

MICHIGAN STRATEGIC FUND BOARD
FINAL MEETING AGENDA
November 27, 2018
10:00 am

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

Communications

A. Consent Agenda

Proposed Meeting Minutes – October 23, 2018
Federal-Mogul Corporation – MEGA Tax Credit Amendment – Stacy Bowerman
US Farathane – MBDP Grant Amendment – Erik Wilford
Northern Michigan University – Investment Agreement Amendment – Shane Schamper
CDBG Loans – Amended Repaid Funds Agreement – Chris Whitz
Frontier Medical Devices, Inc. – K.I. Sawyer Renaissance Zone Revocation – Kathryn Smith
Extreme Tool and Engineering, Inc. – Tool & Die Recovery Zone Revocation – Kathryn Smith
Casey Tool & Die, Inc. – Tool & Die Recovery Zone Revocation – Kathryn Smith
Grow Michigan – Investment Committee Appointment – Chris Cook
Lofts on Michigan, LLC – MCRP Amendment – Julius Edwards
Jackson Entertainment, LLC – MCRP Amendment – Julius Edwards
Lofts on Alabama, LLC – MCRP Amendment – Lynda Franke
Park District – Brownfield Act 381 Work Plan and Brownfield MBT Amendment – Rob Garza
UK/Ireland Tourism Marketing – Request for RFP – Kelly Wolgamott
Germany/Austria/Switzerland Tourism Marketing – Request for RFP – Kelly Wolgamott

B. Business Investment

1. Business Growth

Ford Motor Company – Corktown Redevelopment Renaissance Zone – Stacy Bowerman
Tri-County Commerce Center 2 Spec Building – Brownfield TIF State Mills – Karl Dehn
Aptiv US Services General Partnership – Good Jobs for Michigan – Jeremy Webb
Spartan Michigan LLC – MBDP Grant – Jeremy Webb
Gallagher-Kaiser Corporation – MBDP Grant – Jeremy Webb
Samsung SDI – MBDP Grant – Trevor Friedeberg
Gestamp Mason, LLC & Gestamp Washtenaw – MBDP Grant Amendment – Erik Wilford
Michigan Manufacturing Technology Center – Grant Request – Colin Dillon

2. Capital Access

UP Paper, LLC – Collateral Support – Aileen Cohen

C. Community Vitality

Catalyst Development Co. 12, LLC – Brownfield Act 381 Work Plan – Michelle Audette-Bauman
Heritage Tower BC LLC – MCRP and Brownfield Act 381 Work Plan – Michelle Audette-Bauman

**MICHIGAN STRATEGIC FUND
PROPOSED MEETING MINUTES
October 23, 2018**

Members Present

Larry Koops
Andrew Lockwood (on behalf of Treasurer Khouri)
Jeff Mason
Shaun Wilson

Members Present by Phone

Stephen Hicks
Terrence J.L. Reeves
Terri Jo Umlor

Members Absent

Carl Camden
Paul Gentilozzi
Jeremy Hendges
Wayne Wood

Mr. Mason called the meeting to order at 10:02 am.

Public Comment: Mr. Mason asked that any attendees wishing to address the Board come forward at this time. No public comment.

Communications: Rhonda Bishop, Board Liaison, advised the Board that the Quarterly Report of the Chief Compliance Officer was provided to them in the briefing packet, along with several program quarterly reports.

A. CONSENT AGENDA

Resolution 2018-164 Approval of Consent Agenda Items

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

Proposed Meeting Minutes – September 25, 2018

Y-Site, LLC – MCRP Equity Investment Award Amendment – **2018-165**

City Center Two Project LLC – MBT Brownfield Credit Amendment – **2018-166**

Temple Group Holdings, LLC – MCRP Loan Participation Amendment – **2018-167**

213 Development, LLC – MCRP Loan & Grant Re-approval – **2018-168**

University Technology Acceleration and Commercialization Programs (UTACP) – Grant Amendments for Extension and Refunding – **2018-169**

Invest Michigan Pre-Seed II Fund – Grant Amendment #5 – **2018-170**

Hemlock Semiconductor Operations, LLC – PolySi Energy Tax Credit Amendment – **2018-171**

Newell Brands, Inc. – MBDP Grant Amendment – **2018-172**

2019 MSF Board Meeting Date

Andrew Lockwood seconded the motion. **The motion carried: 7 ayes; 0 nays; 0 recused.**

B. BUSINESS INVESTMENT

B1. Business Growth

Shaun Wilson, recused from the next item, leaves the room; a recusal letter is attached to the minutes.

Resolutions 2018-173 & 2018-174 KLA-Tencor Corporation - Good Jobs for Michigan Program Award and MBDP Grant

Matthew Chasnis, Business Development Project Manager, provided the Board with information regarding these action items. Following brief discussion, Larry Koops motioned for the approval of Resolutions 2018-173 & 2018-174. Andrew Lockwood seconded the motion. **The motion carried: 6 ayes; 0 nays; 1 recused.**

Shaun Wilson rejoined the meeting.

Resolution 2018-175 Coyote Logistics, LLC – MBDP Grant

Erik Wilford, Business Development Project Manager, provided the Board with information regarding this action item. Following brief discussion, Larry Koops motioned for the approval of Resolution 2018-175. Andrew Lockwood seconded the motion. **The motion carried: 7 ayes; 0 nays; 0 recused.**

B2. Access to Capital

Resolution 2018-176 Oakland Corridor Partners LLC / Michigan I-75 Modernization Project – Bond Authorizing

Chris Cook, Director of Capital Access, provided the Board with information regarding this action item. Following brief discussion, Larry Koops motioned for a roll call vote. Shaun Wilson seconded the motion. **The motion carried: 7 ayes; 0 nays; 0 recused.**

ROLL CALL VOTE: Ayes: Stephen Hicks, Larry Koops, Andrew Lockwood (on behalf of Treasurer Khouri, designation attached), Jeff Mason, Terrence J.L. Reeves, Terri Jo Umlor, Shaun Wilson; Nays: None; Recused: None

Resolution 2018-177 Grow Michigan II – Award Recommendation

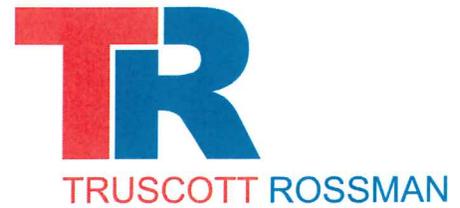
Chris Cook, Director of Capital Access, provided the Board with information regarding this action item. Following brief discussion, Larry Koops motioned for the approval of Resolution 2018-177. Andrew Lockwood seconded the motion. **The motion carried: 7 ayes; 0 nays; 0 recused.**

B3. Entrepreneurship

Resolution 2018-178 Michigan Translational Research and Commercialization (MTRAC) – Request for Approval of Amendments to Guidelines

Denise Graves, University Relations Director, provided the Board with information regarding this action item. Following brief discussion, Shaun Wilson motioned for the approval of Resolution 2018-178. Larry Koops seconded the motion. **The motion carried: 7 ayes; 0 nays; 0 recused.**

Mr. Mason adjourned the meeting at 10:28 am.



Monday, Oct. 22, 2018

Rhonda Bishop
Board Relations Liaison
And FOIA Coordinator
Michigan Economic Development Corporation
300 N. Washington Square
Lansing, MI 48913

Dear Rhonda,

Please consider this communication as a letter of recusal for KLA-Tencor agenda item listed for the **Tuesday, Oct. 23, 2018** Michigan Strategic Fund board meeting.

I will be recusing myself due to our firm's direct business dealings with listed companies.

Thank you,

A handwritten signature in black ink that reads 'Shaun W. Wilson' with a horizontal line extending to the right.

Shaun W. Wilson

MEMORANDUM

Date: November 27, 2018

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

From: Stacy Bowerman, Vice President, Business Development Projects Team

Subject: *Federal-Mogul Corporation (the “Company”)
MEGA Tax Credit Amendment*

REQUEST

This is a request from the Company for an amendment to its existing MEGA Tax Credit in response to an organizational restructuring. The amendment includes the following: add Tenneco employment for purposes of counting Retained Jobs; increase the maximum number of Retained Jobs; expand the definition of the Project Facilities; reduce the credit term; and add a credit cap for tax year 2018.

The Company was recently acquired by Tenneco, Inc., which has resulted in an organizational restructuring. As the Company consolidates, the newly formed Company is and will continue to evaluate locations throughout the United States and globally to determine the most financially viable options. The MEGA Tax Credit will not only help secure existing workforce, but will also encourage the newly formed Powertrain Technologies company to locate its permanent headquarters in Michigan. The amendments are necessary to accurately reflect the current and expected legal entity structure and business operations.

BACKGROUND

In 2004, the Michigan Economic Growth Authority (“MEGA”) Board authorized a 100 percent tax credit for 20 years for the Company beginning no later than December 31, 2005 for the retention of at least 1,000 and no more than 1,866 jobs at various locations within the state, including 150 Retained Jobs in Southfield and 220 Retained Jobs in the Greenville. The following companies were included in the MEGA Agreement for the purposes of counting Retained Jobs: Federal-Mogul Corporation, Federal-Mogul Powertrain, Inc., Federal-Mogul World Wide, Inc. and Federal-Mogul-Piston Rings, Inc. and included facilities in Southfield, Livonia, Ann Arbor, Plymouth, Greenville, Sparta, and St. Johns.

The MEGA and/or MSF Board subsequently approved the following amendments to the MEGA Agreement:

- May 15, 2007: Transfer of the MEGA Tax Credit from Federal-Mogul Corporation to New Federal-Mogul Corporation, which was the surviving entity of a merger with Federal-Mogul Corporation.
- July 21, 2009: Reduction of the number of retained jobs required to be maintained at the Greenville facility from 220 to 150. In consideration for reducing the retained jobs at the Greenville facility, the term MEGA Tax Credit was reduced from twenty years to seventeen years.
- March 27, 2013: Addition of Federal-Mogul Vehicle Component Solutions, Inc. as an entity to be counted for retained jobs.
- June 26, 2013: Amendment to allow Federal-Mogul Corporation to move their headquarters from Southfield to another location within the boundaries of Oakland County.

- October 29, 2014: Amendment to reflect ownership structure changes at the company and add Federal-Mogul Motorparts Corporation as an Affiliated Business for purposes of counting retained jobs.

Federal-Mogul has applied for and received tax credits through tax year 2017. There are five remaining credit years (including 2018) with an estimated total value of approximately \$40 million.

PROJECT DESCRIPTION

Effective October 1, 2018, Tenneco Inc. acquired Federal-Mogul for a total consideration of \$5.4 billion in the form of cash, Tenneco equity, and assumption of debt. Tenneco is one of the world's largest designers, manufacturers and marketers of clean air and ride performance products and systems for the automotive, commercial truck and off-highway original equipment and large engine markets, as well as the aftermarket.

Tenneco plans to split up the existing Federal-Mogul and Tenneco operations and spin out two new publicly traded companies in the second half of 2019. The spinouts will be split into companies focusing on Aftermarket/Ride Performance and Powertrain/Clean Air. Neither Tenneco nor the two publicly traded companies are filers under the Michigan Business Tax ("MBT").

In light of the acquisition and restructuring, Tenneco has requested that Tenneco jobs located in Michigan be allowed to count as Retained Jobs and the MEGA Tax Credit be transferred to Federal-Mogul Powertrain LLC for the remainder of tax year 2018. In consideration for allowing the additional job creation, the Company has also requested the term of the Agreement be amended from December 31, 2022 to December 31, 2018, which is a reduction a reduction of four years, and a credit cap of \$12 million be added for tax year 2018.

AMENDMENT SUMMARY

In order for the Company to continue to collect under the MEGA Tax Credit and to accurately reflect the legal structure and business operations, the following amendments are necessary:

- Add Tenneco, Inc. and Tenneco Automotive Operating Company, Inc. for the purposes of Base Employment and Retained Jobs
- Increase the maximum number of Retained Jobs from 1,866 to 3,400
- Replace Project Facilities to allow statewide consideration for Base Employment and Retained Jobs
- Reduce the credit term from 17 years to 13;
- Add a tax credit cap of \$12 million for tax year 2018
- Add repayment language if the Company transfers 33 percent or more of the Retained Jobs out of the State of Michigan within four years of December 31, 2018.

Due to the Company's recent restricting, the amendment will be critical in retaining existing employees and attracting new opportunities to Michigan as the business units evaluate potential sites across the Company's global footprint. Additionally, as a result of the amendment the tax credit liability to the state will be reduced by \$28 million.

RECOMMENDATION

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

A. MEGA Tax Credit Amendment:

1. Add Tenneco, Inc. and Tenneco Automotive Operating Company, Inc. for the purposes of Base Employment and Retained Jobs;
2. Replace Project Facilities to allow statewide consideration for Base Employment and Retained Jobs;

3. Increase the maximum number of Retained Jobs from 1,866 to 3,400;
4. Reduce the credit term from 17 years to 13;
5. Add repayment language if the Company transfers 33 percent or more of the Retained Jobs out of the State of Michigan within four years of December 31, 2018;
6. Add Credit Cap to reflect a maximum MEGA Tax Credit value for tax year 2018 of \$12 million; and
7. All other aspects of the approval remain unchanged.

MEMORANDUM

Date: November 27, 2018

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

From: Erik Wilford, Business Development Project Manager

Subject: U.S. Farathane Port Huron, LLC (“Company” or “Applicant”)
Amendment to Approved Michigan Business Development Program Grant Agreement

Request

The Company is requesting an amendment to its existing Michigan Business Development Program (“MBDP”) performance-based grant Agreement to add the related entity U.S. Farathane, LLC (“U.S. Farathane”) for the purpose of counting Base Employment and Qualified New Jobs.

Background

On April 25, 2017 the Michigan Strategic Fund approved a \$2,300,000 performance-based grant under the Michigan Business Development Program. The Company proposed to lease an additional facility in Port Huron and move warehousing, assembly, and shipping out of their current facility into this new building. The project involved the creation of 205 qualified new jobs and capital investment of up to \$15,065,000 in the City of Port Huron, St. Clair County.

As of June 2018, the Company has created 96 Qualified New Jobs above the Base Employment Level and is in a position to collect on Milestone One.

The Company is a wholly owned subsidiary of U.S. Farathane. When applying for the MBDP grant, the Company included U.S. Farathane employees in its Base Employment headcount. The Company employs only the union workforce of the Port Huron plant. Non-union employees are employed by U.S. Farathane. All jobs are physically located at the Port Huron facility.

Recommendation

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

- a) Amend to allow U.S. Farathane, LLC to be added for the purpose of counting Base Employment and Qualified New Jobs.
- b) All other aspects of the approval remain unchanged.

MEMORANDUM

Date: November 27, 2018

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

From: Shane Schamper, Compliance Manager

Subject: Northern Michigan University (“Applicant” or “NMU”) Request for Amendment to Investment Agreement

Request

The Applicant is requesting an extension to Key Milestone Number Three’s due date under the Investment Agreement (“Agreement”) from August 30, 2018 to October 1, 2019 and Key Milestone Number Five from February 28, 2020 to December 31, 2020 (the “Request”).

Background

On March 28, 2017, the MSF Board approved a request for an investment fund award to NMU in the amount of up to \$6,500,000. NMU is to use the funds as reimbursement for certain fees, costs, and expenses arising from NMU’s build out of the NMU Educational Access Network, a high-speed broadband service across Michigan’s Upper Peninsula at 64 pre-determined sites.

Current Status

While Northern Michigan University’s Education Access Network (EAN) project has made substantial progress in the development of the 64 targeted areas, NMU is behind on the spending targets established in the Agreement. The project was planned to have 64 sites developed over a 24-month period; however at the end of September 2018, NMU had only 35 sites operational, although they cover 16 school areas with the largest student population. There are 11 additional sites currently in development scheduled to go on-line in the next six months, which will cover 14 more medium size school areas. The remaining 18 sites that need to be constructed are in the far east and west ends of the Upper Peninsula.

In less than 12 months of operation, EAN has more than 2,700 subscribers enrolled in the program with a customer satisfaction rating of 96 percent and a retention rate of those at 90 percent. Based on the current enrollment level the annual subscriptions are grossing approximately \$870,000. The annual revenue is expected to have continued growth with a monthly increase in subscriptions of 180 to 200 per month.

While NMU made progress in 46 of the 64 project sites, the 18 located in the far east and west of the Upper Peninsula have proved to be more challenging than expected due to the lack of existing tower sites, existing tower capacity, unexpected issues with fiber backhaul access, and delayed access to Michigan’s 800 MHz public safety towers. This has caused a delay in completion of all sites by the original target date as set by the Key Milestones in the Agreement.

Key Milestone Number Three was due on August 30, 2018 and requires NMU to submit proof of expending eligible reimbursable expenses of at least \$3,030,304. Due to development delays, NMU has not incurred those eligible expenses and has requested an extension to Key Milestone Number Three's due date. In addition, NMU has requested an extension to Key Milestone Number Five, which requires NMU to provide evidence that the project is substantially complete.

Photos of various project sites can be seen on Appendix A.

Recommendation

MEDC Staff recommends approval of an amendment to the MSF Investment Agreement as requested above.

Appendix A – Project Site Photos





MEMORANDUM

Date: November 27, 2018

To: Michigan Strategic Fund Board

From: Greg West, Community Development Block Grant Program Manager
Shawne Haddad, Senior Program Specialist, Community Development Block Grant
Christine Whitz, Director, Community Development Block Grant Program

Subject: *Community Development Block Grant Program
CDBG Regional Loan Fund Manager Designation Extension and Repaid Funds
Agreement Amendment*

Request

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

- Extend the designation of the existing Regional Loan Fund Managers for a period expiring on June 30, 2021.
- Amend the Repaid Funds Agreement to reduce Community Development Block Grant (CDBG) program oversight for the repaid (defederalized) funds to be consistent with the U.S. Housing and Urban Development (HUD) rules and regulations.

Background

On October 24, 2012, by **Resolution 2012-142**, the MSF Board authorized the designation of a CDBG Regional Loan Fund Manager to operate Regional CDBG loan funds as sub-recipients of local CDBG revolving loan funds' program income and of CDBG funds for each of the CDBG Loan Program Regions for a period of three (3) years (November 1, 2012-October 31, 2015). On September 22, 2015, by **Resolution 2015-139**, the CDBG Regional Loan Fund Managers' designation was extended to end October 31, 2018.

At the time of the approval, it was the intent to extend the designation if the MSF was satisfied with the performance of the Regional Fund Managers. Staff agrees it is appropriate to extend the Regional Fund Managers' designation for a period expiring on June 30, 2021. Existing Regional Fund Managers are named in **Attachment A**.

On May 22, 2013, the MSF Board authorized the Repaid Funds Agreements between a Regional Fund Manager and the MSF, by **Resolution 2013-078**. MEDC staff has amended the existing Repaid Funds Agreement between the MSF and Regional Fund Manager to reduce CDBG oversight for the repaid (defederalized) funds to be consistent with the CDBG program rules and federal regulations as stated in **Attachment B**.

Once a CDBG loan has successfully met a CDBG/HUD program national objective, the repaid funds are considered devoid of federal characteristics (defederalized). Therefore, removing CDBG oversight will provide the required separation of defederalized funds from existing CDBG regional loan funds.

Recommendation

The MEDC Staff recommends that the MSF authorize the MSF Fund Manager do the following;

- Extend the designation of the Regional Loan Fund Managers for a period expiring on June 30, 2021; and
- Negotiate the final terms and conditions of and enter into the amended Repaid Funds Agreements.

ATTACHMENT A – Designated Regional Fund Managers

- Region 1** Northern Economic Initiatives Corporation to act as the Regional Fund Manager.
- Region 2** Venture North Funding & Development (formally known as Traverse City Area Chamber Foundation) to act as the Regional Fund Manager.
- Region 3** Northern Economic Initiatives Corporation to act as the Regional Fund Manager.
- Region 4** Northern Economic Initiatives Corporation to act as the Regional Fund Manager.
- Region 5** Northern Economic Initiatives Corporation to act as the Regional Fund Manager.
- Region 6** I-69 Regional Development Corporation to act as the Regional Fund Manager.
- Region 7** Northern Economic Initiatives Corporation to act as the Regional Fund Manager.
- Region 8** Northern Economic Initiatives Corporation to act as the Regional Fund Manager.
- Region 9** Northern Economic Initiatives Corporation to act as the Regional Fund Manager.

Designated Regional Fund Managers

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**FIRST AMENDED
REPAID FUNDS AGREEMENT
BETWEEN THE MICHIGAN STRATEGIC FUND
AND FUND MANAGER
FOR THE MICHIGAN CDBG PROGRAM**

THIS FIRST AMENDED REPAID FUNDS AGREEMENT (“Agreement”), entered on November 1, 2018 (“Effective Date”) by and between the **MICHIGAN STRATEGIC FUND** (“MSF”) and **FUND MANAGER** (“herein called the “Fund Manager”).

