Woodward Avenue on the East; Charlotte Street between Woodward Avenue and Fourth Street and Temple Street between Fourth Street and Grand River Avenue on the North; and Grand River Avenue on the West. *See also* Attachment 1.

ADJUSTMENTS TO THE ESTIMATED ANNUAL TAX INCREMENT REVENUE

Adjustments to Tax Increment Revenues Include:

- Adjustments of the estimated annual tax increment revenues to more accurately reflect taxable values and millage rate changes.
- Estimated Wayne County Tax Increment Revenues from the expanded Development Area 1, allocated to the Events Center.
- Estimated Catalyst Project Revenues earmarked for the Events Center Project.
- Estimated Catalyst Project Revenues earmarked for the EC Ancillary Development Project.

Adjustments to Other Revenues Include:

- Adjustments to Anticipated Loan Repayment Receipts.
- Adjustments to Michigan Avenue Garage Net Receipts.
- Adjustments in Sale of Real Estate Receipts.
- Adjustments to Interest Income on TIF and Bond Revenues over the Life of the Plan, which expires in FY 2044-2045.

PROJECT EXPENDITURES

RETAIL COMMERCIAL CORE AREA

Woodward Avenue Retail Corridor Improvements

M-1 Rail seeks to build a light rail link from Grand Boulevard to Jefferson Avenue along Woodward Avenue. The M-1 Rail line will mitigate instances of property deterioration, blight, and disuse of retail uses along Woodward Avenue, including within the Downtown District, and will aid in the redevelopment and acceleration of retail activity within the retail corridor.

In March, 2009, the Board authorized a sponsorship by the DDA of three (3) M-1 Rail stations at a cost of $3.0 million per sponsored station and redirected funds from the Housing/Office/Retail Development and Absorption Fund to this project in order to fund the sponsorship. It is anticipated that the M-1 project will cost $136.0 million, funded with 9.0 million in tax increment financing, $35.0 million in other public financing and $92.0 million in private financing. The proposed changes to the Plan recognize the reallocation of the funds to this project.

Quicken Loans Headquarters

The tax increment financing available for the project was reduced by $1.0 million and such funds have been reallocated to other projects.

CONVENTION FACILITIES AREA

Convention Facilities Area Public Improvements

An additional $200,000 per year for fiscal years 2013-2014 through 2017-2018 was added to this project in order to support the Holiday Lighting/Decorating Program for those years.

Ford Auditorium

Ford Auditorium was demolished in 2012. $490,000 of the $500,000 previously allocated to the repair, maintenance and redevelopment of the auditorium has been reallocated to other projects.

GRAND CIRCUS NORTH DEVELOPMENT AREA

Tigers/Lions Stadia Complex

The DDA’s allocation for repairs and maintenance has increased by $11.66 million.

LOWER WOODWARD IMPROVEMENT AGENDA

Lower Woodward Streetscape Improvement Project

The DDA’s allocation for streetscape improvements has increased by $3.23 million over the life of the Plan.

LOAN AND ABSORPTION PROGRAMS

Downtown Development Planning and Marketing

The DDA's allocation of $1.5 million for planning has decreased to $378,000 and the allocation of $1.0 million for marketing has decreased to $252,000, resulting in an overall allocation reduction of $1.87 million. These funds have been reallocated to other projects.

Housing/Office/Retail Development and Absorption Fund

The DDA's allocation of $77.66 million to accommodate construction and/or rehabilitation of downtown facilities under its Housing/Office/Retail Development program is increased by $68.59 million over the life of the Plan.

DOWNTOWN GENERAL DEVELOPMENT

Land Assemblage

The current DDA allocation of $98.68 million for the Land Assemblage program will increase by $69.06 million over the life of the Plan.

Blue Cross Blue Shield of Michigan Employee Relocation

In 2010, the DDA and Blue Cross Blue Shield of Michigan ("BCBSM") came to an agreement regarding the relocation by BCBSM of approximately 3,000 employees from suburban location to vacant office space in the Renaissance Center Phase II. As an incentive for the relocation, the Board authorized a reimbursement of $30,000,000 in relocation costs, payable in equal annual installments of $3,000,000 for 10 years, provided that BCBSM certifies for a period of 15 years that the 3,000 relocated employees remain employed in the Downtown District and that the total payroll for the relocated employees is at least $180,000,000 per year. Funding for this project is a reallocation of funds from the Housing/Office/Retail Development program. The amendment adds this project to the Plan.

Special Areas Planning, Engineering, Operations and Maintenance

An additional $500,000 over the life of the Plan has been added to this project. In addition, this program was revised to specifically support planning, programming and maintenance of Hart Plaza and DDA-owned and operated buildings in the development area.

CATALYST DEVELOPMENT PROJECT

2012 Amendments to Act No. 197 of Public Acts of 1975, as amended, the Downtown Development Authority Act (the "DDA Act") permit the DDA to use specified tax increment revenues assessed after July 1, 2010 (the "Catalyst Project Revenues") to fund a Catalyst Development Project approved by the Michigan Strategic Fund ("MSF"). A Catalyst Development Project is defined in the DDA Act as a project occurring in a city with a population greater than 600,000 resulting in at least $300,000,000 in capital investment.

The Catalyst Development Project will consist of two components: (i) the development of a new events center consisting of approximately 650,000 square feet, approximately 18,000 seats, attached parking, and ground floor retail to serve as a new home arena for the Detroit Red Wings and as a year-round venue for a wide range of sports and entertainment events (the "Events Center") and (ii) the development or redevelopment of vacant and/or underutilized properties within the area referred to in the Plan as the "Catalyst Development Area" (the "EC Ancillary Development Project").

Events Center Project

The Events Center will be located in the area bounded by Fisher Freeway on the South; Woodward Avenue on the East; vacated and existing alleys west of Park Street and east of Cass Avenue on the West and Temple Street on the North. It is anticipated that Olympia Development of Michigan, LLC ("ODM"), the City of Detroit and The Economic Development Corporation of the City of Detroit (the "EDC") will contribute all real property in such area to the Events Center project. The DDA will own the Events Center, unless the DDA Board determines that it is in the best interests of the project for the Events Center to be owned by another public entity. ODM or its affiliate will assume operational control of the Events Center and be responsible for the costs of its operations and maintenance of the Events Center pursuant to a Concession Management Agreement to be negotiated between the DDA and ODM.

The development of the Events Center will require the vacation of Sibley Street between Park and Woodward and alleys within the Events Center area and the possible relocation and/or vacation of Park. Additional vacations, changes to traffic patterns, and/or streetscape and infrastructure improvements may be necessary to accommodate vehicular and pedestrian traffic around the Events Center.

The development of the Events Center will cost approximately $450 million, to be funded through a contribution by the DDA of existing Catalyst Project Revenues, currently estimated at $31 million, private land acquisition and other project related costs incurred by ODM currently estimated at $47.8 million[1], and revenue bonds having a term of 30 years to be issued by MSF (the "MSF Bonds"). The MSF Bonds will be repaid over the term of the MSF Bonds through the following sources: (i) a pledge by the DDA of at least $12.8 million per year but not to exceed $15 million per year in Catalyst Project Revenues; (ii) a contribution by the DDA of $64.5 million from other tax increment revenues payable pursuant to an agreed to schedule, which includes approximately $4.75 million from Wayne County; (iii) an annual payment by ODM of $11.5 million; and (iv) other financial support from the County as may be identified by the County. In addition to debt service on the MSF Bonds, the above sources will also fund a debt service reserve, a coverage reserve, and a maintenance and repair reserve.

[1] It is possible that $25 million rather than $31 million may be available from existing tax capture for such use. In the event that the amount of available funds is so reduced, additional private funding from ODM in the amount of such reduction will be added to the project

Preliminary estimates are that 7 residential units, 2 businesses and 1 non-profit organization are located within the Events Center project area. If applicable, the DDA will provide relocation assistance consistent with the Federal Uniform Relocation Assistance and Real Property Acquisitions Act of 1970, being Public Law 91-646, 42 U.S.C. sections 4601 et seq, the Michigan Relocation Assistance Act, being Act 227 of 1972, and Section 16-1-6 of the Detroit Code.

EC Ancillary Development Project

The EC Ancillary Development Project will encompass other projects involving the development, redevelopment, rehabilitation and repurposing of vacant or underutilized buildings and lands within the Catalyst Development Area outside of the Events Center. Such projects may include retail, office, business, business innovation, housing and education projects. It is anticipated that certain City-owned and EDC-owned properties will be conveyed to the DDA to be held for additional development projects.

ODM has committed, and/or will induce other private developers to commit, at least $200 million for other developments within the Catalyst Development Area. Provided that ODM has entered into development agreements on or before five (5) years after the Events Center is open, which agreements obligate ODM to commence projects with aggregate budgeted costs in the amount of at least $200 million, the DDA will contribute up to $62 million in Catalyst Project Revenues in excess of those pledged to the repayment of the MSF Bonds over approximately 30 years to support such additional development projects, to be allocated between the projects on a pro-rata basis.

DDA OPERATIONS

Duration of Plan

To accommodate the pledge of Catalyst Project Revenues and other tax increment revenues to the repayment of the MSF Bonds, the life of the Plan has been extended through fiscal year 2044-2045.

DDA Operating Fund

For fiscal year 2013-2014 through fiscal year 2044-2045, a total allocation of $24.0 million of tax increment revenues is proposed for the DDA operating fund, to be transferred at an annual rate of $750,000.

MISCELLANEOUS REVISIONS

General

As necessary, additional changes are proposed to reflect the current status of the DDA's development projects and other matters affecting the Downtown District or Development Area No. 1.

OLYMPIA
DEVELOPMENT
OF MICHIGAN

2211 Woodward Avenue
Detroit, Michigan 48201
313.471.6200

July 3, 2013

Ms. Diane E. Cranmer
Michigan Economic Development Corporation
300 North Washington, 3rd Floor
Lansing, Michigan 48913

Re: Catalyst Development Project in Detroit, Michigan

Dear Diane:

Olympia Development of Michigan, LLC (the "Applicant") is requesting the assistance of the Michigan Strategic Fund (the "MSF") in the financing of a Catalyst Development Project (as defined in MCL 125.1651(g)) in Detroit, Michigan. The particular project is a multipurpose events center to be constructed which will be designed to host a variety of entertainment and sporting events including NHL hockey, and which will become the home of the Detroit Red Wings (the "Events Center"). The Applicant is pleased to request the MSF's assistance on the first Catalyst Development Project since the concept was enacted into law last December.

The Applicant requests the MSF to issue bonds to acquire the land necessary for the Events Center and to pay the costs of construction of an arena on the property. Assistance of the MSF is requested because the MSF has the ability to issue bonds for the Catalyst Development Project.

The Applicant has retained Steven J. Kantor at First Southwest Company ("First Southwest") as a financial advisor on this project. First Southwest was involved in the successful financing for renovations to Cobo Hall completed last year. According to Mr. Kantor, the issuance of the bonds by the MSF would enable the parties to obtain a much lower cost of funds than any other approach. The MSF would be issuing one or more series of bonds in an approximate amount of $450 million with up to a 30 year term. The exact bond sizing and structure will be determined at the time of bond pricing.

The City of Detroit's Downtown Development Authority (the "Detroit DDA") will acquire title to the necessary property and enter into a long term concession and management agreement with an affiliate of the Applicant. The funds to be pledged by the Detroit DDA as permitted by Act 197 of 1975 (as amended to date), along with concession payments and other funds to be provided by the Detroit DDA, will be sufficient to pay the principal and interest on the MSF bonds. The bonds will not be a general obligation of the MSF. Further, the MSF will not have any responsibility to pay any of the maintenance or operation costs related to the Events Center.

Miller, Canfield, Paddock and Stone is acting as bond counsel. Stanford P. Berenbaum, Esq. is general counsel to the Applicant. First Southwest has been engaged by the Applicant as a financial advisor in connection with the issuance of the bonds.

The Applicant would like to prepare for pricing as soon as possible in order to permit entry into the market at a point in time which appears to be most advantageous, and thereby possibly obtain a lower rate of interest. If the MSF Board passes an inducement resolution at its meeting on July 24, 2013, the working group could continue preparation of documents for analysis by bond rating agencies and interested bond purchasers. Also, the inducement resolution preserves the ability of the Applicant to make use of tax advantaged bond structures which may be economically beneficial.

As you know, the recent amendment to the Downtown Development Authority Act (MCL 125.1651 et. seq.), enacted into law last December, enables the Detroit DDA to support a Catalyst Development Project described in a DDA development plan as long as that part of the development plan incorporating a Catalyst Development Project is approved by the MSF. Amendments to the Detroit DDA's development plan, which include a Catalyst Development Project, were presented to the Detroit DDA on June 26, and they have been approved by the Detroit DDA. The Applicant will provide copies of these amendments to you in time for review and consideration by the MSF at its meeting on July 24, 2013.

If the MSF Board passes a resolution approving the part of the Detroit DDA's plan amendments relating to the Catalyst Development Project, the full DDA plan amendments will then be submitted to the Detroit City Council for its review and approval. These approvals are essential to the financing for the project.

After the inducement and after the approval of the DDA plan amendments relating to the Catalyst Development Project, but before the issuance of bonds, as is customary for all MSF bond issues, the MSF Board will be presented with the near final bond structure and bond documentation and will be asked to approve the issuance of bonds necessary to acquire the land and construct the Event Center.

We appreciate your assistance in order to enable the Applicant to accomplish this important project.

Respectfully,

Gregg Solomon
Olympia Development of Michigan, LLC

cc: Stephen G. Palms, Esq.
William J. Danhof, Esq.
David P. Massaron, Esq.
Stanford P. Berenbaum, Esq.

MICHIGAN STRATEGIC FUND

INDUCEMENT RESOLUTION 2013 - ___
Detroit Events Center

WHEREAS, Olympia Development of Michigan, LLC (the "Company"), a Michigan limited liability company, is presently located at 2211 Woodward Ave, Detroit, MI 48201;

WHEREAS, the City of Detroit Downtown Development Authority (the "DDA"), exists pursuant to 1975 PA 197, as amended (the "DDA Act"), and is presently located at 500 Griswold St., Suite 2200 Detroit, MI 48226;

WHEREAS, the Company, in cooperation with DDA, has applied to the Michigan Strategic Fund (the "MSF") for a loan (the "Loan") to finance the Project as defined in 1984 PA 270, as amended (the "Act"), consisting of the construction of a multipurpose arena (the "Events Center Project");

WHEREAS, in addition to the Events Center, the Company proposes the development or redevelopment of vacant and/or underutilized properties within the area adjacent to or near the Events Center Project, all as more fully described and delineated in the Company's application materials (together with the Events Center Project, the "Catalyst Development Project");

WHEREAS, the Company has advised the MSF that the cost of the Events Center Project is estimated not to exceed Four Hundred Fifty Million Dollars ($450,000,000);

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;

WHEREAS, pursuant to Section 19(3) of the DDA Act, proposed amendments made to a DDA-approved Development Plan (as defined in the DDA Act) to incorporate a Catalyst Development Project (as defined in Section 1(g) of the DDA Act) shall be submitted by the DDA to the MSF for approval or rejection of that part of the plan relating to the Catalyst Development Project;

WHEREAS, excerpts of the DDA's development plan amendments relating to the Catalyst Development Project have been submitted to the MSF as part of the Company's application materials; and

WHEREAS, this Resolution has the purposes of (i) should it be necessary, 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; and (ii) considering the Company's and DDA's request for MSF approval of the Catalyst Development Project.

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

1. The MSF is inducing the Events Center Project pursuant to the Company's Loan Application dated as of July 10, 2013 (the "Application") for the purposes of the Code and subject to the conditions of this Resolution.

2. For purposes of Section 19(3) of the DDA Act, the development plan amendments proposed and submitted to the MSF by the DDA that relate to the Catalyst Development Project are approved.

3. By adoption of this Resolution, the MSF assumes no obligation to issue any Bonds (as defined below), nor any obligation or liability for any loss or damage that may result to the bond purchasers, the Company, the DDA, or any other entity, from the adoption of this Resolution, or from the bond purchasers' or the Company's reliance on the MSF or this Resolution; it being understood that any one or a combination of events and circumstances may result in the MSF's requirements not being met or the MSF being unable or unwilling to issue any Bonds.

4. Any Loan shall be for the purposes of financing the eligible costs of construction and completion of the Events Center Project by the Company in accordance with and as more fully described in the Application. The Events Center Project principally will include the construction of an approximately 650,000 square foot NHL caliber arena, with approximately 18,000 seats, and will be designed to be multipurpose and to host a variety of entertainment and other sporting events in addition to NHL hockey.

The boundaries of the Catalyst Development Project are set forth in the attached Exhibit A.

5. The estimated maximum principal amount of the bonds (the "Bonds") expected to be issued to provide the Loan to finance the Events Center Project shall not exceed Four Hundred Fifty Million Dollars ($450,000,000), or such other amount subsequently approved by the MSF. The DDA and the Company shall be obligated to make Loan repayments in an amount sufficient to assure full repayment of the Bonds, establish appropriate reserves and pay costs and expenses relating to the issuance of the Bonds and the making of the Loan. The financing fee associated with the Bonds in the amount of Forty Thousand Dollars ($40,000) shall be paid to the MSF by the Company and the DDA in equal parts.

6. The MSF's willingness to issue the Bonds and make the Loan shall be conditioned upon a) the approval of the Catalyst Development Project by the City of Detroit, b) the necessary actions being taken and approved to capture the tax and other revenues necessary to may Loan repayments to the MSF, c) the ability of the MSF to issue, sell and deliver the bonds under applicable federal and state laws, d) if applicable, receipt of an allocation from the State Treasurer pursuant to 1988 PA 496 as it relates to limitations on the issuance by states of private activity bonds under the Code, and e) any prioritization, fee schedules or other requirements or limitations implemented by the MSF or the State Treasurer.

7. The authorization within this Resolution shall expire two years after the date of this Resolution; provided, however, that the approval herein of the DDA's plan amendments relating to the Catalyst Development Project shall not expire.

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

9. Subject to compliance with this Resolution, the MSF will authorize a bond resolution approving the issuance of the Bonds (the "Bond Resolution") for the purpose of making the Loan and funding the reserves and costs associated with the issuance and administration of the Bonds, and enter into a loan agreement and related documents with the Company and/or DDA 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.

10. The Bonds shall not be general obligations of the MSF but shall be payable as to principal and interest solely from the payments from and security assigned by the DDA, and, if applicable, from the Company, all to the MSF (or to a trustee appointed by the MSF pursuant to the Bond Resolution), as provided in the Bond Resolution and by law. 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.

11. 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 and the DDA.

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

13. 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.

14. 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.

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

Ayes:

Nays:

Recused:

Lansing, Michigan
July 24, 2013

PURE MICHIGAN®

MEMORANDUM

DATE: July 24, 2013

TO: Michigan Strategic Fund Board Members

FROM: Diane Cranmer

SUBJECT: Private Activity Bond – Bond Authorizing
NTE $12,000,000
United Methodist Retirement Communities, Inc. - Nonprofit – New

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COMPANY BACKGROUND

United Methodist Retirement Communities, Inc. ("UMRC") is a Michigan 501(c)3 corporation founded in 1904 when church leaders and laymen of the Detroit Annual Conference of the then Methodist Episcopal Church saw the need for alternative housing for caring for the "lonely aged." In 1907 the Methodist Episcopal Old People's Home opened its doors on a 58-acre campus of what is now known as Chelsea Retirement Community ("CRC"), in Chelsea, Washtenaw County. Additional buildings were built on the campus over the years to meet the growing and changing needs of the community. In 1998, UMRC formed the UMRC Heritage Foundation (the "Foundation") with the primary purpose of the Foundation to provide for the management, stewardship, allocation of funds, development and implementation of short and long-term development plans, and activities and programs. In 1999 UMRC partnered with Chelsea Community Hospital to create the Silver Maples of Chelsea which operates independent living apartments and villas, and assisted living apartments. In 1999 UMRC also partnered with the Sylvan Pines Limited Dividend Housing Association, LLC which consists of independent living apartments. In 2009, UMRC built the Cedars at Dexter east of the Chelsea campus which consists of independent living cottages.

UMRC is also affiliated with Rivertown Affordable Assisted Living which is located in the Rivertown area of Detroit. Currently UMRC is developing Huron Valley PACE which will open in Washtenaw County in late 2013.

PROJECT DESCRIPTION

The project includes the financing of an addition to the CRC Towsley Village in Chelsea consisting of the construction and furnishing of approximately 66 resident rooms and site improvements, which would replace and add to the current 48 assisted living beds at Glazier Assisted Living located in Chelsea, Washtenaw County.

PROJECT EVALUATION

1. **JOB CREATION**
   UMRC anticipates the creation of approximately 100 construction jobs during the construction of the project and the retention of approximately 27 full time equivalent positions currently employed by UMRC.

2. **EMPLOYMENT INFORMATION**
   The average hourly wage of all the construction jobs being created (hourly and salary) is $29.00 per hour. The average hourly wage of the UMRC employees being retained is $18.55 per hour.

ADDITIONAL INFORMATION

Bond Counsel:
Miller Canfield

Proposed Placement of the Bond Issue:
B. C. Ziegler and Company has indicated it will provide underwriting services for this project.

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 of NTE $12,000,000.

MEMORANDUM

DATE: July 24, 2013

TO: Michigan Strategic Fund Board Members

PREPARED BY: Diane Cranmer

SUBJECT: Private Activity Bond – Bond Inducement
NSF International – Nonprofit
$25,000,000 – Refunding/New

COMPANY BACKGROUND

NSF International ("NSF") is a Michigan nonprofit corporation 501(c)3 founded in 1944. NSF's purpose includes: (1) developing and maintaining volunteer consensus standards in areas of concern to public health and the environment; (2) testing products, systems and services against NSF standards, other voluntary standards, and government regulations; and (3) undertaking scientific studies for government, manufacturers and other third parties. NSF has global operations with clients in over 100 countries. As part of its global emphases, NSF has formed strategic alliance with complementary international organizations, including the World Health Organization. NSF has approximately 550 employees in its main headquarters located in Ann Arbor Charter Township, Washtenaw County, Michigan.

PROJECT DESCRIPTION

NSF indicates the project will include refunding two prior bonds issued by the MSF: (a) $31,275,000 original principal amount Michigan Strategic Fund Limited Obligation Revenue and Revenue Refunding Bonds (NSF International Project), Series 2004 (approximately $12,080,000 principal outstanding) (the "2004 Bonds"). The 2004 Bonds were issued (i) to refund in advance prior bonds issued by the MSF for the benefit of NSF to finance the acquisition, construction and equipping of an approximately 150,000 square foot headquarters building, housing NSF's principal office and laboratory operations, located at 789 Dixboro Road, Ann Arbor Charter Township, and (ii) finance an expansion of the headquarters project consisting of an approximately 80,000 square feet of laboratory, office and warehouse facilities; (b) $10,000,000 original principal amount Michigan Strategic Fund Limited Obligation Revenue Bonds (NSF International Project), Series 2007 (approximately $6,222,000 outstanding) (the "2007 Bonds"). The 2007 Bonds were issued to finance the acquisition, construction and equipping of an approximately 80,000 square foot headquarters building expansion consisting of laboratory, office and warehouse facilities, the renovation and equipping of existing laboratory facilities, and other related capital improvements.

The project also includes the acquisition of land adjacent to its existing headquarters facility to be utilized for the future expansions of its facilities in furtherance of its nonprofit exempt purposes. The approximate cost of the land to be financed is $3,500,000.

ADDITIONAL INFORMATION

Bond Counsel:
Dykema Gossett PLLC

Proposed Placement of the Bond Issue:
Wells Fargo Bank, N.A. has indicated an interest in directly purchasing the Bonds for its own account.

RECOMMENDATION

After reviewing the Private Activity Bond Application for NSF International, staff recommends the adoption of an Inducement Resolution in the amount of $25,000,000 for this project.

MEMORANDUM

Date: July 24, 2013

To: MSF Board Members

From: Diane Cranmer

Subject: Private Activity Bond – Bond Inducement
Porter Hills Presbyterian Village, Inc. – Nonprofit
$20,000,000 – Refunding/New

COMPANY BACKGROUND

Porter Hills Presbyterian Village, Inc. ("Porter Hills") is a Michigan 501c(3) nonprofit corporation which operates a retirement village located at 3600 East Fulton Street, Charter Township of Grand Rapids, Kent County, Michigan. The facility consists of a residential community for elderly individuals and couples. A continuum of residential settings, ranging from independent apartments to skilled nursing facilities is available depending on individual needs. Porter Hills is wholly owned by Westminster Presbyterian Church and Society, a Michigan ecclesiastical corporation. As of May 31, 2013, Porter Hills and its obligated group affiliates employed 498 people, across various functional areas.

REQUESTED ACTION

The proposed project consists of refunding of all or a portion of bonds originally issued by the MSF:

$11,800,000, MSF Limited Obligation Revenue Refunding Bonds (Porter Hills Obligated Group Project), Series 2003 Municipal Auction Rate Securities ("MARS");

The 2003 Prior Bonds were issued to refinance a project located in the Charter Township of Grand Rapids, Kent County, consisting of the remodeling and conversion of living units and construction of a wellness center at Porter Hills, and the acquisition and renovation of an existing foster care facility located in Sparta, Kent County, Michigan.

$15,325,000 MSF Limited Obligation Revenue Bonds (Porter Hills Obligated Group Project), Series 1998;

The 1998 Prior Bonds were issued to provide funds to finance, in whole or in part, the remodeling and conversion of 80 existing home-for-the-aged beds into assisted living units at Porter Hills, the construction and equipping of an addition to Porter Hills, to be utilized as a wellness center and the reimbursement of the costs of acquiring and to finance the renovation of an existing adult foster care and independent living facility located in Sparta, Kent County.

Execution of new Master Trust Indenture and reissuance of $4,968,000 MSF Limited Obligation Revenue Refunding Bonds, Series 2010.

The proposed project also includes a new money component which includes financing improvements to previously financed facilities, including improvements previously financed with taxable debt and payment of the costs of issuing the refunding bonds.

ADDITIONAL INFORMATION

Bond Counsel:
Dykema Gossett PLLC

Placement Agent:
The Huntington National Bank has indicated an interest in providing private placement services for the bonds.

RECOMMENDATION

After reviewing the Private Activity Bond Application for Porter Hills Presbyterian Village, Inc., staff recommends the adoption of an Inducement Resolution in the amount of $20,000,000 for this project.

MEMORANDUM

Date: July 24, 2013

To: Michigan Strategic Fund Board Members

From: Deborah Stuart, Community Development Incentives Director

SUBJECT: Community Development Block Grant Program
2013 Downtown Development Planning Grant Program

Background: The Community Development Block Grant (CDBG) program announced a competitive round of CDBG funding in March 2013. Eligible communities could submit Part I Applications for Downtown Development Planning Grants. This was the first offering of the Downtown Development Planning Grants since the program was introduced.

The CDBG Downtown Development Planning Grant program is designed to identify activities that the Unit of General Local Government (UGLG) could undertake to increase the viability/accessibility of economic opportunities that will revitalize and stimulate job creation within the downtown area. The MSF received four (4) Part I Applications requesting a total of $135,000 with a total of $144,803 in matching funds identified. The UGLGs recommended for funding have completed full applications and have selected consultants. This allows the UGLGs to start the projects immediately following the grant agreement being signed.

National Objective: Proposed projects are expected to meet the national objective of likelihood for near term position creation where at least 51 percent of the jobs are held by Low/Moderate Income persons.

Eligible Activity: The two projects being recommended involve eligible activities identified in Section 105(a)(12) of Title I of the Housing and Community Development Act of 1974, as amended. The two projects not selected did not involve eligible planning activities.

Screening Guidelines: The two projects being recommended demonstrated that the location of the projects are within a traditional downtown; the communities have provided a cash match of at least fifty percent; the communities have site control or a cooperating property owner; and the projects are able to be completed within one year of the grant agreement sign dates.

The projects being recommended were scored and given priority based on the community providing matching funds of more than fifty percent; the community not having any open grants that have not been drawn down; the project being located in a Downtown Development Authority or similar type district; the project being located in a Main Street or certified Redevelopment Ready Community; the project involving multi-story buildings; the project leading to the rehabilitation of a historic resource; the project addressing brownfield conditions; and the project addressing underutilized downtown theaters.

Recommendation: A list of the two recommended projects is attached as Exhibit A to the resolution and totals $35,000. The list includes the CBDG applicants, project description and national objective, amount requested, and match commitment. Staff recommends that grant agreements totaling $35,000 be authorized for the two projects listed in Exhibit A of the resolution.

MICHIGAN STRATEGIC FUND

RESOLUTION 2013-____

2013 DOWNTOWN DEVELOPMENT PLANNING GRANTS

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

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

WHEREAS, the CDBG program has policies, criteria, and parameters which are enumerated in the 2012 Program Guidelines, as amended (the "Criteria") and the 2012 Application Guide (the "Guide"). The MSF by Resolution 2012-028 authorized and approved the Consolidated Pland and the Criteria, and by Resolution 2012-67 authorized and approved the Guide which included guidelines for grants;

WHEREAS, the recommended communities listed in Exhibit A (the "Communities") have submitted individual applications requesting funding to be used to complete downtown development planning studies for properties located in their downtown districts (the "Projects") for approval;

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

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

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board authorizes separate grant agreement be entered into with each community not to exceed the respective amounts listed in Exhibit A for the payment or reimbursement of costs associated with the Projects. The MSF allocates $35,000 from the Michigan CDBG program for the purpose of funding the Communities' proposed Projects contingent upon the MSF's continued receipt of CDBG funds and availability of adequate funds;

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

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

ADOPTED

Ayes:

Nays:

Recused:

Lansing, Michigan
July 24, 2013

Exhibit A

Downtown Development Planning Grants

Recommended Projects

Program Year 2012

Applicant	Project Description	Percent Low/Mod	CDBG Request	Total Match	Score
City of Allegan	Downtown Allegan Restaurant Feasibility Study	25 anticipated jobs, of which 51% will benefit low and moderate income persons	$10,000	$10,000	49.5
City of Boyne City	Boyne Theatre Feasibility Study	3 anticipated jobs, of which 51% will benefit low and moderate income persons.	$25,000	$25,000	54.5
		Total	$35,000	$35,000	

PURE MICHIGAN

MEMORANDUM

Date: July 24, 2013

To: Michigan Strategic Fund Board Members

From: Lisa Pung, Community Assistance Team Specialist
Deborah Stuart, Community Development Incentives Director

Subject: Community Development Block Grant Program
Harbor Village at Harbor Shores, LLC Economic Development Infrastructure Project
City of St. Joseph, County of Berrien

BACKGROUND

The City of St. Joseph is requesting $2,100,000 in Community Development Block Grant (the "CDBG") funds for infrastructure improvements for the Harbor Village at Harbor Shores, LLC Economic Development Infrastructure project in Berrien County.

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

- Harbor Village at Harbor Shores, LLC – 518 Broad Street, St. Joseph

  Harbor Village at Harbor Shores, LLC proposes to construct a 100 room boutique/resort style hotel with restaurant/bar, meeting rooms, fitness/pool/spa area, conference space, and two floors of condos with private indoor parking. CDBG eligible infrastructure activities include the construction of public water, sewer, road, parking lot, and walking trail improvements. Private eligible activities include property acquisition, public infrastructure, and hotel construction.

BUSINESS BACKGROUND:

The new hotel development will redevelop a vacant, former industrial site in an area that has suffered severe economic decline for years. The project will consist of $17,561,345 in private investment. This project will act as a catalyst for future development in the area and will result in the creation of 68 jobs. The public infrastructure is necessary to make the project feasible.