WHEREAS, Units of General Local Government (each an “UGLG”) have applied for and received funds from the MSF under Title I of the Housing and Community Development Act of 1974, as amended (“HCD Act”), Public Law 93-383;

WHEREAS, the UGLGs operated revolving loan funds (each a “Local RLF”) pursuant to the HCD Act for many years;

WHEREAS, the MSF approved the regionalization of existing Local RLFs into nine (9) regional entities or Regional Revolving Loan Funds (hereinafter individually a “Regional Fund”) pursuant to Resolution 2011-120;

WHEREAS, this regionalization was provided for in the Michigan Consolidated Plan for Housing and Community Development program Year 2012 (July 1, 2012 – June 30, 2013); One Year Action Plan as approved in Resolution 2012-028 and the Michigan Consolidated Plan for Housing and Community Development Program Year 2013 (July 1, 2013 – June 30, 2014); One Year CDBG Action Plan as approved in Resolution 2013-054;

WHEREAS, by Resolution 2012-142 the MSF designated each Michigan CDBG Regional Fund Manager (“RFM”), including the Fund Manager as the RFM for Region(s) **ENTER REGION NUMBER** (hereinafter called “the Region”);

WHEREAS, the UGLGs and its Local RLF are within the Region;

WHEREAS, the UGLGs engaged the Fund Manager to assist the UGLGs in utilizing Local RLF assets (Program Income, as defined at 24 CFR 570.489(e)) and additional Community Development Block Grant (“CDBG”) funds which the UGLGs received for use within the Region pursuant to a Subrecipient Agreement;

WHEREAS, the HCD Act, Section 105(a)(15), provides that certain entities such as the Fund Manager which issued CDBG compliant loans or similar fund uses which have been repaid may be treated as no longer Program Income per 24 CFR 570.489(e) (“Repaid Funds” also called “defederalized funds”) by the Fund Manager; and

WHEREAS, by Resolution 2013-078 the MSF has authorized the retention of these Repaid Funds by the Fund Manager after they have been loaned or otherwise utilized and repaid on closed and successful projects subject to the provisions of this Agreement.

NOW, THEREFORE, it is agreed between the parties hereto that;

I. PARTIES’ RESPONSIBILITIES

A. Fund Manager’s Responsibilities

The Fund Manager will be responsible for administering a loan and commercial credit program utilizing Repaid Funds. The Fund Manager will administer all tasks in connection with the aforesaid program in compliance with all applicable Federal, state, and local laws, statutes, rules and regulations, and MSF program guidance.

Changes to the focus and objectives, or services contained in this Agreement, unless otherwise noted, may only be made through a written amendment to this Agreement, executed by both the Fund Manager and the MSF CLP Fund Specialist or designee.

The focus of the Fund Manager's efforts under this Agreement will be the provision of loans or commercial credit to private for-profit businesses, including individuals operating businesses as sole proprietors located within the Region identified above. Additionally, loans or commercial credit may also be made to governmental or public entities. The major tasks that the Fund Manager will perform in connection with managing the Repaid Funds include, but are not limited to, the following:

- 1) **Economic and Community Development Objectives.** Repaid Funds shall be used only to promote business growth and community vitality by improving business access to affordable capital for start-up, expansion and diversification purposes.
- 2) **Outreach.** The Fund Manager will advertise and market the Repaid Funds and conduct other forms of outreach.
- 3) **Completion of Applications; Underwriting Assessment.** The Fund Manager will assist for-profit businesses and other eligible borrowers in completing applications and will perform an assessment of each request.
- 4) **Obtain Collateral and/or Guarantee(ss).** The Fund Manager will identify and obtain collateral and/or guarantees, or other appropriate forms of security, sufficient to reduce the financial risk associated with each Repaid Funds-funded loan or commercial credit.
- 5) **Closing.** The Fund Manager will execute all necessary documents and disburse funds as necessary. The documents executed with applicants will include explicit provisions describing (a) the records that Borrowers must maintain, and (b) the conditions and procedures under which late payment penalties, default and/or foreclosure will occur.
- 6) **Servicing/Portfolio Management.** The Fund Manager will establish and maintain a consistent method for recording monthly payments, with up-to-date ledgers and timely reconciliations. The Fund Manager will also establish a system to monitor the financial health of Borrowers, to anticipate repayment problems called a Troubled Asset Management Plan ("TAMP"). The Fund Manager will apply its policies and procedures regarding late payments, defaults, loan or commercial credit renegotiation, and foreclosure in a timely and consistent manner.
- 7) **Maintenance of Records.** The Fund Manager will maintain sufficient records to fully document (a) the application and underwriting review, including the assessment of eligibility and appropriateness of the loan or commercial credit, and (b) the final documents, transaction documents, security documents (e.g. collateral, guarantees or other forms of security), correspondence, notices, etc.
- 8) **Borrower Compliance.** Recipients of loan or commercial credit proceeds from the Repaid Fund must comply with all federal and state laws, statutes, regulations, rules and policies, including, but not limited to, all reporting, monitoring and other requirements. Borrowers must acknowledge their compliance obligations at loan or commercial credit inception.
- 9) **Reporting Requirements.** The Fund Manager shall provide periodic financial and performance reports as required by MSF. The RLF Financial Reporting workbook sets forth the items to be reported, including, but not be limited to: borrower's name, region, city, county, loan type, loan amount, interest rate, term, amortization term, and projected number of jobs. The MSF reserves the right to require an audit or audited financial statements from the Fund Manager.

10) **Administrative Expenses.** When a loan has met the National Objective and closeout (succeeded) letter/certification is received, all loan principal and interest received are transferred from the Repayment Account to the Defederalized Account. All future loan principal and interest payments received for said succeeded loan will be deposited into the Defederalized Account. Business loan interest received and bank interest earned may be used for RLF administrative expenses.

B. MSF Responsibilities

The MSF has authorized pursuant to its Resolution 2013- 078 the retention and use of the Repaid Funds by the Fund Manager subject to the terms and provisions of this Agreement.

II. TIME OF PERFORMANCE

Services of the Fund Manager shall continue for so long as the Fund Manager retains this position unless otherwise terminated by the MSF as provided herein (the "Term"). The Term of this Agreement and the provisions herein may be extended to cover any additional time period during which the Fund Manager remains in control of Repaid Funds.

The MSF reserves the right to suspend and/or terminate for either cause or convenience any and all RDF and Repaid Funds activities and direct the Fund Manager as to the further use and purpose of Repaid Funds. If the suspension/termination is for convenience, the MSF and Fund Manager shall be provided sixty (60) days written notice of the termination and the specific rationale for the action.

III. NOTICES

Notices required by this Agreement shall be in writing and delivered via mail (postage prepaid), commercial courier, or personal delivery or sent by facsimile or other electronic means. Any notice delivered or sent as aforesaid shall be effective on the date of delivery or sending. All notices and other written communications under this Agreement shall be addressed to the individuals in the capacities indicated below, unless otherwise modified by subsequent written notice.

Communication and details concerning this contract shall be directed to the following contract representatives:

MSF

Michigan Strategic Fund
Attn: CLP Fund Specialist
300 N. Washington Square
Lansing, MI 48913

FUND MANAGER

FUND MANAGER
Contact Name
Title
Address
City, State Zip

IV. SPECIAL CONDITIONS

A. Board Seat

The Fund Manager must attest and provide in the Articles of Incorporation and/or Bylaws that they are independently controlled and have a **Board of Directors** with no less than 7 seats where 2 or fewer seats are held by managers, directors, board members or employees of any UGLG, Economic Development Corporation, Chamber of Commerce, Community Development Organization or other now existing entity which performs community or economic development within the region. Staff of the MSF shall have one voting seat and shall not be considered as one of the two restricted seats.

B. Eligible Use of Repaid Funds

- 1) Repaid Funds may be deployed for projects that meet the charter and bylaws of the Fund Manager and provide funding for eligible businesses and projects within the Fund Manager's region. Generally, such uses are for the acquisition or refinancing of buildings, machinery and equipment, and the funding of inventory and receivables. Units of local government may also borrow to fund public infrastructure activities shall also adhere to all state or federal legal requirements.
- 2) The Fund Manager may provide loans, loan guarantees, collateral enhancements, purchase loan participations, and deploy funds in any other manner not specifically prohibited herein, or in federal and state statutes, regulations, rules and policies, but which meet the spirit of the mission of the Fund Manager, namely the support and capitalization of businesses which offer employment opportunities within the Fund Manager's region.

C. Prohibitions

- 1) Assistance to professional sports teams.
- 2) Repaid Funds may not be used for political activities of any kind.
- 3) Repaid Funds may not be used for sectarian or religious activities of any kind.
- 4) Repaid Funds may not be used for the development of a stadium or arena for use by a professional sports team or development of a casino or property associated or affiliated with the operation of a casino as prohibited by the Michigan strategic Fund Act (the "Act") (see MCL 125.2088(c)(3)(c)), or to induce a qualified business, or small business to leave the State of Michigan, or to contribute to the violation of internationally recognized workers' rights, of workers in a country other than the U.S., as prohibited by the Act (see MCL 125.2088(c)(4)(c) and (d)).

V. GENERAL CONDITIONS

The Fund Manager also agrees to comply with all applicable Federal, state and local statutes, rules, regulations, and the GAM governing the funds provided under this contract.

A. Independent Contractor

Nothing contained in this Agreement is intended to, or shall be construed in any manner, as creating or establishing the relationship of employer/employee between the parties. The Fund Manager shall at all times remain an "independent contractor" with respect to the services to be performed under this Agreement. The MSF shall be exempt from payment of all Unemployment Compensation, FICA, retirement, life and/or medical insurance and Workers' Compensation Insurance, as the Fund Manager is an independent contractor.

B. Insurance

The Fund Manager shall purchase and maintain commercial general liability insurance to protect the Indemnified Parties (defined below) from claims that might arise out of or as a result of Fund Manager's operations. The insurance shall be written for not less than One Million Dollars (\$1,000,000) of combined single limit per occurrence, a general aggregate limit of at least Two Million Dollars (\$2,000,000). Fund Manager shall also provide and maintain its own errors and omissions liability insurance for Fund Manager's indemnification obligation under this Agreement. The insurance shall be written for not

less than One Million Dollars (\$1,000,000) of combined single limit per occurrence, a general aggregate limit of at least Two Million Dollars (\$2,000,000). Insurance shall cover the contractual liability assumed by the Fund Manager in this Agreement. The Fund Manager shall maintain such insurance to protect the Indemnified Persons from claims that might arise out of or as a result of the Fund Manager's operations; however, the Fund Manager's indemnification obligation shall not be limited to the limits of liability imposed under the Fund Manager's insurance policies.

C. Workers' Compensation

The Fund Manager shall provide and maintain Workers' Compensation Insurance coverage for all of its employees. The insurance shall be written for not less than any limits of liability, if any, required by law.

D. Amendments

The MSF and the Fund Manager may amend this Agreement at any time, provided that such amendments make specific reference to this Agreement, and are executed in writing, signed by a duly authorized representative of each organization, and approved by the MSF's governing body or designee. Such amendments shall not invalidate this Agreement, nor relieve or release the Fund Manager from its obligations under this Agreement.

The MSF may, in its discretion, amend this Agreement to conform with Federal, state or local governmental guidelines, policies and available funding amounts, or for other reasons. If such amendments result in a change in the funding, the scope of services, or schedule of the activities to be undertaken as part of this Agreement, such modifications will be incorporated only by written amendment signed by both the MSF and Fund Manager. Such amendments require the express written consent of the MSF or its designee.

E. Conflict of Interest

The Fund Manager affirms that there exists no actual or potential conflict of interest between the Fund Manager, the Fund Manager's key personnel or its family, its business, or any financial interest and the performance by the Fund Manager under this Agreement. The Fund Manager affirms that it has, and during the Term of this Agreement will have, a procedure in place to require disclosure and subsequent management of conflicts of interest between the Fund Manager's key personnel, its family's, or business's financial interests and its activities under the Agreement. In the event of a change in either its private interests or activities under this Agreement, the Fund Manager will inform the MSF regarding possible conflicts of interest that may arise as a result of such change that would conflict with the Fund Manager's performance of its obligations under this Agreement, or otherwise create the appearance of impropriety with respect to this Agreement. Fund Manager agrees that conflicts of interest shall be resolved to the MSF's satisfaction. As used in this paragraph, "conflict of interest" shall include, but not be limited to, conflicts of interest that are defined under the laws of the State of Michigan.

Fund Manager further affirms that neither Fund Manager, nor any affiliates or their officers, directors, managers, members or employees, have accepted or shall accept, anything of value based on an understanding that the actions of the Fund Manager or its affiliates or either's employees would be influenced. Fund Manager shall not attempt to influence any MSF Board member or MEDC employee by the direct or indirect offer of anything of value. Fund Manager also affirms that neither Fund Manager, nor its affiliates or their officers, directors, managers, members or their employees has paid or agreed to

pay any person, other than bona fide employees and consultants working solely for Fund Manager or its affiliates, any fee, commission, percentage, brokerage fee, gift or any other consideration contingent upon or resulting from the execution of this Agreement.

Specifically, (a) the Fund Manager shall maintain a written code or standards of conduct that shall govern the performance of its officers, employees or agents engaged in the award and administration of contracts supported by Repaid Defederalized Funds; (b) no employee, officer or agent of the Fund Manager shall participate in the selection, or in the award, or administration of, a contract supported by Repaid Funds if a conflict of interest, real or apparent, would be involved; and (c) no covered persons who exercise or have exercised any functions or responsibilities with respect to Repaid Funds assisted activities, or who are in a position to participate in a decision-making process or gain inside information with regard to such activities, may obtain a financial interest in any contract, or have a financial interest in any contract, subcontract, or agreement with respect to the Repaid Funds assisted activity, or with respect to the proceeds from the Repaid Funds assisted activity, either for themselves, or those with whom they have business or immediate family ties, during their tenure or for a period of one (1) year thereafter. For purposes of this paragraph, a "covered person" includes any person who is an employee, agent, consultant, officer, or elected or appointed official of the Fund Manager.

F. Jurisdiction

The parties shall make a good faith effort to resolve any controversies that arise regarding this Agreement. If a controversy cannot be resolved, the parties agree that any legal actions concerning this Agreement shall be brought in the Michigan Court of Claims or, as appropriate, Ingham County Circuit Court in Ingham County, Michigan. The Fund Manager acknowledges by signing this Agreement that it is subject to the jurisdiction of this court and agrees to service by first class or express delivery wherever the Fund Manager resides, in or outside of the United States. This Paragraph shall survive indefinitely.

G. Indemnification and Hold Harmless

The MSF, the State, the MEDC, its Executive Committee and their respective directors, participants, officers, agents and employees (collectively, the "Indemnified Persons") shall not be liable to the Fund Manager for any reason. The Fund Manager shall indemnify, defend and hold the State, the MSF, and the MEDC and other Indemnified Person harmless against all claims asserted by or on behalf of any individual person, firm or entity (other than an Indemnified Person), arising or resulting from, or in any way connected with this Agreement or any act or failure to act by the Fund Manager under the Agreement, including all liabilities, costs and expenses, including reasonable counsel fees, incurred in any action or proceeding brought by reason of any such claim. The Fund Manager shall also indemnify the MSF, the MEDC and other Indemnified Person from and against all costs and expenses, including reasonable counsel fees, lawfully incurred in enforcing any obligation of the Fund Manager under this Agreement.

The Fund Manager shall have no obligation to indemnify an Indemnified Person under this Paragraph if a court with competent jurisdiction finds that the liability in question was solely caused by the willful misconduct or gross negligence of the MSF, the MEDC or other Indemnified Person, unless the court finds that despite the adjudication of liability, the MSF, the MEDC or other Indemnified Person is fairly and reasonably entitled to indemnity for the expenses the court considers proper. The MSF, the MEDC and the Fund Manager agree to act cooperatively in the defense of any action brought against the MSF, the MEDC or another Indemnified Person to the greatest extent possible.

Performance of the Fund Manager's obligations contemplated under this Agreement is within the sole control of the Company and its employees, agents and contractors, and an Indemnified Person shall have no liability in tort or otherwise for any loss or damage caused by or related to the actions or failures to act, products and processes of the Fund Manager, its employees, agents or contractors. This Paragraph shall survive indefinitely.

H. Assignment and Subcontracts

The Fund Manager shall not assign or transfer any interest in this Agreement without the prior written consent of the MSF. Notice of any such assignment or transfer shall be furnished promptly to the MSF. All terms and conditions of this Agreement shall apply to any approved assignment related to the Agreement.

The Fund Manager shall not enter into any subcontracts with any agency or individual in the performance of this contract without the written consent of the MSF prior to the execution of such agreement.

I. Confidentiality

In connection with the transactions contemplated by this Agreement, the MSF, the MEDC or their representatives may obtain, or have access to, all information or data concerning the business, operations, assets or liabilities of the Fund Manager. Under MCL 125.2005(9), the MSF Board has authority, upon the Fund Manager's request, to acknowledge financial or proprietary Fund Manager information as confidential. If the MSF acknowledges Fund Manager information as confidential (the "Confidential Information"), the MEDC and the MSF agree that they and their representatives will use the Confidential Information solely for the purpose of administering this Agreement, and that the Confidential Information will be kept strictly confidential, and that neither the MEDC, the MSF, nor any of their representatives, will disclose any of the Confidential Information in any manner whatsoever. However, the MSF or the MEDC may disclose Confidential Information: (i) to such of its representatives who need such information or data for the sole purpose of administering the Repaid Funds and the transactions contemplated by this Agreement; (ii) to the extent required by applicable law (including, without limitation, the Michigan Freedom of Information Act); (iii) if, before the Effective Date, such information or data was generally publicly available; (iv) if after the Effective Date, such information or data becomes publicly available without fault of or action on the part of the MSF, the MEDC or its representatives; and (v) in all other cases, to the extent that the Fund Manager gives its prior written consent to disclosure. This Paragraph shall survive indefinitely.

J. Access to Records and Inspection Rights

During the Term of the Agreement, there will be frequent contact between the MEDC, MSF or representative of the State, and the Fund Manager. In addition, and also until the end of the Term of the Agreement, to enable the Auditor General, the Department of Technology, Management and Budget (the "DTMB"), the MSF, or the MEDC to monitor and ensure compliance with the terms of this Agreement, the Fund Manager shall permit the Auditor General, the DTMB, the MSF, or the MEDC to visit the Fund Manager, and any other location where books and records of the Fund Manager are normally kept, to inspect the books and records, including financial records and all other information and data relevant to the terms of this Agreement, including the expenditure of the Repaid Funds; provided, however, that such audit right shall survive the end of the Term of the Agreement by three (3) years. In connection with any such audit, the Fund Manager shall cooperate with the chief compliance officer, if contacted, as provided in

MCL 125.2088i(6)(h). At such visits, the Fund Manager shall permit the Auditor General, the DTMB, the MSF, or any member, employee or agent of the MSF, the Grant Manager or any employee or agent of the MEDC to make copies or extracts from information and to discuss the affairs, finances and accounts of the Fund Manager related to this Agreement with its officers, employees or agents. Notwithstanding anything to the contrary, any information and data that the Fund Manager reasonably determines is Confidential Information shall be reviewed by the Auditor General, the DTMB, the MSF, and the MEDC at the offices of the Fund Manager and the Auditor General, the DTMB, the MSF, or the MEDC shall have the right to remove, photocopy, photograph or otherwise record in any way any part of such books and records with the prior written consent of the Fund Manager, which consent shall not be unreasonably withheld.

K. Non-Discrimination and Unfair Labor Practices

In connection with this Agreement, the Fund Manager agrees not to discriminate against any employee or applicant for employment, with respect to their hire, tenure, terms, conditions or privileges of employment, or any matter directly or indirectly related to employment, because of race, color, religion, national origin, ancestry, age, sex, height, weight, marital status, physical or mental disability unrelated to the individual's ability to perform the duties of the particular job or position. The Fund Manager further agrees that every subcontract entered into for performance of this Agreement will contain a provision requiring nondiscrimination in employment, as specified in this Agreement, binding upon each subcontractor. This covenant is required under the Elliot Larsen Civil Rights Act, 1976 PA 453, MCL 37.2101, *et seq.*, and the Persons with Disabilities Civil Rights Act, 1976 PA 220, MCL 37.1101, *et seq.*, and any breach thereof may be regarded as a material breach of this Agreement.

Under 1980 PA 278, MCL 423.321, *et seq.*, the State shall not award a contract or subcontract to an employer whose name appears in the current register of employers failing to correct an unfair labor practice compiled under MCL 423.322. The United States Labor Relations Board compiles this information. The Fund Manager shall not enter into a contract with a subcontractor, manufacturer, or supplier whose name appears in this register. Under MCL 423.324, the State may void any contract if, subsequent to the award of the contract, the name of the Fund Manager as an employer, or the name of a subcontractor, manufacturer, or supplier of the Company appears in the register.

L. Documentation and Record Keeping

- 1) **Records to be Maintained.** The Fund Manager shall maintain and make available to the MSF all records required by state and Federal regulations that are pertinent to the activities to be funded under this Agreement, as well as such records set forth herein to be retained.
- 2) **Retention.** Fund Manager shall retain all financial records, supporting documents, statistical records, and all other records pertinent to the Agreement and projects for a period of four (4) years after the closure or final conclusion of a project's loan or commercial credit. The retention period begins on the date the Fund Manager was appointed Fund Manager by MSF. Notwithstanding the above, if there is litigation, claims, audits, negotiations or other actions that involve any of the records cited and that have started before the expiration of the four-year period, then such records must be retained until completion of the actions and resolution of all issues, or the expiration of the four-year period, whichever occurs later.