NATIONAL OBJECTIVE

This project qualifies for CBDG funding as the project activities are expected to result in the creation of 68 full time equivalent positions over the next two years. The company has agreed that at least 51% of the 68 positions will be held by low to moderate income persons. The project meets a national objective by providing benefit to at least 51 percent low and moderate income persons. The CDBG cost per job is $30,882, with an average hourly wage of $10.79. Based on the project's investment, high leverage amount and number of jobs, the $14 average hourly wage threshold as outlined in the Application Guide is recommended to be waived.

ELIGIBLE ACTIVITY

This project involves eligible activities identified in Section 105(a)(2) of Title I of the Housing and Community Development Act of 1974, as amended.

SCREENING GUIDELINES

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

Economic Impact:
The economic impact of this project was evaluated. It was determined this project will act as a catalyst and redevelop a vacant, former industrial site. The new investment will help to revive a riverfront area and provide a destination that will attract visitors and help promote tourism in a distressed area. Additional capital investment is anticipated and the project will create a minimum of 68 new jobs.

Minimum Local Participation:
The City of St. Joseph will make a cash contribution of $266,120 toward the project, which is ten percent (10%) of the total public infrastructure cost. The City will also contribute in kind staff time for the administration of the project. There is also a Berrien County Brownfield Plan approved for this site, a Michigan Business Tax Credit and pending Community Revitalization Program Grant.

Minimum Leverage Ratio:
The private match contribution, which will be provided by Harbor Village at Harbor Shores, LLC, is noted in Attachment A and equals $17,561,345. The leverage ratio of private funds to CDBG funds is 8:1.

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

PROJECT BUDGET
See Attachment A.

RECOMMENDATION
After reviewing the proposal, MEDC staff has concluded that the project meets the minimum program requirements to be eligible under the CDBG program. Staff recommends prior to execution of a final agreement and/or disbursement, construction financing must be finalized. Therefore, staff, recommends that a grant agreement, in the amount of $2,100,000, be authorized for the City of St. Joseph.

Attachment A

PROJECT BUDGET
MICHIGAN COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

1. Applicant: City of St. Joseph			2. Project Title: Harbor Village at Harbor Shores, LLC Infrastructure Project				
3. Project Cost Elements	4. Project Funding Sources (Identify all other funding sources)						
Activities	CDBG	Private	UGLG				TOTAL
Property/Easement Acquisition	$0	$1,250,000	$0				$1,250,000
Infrastructure Improvements	$2,100,000	$295,072	$266,120				$2,661,192
Hotel Construction	$0	$16,016,273	$0				$16,016,273
TOTAL	$2,100,000	$17,561,345	$266,120				$19,927,465

MICHIGAN STRATEGIC FUND

RESOLUTION 2013- _________

APPROVAL OF CITY OF SAINT JOSEPH INFRASTRUCTURE PROJECT

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

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

WHEREAS, the CDBG program has policies, criteria, and parameters which are enumerated in the 2012 Program Guidelines, as amended (the "Criteria") and the 2012 Application Guide (the "Guide"). The MSF by Resolution 2012-28 authorized and approved the Consolidated Plan and the Criteria, and by Resolution 2012-67 authorized and approved the Guide which included guidelines for grants;

WHEREAS, the City of Saint Joseph (the "Community") has submitted a complete application for approval requesting funding to be used to fund the Harbor Village at Harbor Shores, LLC Infrastructure Project (the "Project");

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

WHEREAS, staff recommends that a grant agreement be authorized and entered into with the Community for funds from the CDBG program for the reasons set forth in this Resolution;

NOW, THEREFORE, BE IT RESOLVED, that the MSF authorizes a grant to the Community not to exceed $2,100,000 for the payment or reimbursement of costs associated with the Project. The MSF allocates $2,100,000 from the Michigan CDBG program for the purpose of funding the Community's proposed Project contingent upon the MSF's continued receipt of CDBG funds and availability of adequate funds;

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

BE IT FURTHER RESOLVED, staff recommends prior to execution of a final agreement and/or disbursement, construction financing must be finalized; and

BE IT FURTHER RESOLVED, if the Community fails to execute and return the grant agreement to staff within 120 days of the date this Resolution is adopted, this Resolution shall be of no further force and effect and shall be void.

Ayes:

Nayes:

Recused:

Lansing, Michigan
July 24, 2013

MEMORANDUM

Date: July 24, 2013

To: Michigan Strategic Fund Board Members

From: Lisa Pung, Community Assistance Team Manager
Lisa Green, CDBG Specialist

Subject: Community Development Block Grant (CDBG) Program
Grant Agreement: 210039-CDF – Façade Amendment
Village of Nashville, County of Barry

BACKGROUND

The Village of Nashville, located in Barry County, currently has a CDBG grant in the amount of $96,662 to fund façade improvements to four buildings located within the Village's Downtown Development Authority District. Due to unforeseen issues with the structural integrity of the building located at 201 N. Main Street, the Village is requesting a CDBG increase of $13,022 along with more time to complete the project.

The CDBG increase will be used for the structural improvements needed in order to complete the original project scope, which includes removing the existing metal sheeting; repairing and cleaning the brick; installing new windows and new entrance doors; and reconfiguring the storefront. Match activities include roof replacement, façade renovations and interior work.

As indicated above, the amendment request is necessary because the costs of the project increased after a better understanding of the structural integrity of the building was identified. The requested increase for CDBG is reflective of the new bids, which appear to be more accurate for the remainder of the work.

There are no changes to the budget for the other properties within the approved grant.

ELIGIBLE ACTIVITY

This project involves eligible activities identified in Section 105(a)(4) of Title I of the Housing and Community Development Act of 1974, as amended.

SCREENING GUIDELINES

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

National Objective:
The project benefits the entire Village of Nashville, which is comprised of 58.9% low and moderate income persons. The project meets the national objective of benefitting at least 51% low and moderate income persons.

Project Type:
This project was selected because the community demonstrated that the project is located within its Downtown Development Authority District in the traditional downtown. All improvements will meet the Secretary of Interior's Standards for Rehabilitation and the community has also

shown the local organizational capacity to successfully complete this project. This project was evaluated and given priority based on the following points:

- The project is located in a highly visible location;
- The community has local organizational capacity to successfully complete this project;
- The community has a full-time downtown development professional or community staff member able to administer the project; and

Minimum Local Participation:
The private match contribution for each property is noted on Amended Attachment A. The private match for 201 N. Main increased by $4,340. The total private match contribution equals $36,563 which is twenty-five percent (25 %) of the total project cost and will be provided by the business owners.

Financial Viability and Background Check:
A background check for 201 N. Main Street has been conducted. A background check for the other properties has not been conducted as the façade improvements have been completed and background checks were not required at the time of the original MSF approval. All businesses receiving the benefits from this project have been determined to be financially viable.

PROJECT BUDGET
See Amended Attachment A.

RECOMMENDATION
After reviewing the proposal, MEDC staff has concluded that the project meets the minimum program requirements to be eligible under the CDBG program. Therefore, staff recommends a $13,022 grant increase, for a total grant award of $109,684, be authorized for the Village of Nashville.

PROJECT BUDGET
MICHIGAN COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

Michigan Economic Development Corporation — Amended Attachment A

1. Applicant - Village of Nashville (MSC 210049-CDF)		2. Project Title - Downtown Façade Improvement Project			
3. Project Cost Elements	4. Project Funding Sources (identify all other funding sources).				
Activities	CDBG	Private			TOTAL
201 N. Main St (Great Northern Bow Hunting)					
Architectural and Engineering	$0	$2,137			$2,137
Façade Improvements	$31,515	$8,369			$39,884
Sub-Total*	**$31,515**	**$10,506**			**$42,021**
	75%	25%			
207 N Main St (Step-n-Time & Envy Salon)					
Façade Improvements	$29,255	$0			$29,255
Façade and Roof Improvements	$0	$9,751			$9,751
Sub-Total	**$29,255**	**$9,751**			**$39,006**
	75%	25%			
208 N. Main St (Green Light Driving School)					
Façade Improvements	$12,604	$4,202			$16,806
Sub-Total	**$12,604**	**$4,202**			**$16,806**
	75%	25%			
117 N. Main St (Court-Side, Inc.)					
Façade Improvements	$36,310	$0			$36,310
Interior Improvements	$0	$12,104			$12,104
Sub-Total	**$36,310**	**$12,104**			**$48,414**
	75%	25%			
TOTALS	$109,684	$36,563			$146,247

* CDBG increased by $13,022 and private increased by $4,340 — Revised July 24, 2013

MICHIGAN STRATEGIC FUND
RESOLUTION 2013-XXX

APPROVAL OF VILLAGE OF NASHVILLE GRANT INCREASE

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

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

WHEREAS, the CDBG program has policies, criteria, and parameters which are enumerated in the 2012 Program Guidelines, as amended (the "Criteria") and the 2012 Application Guide (the "Guide"). The MSF by Resolution 2012-28 authorized and approved the Consolidated Plan and the Criteria, and by Resolution 2012-67 authorized and approved the Guide which included guidelines for grants;

WHEREAS, the MSF Board on April 27, 2011, by Resolution 2011-055 approved $96,662 in CDBG funding to be used for façade improvements (the "Project"), within the Village of Nashville (the "Community");

WHEREAS, the Community submitted a CDBG application requesting funding to be used for the Project and signed a Grant Agreement with a grant amount of $96,662;

WHEREAS, the Community has requested an increase in the amount of $13,022 to its existing CDBG Grant Agreement to be used for the Project;

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

WHEREAS, staff recommends that a grant increase be authorized and entered into with the Community for funds from the CDBG program for the reasons set forth in this Resolution;

NOW, THEREFORE, BE IT RESOLVED, that the MSF authorizes a grant increase to the Community not to exceed $13,022 for the payment or reimbursement of costs associated with the Project. The MSF allocates $13,022 from the Michigan CDBG program for the purpose of funding the Community's proposed Project contingent upon the MSF's continued receipt of CDBG funds and availability of adequate funds;

BE IT FURTHER RESOLVED, staff is directed to amend the Grant Agreement to increase the CDBG funding by $13,022, for a total grant amount of $109,684. The Fund Manager or MSF President is authorized to execute, on behalf of the MSF, all documentation necessary to effectuate the proposed increase; and

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

Ayes:

Nayes:

Recused:

Lansing, Michigan
July 24, 2013

MEMORANDUM

Date: July 24, 2013

To: Michigan Strategic Fund Board Members

From: Stacy Bowerman, Development Finance Manager
Deborah Stuart, Community Development Incentives Director

Subject: Community Development Block Grant Program
Reed City – Tubelite, Inc. Water Main Infrastructure Project
City of Reed City, County of Osceola

BACKGROUND

The City of Reed City is requesting $425,000 in Community Development Block Grant (CDBG) funds for infrastructure improvements needed for the Tubelite, Inc. Water Main Infrastructure project located in Richmond Township, Osceola County, Michigan.

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

> Tubelite, Inc. plans to expand its facility in Richmond Township to support new business related to the commercial construction industry. CDBG eligible activities include the extension of water main which will allow the company to connect to the City of Reed City's water system. Private eligible activities include real property improvements needed for the installation of machinery and equipment.

BUSINESS BACKGROUND:

- Tubelite, Inc. – 4848 Mackinaw Trail, Reed City, Michigan 49677:

Tubelite, Inc. is a fabricator of aluminum storefront, entrance and curtain wall products for the U.S. commercial construction industry. In order to support rapid growth in company sales, the company is considering locations for expansion. The proposed expansion in Richmond Township would require approximately $450,000 of private investment and the creation of 45 new jobs over the next three years. In order to expand at its Richmond Township facility, an extension of the City of Reed City's water main is needed. Currently, in order to maintain adequate water pressure for the fire suppression system, Tubelite, Inc. must maintain a water tower on site. The installation of the water main would allow the company to connect to the City's water system which would provide adequate pressure for the fire suppression system and for the machinery and equipment the company will install to support the expansion. The installation of the water main will eliminate the need for the on-site water tower.

NATIONAL OBJECTIVE

This project qualifies for CBDG funding as the project activities are expected to result in the creation of 45 full time positions over the next three years. The company has agreed that at least 23 of the 45 positions will be held by low to moderate income persons. The project meets a national objective by providing benefit to at least 51 percent low and moderate income persons. The CDBG cost per job is $9,444, with an average wage of $18.00 per hour.

ELIGIBLE ACTIVITY

This project involves eligible activities identified in Section 105(a)(2) of Title I of the Housing and Community Development Act of 1974, as amended.

SCREENING GUIDELINES

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

Economic Impact:
The economic impact of this project was evaluated. It was determined that the project would result in permanent job creation for the area as well as construction related jobs to support the infrastructure improvements.

Minimum Local Participation:
The City of Reed City will make an anticipated contribution of $143,150, which will be paid by Tubelite, Inc. This anticipated contribution equals approximately twenty-five percent (25%) of the total anticipated infrastructure costs. The minimum local contribution will be 10 percent of the actual infrastructure costs.

In addition to the local participation, Richmond Charter Township has approved a 12 year property tax abatement under Public Act 198 of 1974 for real property related to the project. The Michigan Works! Agency has also committed to provide on-the-job training estimated to be worth up to $105,000.

Minimum Leverage Ratio:
The private match contribution, to be provided by Tubelite, Inc., is noted in Attachment A and equals $450,000, which results in a leverage ratio of approximately 1:1 of the CDBG grant.

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

PROJECT BUDGET

See Attachment A.

RECOMMENDATION

After reviewing the proposal, MEDC staff has concluded that the project meets the minimum program requirements to be eligible under the CDBG program. Therefore, staff, recommends that a grant agreement, in the amount of $425,000 be authorized for the City of Reed City.

PROJECT BUDGET
MICHIGAN COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

Michigan Economic Development Corporation — Attachment A

1. Applicant - City of Reed City

2. Project Title - Reed City/Tubelite, Inc. Water Main Extension Project

3. Project Cost Elements	4. Project Funding Sources (identify all other funding sources).					
Activities	CDBG	Local	Private			TOTAL
Engineering	$49,900	$53,100	$0			$103,000
Water Main Extension	$375,100	$0	$0			$375,100
Contingency	$0	$37,900	$0			$37,900
Machinery and Equipment Installation	$0	$0	$450,000			$450,000
Water Meter		$19,150				$19,150
Water Main Tap Fee		$33,000				$33,000
TOTALS	$425,000	$143,150	$450,000			$1,018,150

MICHIGAN STRATEGIC FUND

RESOLUTION 2013- _________

APPROVAL OF CITY OF REED CTIY PROJECT

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

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

WHEREAS, the CDBG program has policies, criteria, and parameters which are enumerated in the 2012 Program Guidelines, as amended (the "Criteria") and the 2012 Application Guide (the "Guide"). The MSF by Resolution 2012-28 authorized and approved the Consolidated Plan and the Criteria, and by Resolution 2012-67 authorized and approved the Guide which included guidelines for grants;

WHEREAS, the City of Reed City (the "Community") has submitted a complete application for approval requesting funding to be used to fund the Reed City/Tubelite, Inc. Water Main Extension Project (the "Project");

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

WHEREAS, staff recommends that a grant agreement be authorized and entered into with the Community for funds from the CDBG program for the reasons set forth in this Resolution;

NOW, THEREFORE, BE IT RESOLVED, that the MSF authorizes a grant to the Community not to exceed $425,000 for the payment or reimbursement of costs associated with the Project. The MSF allocates $425,000 from the Michigan CDBG program for the purpose of funding the Community's proposed Project contingent upon the MSF's continued receipt of CDBG funds and availability of adequate funds;

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

BE IT FURTHER RESOLVED, if the Community fails to execute and return the grant agreement to staff within 120 days of the date this Resolution is adopted, this Resolution shall be of no further force and effect and shall be void.