- 3) **Client Data.** The Fund Manager shall maintain client data demonstrating client eligibility for services provided. Such data shall include, but not be limited to, client name, address, or other basis for determining eligibility, and description of service provided. Such information shall be made available to the MSF or their designees for review upon request.

VI. DEFAULT, SUSPENSION, TERMINATION AND REPAYMENT PROVISIONS

A. Events of Default

Notwithstanding anything to the contrary, the Fund Manager's ability and authority to manage the Repaid Funds shall automatically be suspended, and may be terminated as provided by this Agreement, upon the occurrence, and during the continuance, of an Event of Default or as otherwise specified in this Agreement. The occurrence of any one or more of the following events or conditions shall constitute an "Event of Default" under this Agreement, unless a written waiver of the Event of Default is signed by the MSF Fund Manager:

- 1) any representation made by the Company shall prove incorrect at the time that such representation was made in any material respect, including, but not limited to, any information provided to the MSF;
- 2) any material breach by the Fund Manager of an obligation of the Fund Manager under this Agreement, including failure to submit reports when due, or failure to maintain the required documents, which is not cured by the Fund Manager to the satisfaction of the MSF Fund Manager within the Cure Period;
- 3) the Fund Manager is in default, violation, breach, or non-compliance, of any kind or nature under any agreement or requirement, including submission of reports, with the MSF or MEDC, or for any department or agency within the State, including, without limitation, the Department of Licensing and Regulatory Affairs, the Department of Environmental Quality, the Department of Treasury, the MSF, the Michigan Economic Growth Authority (or any successors or assigns to any of the foregoing), which is not cured by the Fund Manager to the satisfaction of the MSF Fund Manager within the Cure Period;
- 4) any voluntary bankruptcy or insolvency proceedings are commenced by the Fund Manager;
- 5) any involuntary bankruptcy or insolvency proceedings are commenced against the Fund Manager, which proceedings are not set aside within sixty (60) calendar days from the date of institution thereof;
- 6) the Fund Manager's failure to comply with the terms of this Agreement;
- 7) misconduct, as defined below in Paragraph VI.E;
- 8) any dissolution of the Fund Manager.

B. Available Remedies

Upon the occurrence of any one or more of the Events of Default (after the expiration of any applicable Cure Periods without the required cure), in addition to the automatic suspension of the Fund Manager's ability and authority to manage the Repaid Funds, the MSF may terminate this Agreement, and the Fund Manager's ability and authority to manage the Repaid Funds, all at the option of the MSF. The suspension or termination the Fund Manager's ability and authority to manage the Repaid Funds or of this Agreement are not intended to be the sole and exclusive remedy available to the MSF, and each remedy shall be cumulative, and in addition to every other provision or remedy given herein or now or hereafter existing at law, in equity, by statute or otherwise. The Fund Manager shall also pay all costs and expenses, including, without limitation,

reasonable attorney's fees and expenses incurred by the MSF in collecting any sums due the MSF under this Agreement, in enforcing any of its rights under this Agreement, or in exercising any remedies available to the MSF.

"Cure Period" shall mean within thirty (30) business days after written notice by the MSF Fund Manager, or within such longer period of time as determined in writing and at the sole discretion of the MSF Fund Manager.

This Paragraph shall survive the end of the Term of the Agreement for a period of three (3) years.

C. Recourse

Upon the occurrence of any one or more of the Events of Default (after the expiration of any applicable Cure Periods without the required cure), the MSF may recapture Repaid Funds used for a project which does not comply with federal or state laws, rules, policies, regulations. The Fund Manager agrees that such a recapture will trigger a default in the underlying agreements associated with the project. The Fund Manager agrees to cooperate in order to facilitate the realization of remedies from the underlying project, including, if necessary, the assignment to the MSF of all interest in any RDF agreements and any Repaid Funds. The Fund Manager further agrees that in the event of any Recapture under this Agreement, any deficiency in the Repaid Funds shall become the financial obligation of the Fund Manager to the MSF.

D. Termination

The MSF may terminate this Agreement at any time by providing notice of termination to the Fund Manager not less than thirty (30) calendar days before the date of termination.

E. Fraud and Misconduct

If at any time, and under any condition of discovery, the MSF identifies fraud, negligence, willful misconduct, theft, or any other deliberate act which violates or appears to violate any state or federal law, rule, regulation, policy or process to which the Fund Manager must adhere (collectively "Misconduct"), the MSF shall act to protect the RDF, its assets, and the Borrowers and communities which it serves, by taking any actions deemed necessary, including, but not limited to, rescinding the designation as a Fund Manager, withdrawing and/or recovering capital and income, redirecting the repayment of loan assets, seizing books, records, documents and accounts of Borrowers and of the Fund Manager and any similar or related material it deems necessary in its sole determination. The MSF may do so with reasonable notice to the Fund Manager.

The MSF may evaluate a Corrective Action Plan by a Fund Manager intended to address a finding of Misconduct, as described herein. In evaluating such a plan, the MSF shall determine if such proposed Corrective Action Plan is sufficient to remedy the finding and to what extent the Fund Manager or former Fund Manager may be allowed to continue to participate in the RDF.

VII. SEVERABILITY

If any provision of this Agreement is held invalid, the remainder of the Agreement shall not be affected thereby, and all other parts of this Agreement shall nevertheless be in full force and effect.

VIII. PARAGRAPH HEADINGS AND SUBHEADINGS

The paragraph headings and subheadings contained in this Agreement are included for convenience only and shall not limit or otherwise affect the terms of this Agreement.

IX. WAIVER

The MSF's failure to act with respect to a breach by the Fund Manager does not waive its right to act with respect to subsequent or similar breaches. The failure of the MSF to exercise or enforce any right or provision shall not constitute a waiver of such right or provision.

X. ENTIRE AGREEMENT

Except as expressly referenced and incorporated, this Agreement constitutes the entire agreement between the MSF and the Fund Manager for the use of funds received under this Agreement, and it supersedes all prior or contemporaneous communications and proposals, whether electronic, oral, or written between the MSF and the Fund Manager with respect to this Agreement.

IN WITNESS WHEREOF, the Parties have executed this contract as of the date first written above.

MICHIGAN STRATEGIC FUND

Date: _____

By: _____

Mark Morante
MSF Fund Manager

FUND MANAGER

Date: _____

By: _____

Name
Title

Counterparts; Facsimile, Electronic and PDF Signatures; Copies – This Agreement may be executed in any number of counterparts, each of which, when executed shall be deemed an original, and all of which together, shall constitute one and the same agreement. This agreement may be delivered by facsimile, or PDF or other electronic format and in such circumstances, may be relied upon to the same extent as though such copy was an original.

MEMORANDUM

Date: November 27, 2018

To: Michigan Strategic Fund Board Members

From: Kathryn Smith, Compliance Analyst

Subject: Existing K.I. Sawyer Renaissance Zone
Renaissance Zone Revocation
Frontier Medical Devices, Inc.
Township of Forsyth, Marquette County

Request

Michigan Economic Development Corporation (“MEDC”) Staff requests the Michigan Strategic Fund (“MSF”) Board approve a resolution revoking the K.I Sawyer Renaissance Zone designation for the Frontier Medical Devices, Inc. (the “Company”) site located in the Township of Forsyth, Marquette County due to the Company’s failure to remain eligible and follow the terms outlined in the development agreement.

Background

Frontier Medical Devices, Inc. (the “Company”) originally received a Renaissance Zone Time Extension designation in 2010 for its site in Forsyth Township within the K.I. Sawyer Renaissance Zone (the “Zone”). The Zone was awarded to support their start-up business aimed at developing and producing new medical devices.

In exchange, the Company entered in to a development agreement with the MSF (the “Agreement”) and agreed to various project milestones, including to create 59 full-time jobs and to invest \$2.4 million at the Zone by July 2014. The Zone was originally given an expiration date of December 31, 2024.

In 2015, due to a delay in the project, the MSF Board approved an amendment to the Agreement to extend the due date of the job creation and capital investment milestones by 3.5 years and reduce the term of the Agreement to December 31, 2023.

The Company failed to file their annual progress report by January 31, 2017, as required in the Agreement. The Company was issued a Notice of Default and 90-day cure period was initiated on July 23, 2018. The default was not cured during the cure period. However, the MEDC was notified that the Company was sold and is no longer operating in the Zone. The acquiring company does not wish to seek a transfer of the Zone.

Recommendation

MEDC Staff recommends that the MSF Board approve the revocation of the K.I Sawyer Renaissance Zone designation for the Company’s site located in the Township of Forsyth, Marquette County on parcel number AL-31B, effective December 30, 2018 for property tax purposes, and December 31, 2018 for all other purposes.

MEMORANDUM

Date: November 27, 2018

To: Michigan Strategic Fund Board Members

From: Kathryn Smith, Compliance Analyst

Subject: Existing Tool and Die Renaissance Recovery Zone
Renaissance Zone Revocation
Extreme Tool and Engineering, Inc.
City of Wakefield, Gogebic County

Request

Michigan Economic Development Corporation (“MEDC”) Staff requests the Michigan Strategic Fund (“MSF”) Board approve a resolution revoking the Tool and Die Renaissance Recovery Zone designation for the Extreme Tool and Engineering, Inc. (the “Company”) site located in the City of Wakefield, Gogebic County, due to the Company’s ineligibility.

Background

The Company was designated with the Michigan Coast to Coast Tool & Die Collaborative as a Recovery Zone by the MSF on February 24, 2010 for a 10-year period with an expiration date of December 31, 2020.

The Company is no longer operating in the designated Recovery Zone and therefore, no longer meeting the required conditions of a qualified tool and die business.

Recommendation

MEDC Staff recommends that the MSF Board approve the revocation of Extreme Tool and Engineering, Inc.’s Tool and Die Renaissance Recovery Zone designation for its site in the City of Wakefield, Gogebic County, effective December 30, 2018 for property tax purposes, and December 31, 2018 for all other purposes.

MEMORANDUM

Date: November 27, 2018

To: Michigan Strategic Fund Board Members

From: Kathryn Smith, Compliance Analyst

Subject: Existing Tool and Die Renaissance Recovery Zone
Renaissance Zone Revocation
Casey Tool & Die, Inc.
City of Dowagiac, Cass County

Request

Michigan Economic Development Corporation (“MEDC”) Staff requests the Michigan Strategic Fund (“MSF”) Board approve a resolution revoking the Tool and Die Renaissance Recovery Zone designation for the Casey Tool & Die, Inc. (the “Company”) site located in the City of Dowagiac, Cass County, due to the Company’s ineligibility.

Background

The Company was designated with the Southwest Michigan Tooling Collaborative as a Recovery Zone by the MSF on December 21, 2005 for a 15-year period with an expiration date of December 31, 2020.

The Company is no longer operating in the designated Recovery Zone, no longer meeting the required conditions of a qualified tool and die business.

Recommendation

MEDC Staff recommends that the MSF Board approve the revocation of Casey Tool & Die, Inc.’s Tool and Die Renaissance Recovery Zone designation for their site in the City of Dowagiac, Cass County, effective December 30, 2018 for property tax purposes, and December 31, 2018 for all other purposes.

MEMORANDUM

TO: Michigan Strategic Fund Board

FROM: Chris Cook, Director - Capital Access

DATE: November 27, 2018

SUBJECT: Appointments to the Investment Committee of Grow Michigan, Inc.

REQUEST

This request is to appoint Aaron Seybert, Social Investment Officer for the Kresge Foundation, to the Investment Committee for Grow Michigan, Inc.

BACKGROUND

On September 27, 2012 the Michigan Strategic Fund Board (“MSF”, “MSF Board”) appointed Peter Mogk, Senior Partner with Huron Capital, to represent its interests as a member of the Investment Committee for Grow Michigan, Inc. (“GMI”). GMI is a privately managed mezzanine lending fund designed to provide capital to Michigan based commercial and industrial companies. In addition to the MSF, investors in the fund include 15 lending institutions operating in Michigan. The Investment Committee is comprised of five members, with the MSF having right to make one appointment to the committee.

Mr. Mogk has stated his intent to resign from the Investment Committee at such time as the MSF was able to identify and approve a replacement.

Mr. Seybert has served as a Social Investment Officer for Kresge Foundation since 2016. Prior to joining Kresge Foundation, Mr. Seybert was an Executive Director for JPMorgan Chase Bank, where he specialized in community development banking focused on tax credit investing. Mr. Seybert has previously worked for Cinnaire (formerly Great Lakes Capital Fund) and Legal Aid of Central Michigan.

PROGRAM HISTORY

On January 25, 2012 the MSF approved an award to GMI to operate a loan fund designed to provide financing for growth, acquisition, and succession planning for Michigan based operating companies. The MSF awarded an investment of up to \$9.5 million in the form of an equity investment into the fund and \$500,000 in the form of a loan to GMI to pay for expenses related to its establishment. To date GMI has invested \$53.4 million in transactions involving a total leveraged capital investment of \$303.7 million. On December 19, 2017 the MSF approved an extension of the investment period of the fund to the earlier of full commitment of the fund or December 27, 2019.

RECOMMENDATION

Staff recommends the appointment of Aaron Seybert to the Grow Michigan, Inc. Investment Committee.

MEMORANDUM

Date: November 27, 2018

To: Michigan Strategic Fund (“MSF”) Board

From: Julius L. Edwards, Manager, Underwriting and Incentive Structuring

Subject: Request for Approval of an Amendment to a Michigan Community Revitalization Program Performance-Based Direct Loan, Lofts on Michigan, LLC

Request

Lofts on Michigan, LLC (“Company”) and MEDC staff are requesting approval of an amendment to the Michigan Community Revitalization Program Other Economic Assistance – Loan Participation Agreement (“Agreement”) and any related ancillary agreements. The Company and MEDC staff are requesting to dissolve the existing Agreement with Horizon Bank and replace it with an MCRP Performance-Based Direct Loan in place of a Loan Participation Agreement. The request will not require the MSF to advance any additional monies, nor will it increase the loan term or amortization. However, the collateral will change from a shared first lien position, with the MSF portion subordinate to the senior lender, to an anticipated second lien position behind the new senior lender, Ladder Capital.

Background

The Michigan Strategic Fund Board approved a \$2,450,000 Other Economic Assistance-Loan Participation on April 22, 2014 to the Company. The approval was rescinded and replaced on August 26, 2014 with a new approval for the purpose of constructing upon real property owned by Borrower, a project consisting of an approximately 68,000 square foot four-story building, located in Grand Rapids and containing approximately 11,130 square feet of first floor commercial/retail space, an estimated 54 market rate residential rental units on floors two (2) through four (4), and an approximately 29,000 square foot underground parking structure.

The following amendments have been approved for the project:

- On July 26, 2016, the MSF Board approved an amendment request to extend the interest only period, delay the Loan Conversion, Project Completion and Certification of Loan Completion deadlines and allow the release of a \$500,000 letter of credit from Comerica Bank.
- On August 23, 2016, the MSF Board approved an amendment request to allow Mercantile Bank to add a prepayment penalty to their portion of the permanent financing loan and preclude the MSF from sharing in said penalty or in any other fees related to the prepayment of the MSF MCRP incentive.

- On May 4, 2017, the MSF Fund Manager approved a consent request for the waiver of the conversion date requirements in the MCRP Other Economic Assistance Loan Participation and Servicing Agreement and any related ancillary agreements to extend the loan conversion date from April 20, 2017 to July 10, 2017.
- On July 26, 2017, the MSF Fund Manager approved a consent request allowing the Borrower to enter into a Forbearance Agreement with Mercantile Bank and allow a principal reduction payment to apply strictly to paying Mercantile’s portion of the financing. The financing Forbearance Agreement would allow time for the Borrower to get in compliance with the financial covenants in place from the Bank and secure alternative financing.
- On October 24, 2017, the MSF Board approved an amendment request to allow for the dissolution of the existing Agreement with Mercantile Bank and to replace it with a new Loan Participation Agreement with Horizon Bank. The requested change would allow for improved cash flow by extending the amortization on the project from 240 to 300 months. The loan closing with Horizon Bank was also considered a “loan conversion event” by the MSF and \$500,000 of the MSF’s original \$2,450,000 award was forgiven.

The above amendment requests were necessitated by residential lease up that was slower than anticipated, resulting in the development having to reduce the original proposed rental rates. The reduction in rental rates had multiple negative impacts on the project leading to a reduction in cash flow that resulted in the need for significant capital contributions from the owners in addition to the relief provided by the prior amendments above.

The owners are proposing to partner with Ladder Capital to refinance the project’s senior financing from Horizon Bank, which will increase the existing amortization of the senior debt from 25 years to 30 years and provide an interest only period for the first 48 months. The cash flow relief will allow for the amortization of the MSF note, which has not occurred to date due to the lack of available cash flow, while also allowing the project to repay subordinate debt currently owed to Comerica Bank and minimizing interest rate risk by locking in a 10-year term on the senior debt.

To allow the MSF to be in a second security position behind Ladder Capital, the owners of the project will refinance the Comerica Bank note into individual unsecured notes with Independent Bank based on ownership percentage. The new Ladder Capital loan will also result in a Return of Equity of \$286,610 used to pay down the Comerica note.

Below is the structure of the original Other Economic Assistance Loan Participation Award with the proposed changes to the business terms detailed with ~~strikethrough~~ and **BOLD CAPITALIZED** fonts:

LOAN FACILITY

MSF Facility MCRP **PERFORMANCE-BASED DIRECT LOAN** Participation and Servicing Agreement Under “other economic assistance”

Borrower: Lofts on Michigan, LLC

Lender: Horizon Bank

Total Loan Amount: Currently estimated at \$11,150,000

Lender Share: Currently estimated at \$9,200,000

MSF Share: Up to \$1,950,000 (\$500,000 was forgiven at construction completion)

Loan Amount: Up to **\$1,950,000**

Term: ~~To match that of the Lender, Not to exceed 120 months, with an interest only period of up to 24 months.~~

Amortization: ~~On the MSF Share Up to 25 years following the interest only period.~~

Interest Rate: ~~On the MSF Share 1.00% per annum~~

Repayment Terms: ~~On the MSF Share up to 24 months of monthly interest only payments followed by Monthly principal and interest payments.~~

~~Up to 500,000 of the MSF Share of the loan to be forgiven at issuance of a “Certificate of Occupancy” for the entire building.~~

Subordination of Payments

- 1) Payments to the MSF allowed to the extent that the Debt Service Coverage Ratio (DSCR) is always above 1.15x.
- 2) Certain defaults under the **LADDER CAPITAL** loan agreement related to ~~missed payments~~ will trigger suspension of all payments to the MSF until the default has been cured.

Collateral: ~~To match that of the Lender, currently~~ Anticipated being a mortgage lien on the property, and assignments of leases/rents and Tax Increment Financing. MSF ~~Share of~~ **LIEN INTEREST IN THE** collateral will be subordinated to that of the **THIRD PARTY SENIOR** Lender.

Guarantee: ~~To match that of the Lender, currently anticipated being the unsecured limited guarantees of the owners of Lofts on Michigan, LLC members during construction converting to limited proportional guarantees thereafter. The MSF Share of guarantee(s) will be subordinated to the Lender.~~ **GUARANTEES ACCEPTABLE TO THE MSF FUND MANAGER.**

Fees: The MSF shall be paid a one-time fee equal to **0.50%** of the MSF's loan. The Borrower will be responsible for any third-party fees incurred by the MEDC/MSF in closing the loan.

Recommendation

The MEDC staff recommends:

- 1) Approval of the above amendment request to replace the existing MCRP Other Economic Assistance – Loan Participation Agreement and any related ancillary agreements with a MCRP Performance-Based Direct Loan.
- 2) Waiver of the MCRP Parameter that limits the term of MCRP loans to 84 months.

MEMORANDUM

Date: November 27, 2018

To: Michigan Strategic Fund (“MSF”) Board

From: Julius L. Edwards, Underwriting and Incentive Structuring Manager

Subject: Request for Approval of a Michigan Community Revitalization Program Other Economic Assistance – Loan Participation Agreement Amendment for Jackson Entertainment, LLC or Related Entities

Request

MEDC staff is requesting approval of an amendment to the Michigan Community Revitalization Program (MCRP) Other Economic Assistance – Loan Participation Agreement and any related ancillary agreements (“Agreement”). Staff is requesting to amend the previously approved term, extending it from 84 months to 108 months. All other terms of the original approval will remain in place.

Background

The MSF Board approved a \$5,500,000 MCRP Other Economic Assistance – Loan Participation Award at its April 24, 2018 meeting for Jackson Entertainment, LLC or Related Entities for redevelopment of existing surface parking lots and adjacent land in the rights-of-way into a mixed use project that overall will include a multiplex movie theater, retail space, residential market rate apartments, parking deck, piazza, and site improvements. The project will redevelop 4.96 acres of existing surface parking lots and adjacent rights of way located west of Ionia Avenue SW between Cherry Street and Oakes Street SW known as Parking Area 5 and a portion of Parking Area 4 along with the current section of Ottawa Avenue between Cherry Street and Oakes Street in the City of Grand Rapids.

The proposed amendment will increase the term of the MSF Share of the Loan Participation to 108 months which is consistent with the Senior Lender Mercantile Bank’s original approval. All other terms of the original approval will remain unchanged.

Recommendation

The MEDC staff recommends the following:

- 1) approval of the above amendment request to extend the term of the MCRP Other Economic Assistance – Loan Participation from 84 months to 108 months.
- 2) Waiver of the MCRP Parameter that limits the term of MCRP loans to 84 months.

ORIGINAL APPROVAL



MEMORANDUM

Date: April 24, 2018

To: Michigan Strategic Fund Board

From: Lindsay Viviano, Community Assistance Team Specialist
Lisa Edmonds, MCRP and Brownfield Program Specialist
Julius L. Edwards, Underwriting and Incentive Structuring Manager

Subject: City of Grand Rapids Brownfield Redevelopment Authority
Request for Approval of an Act 381 Work Plan
Jackson Entertainment, LLC Area 4 & 5

**Jackson Entertainment, LLC or Related Entities - Request for Approval
Michigan Community Revitalization Program Other Economic Assistance
Award**

Request

The proposed project will be undertaken by Jackson Entertainment, LLC or related entities to redevelop the existing surface parking lots and adjacent land in the rights-of-way into a mixed use project that overall will include a multiplex movie theater, retail space, residential market rate apartments, hotel, parking deck, piazza, site improvements and commercial office space. The MCRP portion does not include the hotel or office space. The project will redevelop 4.96 acres of existing surface parking lots and adjacent rights of way located west of Ionia Avenue SW between Cherry Street and Oakes Street SW known as Parking Area 5 and a portion of Parking Area 4 along with the current section of Ottawa Avenue between Cherry Street and Oakes Street in the City of Grand Rapids. The project is located in a downtown and qualifies for a Michigan Community Revitalization Program (MCRP) award and Act 381 work plan because it is a facility.

In order to alleviate Brownfield conditions and prepare the proposed project site for redevelopment, the City of Grand Rapids Brownfield Redevelopment Authority is seeking approval of local and school tax capture for MSF eligible activities in the amount of \$30,377,630.

Jackson Entertainment, LLC (Applicant) is requesting approval of a MCRP award in the amount of \$5,500,000 in the form of an Other Economic Assistance Performance-Based Loan Participation.

The need for assistance is primarily driven by atypical costs associated with developing the site and the necessity to provide sufficient parking for the overall development and the area as a whole. The development team has partnered with the City of Grand Rapids to utilize both Brownfield and DDA TIF in addition to a \$3.0 million infrastructure investment in the rights-of-way by the City to support the project. Additional financial support is being requested under MCRP to fill the remaining financing gap and provide a sufficient return on the private equity investment. The development team has been able to secure approximately \$43.5 million in senior debt financing (63.0% of the total development costs). They are contributing approximately \$9.2 million in private equity, deferring \$2.2 million in developer fees, and contributing another \$5.6 million in owner debt to the project, for total contribution of \$17 million (24.7% of the total development costs). With the proposed MCRP award, the development team is anticipated to receive a return of just over 7% on the project.

The eligible activities will alleviate Brownfield conditions across the site and make it suitable for redevelopment, and protect human health and the environment. Without Brownfield tax increment reimbursement, the cost burden related to Brownfield conditions would make the project financially unfeasible. MCRP detailed structure is provided in **Appendix A**.

The project deviates from the MCRP parameters as the pro forma debt service coverage ratio is less than 1.10 to 1.00 based on the committed financing for the project. Staff is comfortable with this deviation due to the financial strength of the development team and its ability to secure longer term debt upon the project reaching stabilization. Additionally, revenues generated from the operation of the theater have been projected at a conservative level and over a 20 year period the average debt service coverage ratio is above 1.20 to 1.00.

The Applicant anticipates that the overall project will result in a total capital investment of over \$110 million along with the creation of approximately 440 full-time equivalent jobs with an average hourly wage of \$65. The higher average wage is due to the large office component. Other jobs are related to the theater, retail and hotel components. The MCRP portion of the project will result in total capital investment of \$69,093,423 along with the creation of approximately 32 permanent full-time equivalent jobs with an average hourly wage of \$14.

Background

The project will include construction of six new structures along with supporting site improvements. Building A will consist of up to a 90,000 square foot, five to seven story commercial office building. Buildings B and C will include a total of approximately 91,987 square feet and consist of approximately 19,220 square feet of ground floor retail space with approximately 72,767 square feet of residential on the four stories above the retail space, that will house an estimated 98 residential market rate apartments. Building T will include an approximately 47,278 square foot multiplex movie theater with commercial space of approximately 3,910 square feet. In addition, the Applicant will construct a multistory parking ramp that will contain approximately 910 parking spaces (327,960 square feet). Building D will include a total of approximately 100,000 square feet and house a six story approximately 138 room hotel. Additional improvements include construction of a public piazza, landscaping, relocation of Ottawa Avenue and other significant streetscape improvements.

The MCRP request specifically supports construction of the two multistory mixed-use buildings (Buildings B & C), the theater, parking deck, piazza and site improvements. The other portions of the overall project will be developed by separate non-related development teams.

Demolition activities will be necessary to remove the existing paving, curbs, landscaping, utilities and all other site improvements to prepare the site for the planned site preparation activities and vertical construction. Site preparation activities include geotechnical soil engineering, soil erosion controls, staking for eligible activities, temporary structures, temporary traffic control, temporary roads, site security/fencing, mass grading and land balancing, utility relocation, excavation of unstable urban fill material and fill replacement, special foundations, dewatering, and compaction and sub-base preparation related to the above activities which is necessary for completion of the project. Site preparation also includes direct soft costs associated with the proposed activities. Infrastructure improvements including relocation and construction of a new Ottawa Street (public), construction of a new multistory public parking deck (private), including soft costs, and construction of a new public piazza and associated site improvements (public but constructed by Jackson) are necessary to support the new development.

Jackson Entertainment, LLC has constructed and owns and operates numerous theaters across Michigan. In addition, the Developer owns and operates other investment real estate in West Michigan. The project represents the first project that will be supported with incentives by the Michigan Strategic Fund. The MEDC has completed civil and criminal background checks in accordance with the MSF Background Review Policy. No issues were identified.

Appendix B addresses the programmatic requirements and **Appendix C** includes a project map and renderings.

Recommendation

MEDC staff recommends approval of the following:

- a) Local and school tax capture for the Act 381 eligible activities totaling \$30,377,630. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at \$24,961,298.
- b) A MCRP performance-based loan in the amount of \$5,500,000 for Jackson Entertainment, LLC.
- c) Waiver of the MCRP parameter that requires a minimum debt service coverage ratio of 1.20 to 1.00.

APPENDIX A

FINANCING OPPORTUNITY – MCRP OTHER ECONOMIC ASSISTANCE LOAN PARTICIPATION

The project is seeking Michigan Strategic Fund (MSF) participation in coordination with Mercantile Bank (Lender) as the senior lender. The Lender, along with the Borrower, has requested the MSF participate in up to \$5,500,000 of a total of \$49,000,000 in construction to permanent loan financing. The MSF would be pari passu in terms of payments on its share of the loan, but the MSF would also allow the collateral to apply first to the Lender's share in an event of liquidation. It is anticipated that disbursements to the project on the loan will be made on a pro-rata basis. Below outlines a summary of the development sources and the proposed structure of the loan participation.

SUMMARY OF DEVELOPMENT SOURCES:

Mercantile Bank	\$ 43,500,000	63.0%
MSF Share	\$ 5,500,000	8.0%
City Paid Infrastructure	\$ 3,005,384	4.3%
Owner Equity	\$ 9,248,039	13.4%
Owner Loan	\$ 5,600,000	8.1%
Deferred Fees	\$ 3,240,000	3.2%
TOTAL	\$ 69,093,423	100.0%

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

Borrower: Jackson Entertainment, LLC or Related Entities

Lender: Mercantile Bank

Total Financing Amount: Currently estimated at \$49,000,000

Lender Share: Currently estimated at \$43,500,000

MSF Share: Up to the lesser of 20% of "Eligible Investment" or \$5,500,000

Term: To match that of the Lender, not to exceed 84 months.

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

Interest Rate: On the MSF share anticipated to be 3.50% per annum.

Repayment Terms: Up to 24 months of monthly interest only payments followed by monthly principal and interest payments. Principal balance due at maturity.

Collateral: To match that of the Lender, currently anticipated being a mortgage lien on the property, assignment of leases and rents, and a security interest in the TIF reimbursements. MSF share of collateral will be subordinated to that of the Lender.

- Guarantee:** To match that of the Lender, currently anticipated to be the corporate guarantee of JDL Entertainment, LLC. MSF share of guarantees will be subordinated to that of the Lender.
- MSF Fees:** The MSF shall be paid a one-time fee equal to one percent of the MSF's share of the award due at closing and a one-time fee of \$375,000 due at maturity. The Lender may charge the borrower for these fees.
- Funding:** The MSF will fund up to \$5,500,000 to be disbursed following closing of the financing and other performance criteria.
- Other Conditions:** The MSF's investment will be contingent upon the following:
- A minimum owner equity contribution of \$9,200,000 to the project.
 - Receipt of a "Guaranteed Maximum Price" construction contract.
 - Receipt of final project budget.
 - Receipt of Master Development Agreement with the City of Grand Rapids.

MEMORANDUM

Date: November 27, 2018

To: Michigan Strategic Fund Board

From: Lynda Franke, Underwriting and Incentive Structuring Specialist

Subject: Request for Approval of a Michigan Community Revitalization Program Other Economic Assistance-Loan Participation Agreement Amendment #3
Lofts on Alabama, LLC

Request

Macatawa Bank of Michigan (“Lender”) and Lofts on Alabama, LLC (“Borrower”) are requesting approval of Amendment #3 to the Michigan Community Revitalization Program Other Economic Assistance Loan Participation Agreement (“Agreement”) and any related ancillary agreements. The amendment request dated October 2, 2018 includes a request to amend the Lender’s loan covenants to create a Senior Lender Debt Service Coverage (“DSC”) requirement of 1.25, reduce the total DSC threshold for MSF repayments from 1.20 to 1.05 for the life of the loan, and correct an error in the definition of Debt Service Coverage Ratio.

Background

The Michigan Strategic Fund Board approved a \$3,000,000 Other Economic Assistance-Loan Participation on June 8, 2015 to the Company for the purpose of selective interior and exterior site demolition of an existing structure, improvements and rehabilitation of the existing obsolete building in downtown Grand Rapids and construction of a new, 65,000 sq. ft., three-story building on the adjacent site to the west. In total, the result was 100 market rate residential units and a subgrade parking ramp.

An amendment to the project was approved on April 25, 2017 to extend the Draw Expiration Date from March 21, 2017 to May 21, 2017 to allow for the full disbursement of the construction proceeds.

On June 28, 2017, the MSF Fund Manager approved a request to allow the Lender to process the final draw request past the May 21, 2017 Draw Expiration Date, provided the Lender make adjustments to the Borrower’s account as if the draw had occurred as intended in the amendment.

The project has been 95% occupied for the past 6 months. However, the actual rents have fallen short of projections to an extent that the existing DSC loan covenants are unlikely to be met. MSF repayments starting in March 2019 could be suspended as the total DSC threshold for repayment will be 1.20. To address these issues, the Borrower has successfully renegotiated the property management agreement and is able to reduce its monthly budget by \$7,500. The Lender intends to remove the requirement for an annual CPA-reviewed financial statement, further reducing expenses. The Borrower anticipates the ability to raise rents by \$25 per month for lease renewals. The Lender desires to tie loan covenants to a new Senior Lender Debt Service Coverage measure, making loan covenant administration easier. The projected result of the

financial changes is a Senior DSC of 1.29 and a Total DSC of 1.09. The requested total DSC threshold of 1.05 for MSF repayments should result in more consistent and timely repayments. The company is current with reporting requirements.

Recommendation

The MEDC staff recommends approval of an amendment to the MCRP Other Economic Assistance Loan Participation Agreement and any related ancillary agreements to amend the Lender’s loan covenants to create a Senior Lender Debt Service Coverage (“DSC”) of 1.25, set the total DSC threshold for MSF repayments to 1.05 for the life of the loan, and correct an error in the definition of Debt Service Coverage Ratio, per the Lender and Borrower request of October 2, 2018.

MEMORANDUM

Date: November 27, 2018

To: Michigan Strategic Fund Board

From: Rob Garza, Brownfield and MCRP Senior Program Specialist

Subject: Request for Approval of an Act 381 Work Plan Amendment #2 and a Request for Approval of a Brownfield MBT Credit Amendment #2 Park District Project

REQUEST

The City of East Lansing Brownfield Redevelopment Authority is requesting approval of a Brownfield Act 381 Work Plan Amendment including local and school tax capture for MSF eligible activities in the amount of \$5,585,593 to change the scope of the project and a Brownfield MBT credit amendment to change the scope of the project and add five years to complete the project. These amendments will support a community development project that will involve the new construction of a 13-story mixed use building containing ground floor retail, approximately 197 mixed-market residential units and two levels of integrated parking. The applicant anticipates that the project will result in a total capital investment in the amount of \$71,232,760 along with the creation of approximately 170 permanent full-time equivalent jobs with an average hourly wage of \$17.53.

LOCAL SUPPORT

Local support for the project includes the local component of the Work Plan request which is estimated at \$3,544,059. The City of East Lansing is engaged with the MEDC's Redevelopment Ready Communities (RRC) program. The project qualifies because it is both a facility and functionally obsolete.

BROWNFIELD ACT 381 AMENDMENT REQUEST

In order to alleviate brownfield conditions and prepare the site for redevelopment, the City of East Lansing, a Qualified Local Governmental Unit, has duly approved a brownfield plan for this property on June 17, 2008 and amended that brownfield plan on September 18, 2018. This amendment request proposes to reduce the project scope to match the activities in the MBT credit, reduce the number of parcels in the Work Plan to align with the Brownfield MBT credit boundary and reduce the eligible activity amount from \$57,835,839 to \$5,585,593. The property has been determined to be a facility as verified by the Michigan Department of Environmental Quality (DEQ) and functionally obsolete under the Work Plan's original approval by the MEGA Board.

There are 65.6136 non-homestead mills available for capture, with State mills from school operating and SET millages equaling 23.9795 mills (36.55%) and local millage equaling 41.6341 mills (63.45%). Tax increment capture was identified to begin in 2013, although no actual capture occurred. Actual tax

increment capture will begin in 2020 and is estimated to continue for 9 years. The requested tax capture for MSF eligible activities breaks down as follows:

State tax capture	(36.55%)	\$	2,041,534
Local tax capture	(63.45%)	\$	3,544,059
TOTAL		\$	5,585,593

COST OF MSF ELIGIBLE ACTIVITIES

Demolition		\$	750,544
Lead and Asbestos Abatement			318,228
Infrastructure Improvements			1,794,935
Site Preparation		+	1,305,250
Sub-Total		\$	4,168,957
Contingency (10%)		+	345,829
Sub-Total		\$	4,514,786
Interest (5%)		+	1,055,807
Sub-Total		\$	5,570,593
Brownfield/Work Plan Preparation		+	15,000
TOTAL		\$	5,585,593

In addition, the project is requesting from the MDEQ \$370,933 in TIF to assist with environmental eligible activities.

BROWNFIELD MBT CREDIT AMENDMENT REQUEST:

100 Grand River, LLC requests a scope change amendment to the Brownfield MBT credit for the Park District Project located at 100 West Grand River Avenue and 303 Abbott Road in the City of East Lansing. This amendment request proposes a revised project that includes the construction of a 13-story mixed-use building and the addition of five years to complete the project. The Brownfield MBT credit was originally approved by the MSF Board on July 15, 2008 and was amended on October 23, 2018 to add 100 Grand River, LLC as a qualified taxpayer and remove City Center Two Project, LLC as a qualified taxpayer. Please note the original pre-approval letter for this project was issued May 6, 2011; therefore, the time extension request for this project will take the credit to its statutory expiration date of May 6, 2021. The project originally qualified for an MBT tax credit as a facility and a functionally obsolete property.

Qualified Tax Payer:
 100 Grand River, LLC
 540 West Madison Street., 27th Floor
 Chicago, Illinois

Contact: David Nelson, Vice President

	Previous Approval	Amendment
Project Eligible Investment:	\$50,000,000	\$53,603,834
Requested Credit Amount:	\$10,000,000	\$10,000,000
		(Capped)
Requested Credit Percentage:	20%	20%

ELIGIBLE ACTIVITIES BREAKDOWN

New Construction	\$ 48,743,427
Site Improvements	724,761
Addition of Machinery & Equipment	4,135,646
Total	\$ 53,603,834

PROJECT BACKGROUND

The MBT project will involve the new construction of a 13-story, 234,021 square foot mixed-use building located at 100 West Grand River Avenue and 303 Abbott Road and will contain 13,085 square feet of first floor retail space, 36,700 square feet of integrated parking on floors two and three, 197 residential units occupying approximately 138,296 square feet on floors four through thirteen, and approximately 45,940 square feet of common space. Approximately 32,800 square feet will be revitalized public space in the form of street realignment, streetscape improvements, and underground infrastructure improvements. The Act 381 Work Plan amendment also includes the removal of parcels, which originally were included to accommodate additional MBT credits which have since expired.

Redevelopment is also proposed at 124-140 West Grand River Avenue, where a 10-story graduate hotel is anticipated. That work is not included in this 381 amendment request as it is proposed to be undertaken by another entity at a later date.

The developer’s capital stack includes senior debt at a 60% loan to value and cash equity of over 27% of project costs. The developer return is acceptable and less than 12%. Brownfield eligible activities will alleviate Brownfield conditions across the site making it suitable for redevelopment, while protecting human health and the environment. Without Brownfield tax increment reimbursement, the cost burden related to Brownfield conditions would make the project financially unfeasible.

APPLICANT HISTORY

100 Grand River LLC is a single purpose LLC created by the parent company DRW Real Estate Investments, LLC. The parent company was formed in 2009 and has participated in 98 developments across the United States. 100 Grand River, LLC, was added as a qualified taxpayer to this project via MBT amendment by the MSF Board on October 23, 2018. Neither 100 Grand River, LLC, nor its principals have previously been awarded any incentives from MEGA or the MSF. The MEDC has

completed civil and criminal background checks in accordance with the MSF Background Review Policy. No issues were identified.

RECOMMENDATION

MEDC staff recommends approval of the following (the “Recommendation”):

- A) A Brownfield Act 381 Work Plan amendment to change the scope of the project and approve local and school tax capture for the Act 381 eligible activities totaling \$5,585,593. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at \$2,041,534.
- B) The Brownfield MBT credit amendment request to change the project scope and add an additional five years to the project. The project must now be completed by May 6, 2021, which is the statutory expiration of this Brownfield MBT credit.

APPENDIX A – Project Map and Renderings





MEMORANDUM

Date: November 27, 2018
To: MSF Board
From: David Lorenz, Vice President, Travel Michigan
Subject: United Kingdom/Ireland Tourism Marketing Representative RFP

BACKGROUND

International leisure travel to the United States is a growing business, accounting for nearly 76.9 million visitor trips in 2017. Spending by those visitors averaged \$4,360 per trip and they typically stay an average of 18 nights per trip.

For generations, most of the international travel to the U.S. has gone to better known U.S. destinations in East and West Coast cities with well-promoted attractions and to Western U.S. National Parks, while Michigan has mostly relied on business-travel or “friends and family” inspired follow-up leisure trips for its international business.

Travel Michigan intends to capture a greater number of foreign visitors and spending from research-proven best-potential markets, by increasing awareness of Michigan as a world-class destination offering four-seasons of nature-based activity, unique American experiences and authentic American places.

To accomplish this goal, we require representation of an in-country contractor who has an understanding of the Michigan travel product. This contractor must also possess native-country insights, knowledge and expertise in promoting foreign travel product such as is available in Michigan and must have the appropriate travel industry and consumer contacts to efficiently promote the State of Michigan.

Travel Michigan’s total budget for promotion in the United Kingdom/Ireland is \$250,000 for FY2019. Based on this total budget, Travel Michigan is requesting proposals for a strategy, scope of work and detailed budget which would maximize those dollars to promote Michigan as a leisure destination in the United Kingdom/Ireland.

RECOMMENDATION

The MEDC recommends that the MSF Board approve the release of the RFP for international leisure travel marketing to United Kingdom/Ireland, for the period of January 1, 2019 to December 31, 2021, with up to two one-year extensions.

REQUEST FOR PROPOSAL
TRAVEL MICHIGAN UNITED KINGDOM/IRELAND TOURISM REPRESENTATIVE
RFP-CASE-00252471

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

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

SECTION I
WORK STATEMENT

A) PURPOSE

The purpose of this RFP is to enter into a contract with an in-country full-service travel marketing firm to represent Travel Michigan in the United Kingdom and Ireland at both the consumer and travel industry level. The agency must possess extensive knowledge of the Michigan leisure travel market, and demonstrate native-country insights, knowledge and expertise in promoting foreign travel product such as is available in Michigan and must have the appropriate travel industry and consumer contacts to efficiently promote the State of Michigan.