Ayes:

Nayes:

Recused:

Lansing, Michigan
July 24, 2013

MEMORANDUM

Date: July 15, 2013

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

From: Trevor Friedeberg, Development Finance Analyst
Deborah Stuart, Community Development Incentives Director

Subject: Community Development Block Grant Program
Jackson National Life Insurance Company Infrastructure Project
City of Lansing, County of Ingham

BACKGROUND

The County of Ingham is requesting $3,000,000 in Community Development Block Grant (CDBG) funds for for infrastructure improvements for the Jackson National Life Insurance Company headquarter expansion project.

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

> Jackson National Life Insurance Company proposes to expand on their headquarters and add a print center on their current campus. The project includes a 260,000 square foot office building and 80,000 square foot print center. The project is anticipated to result in the creation of over 1,000 jobs over the next 10 years. CDBG eligible activities include infrastructure improvements including sanitary sewer improvements, water improvements consisting of an extension of the water main east of Okemos Road that will allow for future connection to the Lansing BWL's public water supply, and electric infrastructure allowing the Lansing BWL to extend service into the site and allow for future development. Private activities include architecture and engineering expenses, and building expansion and construction related to the project.

BUSINESS BACKGROUND:

- Jackson National Life Insurance Company, One Corporate Way, Lansing

Jackson National Life Insurance Company is a leader in designing innovative retirement solutions, including variable, fixed and fixed index annuities. In September 2000, Jackson moved to its current headquarter location in Lansing, Michigan. The current headquarters is over design capacity by approximately 300 FTE's causing strain on building infrastructure. The infrastructure improvements will allow the company to expand and accommodate growth on their current campus.

Jackson National Life Insurance Company has identified a potential conflict of interest with the MSF as they have a relationship with Butzel Long as well as PNC Investments LLC, which is indirectly owned by PNC Financial Services Group Inc.

NATIONAL OBJECTIVE

This project qualifies for CBDG funding as the project activities are expected to result in the creation of 278 full time positions over the next two years. The company has agreed that at least 142 of the 278 positions will be held by low to moderate income persons. The project meets a national objective by providing benefit to at least 51 percent low and moderate income persons. The CDBG cost per job is $10,791, with an average wage of $35.61 per hour with the lowest starting wage being $12.00 per hour.

ELIGIBLE ACTIVITY

This project involves eligible activities identified in Section 105(a)(2) of Title I of the Housing and Community Development Act of 1974, as amended.

SCREENING GUIDELINES

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

Economic Impact:

The economic impact of this project was evaluated. It was determined that the project will result in the investment of over $100 million over the course of design and construction phases to the local and state economy, an estimated 400 temporary construction jobs will be created over the next two years, and the company lures financial capital and investment from a base of national and international clientele, which will further boost the region's economic viability.

Minimum Local Participation:

The City of Lansing will make a contribution of $300,000 from the Lansing Board of Water and Light, which is twenty four percent (24%) of the total infrastructure cost. Additionaly, the City of Lansing has previously approved a property tax abatement under PA 328 of 1998 that runs through 2048 and plans to approve a PA 425 Revenue Sharing Agreement with Alaiedon Township. The remaining 35 years of the PA 328 will be applicable to the headquarter expansion.

Minimum Leverage Ratio:

The private match contribution will be 75% of the company's total private investment which is noted in Attachment A and equals $82,774,641, which results in a leverage ratio of 27.6:1 of the CDBG grant and will be provided by Jackson National Life Insurance Company.

Other State Incentives:

A Michigan Business Development Program award is also anticipated in the amount of $3,000,000 for this project.

Financial Viability and Background Check:

The business receiving the benefits from this project has completed a background check with no concerns and have been determined to be financial viable.

PROJECT BUDGET

See Attachment A.

RECOMMENDATION

After reviewing the proposal, MEDC staff has concluded that the project meets the minimum program requirements to be eligible under the CDBG program. Therefore, staff, recommends that a grant agreement, in the amount of $3,000,000, be authorized for the County of Ingham.

Attachment A

PROJECT BUDGET

MICHIGAN COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

1. Applicant: County of Ingham			2. Project Title: Jackson National Life Infrastructure Project			
3. Project Cost Elements	4. Project Funding Sources (Identify all other funding sources)					
Activities	CDBG	Private	LBWL/City of Lansing			TOTAL
Engineering/Architecture	$0	$467,362	$0			$467,362
City of Lansing Sewer - Okemos Rd.	$516,453	$17,824	$0			$534,277
City of Lansing Sewer - Sandhill Road	$789,338	$273,305	$0			$1,062,643
City of Lansing Sewer Data Imaging Service	$0	$144,951	$0			$144,951
LBWL Electric	$393,033	$32,715	$0			$425,748
LBWL Concrete Encased Duct	$0	$181,836	$300,000			$481,836
LBWL Water	$865,822	$0	$0			$865,822
LBWL Directoinal Drilling Water Main	$81,000	$0	$0			$81,000
Smith Drain Imrovements	$0	$600,000	$0			$600,000
Document Imaging Center	$0	$8,500,000	$0			$8,500,000
Headquarters Building	$0	$100,000,000	$0			$100,000,000
Contingency - City of Lansing Sewer	$131,206	$35,648	$0			$166,854
Contingency - LBWL Electric	$85,996	$112,547	$0			$198,543
Contingency - LBWL Water	$137,152	$0	$0			$137,152
TOTAL	$3,000,000	$110,366,188	$300,000			$113,666,188

MICHIGAN STRATEGIC FUND

RESOLUTION 2012- _________

APPROVAL OF COUNTY OF INGHAM PROJECT

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

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

WHEREAS, the CDBG program has policies, criteria, and parameters which are enumerated in the 2012 Program Guidelines, as amended (the "Criteria") and the 2012 Application Guide (the "Guide"). The MSF by Resolution 2012-28 authorized and approved the Consolidated Plan and the Criteria, and by Resolution 2012-67 authorized and approved the Guide which included guidelines for grants;

WHEREAS, the County of Ingham (the "Community") has submitted a complete application for approval requesting funding to be used to fund the Jackson National Life Insurance Company Infrastructure Project (the "Project");

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

WHEREAS, staff recommends that a grant agreement be authorized and entered into with the Community for funds from the CDBG program for the reasons set forth in this Resolution;

NOW, THEREFORE, BE IT RESOLVED, that the MSF authorizes a grant to the Community not to exceed $3,000,000 for the payment or reimbursement of costs associated with the Project. The MSF allocates $3,000,000 from the Michigan CDBG program for the purpose of funding the Community's proposed Project contingent upon the MSF's continued receipt of CDBG funds and availability of adequate funds;

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

BE IT FURTHER RESOLVED, if the Community fails to execute and return the grant agreement to staff within 120 days of the date this Resolution is adopted, this Resolution shall be of no further force and effect and shall be void.

Ayes:

Nayes:

Recused:

Lansing, Michigan
July 24, 2013

MEMORANDUM

TO: Michigan Strategic Fund ("MSF") Advisory Committee

FROM: Trevor Friedeberg, Development Finance Analyst

DATE: July 15, 2013

SUBJECT: Approval of Michigan Business Development Request for up to $3 million Performance-based Grant funds to:

Jackson National Life Insurance ("Applicant" or "Company")
One Corporate Way
Lansing, MI 48915
www.jackson.com

MBDP PROGRAM AND ITS GUIDELINES

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

SOURCE OF INFORMATION

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

HISTORY OF THE APPLICANT

Jackson National Life Insurance Company is a leader in designing innovative retirement solutions, including variable, fixed and fixed index annuities. In September 2000, Jackson moved to its current headquarter location in Lansing, Michigan. Since then, the company has added approximately 900 more jobs. The current headquarters is over capacity by approximately 300 employees.

The Applicant has received funding under the Community Development Block Grant program from the MSF previously. The CDBG was awarded to help the company expand sewer and water infrastructure to their current site. The grant has been closed out and the company met all of their required obligations.

PROJECT DESCRIPTION

The Applicant plans to create a new building adjacent and linked to the existing headquarters located at One Corporate Way, Lansing, Michigan. The company will also construct a new print center across the street, make investments and create jobs related to the sale of retirement solutions, including variable, fixed and fixed index annuities.

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 Lansing. The City of Lansing has offered a "staff, financial, or economic commitment to the project": The City of Lansing has previously approved a property tax abatement under PA 328 of 1998 until 2048 and will be approving a PA 425 Revenue Sharing Agreement with Alaiedon Township. The remaining 35 of the PA 328 years will be applicable to the headquarters expansion.
c) The Applicant has demonstrated a need for the funding based on out of state competition with Denver, Colorado and Nashville, Tennessee. The company has a large presence in both locations currently and a competitive and attractive economic development incentive was needed to secure this expansion in Michigan Furthermore, significant improvements are needed to the site to enable the anticipated growth, including, but not limited to, water and sewer infrastructure, as well as electrical infrastructure improvements.
d) The Applicant plans to create 400 Qualified New Jobs above a statewide base employment level of 2099.
e) The project meets the program guidelines as follows: the proposed project involves significant out of state competition with Nashville, Tennessee and Denver, Colorado; has a net positive return to Michigan; will provide a large amount of investment in Michigan; anticipates the creation of over 1,000 jobs; the average wage level for new jobs is expected to be over $30/hour.

INCENTIVE OPPORTUNITY

This project involves the creation of 400 Qualified New Jobs and a capital investment of up to $100,000,004 in the City of Lansing. The requested incentive amount from the MSF is $3,000,000 in the form of a performance-based grant. Please see below for more information on the recommended action.

RECOMMENDATIONS

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

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

MICHIGAN STRATEGIC FUND

RESOLUTION 2013-

APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT TO JACKSON NATIONAL LIFE INSURANCE

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, Jackson National Life Insurance ("Company") has requested a performance based MBDP grant of up to $3 million ("Grant Request"), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A ("Term Sheet");

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

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

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan
July 24, 2013

PURE MICHIGAN®

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: 6/26/2013

1. **Company Name:** Jackson National Life Insurance ("Company" or "Applicant")

2. **Company Address ("Project"):** One Corporate Way, Lansing, Michigan 48951

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

4. **Maximum Amount of MBDP Incentive:** Up to $3,000,000 ("MBDP Incentive Award")

5. **Base Employment Level** 2,099 The number of jobs currently maintained in Michigan by the Company based on data submitted by the Company to the MEDC reflecting the Company's statewide employment level in Michigan prior to the proposed project. The Base Employment Level, including identification of the Company data used to establish this level, shall be included in the final MBDP Incentive Award agreement ("Agreement") between the MSF and the Company.

6. **Total Qualified New Job Creation:** *(above Base Employment Level)* 400 The minimum number of total Qualified New Jobs the Company shall be required to create in Michigan (above the Base Employment Level), in addition to satisfying other milestones if applicable, to be minimally eligible to receive the full amount of the MBDP Incentive Award. Each Qualified New Job must be performed for consideration by a Michigan resident (whose Michigan income taxes are withheld as required), and each Qualified New Job must be in excess of the Base Employment Level. The final terms and conditions of the requirements for the minimum number of Qualified New Jobs that must be

		created, including provisions addressing disbursements of portions of the MBDP Incentive Award, shall be included in the final Agreement.
a.	**Start Date for Measurement of Creation of Qualified New Jobs:**	Date of signed Term Sheet

7. **Company Investment:** The company plans to invest $100,000,004 in new building construction and Furniture and Fixtures or any combination thereof, for the Project.

8. **Municipality supporting the Project:** The City of Lansing

    a. **Municipality Support.** One of the conditions of execution of the final Agreement is the requirement that the municipality shall have committed to provide: The City of Lansing has previously approved a a property tax abatement under PA 328 of 1998 until 2048 and will be approving a PA 425 Revenue Sharing Agreement. The remaining 35 years will be applicable to the HQ expansion. The final terms and conditions demonstrating this support shall be included in the final Agreement.

9. **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 100 Qualified New Jobs above the Base Employment Level and verification of final approval of municipality support by no later than September 30, 2014.
b.	**Disbursement Milestone 2:**	Up to $750,000	Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 100 additional Qualified New Jobs (for a total of 200 Qualified New Jobs) above the Base Employment Level, by no later than September 30, 2015.
c.	**Disbursement Milestone 3:**	Up to $750,000	Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, and upon demonstrated creation of 100 additional Qualified New Jobs (for a total of 300 Qualified New Jobs) above the Base Employment Level, by no later than September 30, 2016.
d.	**Disbursement Milestone 4:**	Up to $750,000	Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2

and Disbursement Milestone 3, and upon demonstrated creation of 100 additional Qualified New Jobs (for a total of 400 Qualified New Jobs) above the Base Employment Level, by no later than September 30, 2017.

10. Term of Agreement: Execution of Agreement to September 30, 2019.

11. 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.

12. 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.

13. 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 July 2, 2013, the MEDC may not be able to proceed with any recommendation to the MSF.

Acknowledged as received by:

Jackson National Life Insurance		Michigan Economic Development Corporation	
By:	DocuSigned by: John Brown C43A2ACAE64044A...	By:	[signature]
Printed Name:	John Brown	Printed Name:	Trevor Friedeberg
Its:	Vice President	Its:	Development Finance Analyst
Dated:	6/27/2013	Dated:	6/27/2013

MEMORANDUM

Date: July 17, 2013

To: MSF Advisory Committee

From: Dean Wade, Portfolio Manager

Subject: Tellurex, Inc. Conversion Request, 2006 21st Century Jobs Fund Award

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PROCEDURAL BACKGROUND

On January 25, 2012, the Michigan Strategic Fund ("MSF") Board approved by resolution the delegation of authority 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 $1,000,001 to $3,000,000 must be reviewed by the MSF Investment Subcommittee prior to being presented the MSF Chairperson, the MSF Fund Manager, or the State Treasurer Director for final approval.

COMPANY BACKGROUND

Tellurex Corporation ("Tellurex" or "Company") received a 2006 21st Century Jobs Fund award totaling $1,263,950 ("2006 Award") for the expanded commercialization of a unique thermoelectric module technology that can both deliver solid-state heating or cooling. The 2006 Award was structured around the Company's ability to deepen its existing penetration in the automotive industry. Due to the economic downturn in 2008, and especially in the automotive sector, Tellurex has experienced a significant reduction in sales orders from their primary customers, General Motors and Chrysler. Previously, Tellurex in conjunction with MEDC Staff and the MSF board, adjusted the 2006 Award milestones to allow for a shift in market focus away from the auto industry. Milestones were set to require the Company to raise an additional one million dollars of equity, develop a marketing and product design plan to support new, non-automotive revenue streams, and complete a non-automotive prototype product. Tellurex has successfully completed all of the revised milestones and is currently diversifying its customer base with applications in the heating and cooling and alternative energy power generation sectors. The company used KickStarter.com to launch a new product line of thermoelectric devices that converts heat into electricity and provides off-grid bright indoor and outdoor lighting and can charge other small electric devices. The target raise was $85K, however they raised over $110K. The company has 19 employees right now.

CURRENT STATUS

In 2008 the recession set in and Chrysler and GM went bankrupt along with a number of their suppliers. When Chrysler canceled their order for a heating and cooling cup holder, one of the Company's main products, the Company suffered financially. However, they didn't take bankruptcy or concoct any scheme to escape any obligation and restart from scratch. The current management (the largest insider investors) invested over $1M to keep the Company solvent. This covered the Company through this period of low activity and uncertainty. These loans will either be converted to equity under the same terms as the MSF or forgiven. The Company has emerged from the recession with new products serving markets other than the auto industry. Unfortunately for the Company, the cap table grew and many investors invested at a price much higher than the MSF will now invest. The current terms is $15 per common share, there are no preferred shares available. The Company also raised an additional $600+k at this price, slightly more than targeted. Also, the conversion of both the MSF and the current management loans will keep the Company in formula for a line of credit with Chase Bank. The Company is participating in our Capital Access Program. This program provides small businesses in Michigan access to capital that might not otherwise be available. The line is for $1M and the Company has extended about $750,000. The Company is in the process of renewing the line with Chase and converting the MSF and management loans will facilitate that process.

NEGOTIATION HIERARCHY

The major concern in recommending to convert is the heavy cap table. There is $10,135,271 in paid in capital representing 527,087 common shares ($19.23 average price). A major consideration was deciding to move from the debt position (which is high in the liquidity preference) to equity (which is lower in the liquidity preference). One of the biggest decision points was the fact that the MSF has already subordinated to a bank line of credit with Chase Bank as mentioned above. Therefore, from a risk perspective, the subordinated debt position is not significantly different then the equity position, at least in terms of liquidity preference. This is because, if the Company were to go out of business and liquidate all of its assets, Chase will take all of the available funds. However, the upside of the equity position is expected to be much greater than the debt position. Another consideration taken into account is that the Company has hit both the Venture Financing Event and the Gross Revenue Event. Although most of the funding raised by the Company is from management and angel investors, all has been converted on the same or worse terms as the MSF. They clearly hit the Gross Revenue Event, contractual amount $1,260,000, 2012 sales were $2,384,131.

MSF LOAN AND CURRENT TERMS

Loan Amount:	$1,263,950
Type of Loan:	Convertible Loan
Interest Rate:	8.25% APY (modified from 7.00%)
Loan Issuance Date:	12/20/2006
End of Grace Period:	2/1/2012
Maturity Date:	10/01/2017 (modified from 01/01/2016)
Balance to Date:	$1,605,585.88 (as of 6/30/2013)
Collateral:	All Tangible Personal Property, Excluding Inventory

POST CONVERSION

Share Price:	$15/share
Number of Shares:	107,039 (approximate depending on interest)
Percent Ownership:	14.04%

RECOMMENDATION

MEDC Staff recommends that the MSF Advisory Committee approve the conversion request as presented above. MEDC staff has worked with the company, Chase Bank and the Capital Markets group to come up with the best strategy to move the company forward. Staff will maintain regular interaction with both the company and Chase Bank regarding the company's performance. Staff believes that the above strategy will ensure that the MSF receives the best possible return on investment.

FOOTNOTE

A testimonial from the Company's website from a Moore Oklahoma tornado victim received Wednesday, May 22, 2013.

I just wanted to take brief moment to tell you that the tPOD was an excellent device to have during the Moore tornado this week. It was a great light source for our room while the electricity was not available. I was able to participate in the Kickstarter opportunity (the first I had participated in) and I was happy I did.

Thanks
PT

MEMORANDUM

Date: July 17, 2013

To: MSF Advisory Committee

From: Dean Wade, Portfolio Manager

Subject: 21st Century Jobs Fund Straight Loan, Limo-Reid Inc., d/b/a NRG Dynamix Loan Conversion (21st Centruy Jobs Find and Follow-on-Fund)

PROCEDURAL BACKGROUND

On January 25, 2012, the Michigan Strategic Fund ("MSF") Board approved by resolution the delegation of authority 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, awards with an original amount of more than $3,000,000 must be reviewed by the MSF Investment Subcommittee prior to being presented the MSF Board for final approval.

COMPANY BACKGROUND

Limo Reid Inc., d/b/a NRG Dynamix, ("NRG" or "Company") received a 2008 21st Century Jobs Fund loan in the amount of $3,352,704 for the development, commercialization and sale of a novel Hydraulic Hybrid Power Train (HHPT) targeting the light and medium truck markets. The NRG HHPT is an energy management system that decouples the demand for power from the generation of power, thereby providing the vehicle designer the opportunity to optimize overall vehicle performance. In so doing, it becomes possible to deliver a truck that improves fuel economy by upwards of 60% and reduces emissions by upwards of 90% while maintaining a platform that costs approximately the same, weighs approximately the same, and has the same cargo capacity as existing trucks.

CURRENT COMPANY STATUS

The Company is working hard to raise additional funds, to find a buyer or strategic partner. The biggest issue is they now realize that they have to focus less on "on-highway" vehicles and more on "off-highway" vehicles. They were focusing on the passenger pickup trucks, but had very little traction. They are now focusing on street sweepers, road construction steam rollers (compactors) and a few others, i.e. high horsepower but without the necessity of delicate controls for handling on-highway vehicle needs and regulations. This seems to be gaining some traction. On June 27, 2013, NRG held a board meeting and offered the following three options:

1. Down round equity raise - Full or Partial, Series B preferred stock
2. Sell IP assets
3. Shut-down the company

On July 3, 2013, NRG held an Investors Only meeting to discuss the funding situation and the likelihood of additional funding, per number 1 above. Unfortunately, the consensus was no investor was willing to add funds at this time. From that meeting it was decided to sell as many assets (including IP, number 2 above) to generate as much cash as possible to keep the company afloat. The following two options were offered;

1. Convert debt to equity - convert all debt to the current Series A, same terms and price
2. Extend the maturity date on the existing Notes with the following modification.
    i. Majority approval on additional extensions – voting as a single class.
    ii. Minority holders may not exercise any of its rights (other than conversion to equity), regardless of the financial position of the company. All actions other than conversion to equity would require approval by a majority of the outstanding debt principal and would be applicable to all.

Again, unfortunately, there was no consensus on how best to move forward. One of the venture capital investors declined to convert their debt. Regarding extending the maturity date, the MEDC staff stated the MSF is the largest single debt holder and did not see signing away any rights to the other investors as advantageous to the MSF, at least until there is additional information on funding, what the intent of the other debt holders is going forward, etc.

At this point, there is little clarity on how best to move forward. If an investor steps up with additional funding, then that will change the entire dynamics. The current investors will likely take options 1 or 2 above.

<u>INVESTMENT SUMMARY</u>

2008 Business Plan Competition

Loan Amount:	$3,352,704
Disbursed:	$3,352,704
Type of Loan:	Straight, with warrants valued at $100,581 (3% of the loan amount)
Interest Rate:	4.5% APY
Loan Issuance Date:	March 19, 2009
End of Grace Period:	July 31, 2013
Maturity Date:	July 31, 2016
Outstanding Balance as of July 31, 2013:	$3,942,157
Daily Accrual	$483.58
Collateral:	All Tangible Personal Property

2012 Follow on Fund

Loan Amount:	$350,000
Disbursed:	$350,000
Type of Loan:	Senior Secured Promissory Note
Interest Rate:	10%
Additional Return:	2X principle (per agreement)
Loan Issuance Date:	April 12, 2012
Maturity Date:	July 31, 2013
Outstanding Balance as of July 31, 2013:	$374,492
Daily Accrual	$95.89
Collateral:	IP and General Intangibles All Tangible Personal Property

<u>OTHER INCENTIVES</u>

NRG Dynamix

NextEnergy MBT Credits with a total value of $13,755

NextEnergy Personal Property Tax Exemptions where the property value was $330,133

O'Brien Engineered Products (A sister company of Limo-Reid, the original company name)

NextEnergy MBT Credits with a total value of $63,347

NextEnergy Personal Property Tax Exemption where the property value was $139,887.

REQUEST

MEDC staff has been working very closely with the company, its board of directors and investors. To date, there is no consensus on how best to move the company forward. MEDC staff requests approval to continue to work with the company and take the action that best represents the MSF and its investment.

RECOMMENDATION

MEDC Staff recommends that the MSF Advisory Committee support the conversion request. Staff further recommends that the MSF Advisory Committee support delegation to the MSF Fund Manager of the authority to negotiate any terms and conditions deemed necessary and appropriate to finalize the transaction documents with NRG and its investors, and with the MEDC.

Agenda Item C. 3

NRG Dynamix Extension Request ***[Action Item – Dean Wade]***

The resolution for this item will be prepared based on recommendations from the Advisory Committee and will be in the Board meeting packet.

MEMORANDUM

TO: Michigan Strategic Fund

FROM: Eric Hanna, Dir. Debt Capital Programs

DATE: July 24, 2013

SUBJECT: Appointments to the Board of Directors of Develop Michigan, Inc.

BACKGROUND

On May 22, 2013 the MSF Board approved revised business terms for Develop Michigan, Inc. and its related subsidiary private equity fund designed to facilitate additional lending capacity in projects with compelling community development objectives. From its inception Develop Michigan, Inc. ("DMI") was designed to be a public private partnership. As such the composition of the nine-member Board of Directors is as follows:

- Three appointed from private limited partner investors
- Three members appointed by the Great Lakes Capital Fund management team
- Three appointed by the Michigan Strategic Fund

Staff has worked within informal guidance provided by the Attorney General's Office to carefully select individuals with significant professional private sector experience and a clear understanding of the public policy objectives of the program. Staff has identified the following individuals for consideration.

APPOINTMENTS

Eric B. Larson; Co-Managing Partner Bedrock Real Estate Services LLC

Bedrock is a Detroit-based full service real estate firm specializing in the purchasing, leasing, development and managing of commercial space. The company conducts business across diverse geographies and industries, overseeing more than 3.5 million square feet of commercial space in downtown Detroit, Cleveland, Ohio; Scottsdale, Arizona; Charlotte, North Carolina; San Diego, California; and Pittsburgh, Pennsylvania. Mr. Larson is also the founder, president, and chief executive officer of Larson Realty Group, a privately owned, Bloomfield Hills, Michigan based company engaged in real estate investment, development, asset management and leasing. Prior to joining Bedrock, Mr. Larson served as Non-Executive President for Olympia Development of Michigan. Olympia Development of Michigan is a Detroit-based full-service real estate company owned by Detroit entrepreneurs Michael and Marian Ilitch. Mr. Larson has over 25 years of real estate experience.

Jennifer Nelson; Senior Vice President Community Development & General Counsel, MEDC

Ms. Nelson oversees Legal, Compliance, and all Community Development matters for the MEDC. Prior to joining the MEDC, Ms. Nelson served as an attorney with the Dykema Gossett law firm and was a member of its Public Finance Corporate Group. In that capacity, her practice focused on corporate, real estate, public finance and commercial loan transactions, private investment deals, areas of economic development, alternative energy, public utility, insurance, gaming, tax-exempt organizations and ethics. Ms. Nelson graduated from Northern Michigan University, Magna Cum Laude, with a Bachelor of Science in Speech Communication. She received her law degree from Michigan State University - Detroit College of Law, graduating Magna Cum Laude.

Robert (Bob) Joseph; Managing Director Capital Markets Group at Talmer Bank and Trust

Mr. Joseph currently overseas all of Talmer's work in the Commercial Mortgage Backed Securities brokering and servicing practice. Prior to his involvement with Talmer he was the Chairman of Bloomfield Financial Services, a full service commercial mortgage banking firm that was purchased by Talmer. The firm originated and serviced real estate loans for a wide variety of life insurance companies, conduit debt providers and other institutional lenders in the form of loans and/or Commercial Mortgage Backed Securities. Bob has a BBA in Accounting from Eastern Michigan University and is a graduate of the School of Mortgage Banking provided under the Mortgage Bankers Association.

RECOMMENDATION

Staff recommends the following appointments to the Develop Michigan, Inc. Board of Directors.

- Eric Larson for an initial term of 5 years
- Robert (Bob) Joseph for an initial term of 3 years
- Jennifer Nelson for an initial term of 1 year

Each appointment is at the pleasure of the MSF and upon the ending of the term; each subsequent appointment of any individual shall be for a term of five years with an affirmative action of the MSF required to effectuate. Any appointments made mid-term to fill vacancies shall be appointed to serve the remainder of the respective term.

MICHIGAN STRATEGIC FUND

RESOLUTION 2013-

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

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

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

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

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

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

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

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

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

WHEREAS, the MEDC recommends and the MSF Board desires make the following appointments to the DMI board of directors:

(i) Eric Larsen, Co-Managing Partner, Bedrock Real Estate Services LLC, for an initial term of 5 years;

(ii) Robert Joseph, Managing Director, Capital Markets Group, Talmer Bank and Trust, for an initial term of 3 years.

(iii) Jennifer Nelson, Senior Vice President of Community Development & General Counsel, MEDC, for an initial term of 1 year;

(collectively, the "DMI Appointees");

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

Ayes:

Nays:

Lansing, Michigan
July 24, 2013

MEMORANDUM

Date: July 24, 2013

TO: Michigan Strategic Fund

From: Eric Hanna, Dir. Debt Capital Programs

Subject: Revision of Business Terms for Develop Michigan, Inc.

Background

On May 22, 2013 the Michigan Strategic Fund ("MSF" or "Board") approved a set of revised business terms converting its earlier effort from a bond based credit enhancement program to a private equity credit enhancement vehicle. On May 22, 2013 the management team and MEDC staff had soft circles from the core group of first round investors but not formal investor approval.

Subsequent to the May 22, 2013 MSF board meeting, formal approvals were received. Two of our core investors had previously soft circled the fund at $10 million and $7.5 million respectively with a first round closing. This was what was recommended to each investor's advisory committee. The approvals came back consistent with the soft circles however; given the perception of this asset class (investment real estate) and with the current regulatory environment both investors placed a 10% cap on the amount of the approved commitment that could be part of the initial closing. The cap reduced the size of the initial closing to a level that MEDC staff and fund management felt was possible to consider but had several significant drawbacks.

Staff feels strongly that the message the investors were sending was that the enhancement wasn't strong enough to encourage a more significant first round investment. Staff encouraged a counter-proposal which is contained herein for MSF consideration.

Closing Proposal

The initial proposal included language that the MSF would comprise 1/3 of the initial closing at $30 million dollars and would subsequently increase its commitments as additional private commitment occurred.

The counter-proposal is for the MSF to fully commit at the first close to its $19.5M investment ***provided that*** each of the core investors also fully committed in the first closing bringing the initial closing to at least $45 million and the MSF's exposure from 33% to 43.3% of the fund. Draws of MSF dollars will be made pro-rata with other investors.

It is understood that in this counter-proposal the fund would continue to raise private investment which is still planned in two subsequent closings scheduled to conclude no later than 18 months from the first closing.

Staff understands and has received communication from the two private investors that such additional credit enhancement as this would provide would be sufficient for them to fully commit in the first close. Both investors indicated that while additional investment would reduce protections and potentially yields, they view additional investors as preferable because they validate the model and allow the fund to diversify its individual project exposure. The investors are Community Reinvestment Act investors and yield is a secondary consideration.

Recommendation

Staff recommends that the business terms approved under resolution 2013-076 on May 22, 2013 be amended as provided in Exhibit A to this memo including in substance the authorization to fully commit all $19.5 million in the first closing round provided that the closing achieves a total size of not less than $45 million including the MSF's commitment.

Exhibit A Loan Terms

Loan Amount:	Up to $19.5M
Repayment:	The MSF is to be repaid with 100% of the distributions made by the Limited Partnership (Fund) to DMI.
Term:	Terminates at the end of the life of the fund or upon an event of default.

Key Required Terms of Investment of Loan Proceeds

Leverage:	Class B will commit all $19.5 million of its capital ~~up to approximately 1:3 ratio only~~ to the extent ~~this higher ratio~~ that it enables the Fund to achieve the first close minimum capitalization level of $~~30~~45 million. ~~When Class B has fully funded the $19.5 million, it will match investor capital at a ratio of at least 1:4 and in no case more than 1:5. After final close, Class B contributed capital will be at the same ratio for all investors in the Fund.~~
Investment by DMI:	Class B Subscription to the Fund Investment or loan by DMI to the captive General Partner of 1% of the total fund derived from the Class B funds
Manager Investment:	1% of the MSF Investment Amount, as a Class A investment.
Property Types:	Commercial, industrial, retail, medical, business, rental housing and mixed use.
Investment Period:	Currently contemplated to be a 4-year Investment Period to deploy all capital commitments; mezzanine capital may be reinvested within first 60 months.
Fund Term:	9 years with 2 one-year extension options
Fund Project Terms:	Mezzanine: typical range 2-4 years; Senior: up to 7 years
Fund Project Types:	Fund investments primarily for acquisition, financial restructuring, rehabilitation, construction alongside third-party lender, and/or construction financing
Investment Size Limits:	Maximum Mezzanine Position up to 30% of Project Value. Maximum Senior Debt Position up to 75% of Project Value. The Fund shall provide no more than 75% of the Total Project Value for any one Project through any combination of mezzanine capital and senior debt instruments.
Class A Return:	The Fund is seeking to achieve a 9% Internal Rate of Return (XIRR computation basis) to Class A Investors (after payment of Fund fees, expenses, carried interest and Investment Manager bonus).
Class B Returns:	Class B returns are 1% in excess of actual investment after the Class A preferred return of 9% XIRR net of manager carry. After Class A, Class B, and Manager are paid, Class B receives a 10% return.