Travel Michigan’s total budget for promotion in the United Kingdom and Ireland is up to \$250,000 for FY2019. Based on this total budget, Travel Michigan is requesting proposals for a strategy, scope of work and detailed budget which would maximize those dollars to promote Michigan as a leisure destination in the UK/Ireland.

The MEDC desires to issue a contract for the period from contract execution through December 31, 2021, with up to two (2) possible one-year extensions.

B) BACKGROUND STATEMENT AND OBJECTIVES

International leisure travel to the United States is a growing business, accounting for nearly 76.9 million visitor trips in 2017. Spending by those visitors averaged \$4,360 per trip and they typically overnights for 18 nights per trip.

For generations, most of the international travel to the U.S. has gone to better known U.S. destinations in East and West Coast cities with well-promoted attractions and to Western US National Parks, while Michigan has mostly relied on business-travel or “friends and family” inspired follow-up leisure trips for its international business.

Travel Michigan intends to capture a greater number of foreign visitors and spending from the United Kingdom and Ireland, by increasing awareness of Michigan as a world-class destination offering four-seasons of nature-based activity, unique American experiences and authentic American places.

OBJECTIVES

The role of the international marketing effort will be:

1. To create a strategy to increase inbound leisure travel to the State of Michigan
2. To enhance the image of the State of Michigan as a diverse, exciting and premier leisure travel destination
3. To create programs and platforms that add value for Travel Michigan partners as part of their international marketing effort
4. To advise Travel Michigan staff regarding native-country travel patterns and opportunities
5. To develop native-language marketing tools such as brochures, e-newsletters, social media and consumer promotions, at economical costs.
7. To assist Travel Michigan staff in organizing sales missions and securing appointments at important trade shows such as WTM (World Travel Market) and IPW

C) QUALIFICATIONS

Vendors responding to this RFP must have a minimum of five years’ experience representing American destinations for tourism promotion in overseas markets and two years’ experience representing United States destinations for tourism promotion in the UK/Ireland.

D) DELIVERABLES

Deliverables to be provided by the selected vendor include, but are not limited to, creating a strategy to attract more UK/Ireland visitors, particularly leisure visitors, to Michigan; creating brochures, e-newsletters, social media and web sites; working with tour operators to get more Michigan product in UK/Ireland tour operator catalogs; identifying travel journalists to invite to Michigan for FAM tours; identifying and representing Michigan at key UK/Ireland travel and tourism trade shows; securing appointments with top UK/Ireland tour operators and media attending the annual WTM and IPW; and devising and executing consumer promotions to build consumer awareness of Michigan as a destination.

SECTION II PROPOSAL FORMAT

To be considered, each Bidder must submit a COMPLETE proposal in response to this RFP using the format specified. Bidder's proposal must be submitted in the format outlined below. There should be no attachments, enclosures, or exhibits other than those required in the RFP or considered by the Bidder to be essential to a complete understanding of the proposal. Each section of the proposal should be clearly identified with appropriate headings:

A) TECHNICAL PROPOSAL

1. Business Organization and History – State the full name, address, and phone and facsimile number of your organization and, if applicable, the branch office or other subordinate element that will perform, or assist in performing, the work hereunder. Indicate whether it operates as an individual, partnership, or corporation; if as a corporation, include the state in which it is incorporated. If appropriate, the proposal must state whether the organization is licensed to operate in the State of Michigan.
2. Statement of the Problem – State in succinct terms your understanding of the problem(s) presented by this RFP.
3. Narrative – Include a narrative summary description of the proposed effort and of the services(s)/products(s) that will be delivered.
4. Technical Work Plans – Provide a detailed research outline and timelines for accomplishing the work.
5. Prior Experience – Describe the prior experience of your organization which you consider relevant to the successful accomplishment of the project defined in this RFP. Include sufficient detail to demonstrate the relevance of such experience. Proposals submitted should include, in this Section, descriptions of qualifying experience to include project descriptions, costs, and starting and completion dates of projects successfully completed; also include the name, address, and phone number of the responsible official of the client organization who may be contacted.

The MSF may evaluate the Bidder's prior performance with the MSF, and prior performance information may be a factor in the award decision.

6. Project Staffing – The Bidder must be able to staff a project team which possesses talent and expertise in the field of the requirements of this RFP. Identify a Project Manager and staff assigned by name and title. Include biographies, experience and any other appropriate information regarding the work team's qualification for this initiative. Indicate staff turnover rates. Show where the project team will be physically located during the time they are engaged in the work. Indicate which of these individuals you consider key to the successful completion of the work. Indicate the amount of dedicated management time for the Bidder's Project Manager and other key individuals. Do not include any financials for the contemplated work within the Technical Proposal. Resumes of qualifications should be supplied for proposed project personnel.

Please Note: The MSF further reserves the right to interview the key personnel assigned by the Contractor to this project and to recommend reassignment of personnel deemed unsatisfactory.

7. Subcontractors – List here all subcontractors that will be engaged to accomplish the project described in this RFP; include firm name and address, contact person and complete description of work to be subcontracted. Include descriptive information concerning subcontractor's organization and abilities. Also, the information provided in response to A-5, above, should include detailed information about each potential subcontractor.
8. Bidder's Authorized Expediter – Include the name and telephone number of person(s) in your organization authorized to expedite any proposed contract with the MSF.
9. Additional Information and Comments – Include any other information that is believed to be pertinent, but not specifically asked for elsewhere.

B) PRICE PROPOSAL

Provide the cost/rate/price information for all firms/persons named in your Price Proposal to demonstrate the reasonableness of your Price Proposal. Attach a schedule of all expenses covering each of the services and activities identified in your proposal.

The MSF is exempt from federal excise tax, and state and local sales taxes. The Price Proposal should not include taxes.

THE PRICE PROPOSAL MUST BE IDENTIFIED AND SENT SEPARATELY FROM THE TECHNICAL PORTION OF YOUR PROPOSAL ACCORDING TO THE INSTRUCTIONS OF THIS RFP. Separately sealed price proposals will remain sealed until the JEC has completed evaluation of the technical proposals.

Bidders Please Note: Rates quoted in response to this RFP are firm for the duration of the Contract; no price increase will be permitted.

C) PROPOSAL SUBMITTAL

Submit separately marked electronic versions of each of your Technical and Price proposals to the MSF via email to contractsandgrants@michigan.org not later than **3:00 p.m. Eastern Time Zone on January 4, 2019**. The MSF has no obligation to consider any proposal that is not timely received. **Proposals will not be accepted via U.S. mail or any other delivery method.**

BIDDERS ARE RESPONSIBLE FOR ASSURING THAT THE FOLLOWING IDENTIFYING INFORMATION APPEARS IN THE SUBJECT LINE OF YOUR EMAIL: *"RFP-CASE-00252471 Technical Proposal"* and *"RFP-CASE-00252471 Price Proposal"* with Company Name, and *"message 1 of 3"* as appropriate if the bid consists of multiple emails.

MEMORANDUM

Date: November 27, 2018
To: MSF Board
From: David Lorenz, Vice President, Travel Michigan
Subject: Germany/Austria/Switzerland Tourism Marketing Representative RFP

BACKGROUND

International leisure travel to the United States is a growing business, accounting for nearly 76.9 million visitor trips in 2017. Spending by those visitors averaged \$4,360 per trip and they typically stay an average of 18 nights per trip.

For generations, most of the international travel to the U.S. has gone to better known U.S. destinations in East and West Coast cities with well-promoted attractions and to Western U.S. National Parks, while Michigan has mostly relied on business-travel or “friends and family” inspired follow-up leisure trips for its international business.

Travel Michigan intends to capture a greater number of foreign visitors and spending from research-proven best-potential markets, by increasing awareness of Michigan as a world-class destination offering four-seasons of nature-based activity, unique American experiences and authentic American places.

To accomplish this goal, we require representation of an in-country contractor who has an understanding of the Michigan travel product. This contractor must also possess native-country insights, knowledge and expertise in promoting foreign travel product such as is available in Michigan and must have the appropriate travel industry and consumer contacts to efficiently promote the State of Michigan.

Travel Michigan’s total budget for promotion in Germany/Austria/Switzerland is \$250,000 for FY2019. Based on this total budget, Travel Michigan is requesting proposals for a strategy, scope of work and detailed budget which would maximize those dollars to promote Michigan as a leisure destination in the Germany/Austria/Switzerland.

RECOMMENDATION

The MEDC recommends that the MSF Board approve the release of the RFP for international leisure travel marketing to Germany/Austria/Switzerland, for the period of January 1, 2019 to December 31, 2021, with up to two one-year extensions.

REQUEST FOR PROPOSAL
TRAVEL MICHIGAN GERMANY/AUSTRIA/SWITZERLAND TOURISM REPRESENTATIVE
RFP-CASE-00252470

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

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

SECTION I
WORK STATEMENT

A) PURPOSE

The purpose of this RFP is to enter into a contract with an in-country full-service travel marketing firm to represent Travel Michigan in Germany, Austria and Switzerland at both the consumer and travel industry level. The agency must possess extensive knowledge of the Michigan leisure travel market, and demonstrate native-country insights, knowledge and expertise in promoting foreign travel product such as is available in Michigan and must have the appropriate travel industry and consumer contacts to efficiently promote the State of Michigan.

Travel Michigan’s total budget for promotion in Germany, Austria and Switzerland is up to \$250,000 for FY2019. Based on this total budget, Travel Michigan is requesting proposals for a strategy, scope of work and detailed budget which would maximize those dollars to promote Michigan as a leisure destination in Germany, Austria and Switzerland.

The MEDC desires to issue a contract for the period from contract execution through December 31, 2021, with up to two (2) possible one-year extensions.

B) BACKGROUND STATEMENT AND OBJECTIVES

International leisure travel to the United States is a growing business, accounting for nearly 76.9 million visitor trips in 2017. Spending by those visitors averaged \$4,360 per trip and they typically overnighted for 18 nights per trip.

For generations, most of the international travel to the U.S. has gone to better known U.S. destinations in East and West Coast cities with well-promoted attractions and to Western US National Parks, while Michigan has mostly relied on business-travel or “friends and family” inspired follow-up leisure trips for its international business.

Travel Michigan intends to capture a greater number of foreign visitors and spending from Germany, Austria and Switzerland, by increasing awareness of Michigan as a world-class destination offering four-seasons of nature-based activity, unique American experiences and authentic American places.

OBJECTIVES

The role of the international marketing effort will be:

1. To create a strategy to increase inbound leisure travel to the State of Michigan
2. To enhance the image of the State of Michigan as a diverse, exciting and premier leisure travel destination
3. To create programs and platforms that add value for Travel Michigan partners as part of their international marketing effort
4. To advise Travel Michigan staff regarding native-country travel patterns and opportunities
5. To develop native-language marketing tools such as brochures, enewsletters, social media and consumer promotions, at economical costs.
7. To assist Travel Michigan staff in organizing sales missions and securing appointments at important trade shows such as ITB (international travel show) and IPW

C) QUALIFICATIONS

Vendors responding to this RFP must have a minimum of five years’ experience representing American destinations for tourism promotion in overseas markets and five years’ experience representing United States destinations for tourism promotion in Germany, Austria and Switzerland.

D) DELIVERABLES

Deliverables to be provided by the selected vendor include, but are not limited to, creating a strategy to attract more visitors, particularly leisure visitors, to Michigan; creating native-language brochures, enewsletters, social media and web sites; working with tour operators to get more Michigan product in tour operator catalogs; creating a strategy to train travel agents about Michigan travel opportunities; identifying German, Austrian and Swiss travel journalists to invite to Michigan for fam tours; identifying and representing Michigan at key travel and tourism trade shows; securing appointments with top tour operators and media attending ITB and IPW; and devising and executing consumer promotions to build consumer awareness of Michigan as a destination.

SECTION II PROPOSAL FORMAT

To be considered, each Bidder must submit a COMPLETE proposal in response to this RFP using the format specified. Bidder's proposal must be submitted in the format outlined below. There should be no attachments, enclosures, or exhibits other than those required in the RFP or considered by the Bidder to be essential to a complete understanding of the proposal. Each section of the proposal should be clearly identified with appropriate headings:

A) TECHNICAL PROPOSAL

1. Business Organization and History – State the full name, address, and phone and facsimile number of your organization and, if applicable, the branch office or other subordinate element that will perform, or assist in performing, the work hereunder. Indicate whether it operates as an individual, partnership, or corporation; if as a corporation, include the state in which it is incorporated. If appropriate, the proposal must state whether the organization is licensed to operate in the State of Michigan.
2. Statement of the Problem – State in succinct terms your understanding of the problem(s) presented by this RFP.
3. Narrative – Include a narrative summary description of the proposed effort and of the services(s)/products(s) that will be delivered.
4. Technical Work Plans – Provide a detailed research outline and timelines for accomplishing the work.
5. Prior Experience – Describe the prior experience of your organization which you consider relevant to the successful accomplishment of the project defined in this RFP. Include sufficient detail to demonstrate the relevance of such experience. Proposals submitted should include, in this Section, descriptions of qualifying experience to include project descriptions, costs, and starting and completion dates of projects successfully completed; also include the name, address, and phone number of the responsible official of the client organization who may be contacted.

The MSF may evaluate the Bidder's prior performance with the MSF, and prior performance information may be a factor in the award decision.

6. Project Staffing – The Bidder must be able to staff a project team which possesses talent and expertise in the field of the requirements of this RFP. Identify a Project Manager and staff assigned by name and title. Include biographies, experience and any other appropriate information regarding the work team's qualification for this initiative. Indicate staff turnover rates. Show where the project team will be physically located during the time they are engaged in the work. Indicate which of these individuals you consider key to the successful completion of the work. Indicate the amount of dedicated management time for the Bidder's Project Manager and other key individuals. Do not include any financials for the contemplated work within the Technical Proposal. Resumes of qualifications should be supplied for proposed project personnel.

Please Note: The MSF further reserves the right to interview the key personnel assigned by the Contractor to this project and to recommend reassignment of personnel deemed unsatisfactory.

7. Subcontractors – List here all subcontractors that will be engaged to accomplish the project described in this RFP; include firm name and address, contact person and complete description of work to be subcontracted. Include descriptive information concerning subcontractor's organization and abilities. Also, the information provided in response to A-5, above, should include detailed information about each potential subcontractor.
8. Bidder's Authorized Expediter – Include the name and telephone number of person(s) in your organization authorized to expedite any proposed contract with the MSF.
9. Additional Information and Comments – Include any other information that is believed to be pertinent, but not specifically asked for elsewhere.

B) PRICE PROPOSAL

Provide the cost/rate/price information for all firms/persons named in your Price Proposal to demonstrate the reasonableness of your Price Proposal. Attach a schedule of all expenses covering each of the services and activities identified in your proposal.

The MSF is exempt from federal excise tax, and state and local sales taxes. The Price Proposal should not include taxes.

THE PRICE PROPOSAL MUST BE IDENTIFIED AND SENT SEPARATELY FROM THE TECHNICAL PORTION OF YOUR PROPOSAL ACCORDING TO THE INSTRUCTIONS OF THIS RFP. Separately sealed price proposals will remain sealed until the JEC has completed evaluation of the technical proposals.

Bidders Please Note: Rates quoted in response to this RFP are firm for the duration of the Contract; no price increase will be permitted.

C) PROPOSAL SUBMITTAL

Submit separately marked electronic versions of each of your Technical and Price proposals to the MSF via email to contractsandgrants@michigan.org not later than **3:00 p.m. EASTERN TIME ZONE on JANUARY 4, 2019**. The MSF has no obligation to consider any proposal that is not timely received. **Proposals will not be accepted via U.S. mail or any other delivery method.**

BIDDERS ARE RESPONSIBLE FOR ASSURING THAT THE FOLLOWING IDENTIFYING INFORMATION APPEARS IN THE SUBJECT LINE OF YOUR EMAIL: *"RFP-CASE-00252470 Technical Proposal"* and *RFP-CASE-00252470 Price Proposal"* with Company Name, and *"message 1 of 3"* as appropriate if the bid consists of multiple emails.

MEMORANDUM

Date: November 27, 2018

To: Michigan Strategic Fund (“MSF”) Board

From: Stacy Bowerman, Senior Project Manager

Subject: *City of Detroit (the “Applicant”) – Ford Motor Company (the “Company”)
MSF Designated Renaissance Zone*

SUMMARY

This is a request from the Applicant for a MSF Designated Renaissance Zone for thirty (30) years for the Ford Corktown Investment project (the “Project”) in the City of Detroit. Ford plans to transform Michigan Central Station and several properties nearby into a vibrant new campus in Detroit’s Corktown neighborhood that will serve as an innovation hub for Ford’s vision for the future of transportation. The Company anticipates the Project will result in private investment of \$740,000,000 and bring 5,000 new jobs to the City of Detroit - 2,500 direct jobs with Ford and 2,500 additional jobs employed by Ford’s partners and suppliers in the City of Detroit.

The Company has determined that the project would not be financially feasible without incentives. Michigan Central Station has been shut down for three decades and has incurred major damage over the years. The cost to renovate a historic structure such as this is significant - the cost to demolish it being far less - but Ford understands what this building means to the people of Detroit, and Michigan, and wants to restore it to its original grandeur. The Company had other options in the eastern and western United States for the project as well as alternative sites within the city of Detroit for its innovation hub. While the Company expressed its preference to participate in the redevelopment of Detroit, the investment required to rehabilitate these properties in Detroit far exceeds the cost of doing the project elsewhere.

COMPANY BACKGROUND

The Company was founded in Michigan in 1903 and incorporated in Delaware in 1919. Based in Dearborn, Michigan, the Company is among the world’s largest producer of cars and trucks, with about 200,000 employees, of which approximately 40,000 employees are located in Michigan, and 62 plants worldwide. Its core business includes designing, manufacturing, marketing, financing, and servicing a full line of Ford cars, trucks, and SUVs, as well as Lincoln luxury vehicles. The Company continues to pursue emerging opportunities through investments in mobility, electrification and autonomous vehicles.

PROJECT BACKGROUND

Ford has plans to transform Michigan Central Station into the centerpiece of a new 1.2 million-square-foot campus in Corktown that will serve as an innovation hub where Ford and its partners can work to define the future of transportation, including building autonomous and electric vehicles. Being in the heart of Detroit provides the perfect setting for Ford teams, and its partners in technology, mobility, education and government, to better understand how urban areas are changing and the role transportation plays in

revitalizing cities. It will help attract talent, startups and engineers who want to address these issues with Ford.

Ford is committed to working with Corktown residents and businesses to ensure its development efforts bring a positive impact to the community and align with the historic nature of the neighborhood. The Corktown Neighborhood Advisory Council unanimously approved Ford's community benefits proposal in late September, securing a commitment from Ford of \$10 million for programs to support economic growth, housing affordability, workforce development, parks preservation, neighborhood safety and preserving Corktown's culture.

The Company intends to develop five primary properties in Corktown at this time; Michigan Central Station and Parking Deck, the Detroit Public Schools (DPS) Book Depository, the Factory Building, the Brass Factory and the North Michigan Avenue Parking Deck.

The Company's initial plans include investing approximately \$740,000,000 to restore Michigan Central Station to its historic grandeur, restore the DPS building, and demolish, remediate and build a new structure on the Brass Factory site. Approximately 2,500 Ford employees, mostly from mobility business areas, will be based in Corktown by 2022 and there will be space to accommodate 2,500 additional employees of Ford partners and suppliers.

The Company's initial plans include the following redevelopments:

Michigan Central Station and Parking Deck

The Michigan Central Station and Parking deck is a 650,000 square foot, 18-story structure located at 2001 15th Street in Detroit. The structure served as a train station from 1913 to 1988 with approximately 4,000 passengers moving through the station per day at its peak. Since 1988, the building has sat vacant with little use. The plan to address over 30 years of decay includes restoring eight acres of masonry, two acres of decorative plaster and replacing or restoring over 1,200 windows. The first stage of the project includes a temporary safety enclosure and work to stabilize and dry out the building. This process will begin in late 2018. Major rehabilitation work will begin in early 2019. Once restoration is complete, the structure will be used for modern office space for Ford employees and strategic partners, and include some retail, community and event space. A small portion of the space may be residential.

DPS Book Depository Building

DPS Book Depository Building is a 273,000 square foot structure located at 2231 Dalzelle Street in Detroit. It was opened as a post office in 1936 and later became a book depository for the Detroit Public Schools. In 1987, there was a fire in the building that caused severe damage forcing its closure. The building has sat vacant ever since. The planned renovations include cleaning and restoring the existing façade, replacing all windows and a complete interior restoration. Temporary safety enclosure work will begin in late 2018 with major rehabilitation beginning in early 2019.

Lincoln Brass Works (The Brass Factory)

The Brass Factory is a 289,000 square foot structure located at 2200 Rosa Parks Boulevard in Detroit. The building has sat vacant since 2016 when it was discovered that the site is contaminated. The building is not salvageable because of its condition, therefore, the plan is to demolish the building, do all necessary environmental cleanup and build a new structure. Demolition will likely start in the first quarter of 2019. The new building will be designed in keeping with the historic feel of the Corktown neighborhood. The building planned use is primarily for office and/or research space.

The Corktown campus will be a critical piece of the mobility corridor that the Company wants to create. The plan is to connect along Michigan Avenue to the headquarters in Dearborn, to the American Center for Mobility in Ypsilanti and to Mcity in Ann Arbor. The urban presence that Detroit offers provides a clear understanding of congestion, parking and mobility pain points that city workers and residents are facing. The location of this mobility hub also provides the urban setting that is necessary to recruit and retain the best talent. Ford's Corktown campus has the potential to attract new businesses and world-class talent and will ensure that Detroit remains "the Motor City" no matter what the future of transportation brings.

PROPERTY DESCRIPTION

The Applicant has made application on behalf of Ford Motor Company for a MSF Designated Renaissance Zone for a 30-year designation for the properties listed in the attached project map. The Renaissance Zone will become effective within five years of MSF approval.

The boundaries of the Renaissance Zone also include additional property, beyond the properties referenced above, which will help attract future investments that will support the revitalization of Corktown. Any future support under the Renaissance Zone will be subject to both the City and MSF Fund Manager approvals.

PROJECT EVALUATION

Job Creation

Ford Direct Jobs - 2,500 by December 31, 2022

Ford's Partners and Suppliers Jobs– 2,500 by December 31, 2028

Ford Private Investment

\$740,000,000 by December 31, 2022

Size

1.2-million square feet of building;

Tax Information

It is estimated that an average of \$6.9 million will be abated annually in property taxes. Current property taxes on land and buildings in the proposed Renaissance Zone are less than \$200,000.

Period of Designation

30-year designation

ADDITIONAL INFORMATION

Other Local Support

The City of Detroit has also approved a Commercial Rehabilitation Act (Public Act 210 of 2005) and Obsolete Property Rehabilitation Act (Public Act 146 of 2000) tax abatements in support of the project. The estimated value of the abatements is \$27 million over 12 years.

Development Agreement

A development agreement will be entered into between Ford Motor Company and the Michigan Strategic Fund.

Legislative Information

Senator: Coleman Young II - State Senate District 1

Representative: Stephanie Chang - State House District 6

RECOMMENDATION

MEDC Staff recommends the following:

- 1) Approval of the requested Renaissance Zone for 30 years, as outlined in the Resolution

Exhibit A

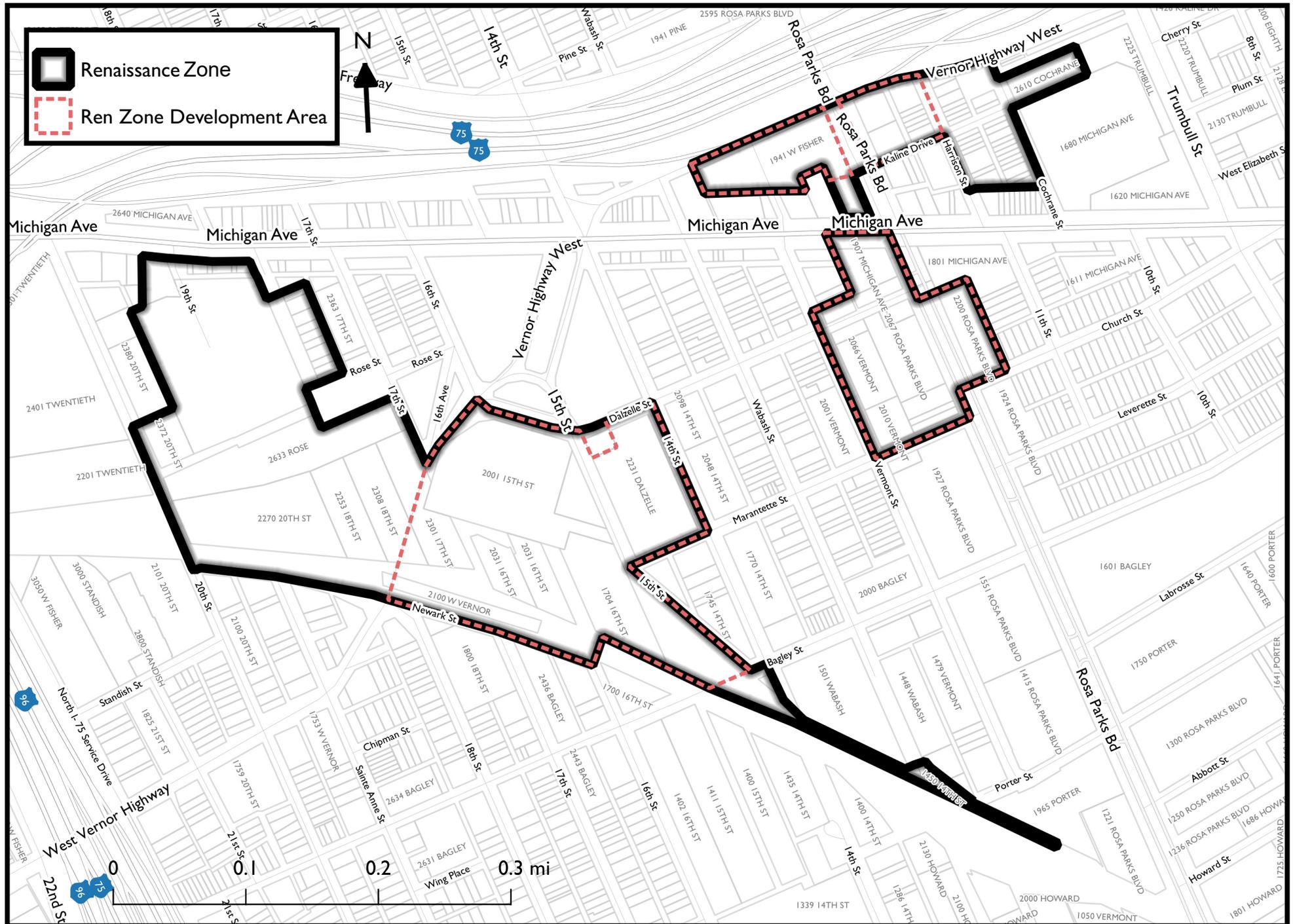
13 Nov 2018



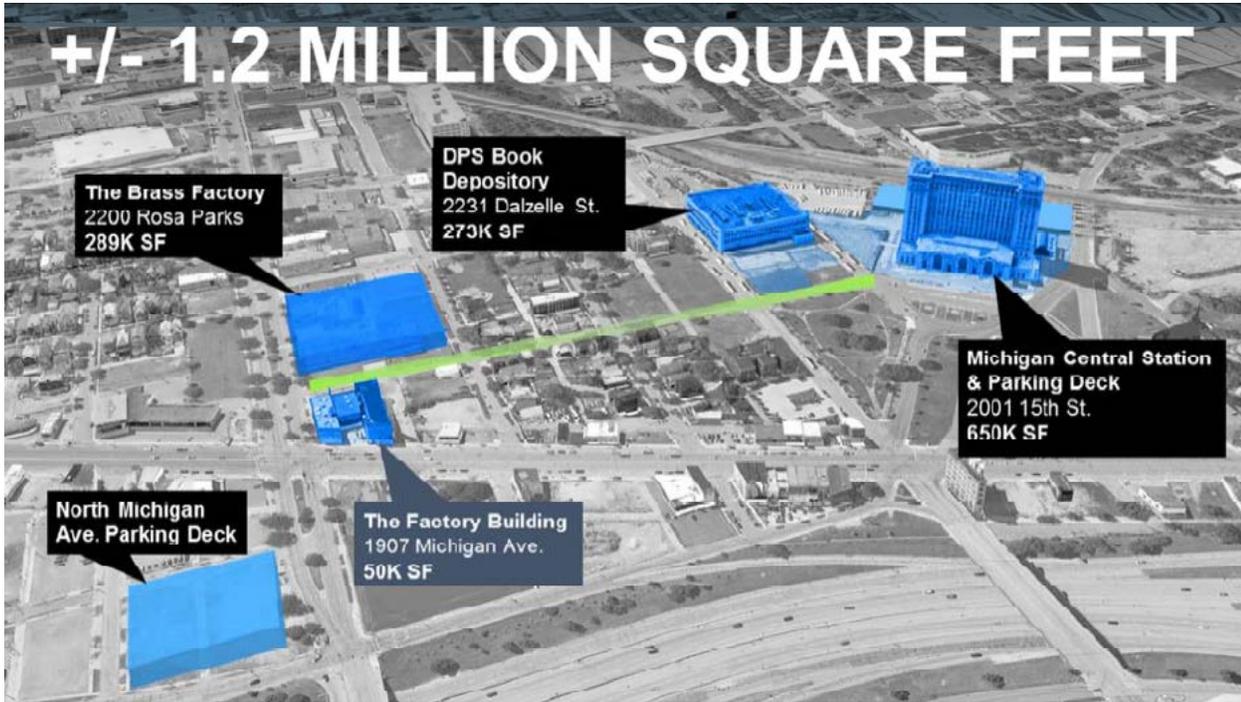
0 0.25 mi

Parcel Data: City of Detroit Assessor's Office. Building data: SEMCOG

Corktown Area Renaissance Zone



Ford Motor Company – Corktown Redevelopment – Initial Phase



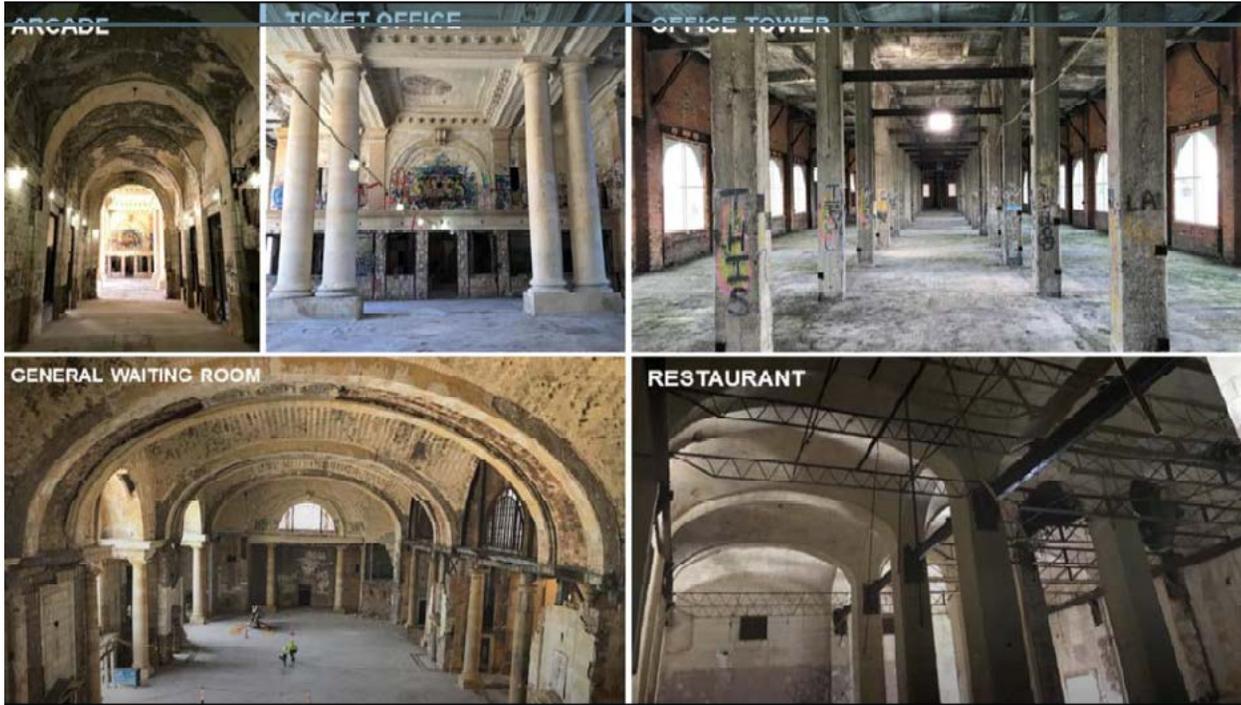
Michigan Central Station

Existing - Exterior



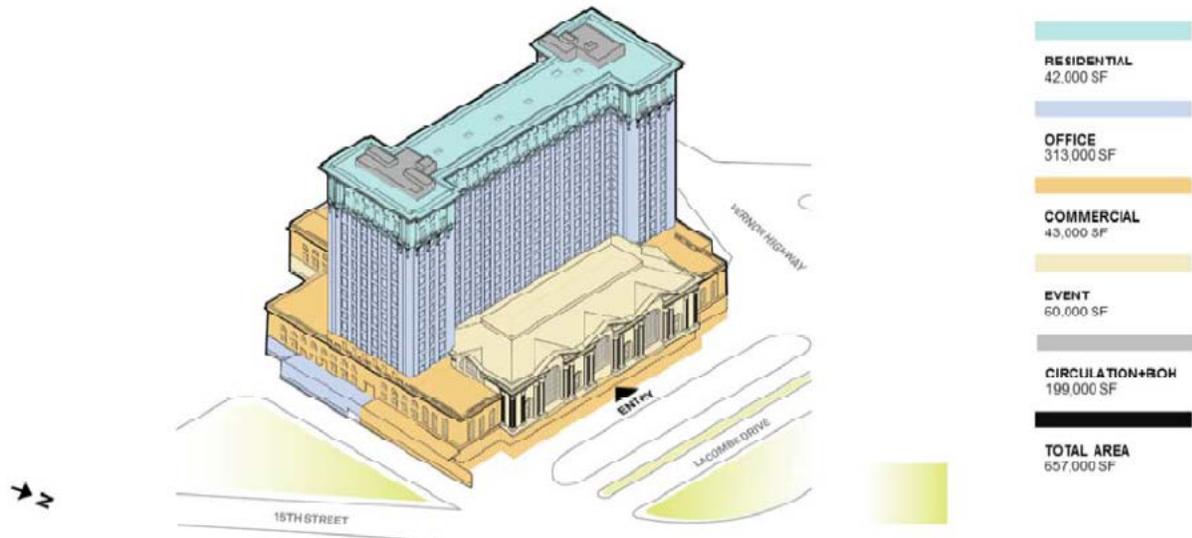
Michigan Central Station

Existing - Interior

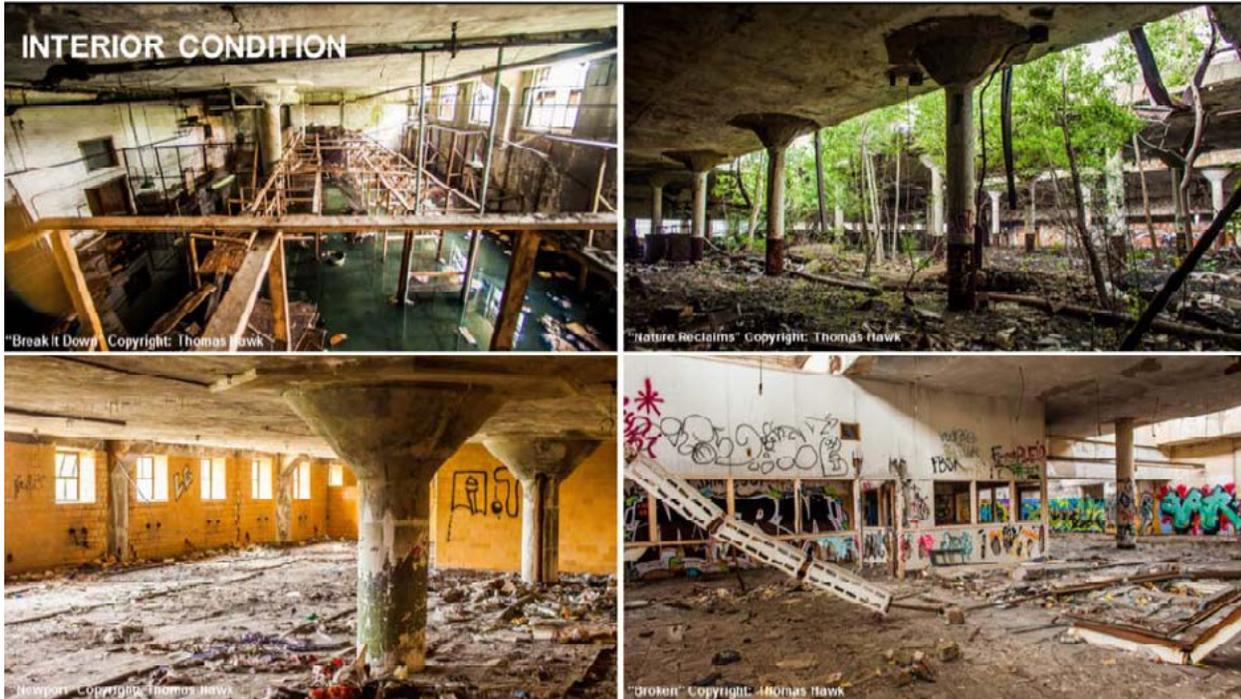


Future Use

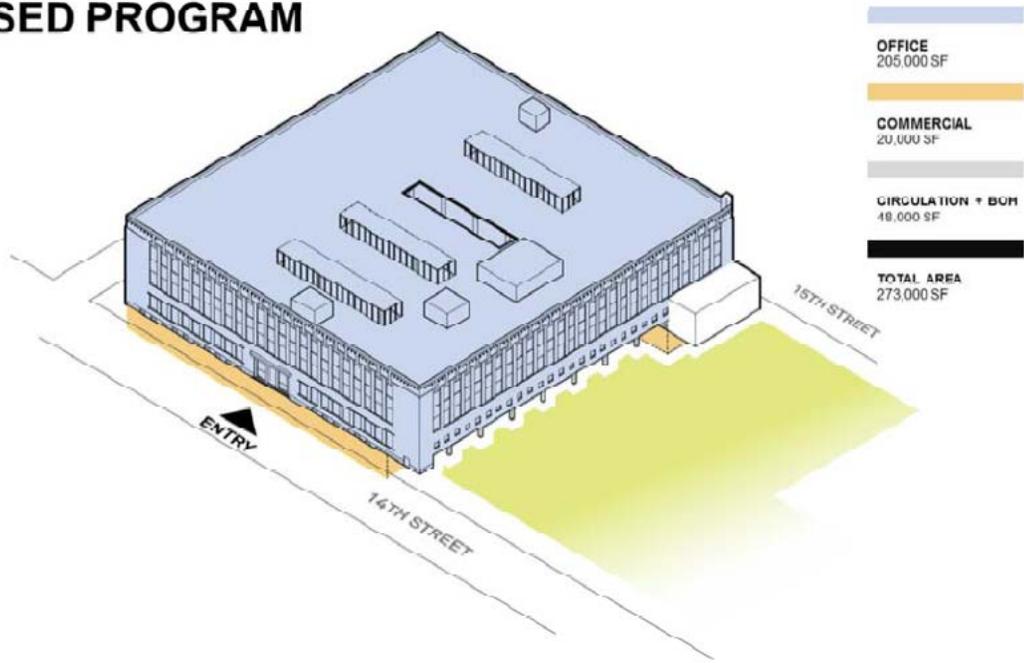
PROPOSED PROGRAM



DPS Book Depository



PROPOSED PROGRAM



Lincoln Brass Works

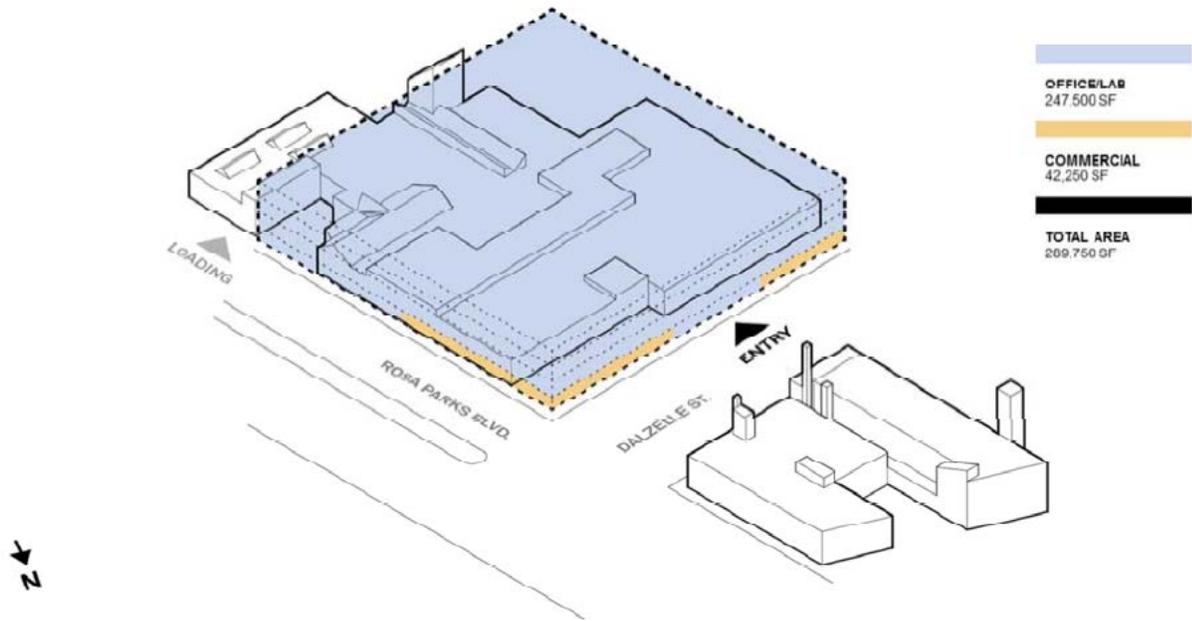
CURRENT CONDITION



CURRENT CONDITION



PROPOSED PROGRAM



MEMORANDUM

Date: November 27, 2018

To: Michigan Strategic Fund Board

From: Karl Dehn, Director, Strategic Projects
Rob Garza, Senior Program Specialist, Brownfield and MCRP

Subject: Request for Approval of an Act 381 Work Plan
Tri-County Commerce Center (TCCC) Redevelopment Project #2 and #3

REQUEST

The City of Hazel Park Brownfield Redevelopment Authority is requesting approval of a Brownfield Act 381 Work Plan including local and school tax capture for MSF eligible activities in the amount of \$21,436,910, to support a business development project that will involve the new construction of two speculative commercial buildings located at 1650 East 10 Mile Road, 24211 Hughes Avenue, and Oakgrove Avenue in the City of Hazel Park. The project will result in total capital investment in the amount of \$85,000,000, along with the creation of approximately 613 permanent, full-time equivalent jobs with an average hourly wage of \$16.00.