First Loss Provision:	Class B capital will be allocated 75% of fund losses up to the full amount of Class B's capital contributions.
Manager Carry:	10% deferred until Class A preferred return is paid.
Manager Fee:	1.75% of assets under management with 10% retained by DMI and 90% paid to the Investment Manager.
Manager Bonus:	10bps per year set by the DMI board and driven by the level of economic and community development impact of the transactions in the fund.
CRA /Volker Rule:	The fund has been deemed by counsel to be available for regulated banks to invest under the Public Welfare exemption, among others, contained within the Dodd-Frank regulatory reforms currently in place. CRA eligibility is expected and is driven by project location and bank investor need. The apportionment of CRA credit will be managed and allocated by the Investment Manager.
Impact Reports:	Each project will have an impact report which will describe the economic and community impact of the project. The impacts address, among other things, increase in tax base, jobs created, square feet rehabilitated, blight eliminated, and the additional investment which was precipitated on neighboring sites due in some part to the funds project.

MICHIGAN STRATEGIC FUND
RESOLUTION 2013-

APPROVAL OF REVISED BUSINESS TERMS FOR LOAN FACILITY FOR DEVELOP MICHIGAN, INC. UNDER THE CAPITAL CONDUIT PROGRAM

WHEREAS, the Michigan legislature passes legislation establishing the 21st Century Jobs Trust Fund initiative that was signed into law by Governor Jennifer M. Granholm;

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

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

WHEREAS, on May 20, 2009, the MSF approved the creation and operation of the Michigan Supplier Diversification Fund ("MSDF") as a loan enhancement program;

WHEREAS, on December 21, 2011, by Resolution No. 2011-189, the MSF approved the creation and operation of the Capital Conduit Program under the MSDF ("CCP");

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

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

WHEREAS, on May 22, 2013, by Resolution No. 2013-076, the MSF approved loan facility business terms for the DMI award;

WHEREAS, in order to facilitate increased private leverage commitments, the MEDC recommends that DMI operate the REI under the CCP pursuant to a loan facility, subject to the loan facility terms and conditions contained in the attached Exhibit A, and further subject to the REI Guidelines and Delegation of Authority ("Loan Facility Terms for DMI");

WHEREAS, the MEDC recommends that the MSF approve the Loan Facility Terms for DMI; and

WHEREAS, the MSF Advisory Committee has indicated its support of the recommendation of approval of the Loan Facility Terms for DMI.

NOW THEREFORE, BE IT RESOLVED, the MSF approves the Loan Facility Terms for DMI; and

Ayes:

Nays:

Lansing, Michigan
July 23, 2013

Exhibit A Loan Terms

Loan Amount:	Up to $19.5M
Repayment:	The MSF is to be repaid with 100% of the distributions made by the Limited Partnership (Fund) to DMI.
Term:	Terminates at the end of the life of the fund or upon an event of default.

Key Required Terms of Investment of Loan Proceeds

Leverage:	Class B will commit all $19.5 million of its capital to the extent that it enables the Fund to achieve the first close minimum capitalization level of $45 million.
Investment by DMI:	Class B Subscription to the Fund Investment or loan by DMI to the captive General Partner of 1% of the total fund derived from the Class B funds
Manager Investment:	1% of the MSF Investment Amount, as a Class A investment.
Property Types:	Commercial, industrial, retail, medical, business, rental housing and mixed use.
Investment Period:	Currently contemplated to be a 4-year Investment Period to deploy all capital commitments; mezzanine capital may be reinvested within first 60 months.
Fund Term:	9 years with 2 one-year extension options
Fund Project Terms:	Mezzanine: typical range 2-4 years; Senior: up to 7 years
Fund Project Types:	Fund investments primarily for acquisition, financial restructuring, rehabilitation, construction alongside third-party lender, and/or construction financing
Investment Size Limits:	Maximum Mezzanine Position up to 30% of Project Value. Maximum Senior Debt Position up to 75% of Project Value. The Fund shall provide no more than 75% of the Total Project Value for any one Project through any combination of mezzanine capital and senior debt instruments.
Class A Return:	The Fund is seeking to achieve a 9% Internal Rate of Return (XIRR computation basis) to Class A Investors (after payment of Fund fees, expenses, carried interest and Investment Manager bonus).
Class B Returns:	Class B returns are 1% in excess of actual investment after the Class A preferred return of 9% XIRR net of manager carry. After Class A, Class B, and Manager are paid, Class B receives a 10% return.
First Loss Provision:	Class B capital will be allocated 75% of fund losses up to the full amount of Class B's capital contributions.
Manager Carry:	10% deferred until Class A preferred return is paid.
Manager Fee:	1.75% of assets under management with 10% retained by DMI and 90% paid to the Investment Manager.

Manager Bonus:	10bps per year set by the DMI board and driven by the level of economic and community development impact of the transactions in the fund.
CRA /Volker Rule:	The fund has been deemed by counsel to be available for regulated banks to invest under the Public Welfare exemption, among others, contained within the Dodd-Frank regulatory reforms currently in place. CRA eligibility is expected and is driven by project location and bank investor need. The apportionment of CRA credit will be managed and allocated by the Investment Manager.
Impact Reports:	Each project will have an impact report which will describe the economic and community impact of the project. The impacts address, among other things, increase in tax base, jobs created, square feet rehabilitated, blight eliminated, and the additional investment which was precipitated on neighboring sites due in some part to the funds project.

MEMORANDUM

TO: Michigan Strategic Fund ("MSF") Board Members

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

DATE: July 24, 2013

SUBJECT: Reauthorize the Michigan Community Revitalization Approval for:

618 South Main, LLC ("Applicant")
225 South Ashley Street
Ann Arbor, Michigan 48104

On November 28, 2012, the Michigan Strategic Fund approved a $3,000,000 performance based loan for the Applicant under the Michigan Community Revitalization Program ("MCRP"). The project involves the redevelopment of a contaminated property located at 606 and 618 South Main Street in the City of Ann Arbor into a six story residential building that will be specifically targeted to young professionals. Please find attached the original MSF approval.

The approval provided a maximum of 150 days to complete all due diligence and finalize all MCRP transaction documents. During the allotted time period, a final loan agreement was not executed due to the lengthy nature of securing mortgage insurance under Section 221(d)(4) of the national Housing Act. The pre-application for mortgage insurance was approved by the United States Department of Housing and Urban Development ("HUD") and the project has been invited to submit for a firm commitment. The project anticipates seeking the final approval in August after HUD's final review of the construction documents.

There is one proposed change to the business terms as originally approved and outlined in the attached memo. The new proposal recommends the MSF be paid the $30,000 annual Loan Fee from the surplus cash prior to any distribution of a preferred return on equity to the Project Sponsors. Under the previous approval, the MSF was to receive the annual payment if there was excess cash after paying the preferred return.

Project Management staff ("MEDC Staff") has been working with the Applicant to finalize the due diligence and other documentation necessary to execute a loan agreement.

RECOMMENDATIONS

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

a. Approval of the MCRP Proposal as outlined above and the attached documentation (collectively, "MCRP Proposal");
b. Reauthorize the commitment to close the MCRP Proposal, subject to available funding under the MCRP at the time of closing ("Available Funding"), completion of due diligence, the results of which are satisfactory to the MEDC (collectively, "Due

Diligence"), finalization of all MCRP transaction documents, and further subject to the following terms and conditions:

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

MEMORANDUM

DATE: November 28, 2012

TO: Michigan Strategic Fund Board Members

FROM: Joseph Martin, MEDC – Manager, Brownfield & Michigan Community Revitalization Program
Lisa Pung, MEDC – Community Assistance Team Specialist

SUBJECT: Approval of Michigan Community Revitalization Request for a $3,000,000 Performance-based Loan to:

618 South Main, LLC ("Applicant")
225 South Ashley Street
Ann Arbor, Michigan 48104

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.

HISTORY OF THE APPLICANT

The Applicant is comprised of two members Ann Arbor Life Style, LLC (Managing Member) and Urban 618, LLC. Ann Arbor Life Style, LLC is 100% owned by Robert Wislow, who is the Chairman and CEO of U.S. Equities Realty. U.S. Equities Realty was formed over 33 years ago by Robert A. Wislow, along with Camille Julmy, and is a national, full-service real estate company.

U.S. Equities recent projects include:

- Grand Plaza, a $195,000,000 apartment/retail project in Chicago, IL
- State Place, a $100,000,000 condo/retail project in Chicago, IL
- Deerfield Village Centre, a $35,000,000 apartment, retail and office project in Deerfield, IL
- Hampton Inn Majestic Hotel and Theater Renovation in Chicago, IL $45,000,000 Project Cost
- Compuware Headquarters in Detroit, MI, a $400,000,000 Corporate Headquarters and Retail Center

No other individual or entity owns greater than 20% of the Applicant.

This project has received prior MSF approval on September 27, 2012 for an Act 381 Work Plan for local and school tax capture for MEGA eligible activities in the amount of $2,887,923.

PROJECT DESCRIPTION

The Applicant plans to redevelop a contaminated property into a six to seven story residential building that will be specifically targeted to young professionals. Currently, there is very limited rental housing for young professionals in the city of Ann Arbor and even less in the proximity of downtown.

The 150-170 residential units will be comprised of loft-style apartments, some studios, 1-bedroom & 2-bedroom and many units will have balconies or porches. This new development is on approximately one acre of property located at 606 and 618 South Main Street in the city of Ann Arbor just beyond the core downtown. Parking will include a 120 unit underground parking structure.

a) The project is a facility as authorized under the program. The Applicant plans to make a private investment of $37.0 million to the project for the demolition, site preparation, machinery and equipment and new construction, as authorized under the program. Total Eligible Investment is currently estimate at $26,187,015.The project will be located in the city of Ann Arbor. The city of Ann Arbor Downtown Development Authority has offered a financial commitment to the project in the form a DDA Grant (TIF based) in the amount of $650,000 for certain infrastructure improvements. Also, Brownfield tax increment financing was approved for local only reimbursement for footing drain disconnects in the amount of $458,850.
b) The project is located in a downtown or traditional commercial center. Preference was given to project because it will act as a catalyst for South Main Street and create a new gateway for the southern end of the downtown. The Project will significantly improve an area of the City that has not seen any comparable level of investment in years while providing new housing options for the City's growing high-tech and young professional base.

FINANCING OPPORTUNITY – MCRP REQUEST

The Applicant is seeking a $3,000,000 MCRP loan to finance the project ("MSF Loan"). The MSF Loan will be subordinate in payments and collateral to the note by Draper and Kramer Mortgage Company ('Senior Loan"). The Senior Loan is proposed for $28,212,000, with a 40 year term at 4.946% (including a 1.296% initial curtail rate). The MCRP loan is performance based and will not be funded until project completion as defined in the written agreement. The senior lender is seeking the backing of mortgage insurance under Section 221(d)(4) of the national Housing Act. The pre-application for mortgage insurance was approved the by United States Department of Housing and Urban Development ("HUD") and the project has been invited to submit for a firm commitment.

Whether the project is financially and economically sound:

According to the proposal submitted to HUD, which included a market study, there is a sufficient residential rental market to warrant the proposed development in Ann Arbor. The market study provides a conservative view of the residential market in Ann Arbor. The Applicant believes that the real estate market is stronger and will achieve a minimum 15% cash on cash return on their investment starting in year two and have pledged over $5.8 million in equity at project closing (including $4.3 million in cash).

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

To achieve the necessary return on equity and allow the project to be activated, the Applicant has identified an internal hurdle rate that is generally equivalent to 15% annual cash on cash return, with increases in yield predicated on market growth. According to the HUD approved conservative rent rolls from the market study, this would not occur until year 12 without the MSF Loan or year six with the MSF Loan. Using the more optimistic developer rent rolls, without the MSF Loan the internal hurdle rate would not be achieved until at least year six and make the project less attractive to the underlying investors.

<u>LOAN FACILITY</u>

Borrower:	618 South Main, LLC
Senior Lender:	Draper and Kramer Mortgage Company (or related, affiliated or other lender therefrom)
MSF Loan Amount:	Up to $3,000,000, not to exceed 25% of Eligible Investment
Interest Rate:	Zero
Collateral:	2nd Real Estate Mortgage on Subject Property Note: 2nd REM is behind a HUD 221(d) guaranteed senior loan requiring a standstill on foreclosure and other rights during the existence of the guarantee. Filing to meet HUD's requirements
Guarantee:	Match Senior Lender, subordinate
Loan Fee:	$30,000.00 assessed annually and paid according to Repayment schedule. When not paid, the fee is added to the loan amount (capitalized).
Repayment:	Notwithstanding anything in this section, HUD requires the project to evidence certain debt service coverage and restricts the ability of the project to distribute project proceeds unless they are defined as ("surplus cash") according to HUD's definition. First, 100% to the senior loan paid according to the terms and conditions of the senior loan. Second, 100% of project cash flows and surplus cash taken collectively as allowed by HUD shall provide for a 15% preferred return to the Sponsors based on a return formula and final equity contribution acceptable to the Project Manager. Third, 100% project cash flow and surplus cash available as allowed by HUD, limited to $30,000 annually to the MSF Loan. For years where there is not sufficient project cash flow and surplus cash as allowed by HUD to service the Loan Fee, the unpaid portion will be capitalized and due at the end of the Term.
Prepayment:	No prepayment penalty at any time
Term:	40 Years
Funding:	Certificate of Completion and other performance criteria contained in final loan agreement.

<u>MICHIGAN STRATEGIC FUND CONSIDERATIONS</u>

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

A. **The importance of the project to the community in which it is located:**
The site plan was approved unanimously based on community engagement and feedback throughout the project's pre-development. The project will significantly improve an area of the City that has not seen any comparable level of investment in years while providing new housing options for the City's growing high-tech and young professional base. The city of Ann Arbor, the Downtown Development Authority and Washtenaw County have approved economic assistance for the project.

B. **If the project will act as a catalyst for additional revitalization of the community in which it is located:**
The project will act as a catalyst for South Main Street and create a new gateway for the southern end of the downtown.

C. **The amount of local community and financial support for the project:**
The city of Ann Arbor Downtown Development Authority has offered a financial commitment to the project in the form a DDA Grant (TIF based) in the amount of $650,000 for certain infrastructure improvements. Also, Brownfield tax increment financing was approved for local only reimbursement for footing drain disconnects in the amount of $458,850.

D. **The extent of reuse of vacant buildings, reuse of historical buildings, and redevelopment of blighted property:**
This Project is addressing the contamination at the site and is not qualifying as a Blighted property.

E. **Creation of jobs:**
Approximately six permanent full-time jobs and eight part-time jobs are anticipated to be created by the project. Wages are estimated to be between $8 and $17 per hour.

F. **The level of private sector and other contributions, including, but not limited to, federal funds and federal tax credits:**
The Applicant plans to make a private investment of $37.0 million.

G. **Whether the project increases the density of the area:**
This Project will increase density significantly with the addition of 150-170 new residential units.

H. **Whether the project promotes mixed-use development and walkable communities:**
This is not a mixed-use development but does promote a walkable community. Public infrastructure is included in the project including streetscape improvements on the southern end of the downtown to promote the walkable experience.