LOCAL SUPPORT

Local support for the project includes the local contribution to the Work Plan estimated at \$14,596,392. The project qualifies because it is a facility/blighted/functionally obsolete/historic resource.

TAX CAPTURE SUMMARY

In order to alleviate brownfield conditions and prepare the site for redevelopment, the City of Hazel Park, a Qualified Local Governmental Unit, has duly approved a brownfield plan for this property on September 11, 2018. The property has been determined to be a facility as verified by the Michigan Department of Environmental Quality (DEQ) on November 1, 2018.

There are 73.9215 non-homestead mills available for capture, with State mills from school operating and SET millages equaling 23.5863 mills (31.91%) and local millage equaling 50.3352 mills (68.09%). The locals have elected to allow 23% of available state and local millages pass-through to their respective taxing jurisdictions. The remaining 77% of available capture will be used to reimburse the developer for eligible activities. Tax increment capture will begin in 2020 and is estimated to continue for 18 years. The requested tax capture for MSF eligible activities breaks down as follows:

State tax capture	(31.91%)	\$	6,840,518
Local tax capture	(68.09%)	\$	14,596,392
TOTAL		\$	21,436,910

COST OF MSF ELIGIBLE ACTIVITIES

Demolition	\$	3,665,217
Infrastructure Improvements		1,470,795
Site Preparation	+	<u>13,469,998</u>
Sub-Total	\$	18,606,010
Contingency (15%)	+	<u>2,790,900</u>
Sub-Total	\$	21,396,910
Brownfield/Work Plan Preparation		20,000
Brownfield/Work Plan Implementation	+	<u>20,000</u>
TOTAL	\$	<u>21,436,910</u>

In addition, the project is requesting from the MDEQ \$12,722,495 in TIF to assist with environmental eligible activities.

PROJECT BACKGROUND

The project is locating on a portion of the former Hazel Park Raceway site, which began operations in 1949. Prior to construction of the raceway, a portion of the site was utilized as a landfill. In 2016 and 2017, Ashley Capital, in partnership with Tri-County Commerce Center, LLC completed Building #1, a 575,000 square foot speculative building on a portion of the former Hazel Park Raceway site. Building #1 is now occupied by multiple tenants.

Earlier this year, Ashley Capital, through its holding company, Hazel Park Holdings II, LLC, purchased the remaining 95.73 acres of the former Raceway site, and is now proposing to complete the second phase of the Tri-County Commerce Center (TCCC) development, which will consist of constructing TCCC Building #2, a 650,000 square foot speculative building, and TCCC Building #3, an 840,000 square foot speculative building. The new buildings will be constructed as modern, flexible space, high-bay, multi-tenant facilities for manufacturing, warehouse and distribution uses.

Brownfield eligible activities will alleviate Brownfield conditions across the site making it suitable for redevelopment, while protecting human health and the environment. Without Brownfield tax increment reimbursement, the cost burden related to Brownfield conditions would make the project financially unfeasible.

APPLICANT HISTORY

Ashley Capital is the agent for Tri-County Commerce Center 2, LLC. Founded in 1984, Ashley Capital is a privately-held real estate investment company based in New York with offices in Detroit, Grand Rapids, Atlanta, Chicago, and Norfolk, Virginia. Ashley Capital manages approximately 20,000,000 square feet of industrial building space in Michigan, with average occupancy of approximately 95%. Ashley Capital has received incentives from the MEDC in the past in the form of a large Brownfield MBT credit valued at \$5,027,965 and an associated work plan with state and local tax capture of approximately \$12 million, both approved in 2007. Ashley Capital, in partnership with Tri-County Commerce Center, LLC received approval for an Act 381 Work Plan with state and local tax capture of approximately \$5,751,200 in 2016.

The MEDC has completed civil and criminal background checks in accordance with the MSF Background Review Policy. No issues were identified.

Recommendation

MEDC staff recommends approval of local and school tax capture for the Act 381 eligible activities totaling \$21,436,910. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at \$6,840,518. However, an entity's decision to relocate from a Michigan location to the newly constructed facilities (TCCC Building #2 and TCCC Building #3) may result in suspension of the school tax capture if the relocating entity has little or no intentions of: 1) expanding the size of its relocated facility; 2) employing a higher number of individuals than employed prior to its move into the facility; or 3) any other valid business reason.

APPENDIX A – Project Map and Renderings





MEMORANDUM

Date: November 27, 2018

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

From: Jeremy Webb, Sr. Business Development Project Manager

Subject: Aptiv US Services General Partnership (“Company” or “Applicant”)
Good Jobs for Michigan (“GJFM”) Withholding Tax Capture Revenues Request

Summary

This is a request from the Applicant for a 100 percent GJFM Withholding Tax Capture for up to 10 years valued at \$30,685,850. This project involves the creation of 500 Certified New Jobs and a capital investment of \$20,000,000, with the potential for up to \$30,000,000, in the city of Troy, Oakland County.

The Applicant has demonstrated a need for the funding. Michigan is in competition with Indiana for this project. The Company currently has operations in Kokomo, Indiana and is looking to relocate the Indiana facility into the Troy, Michigan facility. Moving the facility to Michigan involves added costs and risk of losing talent. The initial phase of this project requires a significant capital investment in facility build out, talent, vehicles, and lab and test equipment. Considering the cost savings related to keeping the majority of existing employees in Indiana, incentive assistance is needed for deal closing.

Background

The Company’s parent, formed in 2011 as Delphi Automotive PLC, which, together with its subsidiaries, acquired certain assets of the former Delphi Corporation (now known as DPH Holdings Corp) and completed an initial public offering later that year. In late 2017, the parent company completed the separation of its former Powertrain Systems segment by distributing to Aptiv shareholders, on a pro rata basis, all of the issued and outstanding ordinary shares of Delphi Technologies PLC (“Delphi Technologies”), a public limited company formed to hold the spun-off business. Following the separation, the remaining company changed its name to Aptiv PLC. Also, as a result of the separation, Delphi Technologies became an independent public company trading on the NYSE. The Company was formed in 2017 for the purposes of employing and serving as paymaster for the Aptiv group’s U.S. employees.

The completion of the separation positioned the parent company as a global technology and mobility company serving the automotive sector. The parent company designs and manufactures vehicle components and provides electrical, electronic and active safety technology solutions to the global automotive and commercial vehicle markets, creating the software and hardware foundation for vehicle features and functionality. The parent company enables and delivers end-to-end smart mobility solutions, active safety and autonomous driving technologies and provides enhanced user experience and connected services.

The Company is looking to renovate its existing Troy facility in order to seat approximately 500 engineers, support staff, and electronics labs. The labs will consist of engineering benches, failure analysis, engineering prototyping and validation. The site will also contain areas for secure vehicle storage (car pool), associated docks, cafeteria and vehicle demonstration area. The renovation has the potential to be 186,000

square feet of the 473,427 square feet of the Troy campus, of which the Company occupies 381,713 square feet, and leases the remainder to Delphi Technologies. The project will require significant capital investment and the creation of 500 new jobs related to engineering.

The MEDC has completed civil and criminal background checks in accordance with the MSF Background Review Policy. No issues were identified.

Considerations

- a) The Applicant is an “Eligible Business”, as defined in MCL 125.2090g(d), that is located and operates in Michigan.
- b) The Eligible Business has committed to creating and maintaining a minimum of 250 Certified New Jobs with an average wage of equal to or greater than 125 percent of the regional prosperity average wage of \$74,808.
 - a. The Applicant plans to create 500 Certified New Jobs above a statewide base employment level of 1,121, paying an average wage of \$103,667. The Certified New Jobs will be created within five years of entering into the written agreement.
- c) The maximum amount of withholding tax capture revenues captured related to the project is \$30,685,850.
- d) The project will be located in the city of Troy. The city of Troy has approved the Eligible Businesses new location OR expansions by resolution.
- e) The plans for the expansion are economically sound.
- f) The expansion or location of the Eligible Business will increase employment opportunities and strengthen Michigan’s economy.
- g) Assistance under this program is an incentive to expand or locate the Eligible Business in Michigan and address the competitive disadvantages with sites outside the state. The Company currently has operations in Kokomo, Indiana and is looking to relocate the Indiana facility into the Troy, Michigan facility. Moving the facility to Michigan involves added costs and risk of losing talent. The initial phase of this project requires a significant capital investment in facility build out, talent, vehicles, and lab and test equipment. Considering the cost savings related to keeping the majority of existing employees in Indiana, incentive assistance is needed for deal closing.
- h) The expansion or location of the Applicant will result in a positive fiscal impact to the state.
- i) The MSF has the authority to authorize no more than \$200,000,000 in withholding tax capture revenue and execute no more than 15 written agreements in each calendar year. With this approval, the remaining balance of withholding tax capture revenue is \$142,642,202 and would be the MSF’s third approval this calendar year. To date, no agreements have been executed.
- j) The following was taken into consideration when determining the term of the withholding tax capture revenues: the number of new Certified New Jobs to be created; the level in which the average annual wage exceeds the prosperity regional average wage; the disadvantage of expanding in Michigan versus Indiana; the potential impact of the project on Michigan’s economy; the Applicant has made a written commitment to fund some portion of costs for applicable training of the new employees that leads to a professional or technical certification; the Applicant will make a good faith effort to employ Michigan residents; and the project will not occur without state support.
- k) Pursuant to the program guidelines, the following was also taken into consideration for the proposed project. The project is not a retail project, is not a retention project, is a shovel-ready project with the support of the MSF, will reuse an existing facility, and has the prospect of near-term job creation.

Recommendation

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

- a) Approval of the GJFM Withholding Tax Capture Revenue for up to 100 percent for 10 years up to \$30,685,850;
- b) Closing the GJFM Withholding Tax Capture Revenue, is subject to satisfactory completion of due diligence (collectively, “Due Diligence”) and finalization of all transaction documents; and
- c) Commitment will remain valid for 120 days with approval for MSF Fund Manager to extend the commitment an additional 60 days.

MEMORANDUM

Date: November 27, 2018
To: Michigan Strategic Fund (“MSF”) Board Members
From: Jeremy Webb, Sr. Business Development Project Manager
Subject: Spartan Michigan LLC (“Company” or “Applicant”)
Michigan Business Development Program (“MBDP”) Grant Request

Request

This is a request from the Applicant for a \$2,000,000 MBDP Grant, as outlined in the attached Term Sheet (“MBDP Request”). This project involves the creation of 231 Qualified New Jobs, with the potential for up to 259 total jobs as a result of the project, and a capital investment of up to \$425,000,000 in the city of St. Johns, Clinton County.

Background

The Applicant’s parent, Glanbia plc, has its origins in the Irish co-operative movement that evolved over the last century. Glanbia plc was formed in 1997 out of the merger of Avonmore Foods plc and Waterford Foods plc. Glanbia plc is a global nutrition group comprised of Glanbia Performance Nutrition, Glanbia Nutritionals (“GN”), and various joint ventures and associates. GN includes Nutritional Solutions and U.S. Cheese businesses, and it has a portfolio focused on both dairy and non-dairy nutritional ingredients.

GN delivers functional ingredient solutions, aseptic bottling services, and precision premixes for use in the food and beverage, infant/clinical nutrition, and functional nutrition markets. GN is also a large-scale manufacturer and marketer of American-style cheddar cheese. GN has customers in 21 countries worldwide, for products from state of the art facilities in the U.S., Germany and China and with international sales and technical offices located across five continents.

The Company was formed for the purpose of owning and operating the proposed project. The Company is a joint venture (the "JV") that is 50% owned by GN and 50% by a dairy joint venture. The dairy joint venture is owned by Dairy Farmers of America, Inc. ("DFA") and by Select Milk Producers, Inc. ("Select"). The dairy cooperatives have members throughout Michigan and the surrounding states.

The Applicant plans to construct an approximately 360,000 square feet cheese and whey processing facility the will ultimately process eight million pounds of milk per day and manufacture cheese and whey protein powder. Major project components and equipment purchases will include, but is not limited to: milk receiving bays, milk storage silos, milk processing equipment, cheese processing equipment, packaging solutions, lab and hygiene areas, utility equipment, office and break room areas, a full wastewater treatment facility, inter-site roadways and parking or truck staging areas, and storm water solutions.

The Applicant has demonstrated a need for the funding. The Company is considering expanding the business in other countries or the U.S. State and local incentives are needed in order to help make the investment in Michigan financially feasible in comparison with other locations nationally and globally. As this project is very capital intensive and requires substantial wastewater treatment improvements, the Company needs state assistance to help offset some of those up-front costs.

In addition to MSF support, the city of St. Johns has approved a real property tax abatement in support of the project. Upon recommendation from the MSF and the Michigan Commission of Agriculture and Rural

Development, the State Administrative Board designated an Agricultural Processing Renaissance Zone for the Company at its August 28, 2018 meeting.

Recommendation

MEDC Staff recommends approval of the MBDP Request, as outlined in the attached resolution.

MICHIGAN ECONOMIC
DEVELOPMENT CORPORATION

EXHIBIT A
MICHIGAN BUSINESS DEVELOPMENT PROGRAM
Performance Based Incentive - Term Sheet - Summary

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").

Date: November 11, 2018

Company Name: Spartan Michigan LLC and/or its affiliates and subsidiaries.

Project Location: St. Johns, Michigan

MBDP Incentive Type: Performance Based Grant

Maximum Amount of MBDP Incentive: Up to \$2,000,000

Base Employment Level: At least 0

Qualified New Jobs: At least 231 at the Project Location

Municipality Supporting Project: City of St. Johns has agreed to provide staff, financial or economic assistance in support of the project.

Start Date for Measurement of Creation of Qualified New Jobs: May 14, 2018 (date of accepted offer)

Term of the Agreement: October 31, 2023

Milestone Based Incentive: Disbursements will be made over a 4 year period and will be performance based on job creation as follows:
Milestone 1: \$216,450 for the creation of 25 jobs.
Milestone 2: \$216,450 for the creation of 25 jobs.
Milestone 3: \$865,800 for the creation of 100 jobs.
Milestone 4: \$701,300 for the creation of 81 jobs.

The detailed numbers, and statutorily required repayment and reporting provisions, will be reflected in the subsequent transaction documents.

Acknowledged as received by:

Spartan Michigan LLC

By:



Printed Name:

THOMAS A PENCIL

Its:

Authorized Representative

Michigan Economic Development Corporation

By:



Printed Name:

Jeremy J. Webb

Its:

Sr. Business Development Project Manager

MEMORANDUM

Date: November 27, 2018
To: Michigan Strategic Fund (“MSF”) Board Members
From: Jeremy Webb, Sr. Business Development Project Manager
Subject: Gallagher-Kaiser Corporation (“Company” or “Applicant”)
Michigan Business Development Program (“MBDP”) Grant Request

Request

This is a request from the Applicant for a \$3,200,000 MBDP Grant, as outlined in the attached Term Sheet (“MBDP Request”). This project involves the creation of 300 Qualified New Jobs and a capital investment of up to \$9,270,000 in the city of Detroit and city of Troy, Wayne County and Oakland County, respectively.

Background

The Company is Michigan based, established in 1952 and headquartered in Troy. The Company provides its customers, primarily automotive OEMs, with turnkey solutions to their toughest challenges. The Company provides engineering, procurement, and construction support, including on-site solutions. The Company is one of the top paint finishing suppliers and also provides pre-finished steel equipment to be used by manufacturers. The Company presently holds seven US patents related to products it has developed and is applying for four additional patents. The Company has locations in Troy and Detroit, as well as a leased facility in Ft. Wayne, Indiana and Texas.

The Company is looking to expand its current operations to meet the growing demands of its current customers. To do this, the Company is looking to create a steel fabrication center of excellence (“COE”) at its site in Detroit. This would involve purchasing two additional parcels, as well as a vacant building adjacent to its Detroit facility that will require significant improvements. Currently, when the company has increased manufacturing requirements or needs to provide unique or high-demand support to projects outside Michigan, the Company subcontracts or outsources to other manufacturers situated outside Michigan, thereby routinely sending jobs and work outside of Michigan. The COE, when complete, will allow the Company to employ full-time, permanent workers in the city of Detroit, as well as the city of Troy, and eliminate a significant portion of jobs currently outsourced. Additionally, the Company’s out-of-state customers would now be supported by the Detroit COE. The project will result in approximately \$9,270,000 in private investment and the creation of 300 jobs.

Michigan is in competition with Indiana and Texas for this project. In addition, the Company may not proceed with the project at all without state assistance. The Company is already leasing production sites in Indiana and Texas where similar fabrication specialization is in demand. Incentive assistance is needed to help offset the costs of establishing the steel fabrication COE.

In addition to MSF support, the city of Detroit anticipates approval of a real property tax abatement in support of the project.

Recommendation

MEDC Staff recommends approval of the MBDP Request, as outlined in the attached resolution.

EXHIBIT A
MICHIGAN BUSINESS DEVELOPMENT PROGRAM
Performance Based Incentive - Term Sheet - Summary

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").

Date: 11/9/2018

Company Name:	Gallagher-Kaiser Corporation and/or its affiliates and subsidiaries.
Project Location:	13710 Mount Elliott Street Hamtramck, Michigan 48212 13400 Mount Elliott Street Detroit, Michigan 48212 769 & 777 Chicago Road Troy, Michigan 48083
MBDP Incentive Type:	Performance Based Grant
Maximum Amount of MBDP Incentive:	Up to \$3,200,000
Base Employment Level:	At least 255
Qualified New Jobs:	At least 300
Municipality Supporting Project:	City of Detroit has agreed to provide staff, financial or economic assistance in support of the project.
Start Date for Measurement of Creation of Qualified New Jobs:	October 23, 2018 (date of accepted offer letter)
Term of the Agreement:	June 30, 2022
Milestone Based Incentive:	Disbursements will be made over a 4 year period and will be performance based on job creation as follows: Milestone 1: \$500,000 for the creation of 40 jobs. Milestone 2: \$500,000 for the creation of 40 jobs. Milestone 3: \$435,000 for the creation of 60 jobs. Milestone 4: \$640,600 for the creation of 60 jobs. Milestone 5: \$590,510 for the creation of 50 jobs. Milestone 6: \$533,890 for the creation of 50 jobs.

The detailed numbers, and statutorily required repayment and reporting provisions, will be reflected in the subsequent transaction documents.

MICHIGAN ECONOMIC
DEVELOPMENT CORPORATION

Acknowledged as received by:

Gallagher-Kaiser Corporation

By:

Kim Krause

Printed Name:

K.M. Krause

Its:

CFO

Michigan Economic Development Corporation

By:

Jeremy J. Webb

Printed Name:

Jeremy J. Webb

Its:

Sr. Business Development Project Manager

MEMORANDUM

Date: November 27, 2018
To: Michigan Strategic Fund (“MSF”) Board Members
From: Trevor Friedeberg, Director, Business Development Projects
Subject: Samsung SDI America, Inc. (“Company” or “Applicant”)
Michigan Business Development Program (“MBDP”) Grant

Request

This is a request from the Applicant for a \$10 million MBDP Grant, as outlined in the attached Term Sheet (“MBDP Request”). This project involves the creation of 461 Qualified New Jobs and a capital investment of up to \$62,772,674 in the City of Auburn Hills, Oakland County.

Background

Headquartered in San Jose, California and established in 1988, the Company is a manufacturer of rechargeable batteries for the IT industry, automotive industry, and energy storage systems (ESS), as well as cutting-edge materials used to produce semiconductors, displays, and solar panels. The Company currently has 130 employees working in Michigan and is a subsidiary of Samsung SDI Co., Ltd., which employs over 30,000 individuals worldwide. The proposed Auburn Hills, MI location will be the center of Samsung's automotive battery operations and home to its HQ, R&D Technical Center and battery pack manufacturing operation.