I. **Whether the project converts abandoned public buildings to private use:**
The property does not contain any public buildings.

J. **Whether the project promotes sustainable development:**
The building will be constructed with various green elements such as low flow fixtures, heat recapture, high efficiency lighting, solar panels, and incorporate the reuse of rainwater on the site. This development is anticipated to meet LEED Silver certification.

K. **Whether the project involves the rehabilitation of a historic resource:**
The property does not contain a historic resource.

L. **Whether the project addresses area-wide redevelopment:**
The project will significantly improve an area of the City that has not seen any comparable level of investment in years while providing new housing options for the City's growing high-tech and young professional base and will be a catalyst for future redevelopment.

M. **Whether the project addresses underserved markets of commerce:**
Currently, there is very limited rental housing for young professionals in the city of Ann Arbor and even less in the proximity of downtown.

N. **The level and extent of environmental contamination:**
Soil samples from the property reveal several volatile organic compounds (VOCs) and polynuclear aromatic hydrocarbons (PNAs) in concentrations that exceed the MDEQ’s Generic Residential Cleanup Criteria. Contaminated soil will be excavated and properly disposed of and clean, engineered fill will replace the excavated soil.

O. **If the rehabilitation of the historic resource will meet the federal Secretary of the Interior's standards for rehabilitation and guidelines for rehabilitating historic buildings (36 CFR 67):**
This Project does not contain a historic resource and therefore the federal Secretary of Interior’s standards do not apply.

P. **Whether the project will compete with or affect existing Michigan businesses within the same industry:**
There will be minimal impact as residential rental housing is limited within proximity to downtown Ann Arbor.

Q. **Any other additional criteria approved by the board that are specific to each individual project and are consistent with the findings and intent of this chapter:**
No additional factors need to be considered for this project.

INCENTIVE OPPORTUNITY

This project involves $26,187,015 in eligible investment and total capital investment of up to $37,047,208 in the city of Ann Arbor. The requested incentive amount from the MSF is up to $3,000,000 in the form of a performance based loan.

Please see below for more information on the recommended action.

<u>RECOMMENDATIONS</u>

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

a) Approval of the MCRP Proposal as outlined in the attached term sheet (collectively, "MCRP Proposal");

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

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

The MSF Incentives Subcommittee has indicated its support of the Recommendation.

MICHIGAN STRATEGIC FUND
RESOLUTION 2013-

APPROVAL OF A MICHIGAN COMMUNITY REVITALIZATION PROGRAM LOAN AWARD TO 618 SOUTH MAIN, 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, by Resolution No. 2012-167, at the request of 618 South Main, LLC ("Company") and upon the recommendation of the MEDC, the MSF Board approved a performance based loan under the MCRP of up to $3 million ("2012 Approval");

WHEREAS, the Company has pursued senior private lending involving a HUD guaranty and due to the complexities surrounding the senior loan, the MSF loan to the Company has not been able to close within the time frame authorized by the 2012 Approval;

WHEREAS, the Company has again requested a performance based loan under the MCRP of up to $3 million ("Award Request"), along with other general terms and conditions which have been updated and are outlined in the term sheet attached as Exhibit A ("Term Sheet");

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

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

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan
July 24, 2013

EXHIBIT A

Borrower:	618 South Main, LLC
Senior Lender:	Draper and Kramer Mortgage Company (or related, affiliated or other lender therefrom)
MSF Loan Amount:	Up to $3,000,000, not to exceed 25% of Eligible Investment
Interest Rate:	Zero
Collateral:	2nd Real Estate Mortgage on Subject Property Note: 2nd REM is behind a HUD 221(d) guaranteed senior loan requiring a standstill on foreclosure and other rights during the existence of the guarantee. Filing to meet HUD's requirements
Guarantee:	Match Senior Lender, subordinate
Loan Fee:	$30,000.00 assessed annually and paid according to Repayment schedule. When not paid, the fee is added to the loan amount (capitalized).
Repayment:	Notwithstanding anything in this section, HUD requires the project to evidence certain debt service coverage and restricts the ability of the project to distribute project proceeds unless they are defined as ("surplus cash") according to HUD's definition. Order of payment is as follows: First, 100% to the senior loan paid according to the terms and conditions of the senior loan. Second, 100% project cash flow and surplus cash available as allowed by HUD, limited to $30,000 annually to the MSF Loan. Third, 100% project cash flow and surplus cash to provide return to the Sponsors. For years where there is not sufficient project cash flow and surplus cash as allowed by HUD to service the Loan Fee, the unpaid portion will be capitalized.
Prepayment:	No prepayment penalty at any time
Term:	40 Years
Funding:	Certificate of Completion and other performance criteria contained in final loan agreement.

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MEMORANDUM

Date: July 24, 2013

To: Michigan Strategic Fund

From: Mary Kramer, MEDC – Brownfield Specialist

Subject: Large Brownfield MBT Credit Amendment Approval
Harbor Shores HV Construction, LLC
Harbor Shores Parcel 3 Project
City of Benton Harbor, County of Berrien

APPLICANT
Harbor Shores HV Construction, LLC
201 Graham Avenue
Benton Harbor, Michigan 49022

Contact: Jeff Gilbertsen, Member

	APPROVED	PROPOSED
Project Eligible Investment:	$70,900,000	$62,895,225
Requested Credit Amount:	$10,000,000	$10,000,000
Requested Credit Percentage:	20%	20%

PROJECT DESCRIPTION
This project was originally approved as a four-phase project developing approximately 13 acres of property in the City of Benton Harbor, Berrien County as part of the larger Harbor Shores Project. The project was to include between 200-215 condominiums and/or residential townhomes and 34,000 square feet of commercial/retail space and marinas. Eligible investment was approved at $70,900,000 with a 20 percent credit capped at $10,000,000.

This request is to add two qualified taxpayers, Harbor Village at Harbor Shores, LLC and Harbor Village at Harbor Shores II, LLC. The request also includes a revision to the project scope to change the project to a three-phase project and include the addition of an eight and a half story building containing a boutique hotel, conference center, spa and restaurant with luxury condominiums on the top two and a half floors, in addition to the residential condominiums and cottages. The eligible investment based on the revised project scope will be reduced from $70,900,000 to $62,895,225. The credit amount will remain the same at 20 percent of eligible investment but is capped at $10,000,000.

The project is a multi-phase project and will be completed in three (3) phases as described below:

> **Phase I** – Construction of an eight and a half story building containing a boutique hotel, conference center, spa and restaurant with luxury condominiums on the top two and a half floors of the building. This phase also includes construction of a seasonal marina with approximately 60 slips plus a transient marina. This phase is expected to commence in 2013 and be completed in 2015; and,

Phase II – Construction of two multi-story Harbor House condominium buildings, one multi-story Shipwatch condominium building and approximately 12 to 26 residential cottages. This phase is expected to commence in 2015 and be completed in 2017-2019; and,

Phase III – Construction of a multi-story Harbor House condominium building, one or two additional multi-story Shipwatch condominium buildings and an additional 14 to 34 residential cottages. This phase is expected to commence in 2018 and be completed by January 2020.

COST OF ELIGIBLE INVESTMENTS BY PHASE

Phase I	
Site Improvements	$ 2,497,500
New Construction	13,547,725
Addition of Machinery & Equipment	+ 1,875,000
Phase I Total	**$ 17,920,225**
Phase II	
Site Improvements	$ 1,100,000
New Construction	+ 25,775,000
Phase II Total	**$ 26,875,000**
Phase III	
Site Improvements	$ 1,100,000
New Construction	+ 17,000,000
Phase III Total	**$ 18,100,000**

TOTAL COST OF ELIGIBLE INVESTMENTS

Site Improvements	$ 4,697,500
New Construction	56,322,725
Addition of Machinery & Equipment	+ 1,875,000
TOTAL	**$ 62,895,225**

RECOMMENDATION

The MEDC recommends approval of the requested amendment to add two new qualified taxpayers; change the project from a four-phase project to a three-phase project; and revise the project scope to include the construction of a boutique hotel, conference center, spa and restaurant. The amendment also includes a reduction in the eligible investment from $70,900,000 to $62,895,225 with the 20 percent MBT credit remaining capped at $10,000,000.

MICHIGAN STRATEGIC FUND

Resolution 2013-

Harbor Shores HV Construction, LLC (Harbor Shores Parcel 3 Project)
Brownfield Redevelopment MBT Credit – Amendment #1
City of Benton Harbor

At the meeting of the Michigan Strategic Fund ("MSF") held on July 24, 2013 in Lansing, Michigan.

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

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

WHEREAS, by Resolution 2009-209 on December 15, 2009, the MEGA Board awarded a Brownfield MBT Tax Credit to Harbor Shores HV Construction, LLC (the "Applicant") to make eligible investment up to $70,900,000 at an eligible property in the City of Benton Harbor (the "Project");

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

WHEREAS, the Applicant has submitted a request to amend the Project by adding two additional Qualified Taxpayers, Harbor Village at Harbor Shores, LLC and Harbor Village at Harbor Shores II, LLC, and modify the scope of the Project by reducing the Project from four phases to three phases as follows:

Phase 1 – Construction of an eight and a half story mixed use building and a seasonal marina containing approximately 60 boat slips;

Phase 2 – Construction of three multi-story condominium buildings and up to 26 residential cottages; and

Phase 3 – Construction of up to three multi-story condominium buildings, and up to 34 residential cottages;

WHEREAS, the Michigan Economic Development Corporation provides administrative services to the MSF, and recommends approval of the amendment by the MSF Board provided that the eligible investment amount is reduced to a maximum of $62,895,225 and the tax credit remain capped at $10,000,000.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board amends the Project by adding two additional Qualified Taxpayers, Harbor Village at Harbor Shores, LLC and Harbor Village at Harbor Shores II, LLC and modifies the scope of the Project by reducing the Project from four phases to three phases.

BE IT FURTHER RESOLVED, that the maximum eligible investment is reduced to $62,895,225, and that the maximum MBT Brownfield Credit of 20 percent of the eligible investment remain at $10,000,000.

BE IT FURTHER RESOLVED, that if the Applicant does not complete all three phases, any credit claimed for each component will have to be reimbursed with interest.

BE IT FURTHER RESOLVED, that all other provisions of Resolution 2009-209 are reaffirmed and the MSF authorizes the MSF Fund Manager to implement the terms of this resolution.

Ayes:

Nays:

Recused:

Lansing, Michigan
July 24, 2013

MEMORANDUM

Date: July 24, 2013

To: Michigan Strategic Fund Board Members

From: Ken Murdoch, Development Finance Manager

Subject: Rec Boat Holdings, LLC
Job Creation MBT Tax Credit, Assigned January 14, 2011
Reduction of Maximum Qualified New Jobs

COMPANY NAME

Rec Boat Holdings, LLC
925 Frisbie Street
Cadillac, Michigan 49601

BACKGROUND

Rec Boat Holdings, LLC was organized in early 2010 to acquire certain assets of the bankrupt Genmar Holdings, Inc., including assets of Four Winns, LLC.

Rec Boat Holdings, LLC manufactures and sells boats under the brand names Four Winns, Glastron, Scarab, and Well Craft. The company plans to launch a new jet boat line as well as add jet power boats to their existing product line.

On February 25, 2010, the Michigan Economic Growth Authority (MEGA) approved a Job Creation MEGA Tax Credit (Job Creation MBT Tax Credit) to Four Winns, LLC, which was assigned to Rec Boat Holdings, LLC on January 14, 2011, that allowed for up to a 100 percent employment tax credit for 8 years and up to 2,320 Qualified New Jobs at the Cadillac, Michigan facility, provided that the company maintained a statewide employment threshold of 153 employees.

STATUS OF PROJECT

Rec Boat Holdings, LLC is launching a new jet boat line as well as adding jet powered boats to their existing product line. The project required the company to acquire the assets of an existing company in Illinois and invest an additional $4.8 million in building renovations, equipment purchases, special tooling, furniture and fixtures, other personal property and working capital.

Today, the Company has 436 employees located at its Cadillac Michigan facility.

On April 25, 2013 the project was approved for a $1 million Business Development Performance Grant. As part of this approval it was required that the maximum Qualified New Jobs under the company's Michigan Business Tax credit be reduced from 2,320 to 300.

STATUS OF CREDIT

The Rec Boat Holding, LLC Job Creation MBT Tax Credit was approved on February 25, 2010 for up to 100% of the personal income tax generated from 2,320 new employees for 8 years. The company received a $334,585 tax credit certificate for tax year 2012.

RECOMMENDATION

We recommend that the maximum Qualified New Jobs allowed under the Job Creation MBT Tax Credit be reduced from 2,320 to 300.

MICHIGAN STRATEGIC FUND

RESOLUTION 2013-

Rec Boat Holdings, LLC
Amendment to the Standard Look Back Tax Credit for
Reduction in Maximum Number of Qualified New Jobs

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

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, the MEGA Board adopted Resolution 2010-017 on February 25, 2010, authorizing a Tax Credit in connection with Qualified New Jobs to Rec Boat Holdings, LLC to create jobs and make investment at its facility in Cadillac Michigan, Wexford County (the "Project");

WHEREAS, on January 14, 2011 the Standard Look Back Tax Credit was assigned to Rec Boat Holdings, LLC (the "Company");

WHEREAS, as a result of a recent Michigan Business Development Program award, the Company wishes to decrease the Standard Look Back Tax Credit authorized for Qualified New Jobs from 2,320 to 300, and

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

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board, effective July 1, 2013, authorizes decreasing the maximum Qualified New Jobs from 2,320 to 300 for the Company's tax years ending January 1, 2013 through December 31, 2017; and

BE IT FURTHER RESOLVED, that all other provisions of Resolution 2010-017 are reaffirmed and the MSF authorizes the MSF Fund Manager to implement the terms of this resolution.

Ayes:

Nays:

Recused:

Lansing, Michigan
July 24, 2013

MEMORANDUM

Date: July 24, 2013

TO: Michigan Strategic Fund Board Members

From: Deborah Stuart, Community Development Incentives Director
Greg West, CDBG Revolving Loan Fund Program Specialist

Subject: Revision to the Composition of the Revolving Loan Fund Regions

Background

On August 24, 2011 the Michigan Strategic Fund Board ("MSF" or "MSF Board") authorized the MSF Fund Manager to study the proposed regionalization plan, amend the Consolidated Plan to reflect the creation of nine regions which were in geographic alignment with other economic development initiatives, and to approve the eventual appointment of one Regional Fund Manager per region.

On October 24, 2012 the MSF, based on the recommendations of a Joint Evaluation Committee, designated a Regional Fund Manager for each of the nine regions, corresponding to the regions set forth in Exhibit A, attached to the resolution. These non-profit entities have the ability to become a sub-recipient of CDBG funds with which they may make eligible loans and other forms of commercial credit available.

In July 2013 the composition of the economic development regions for the State of Michigan will be amended to reflect Huron, Sanilac, and Tuscola counties moving from the Bay Region, Region 5, to the East Central economic development region, Region 8.

Aligning the RLF regions to correspond with the economic development regions for the State will directly affect the geographic boundary of the MSF approved RLF regions, and the communities in which the MSF designated RFMs, for Region 5 and Region 8 as described in Exhibit C, attached to the resolution, will be administering CDBG RLF funds.

Recommendation

MEDC Staff recommends that the MSF authorize the MSF Fund Manager to do the following:

- Approve the amended composition of the nine RLF regions within the state as described in Exhibit B, attached to the resolution.

- Amend the composition of no more than nine RLF regions to correspond with any future changes to the economic development regions for the State of Michigan.

MICHIGAN STRATEGIC FUND

RESOLUTION 2013–___

APPROVAL OF REVISIONS TO THE COMPOSITION OF THE CDBG REVOLVING LOAN FUND REGIONS, AND DELEGATION OF AUTHORITY TO MAKE FUTHER AMENDMENTS TO REGIONAL COMPOSITION

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

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

WHEREAS, the MSF authorized the MSF Fund Manager on August 24, 2011, by Resolution 2011-120, to study the proposed regionalization plan, amend the Consolidated Plan to reflect the creation of nine (9) regions which were in geographic alignment with other economic development initiatives, corresponding to the regions set forth in Exhibit A, and to approve the eventual appointment of one Regional Fund Manager per region.

WHEREAS, the MSF Board on October 24, 2012, by Resolution 2012-142, appointed the nine (9) Regional Fund Managers, who were to operate the Regional Revolving Loan Funds as described in Exhibit C;

WHEREAS, the Consolidated Plan authorized by the MSF on March 27, 2013, by Resolution 2013-54, calls for the nine (9) Regional Fund Managers, previously appointed by the MSF Board, to operate Regional Revolving Loan Funds as subrecipients of local CDBG revolving loan funds' program income and of CDBG funds;

WHEREAS, staff recommends that the MSF authorize the MSF Fund Manager to amend the composition of the nine (9) Revolving Loan Fund ("RLF") regions within the state as described in Exhibit B; and

WHEREAS, staff recommends that the MSF Fund Manager be authorized to amend the composition of the nine (9) RLF regions to correspond with any future changes to the Michigan Economic Development Corporation's ("MEDC") economic development regions for the State of Michigan.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board approves the revised composition of the RLF regions as described in Exhibit B; and

BE IT FURTHER RESOLVED, that that the MSF Board authorizes the MSF Fund Manager to amend the composition of the nine (9) RLF regions to correspond with this change and any future changes to the MEDC's economic development regions for the State of Michigan.

Ayes:

Nays:

Recused:

Lansing, Michigan
July 24, 2013

EXHIBIT C

Region 1 Northern Economic Initiatives Corporation to act as the RRLF Manager with no supplemental conditions.

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

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

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

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

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

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

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

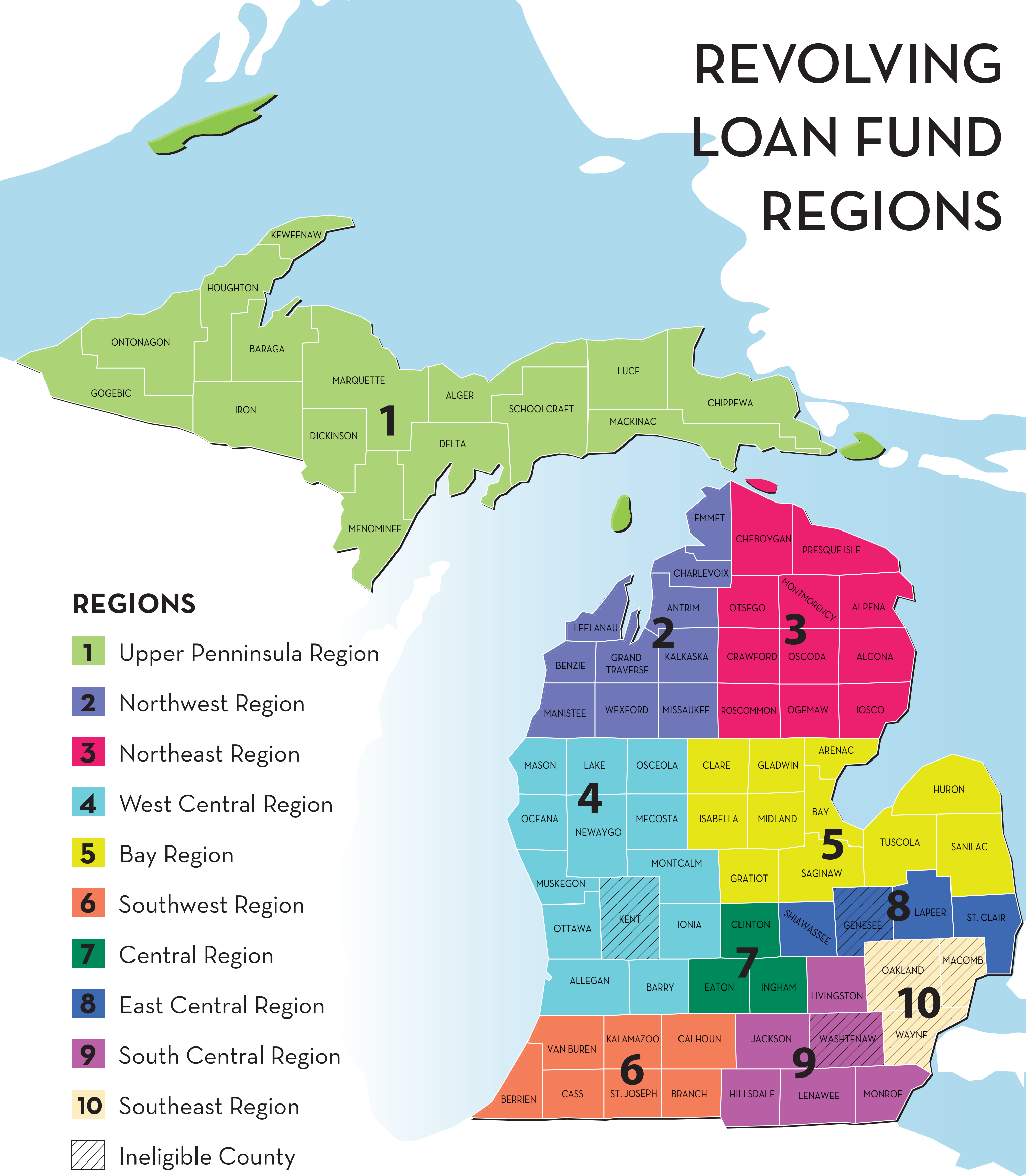
Region 7 Capital Fund Services, Inc. to act as the RRLF Manager with no supplemental conditions.

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

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

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

REVOLVING LOAN FUND REGIONS



REGIONS

- **1** Upper Penninsula Region
- **2** Northwest Region
- **3** Northeast Region
- **4** West Central Region
- **5** Bay Region
- **6** Southwest Region
- **7** Central Region
- **8** East Central Region
- **9** South Central Region
- **10** Southeast Region
- Ineligible County

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Michigan Economic Development Corporation

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Revolving Loan Fund regions

REGIONS

1 *Upper Peninsula region*

2 *Northwest region*

3 *Northeast region*

4 *West Central region*

5 *Bay region*

6 *Southwest region*

7 *Central region*

8 *East Central region*

9 *South Central region*

10 *Southeast region*

Ineligible county

2569-130107

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revised July 2013

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MEMORANDUM

Date: July 24, 2013

To: Michigan Strategic Fund

From: Joseph Martin, Community Revitalization and Brownfield Program Manger
Dan Wells, Community Development Specialist

Subject: MSF Fund Manager Request to MSF Regarding Delegated Authorities for Single and Michigan Business Tax Credit and Act 381 Work Plan Amendments

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BACKGROUND

Previously, under the Michigan Economic Growth Authority (MEGA), certain delegations were given to the MEGA Board Secretary for Brownfield and MEGA projects. The MEGA delegations are as follows:

- Addition of a related entity for base purposes
- Modification of a year eligible to receive a credit
- Modification of a project location as long as it is within the same local taxing jurisdiction
- Transferring the tax credit to another company that is considered a related company.

The briefing memo and resolution from the MEGA meeting of October 26, 2010, are attached.

REQUEST

The MSF Fund Manager would like to request authorization from the MSF board to be able to approve or deny certain amendment requests under the former Single Business Tax Act (Act 228 of 1975), which was subsequently replaced by the Michigan Business Tax Act (Act 36 of 2007), and Brownfield Redevelopment Financing Act (Act 381 of 1997) Work Plan Amendments.

Single and Michigan Business Tax Credit

In 2006, the MEGA board authorized the Program Manager of Brownfield Redevelopment to deny or authorize certain approvals (Resolution 2006-125, attached). This included the ability to "approve project amendments that do not materially affect the redevelopment impacts of projects approved by the Board". Although not specified in the resolution, MEDC interprets this to include the ability to approve or deny amendment applications that request addition of qualified taxpayers as defined under (32)(*l*).

The Fund Manager requests that the following abilities be specified as delegated by MSF;

1) Addition of qualified taxpayers to project pre-approval letters;
2) Grant the ability to convert SBT credits to certificated MBT credits;
3) Alter the percentage of a 10% SBT credit to a 12.5% certificated MBT credit (without increasing the originally approved credit amount);
4) Approve minor end use scope changes as long as the changes are consistent with project intent, (e.g. conversion of residential units from condominium to rental apartment use, or changes in number of units at ≤ 15% of total as long as the building footprint and square footage remains the same); and
5) Add time to complete eligible investment within the statutory limit.

Act 381 Work Plans
Under Act 381, all non-environmental amendment requests are currently brought to the Board for consideration. The Fund Manager requests the ability to extend the time to complete non-environmental eligible activities administratively. There is no statutory limit in which to complete eligible activities, but it has been common practice for MSF to set a limit on the time via the resolution approving a work plan, and typically 3 years.

RECOMMENDATION
We believe that delegating authority on the issues described above will reduce the number of projects that are presented to the Board for common, relatively minor changes, and result in a more efficient and streamlined amendment process. This will prevent project delays and added costs for the applicant.

Attachment

MEMORANDUM

Date: October 26, 2010

To: Michigan Economic Growth Authority

From: Karla Campbell, MEGA Secretary

Subject: Delegation of Authority

BACKGROUND

The Michigan Economic Growth Authority ("MEGA") is within the Michigan Strategic Fund ("MSF"). The MSF provides staff for the MEGA and carries out the administrative duties and functions as directed by the MEGA. The Michigan Economic Development Corporation ("MEDC") provides administrative services for the MEGA. MCL 207.806(f) provides the MEGA with the power "to delegate to the chairperson of the authority, staff or others the functions and powers it considers necessary and appropriate to administer the programs" under the MEGA Act.

RECOMMENDATION

MEDC Staff recommends that the MEGA Board delegate to the MEGA Secretary the authority to make all decisions and proceed to sign, if necessary, all final documents for the matters below:

1. Addition of a Related Entity for Base Purposes: The addition of a related entity that is in existence and operational in Michigan for purposes of maintaining the base employment level for the Project (as defined by resolution), but not for Qualified New Job purposes.

2. Modification of Year Eligible to Receive a Tax Credit: Modifying the beginning year for no more than one year that a company is eligible to receive a tax credit and adjusting the remaining years accordingly, if necessary.

3. Modification of Project Location: Modifying the project location provided that the location change is within the same taxing jurisdiction and no other changes are being made to the Project (as defined by resolution), except for those permitted by delegated authority.

4. Transferring the Tax Credit: Transferring the credit provided that the transferee submits the appropriate documents and assumes all the duties and responsibilities of the company and all other aspects of the Project (as defined by resolution) remain the same and that the transferee is a related company to the transferor.

In addition, MEDC Staff recommends that if a company authorized to receive a tax credit by the MEGA Board changes its name or its Employer Identification Number ("EIN"), or a combination of both, approval is not required by the MEGA Board, but notice of the name change or EIN change must be provided to the MEGA Secretary.

MEDC Staff proposes presenting quarterly reports to the MEGA Board summarizing the actions taken and notices received during the previous quarter in respect of the matters described above.

The authority to exercise this delegation is at the option of the MEGA Board Secretary, and delegated authority on individual projects may still be referred to the MEGA Board by the MEGA Board Secretary.

MICHIGAN ECONOMIC GROWTH AUTHORITY

RESOLUTION

2010-184

DELEGATION OF AUTHORITY

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

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

WHEREAS, pursuant to MCL 207.806(f), the MEGA Board has the authority to delegate to the chairperson of the authority, staff, or others the functions and powers it considers necessary and appropriate to administer the programs under the MEGA Act;

WHEREAS, the MEDC recommends that the MEGA Board delegate to the MEGA Board Secretary the authority to approve the following at the MEGA Board Secretary's option (collectively, "Delegation of Authority"): Addition of a related entity for base employment level purposes only that is in existence and operational in Michigan; Amendment of the beginning year that a company is eligible to receive a tax credit prospectively for no more than one year and adjusting the remaining years accordingly; Amending the project location provided that the new location is within the same taxing jurisdiction as originally approved unless otherwise approved; Transferring the tax credit provided that the transferee submits the appropriate documents and assumes all the duties and responsibilities of the company and that the transferee is a related company to the transferor;

WHEREAS, the MEDC recommends that the MEGA Board authorize company name changes, company federal employer identification number changes, or a combination of both, to be approved by the MEGA Board Secretary by notice from the company;

WHEREAS, the MEDC recommends that a report summarizing the previous quarter's actions taken and notices received by the MEGA Board Secretary be presented to the MEGA Board quarterly; and

WHEREAS, the MEGA Board deems it necessary and appropriate to approve the Delegation of Authority to administer the programs under the MEGA Act.

NOW, THEREFORE, BE IT RESOLVED, the MEGA Board approves the Delegation of Authority to the MEGA Board Secretary.

BE IT FURTHER RESOLVED, that company name changes, company federal employer identification number changes, or a combination of both are authorized to be approved by the MEGA Board Secretary with notice from the company.

BE IT FURTHER RESOLVED, that a report summarizing the previous quarter's actions taken and notices received by the MEGA Board Secretary in relation to the Delegation of Authority or name and employer identification number changes be presented to the MEGA Board on a quarterly basis.

ADOPTED

Ayes: Robert Kleine; Bo Garcia; Doug Buckler; Tim Herman; Laura Mester; Susan Corbin (on behalf of Andrew Levin, authorization attached)

Nays:

Recused:

Lansing, Michigan

October 26, 2010

MICHIGAN STRATEGIC FUND
RESOLUTION 2013-

DELEGATION OF AUTHORITY FOR BROWNFIELD REDEVELOPMENT PROGRAMS

WHEREAS, the Michigan Legislature passed legislation authorizing the Michigan Economic Growth Authority ("MEGA") to determine the eligibility of and issue certificates to certain taxpayers for credits allowed under the Michigan Business Tax, 2007 PA 36, ("Brownfield Tax Credit") and to approve the capture of school operating taxes and work plans as provided in the Brownfield Redevelopment Financing Act, 1996 PA 381 ("Act 381 Work Plan") that was signed into law;

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, the Michigan Economic Development Corporation ("MEDC") provides administrative services to the Michigan Strategic Fund ("MSF") for the Brownfield Redevelopment programs;

WHEREAS, pursuant to MCL 125.2005(7), the MSF Board has the authority to delegate to its president, vice-president, staff, or others the functions and authority that the board deems necessary and appropriate;

WHEREAS, the MEDC recommends that the MSF Board delegate to the MSF Fund Manager the authority to approve the following Brownfield Tax Credit and Act 381 Work Plan amendments at the MSF Fund Manager's option: Addition of qualified taxpayers to project pre-approval letters; Grant the ability to covert Single Business Tax credits to certificated Michigan Business Tax Credits; Amend the percentage of a 10% tax credit to a 12.5% certificated tax credit provided that the maximum credit value is not increased; Approve scope changes provided that the new scope is consistent with the project intent; and add time to complete eligible investment and non-environmental eligible activities provided that the time does not exceed the statutory limit (collectively, "Delegation of Authority");

WHEREAS, the MEDC recommends that a report summarizing the previous quarter's actions taken and notices received by the MSF Fund Manager be presented to the MSF quarterly; and

WHEREAS, the MSF deems it necessary and appropriate to approve the Delegation of Authority to administer the programs.

NOW, THEREFORE, BE IT RESOLVED, the MSF Board approves the Delegation of Authority to the MSF Fund Manager.

BE IT FURTHER RESOLVED, that a report summarizing the previous quarter's actions taken and notices received by the MSF Fund Manager in relation to the Delegation of Authority be presented to the MSF Board on a quarterly basis.

Ayes:

Nays:

Recused:

Lansing, Michigan
July 24, 2013