The Company intends to expand the manufacturing presence through the creation of its first high volume automotive battery pack manufacturing facility in the United States. While the primary focus of the facility and this business plan will be manufacturing automotive battery packs, the Company may also look to expand other elements of its business at this site as market conditions dictate. The current planned expansion anticipates over \$62.7 million of investment in automotive battery pack production facility(s) and the creation of 461 jobs by the end of 2024. Job creation roles will include production line operators, factory management, and engineering.

The competing site is located in Oregon, Ohio. The site has the advantage of immediate occupancy with the ability to expand as the project grows. In addition, the site is in close proximity to the Company’s primary supplier. Additional constraints to moving forward with the project in Michigan include immediate access to a qualified workforce, electricity cost, and the availability of electric power. The Ohio incentive package was extremely aggressive and included lower cost lease rates, lower cost electric power, help with supplementing labor costs, and reduction in property taxes, resulting in Ohio being elevated to a top site of consideration. Incentive assistance is needed to compete with Ohio and ensure this project is able to move forward in Michigan.

In addition to MSF support, the City of Auburn Hills anticipates the approval of a real property tax abatement in support of the project. The Company will also be receiving a 6 mill SET abatement.

The MEDC is in the process of completing civil and criminal background checks in accordance with the MSF Background Review Policy. This is expected to be completed prior to the board meeting.

Recommendation

MEDC Staff recommends approval of the MBDP Request, as outlined in the attached resolution.

EXHIBIT A
MICHIGAN BUSINESS DEVELOPMENT PROGRAM
Performance Based Incentive - Term Sheet - Summary

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").

Date: November 13, 2018

Company Name: Samsung SDI America, Inc. and/or its affiliates and subsidiaries.

Project Location: Auburn Hills, Michigan

MBDP Incentive Type: Performance Based Grant

Maximum Amount of MBDP Incentive: Up to \$10 million

Base Employment Level: At least 130

Qualified New Jobs: At least 461 in Michigan

Municipality Supporting Project: The City of Auburn Hills has agreed to provide staff, financial or economic assistance in support of the project.

Start Date for Measurement of Creation of Qualified New Jobs: November 27, 2018 (Date of MSF Board)

Term of the Agreement: May 31, 2025

Milestone Based Incentive: Disbursements will be made over a 6 year period and will be performance based on job creation as follows:
Lease Execution: \$2.3 million for executing a minimum 10 year lease.
Machinery & Equipment: \$1.7 million for at least \$9 million in M&E investment.
Workforce Development: \$2 million for eligible training expenses.

Additionally, on November 30th of each year, the Company may request disbursement equal to \$8,677 for each Qualified New Job (up to 461 Qualified New Jobs and not to exceed the total amount of \$4,000,000) upon demonstration that the base employment level and any Qualified New Jobs for which disbursements have previously been made have been maintained, and provided that:

- I. On November 30, 2019, the Company has created a minimum of at least 25 Qualified New Jobs above the Base Employment Level and submits documentation verifying commitment of local support;
- II. On November 30, 2020, the Company has created a minimum of 50 Qualified New Jobs above the Base Employment Level; and
- III. On November 30, 2021, the Company has created a minimum of 100 Qualified New Jobs above the Base Employment Level; and
- IV. On November 30, 2022, the Company has created a minimum of 200 Qualified New Jobs above the Base Employment Level; and

November 13, 2018 – Samsung SDI America, Inc.

MICHIGAN ECONOMIC
DEVELOPMENT CORPORATION

- V. On November 30, 2023, the Company has created a minimum of 300 Qualified New Jobs above the Base Employment Level; and
- VI. On November 30, 2024, the Company has created a minimum of 400 Qualified New Jobs above the Base Employment Level.

There are 3 performance milestones tied to Lease Execution, Machinery and Equipment Purchase, and Workforce Development expected to be disbursed prior to job creation. The remaining disbursements will be tied to job creation milestones.

The detailed numbers, and statutorily required repayment and reporting provisions, will be reflected in the subsequent transaction documents.

Acknowledged as received by:

Samsung SDI America, Inc.

By:

Printed Name:

Its:


HYEON SONG

VP PLANNING TEAM

SAMSUNG SDI

15th Nov 2018

Michigan Economic Development Corporation

By:

Printed Name:

Its:


Trevor Friedberg

Director, Business Development
Projects

November 13, 2018 – Samsung SDI America, Inc.

5/5

MEMORANDUM

Date: November 27, 2018

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

From: Erik Wilford, Business Development Project Manager

Subject: Gestamp Mason, LLC
AND
Gestamp Washtenaw, LLC (“Company” or “Applicant”)
Amendment to Approved Michigan Business Development Program Grant Agreement

Request

The Company is requesting an amendment to its existing Michigan Business Development Program (“MBDP”) performance-based grant Agreement to add the related entity Edscha Automotive Michigan, Inc. (“Edscha”) for the purpose of counting Base Employment and increase required Qualified New Jobs from 235 to 370 which will increase the maximum grant amount from \$1,175,000 to \$1,850,000.

Background

On October 25, 2016 the Michigan Strategic Fund approved a \$1,175,000 performance-based grant under the Michigan Business Development Program. The Company proposed to expand operations for a new chassis assembly line and an electronic coat paint line as well as adding a remote laser welding 3D technology line in Chelsea and Mason, making investments and creating jobs related to motor vehicle metal stamping. The project involved the creation of 235 Qualified New Jobs and a capital investment of up to \$158,000,000 in the City of Chelsea, Washtenaw County and the City of Mason, Ingham County.

As of August 2018, the Company has created 169 Qualified New Jobs above the Base Employment Level and will be in a position to collect on Milestone 1 by its due date.

Edscha was acquired by the Company in 2010 but remains a separate entity, though its employees work in Gestamp facilities. When applying for the MBDP grant, the Company included Edscha employees in its Base Employment headcount. Additionally, the Company is completing a reorganization of its business operations which resulted in shifts in employment between facilities within the state to support its long-term strategic growth plan which was not expected when the Company applied for the MBDP grant initially.

Recommendation

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

- a) Amend the MBDP Agreement as outlined in the attached term sheet (collectively, “MBDP Amendment”);
- b) All other aspects of the approval remain unchanged.

MICHIGAN ECONOMIC
DEVELOPMENT CORPORATION

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

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

Date: 10/19/2018

Company Name: Gestamp Mason, LLC & Gestamp Washtenaw, LLC
("Company" or "Applicant")

Company Address ("Project"): 5800 Sibley Road
Chelsea, Michigan 48118

and

200 Kipp Road
Mason, Michigan 48854

MBDP Incentive Type: Performance Based Grant

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

- **Maximum Amount of MBDP Incentive:** Up to \$1,175,000 ("MBDP Incentive Award")
- **Base Employment Level** 872 The number of jobs currently maintained in Michigan by the Company and Gestamp North America, Inc. and Gestamp Alabama, LLC or any combination ("Company Group") based on data submitted by the Company to the MEDC reflecting the Company Group'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.
- **Total Qualified New Job Creation:** 235
(above Base Employment Level)



- **Start Date for Measurement of Creation of Qualified New Jobs:** October 25, 2016

- **Company Investment:** \$158,000,000 in building purchase, building renovations, machinery and equipment, new building construction and computers and IT, *or any combination thereof, for the Project.*

- **Municipality supporting the Project:** The Cities of Chelsea and Mason have agreed to provide staff, financial or economic assistance in support of the Project.

- **Disbursement Milestones:** The terms and conditions of each of the disbursements of any portion of the MBDP Incentive Award are outlined in Exhibit B of the Agreement, and include:
 - **Disbursement Milestone 1:** Up to \$375,000 Upon demonstrated creation of 75 Qualified New Jobs above the Base Employment Level and verification of final approval of municipality support by no later than December 31, 2018.

 - **Disbursement Milestone 2:** Up to \$800,000 Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 160 additional Qualified New Jobs (for a total of 235 Qualified New Jobs) above the Base Employment Level, by no later than December 31, 2019.

- **Term of Agreement:** Execution of Agreement to June 30, 2020.

Proposed MBDP Incentive Amendment:

- **Maximum Amount of MBDP Incentive:** Up to \$1,850,000 ("MBDP Incentive Award")

- **Base Employment Level** 872 The number of jobs currently maintained in Michigan by the Company and Gestamp North America, Inc. and Gestamp Alabama, LLC and Edscha Automotive Michigan, Inc. or any combination ("Company Group") based on data submitted by the Company to the MEDC reflecting the Company Group'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.



- **Total Qualified New Job Creation:** 370
(above Base Employment Level)

- **Disbursement Milestones:** The terms and conditions of each of the disbursements of any portion of the MBDP Incentive Award will be amended as follows:

- **Disbursement Milestone 1:** Up to \$925,000 Upon demonstrated creation of 185 Qualified New Jobs above the Base Employment Level and verification of final approval of municipality support by no later than December 31, 2018.
- **Disbursement Milestone 2:** Up to \$925,000 Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 185 additional Qualified New Jobs (for a total of 370 Qualified New Jobs) above the Base Employment Level, by no later than December 31, 2019.

- **Term of Agreement:** Execution of Agreement to June 30, 2020.

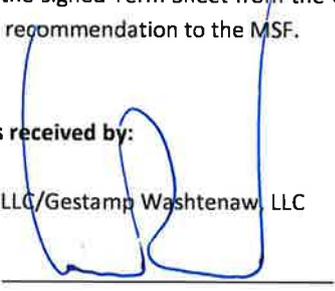
Any final MBDP Incentive Amendment is contingent upon several factors, including: (i) submission by the Company of a completed amendment application and all other documentation required under the MBDP (ii) satisfactory municipality support, if applicable (iii) available MSF funding (iv) completion of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

If the Company is interested in the MEDC pursuing a recommendation to the MSF for a possible MBDP Incentive Award Amendment for the Company along the above parameters, please sign and date this Term Sheet. If the MEDC does not receive the signed Term Sheet from the Company by November 30, 2018, the MEDC may not be able to proceed with any recommendation to the MSF.

Acknowledged as received by:

Gestamp Mason, LLC/Gestamp Washtenaw, LLC

By:



Printed Name:

Francisco José Riberas Hera
Sole Member of
the Board of Managers

Its:

Dated:

11/7/2018

Michigan Economic Development Corporation

By:



Printed Name:

Erik wilford

Its:

Business Development Project Manager

Dated:

11/8/2018

MEMORANDUM

Date: November 27, 2018
To: Michigan Strategic Fund Board
From: Colin Dillon, Data & Strategy Manager, Pure Michigan Business Connect
Subject: *Manufacturing Support Services Contract*

Action

MEDC staff requests that the MSF Board grant and allocate funding up to \$2,125,000 to the Michigan Manufacturing Technology Center (“MMTC”) for the term of November 27, 2018 to October 31, 2019, with the option to extend the grant for up to three additional years and to allocate additional funding at the sole discretion of the MSF Board and subject to available funding.

Background

The MMTC provides Manufacturing Support Services to the Michigan manufacturing (and related) industry with the goal of increasing sales, profitability, the Michigan tax base, as well as creating and retaining jobs. MMTC provides the following services to Michigan companies:

- Matchmaking assistance in support of Pure Michigan Business Connect (“PMBC”) initiatives.
- Consulting and training related to process improvement and efficiency.
- Provide business outreach and services in support of the PMBC and business development efforts.

MMTC is the sole program of the 501c3 Industrial Technology Institute, Inc. (ITI), a not-for-profit Michigan corporation. Founded in 1981, in 1991 ITI proposed and was awarded the charter to operate the Michigan portion of the National Institute of Standards and Technology (NIST) Hollings Manufacturing Extension Partnership (MEP) program. MMTC has operated that center since April 1991, in recent years at a federal funding level of approximately \$4.2 million annually, up from \$2.3 million annually due to ongoing State of Michigan support.

Recommendation

MEDC Staff recommends that the MSF Board award a grant of up to \$2,125,000 for a term of November 27, 2018 to October 31, 2019, with the option to extend the grant for up to three years and to allocate additional funding at the sole discretion of the MSF Board and subject to available funding. MEDC Staff further recommends that the MSF Board authorize the MSF Fund Manager to negotiate the final terms and conditions of the grant, which will include disbursement milestones, standard reporting, and other MSF-required provisions.

MEMORANDUM

To:
Michigan Strategic Fund Board

From:
Aileen Cohen, Capital Project & Portfolio Manager

Date:
11/27/2018

Subject:
UP Paper, LLC (and/or related borrowers) MSDF Collateral Support Proposal

Request

UP Paper LLC ("UPP", "UP Paper" or "Company"), is a manufacturer of recycled kraft paper products sourced from recycled products located in Manistique, Michigan. The Company traces its roots back to 1920 and was acquired by the current ownership out of bankruptcy in late 2015. UPP is working with Crestmark, a division of Meta Bank, to increase its working capital availability.

Crestmark, a division of Meta Bank ("Crestmark" or "Bank") has proposed financing of a working capital line of credit to UPP to pay off its existing working capital line with Fifth Third Bank and increase its availability. Due to collateral shortfall on the working capital line, the Bank is requesting collateral support from the MSF for the following:

Bank Facility and MSF Support

The Bank has proposed the following credit facilities:

Revolving = Line of Credit	\$4,250,000
Total Loans Leveraged	\$4,250,000

Given the above structure, the proposed MSF exposure is a maximum of:

Revolving = Line of Credit	\$1,891,250
Total MSF Contribution	\$1,891,250

Under definitions provided by the US Department of Treasury related to the calculation of leverage, the reported leveraged lending as compared to MSF exposure is 2.25:1.

Borrower History

UP Paper traces its roots back to 1920. The Company manufactures recycled kraft paper products sourced from recycled paper products. The borrower acquired the company for \$4 million in late 2015 and began production in April 2016. MSF currently supports the \$4,000,000 line of credit with Fifth Third Bank in the amount of \$1,996,000. Refinancing this line with Crestmark will reduce MSF's support by \$104,750. See Exhibit A for full borrower history.

Recommendation

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

- a. Acknowledgment by the MSF that the Designated Information set forth in the attached summary is confidential;
- b. Approval of the MSDF-CSP proposal contained herein and:
- c. Subject to available funding under the MSDF-CSP 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 a MSDF-CSP Cash Collateral Deposit Agreement, and further subject to the following terms and conditions:

Facility 1 - UP Paper, LLC

Borrower:	UP Paper, LLC
Lender:	Crestmark
Loan Amount:	up to \$4,250,000
MSF Cash Collateral:	up to \$1,891,250
Loan Type:	12 month Line of Credit, monthly payments of interest only
Fees:	Tier II: 1.75% at Closing 1.00% annually thereafter on the MSF Share Balance.

Exhibit A

Credit Presentation

GENERAL INFORMATION

Company Name UP Paper LLC	Address 402 West Elk St.	City, State Zip Manistique, Michigan 49854
Entity Type Limited Liability Co.	Type of Operation - Primary Paper (except Newsprint) Mills NAICS: 322121	
Lender Paul Masserang	Lender Contact pmasserang@crestmark.com	

Bank Facility and MSF Support

Bank Facility and MSF Support

The Bank has proposed the following credit facilities:

Revolving = Line of Credit	\$4,250,000
Total Loans Leveraged	\$4,250,000

Given the above structure, the proposed MSF exposure is a maximum of:

Revolving = Line of Credit	\$1,891,250
Total MSF Contribution	\$1,891,250

Under definitions provided by the US Department of Treasury related to the calculation of leverage, the reported leveraged lending as compared to MSF exposure is 2.25:1.

Background

UP Paper is a manufacturer of recycled kraft paper products sourced from recycled paper products. The recycled products includes two types of product. OCC (old corrugated containers) is characterized as paper collected from the street and DLK (doubled lined kraft), which is typically cleaner and more expensive. Product is purchased in large bundles from various suppliers and converted to paper product that is used in the fast food and packaging industries. Multiple shipments of wastepaper are received daily and the plant has grown to full capacity.

The Company traces its roots back to 1920 and was acquired by the current ownership out of bankruptcy in late 2015 and began production in April 2016. Previous ownership had made extensive upgrades to the plant that is located in Manistique, MI. UPP will also utilize three off site warehouses as needed. The Company employs 80-100 people and is one of the larger manufacturing employers in the area.

Company ownership includes Michael Biehl (21% ownership stake) of Marinette, WI who has owned companies in various industries that include construction, HVAC, mobile home parks, gas stations and trucking companies. Dave Olsen (21%) of Marinette, WI with a background in retail fitness. James Zellar (21%) with a background in real estate, excavating and landfill industries. Timothy Manusson from Minnetonka, MN purchased a 30% ownership stake in May, 2017. Lars Dannberg is a minority owner and the President/CEO with more than 20 years experience in the paper and pulp industries. Doug Bjorkman is the Company CFO and Nichole Hoholik is the company controller.

Financing Opportunity

Crestmark is working with UP Paper to provide financing to pay off its existing working capital line with Fifth Third Bank, which has a balance of \$2,835,489. The line of credit will also provide additional working capital availability. The Company has been under current ownership since 2015. To date the overall financial results have been poor due to start up costs and fluctuations in the material costs which included a 33% increase in the cost of raw materials followed by subsequent decreases which have contributed to the Company's recent profitability for ten consecutive months with positive net income.

The Bank is asking for the MSF's support through the MSDF Collateral Support Program for its working capital line of credit.

Loan #	Purpose	Type	Balance/ Request Amt.	Accrued Interest	Commit.	Interest Rate	Payment Amt. P&I	# Pmts.	Term	Amort	Orig. Date	Mat. Date
	Working Capital Line of Credit	Revolving	4,250,000			8		12	1	1		
Total			4,250,000									
Collateral	Type	Value	Adv Rate	Disc. Value	Prior Lien	Coll. Amt.						

Accounts Receivable	Eligible	1,450,000	80%	1,160,000	1,160,000
Amortizing Borrowing Base	Eligible	800,000	50%	400,000	400,000
Inventory	Eligible	2,000,000	40%	800,000	800,000
MSDF-CSP	Cash	1,891,250	100%	1,891,250	1,891,250
Total		6,141,250		4,251,250	4,251,250

Total Loan Amount	4,250,000	Margin of Collateral to Loan	1.00
Total Collateral Amount	4,251,250	% Loan to Collateral	99.97%

Summary

Total Loan Amount	4,250,000	Margin of Collateral to Loan	1.00
Total Collateral Amount	4,251,250	% Loan to Collateral	99.97%

Collateral

The Bank is requesting collateral support on the proposed working capital line of credit of up to \$1,891,250 or 44.5% of the \$4,250,000 LOC amount. The borrower currently has a smaller LOC with another lending institution. Per the Bank's credit policy, the Bank is only able to lend on 80% of the eligible AR, 40% of the inventory, and 50% of the amortizing borrowing base. With the MSF's enhancement, the LOC will have the following advance rate: Advancing 100 % of eligible AR, 100% of inventory and 100% of the amortizing borrowing base.

As shown by the above collateral chart the existing collateral is not valued high enough to support the proposed loan amount, therefore would not be able to provide the line without the support of the MSF's collateral support program.

Ratios and Indicators

LIQUIDITY / LEVERAGE RATIOS

Balance Sheet Dates	12/31/2016	12/31/2017	09/30/2017	09/30/2018
Balance Sheet Description	8 Months		9 Months	9 Months
Current Ratio:	0.25	0.30	0.50	0.70
Quick Ratio(Acid Test):	0.04	0.07	0.11	0.30
Working Capital:	-7,362,253	-8,858,233	-4,920,776	-2,614,094
Debt / Equity:	-4.93	-2.98	-11.60	7.79
Debt / Asset:	125.43%	150.57%	109.43%	88.63%
Current Liabilities / Total Liabilities:	86.05%	87.59%	84.90%	81.39%
Debt / Tang Net Worth:	-4.93	-2.98	-11.60	7.79

PROFITABILITY RATIOS

Inc. & Exp. Beginning Date	01/01/2016	01/01/2017	01/01/2017	01/01/2018	
Inc. & Exp. Ending Date	12/31/2016	12/31/2017	09/30/2017	09/30/2018*	1 Yr Avg.
Inc. & Exp. Description	8 Months		9 Months	9 Months	
Return on Investment:	1,144.6%	283.9%	-1,461.9%	126.6%	126.6%
Gross Profit Margin:	-42.1%	5.4%	7.0%	33.7%	33.7%
Net Profit Margin:	-109.7%	-17.6%	-26.2%	7.5%	7.5%

Cash Flow / Repayment Capacity

	01/01/2016	01/01/2017	01/01/2017	01/01/2018	1 Yr. Average
	12/31/2016	12/31/2017	09/30/2017	09/30/2018*	
	8 Months		9 Months	9 Months	
	No Adj.	No Adj.	No Adj.	No Adj.	
OPERATING INCOME	-7,921,760	-7,721,731	-7,495,901	3,959,462	3,959,462
Total Non-Operating	0	0	0	0	0
(EBIT) EARNINGS BEF. INT. & TAXES	-7,921,760	-7,721,731	-7,495,901	3,959,462	3,959,462
Interest Expense	302,951	986,192	693,956	814,026	814,026
INCOME BEFORE TAXES	-8,224,711	-8,707,923	-8,189,857	3,145,436	3,145,436
NET INCOME	-8,224,711	-8,707,923	-8,189,857	3,145,436	3,145,436
Plus:					
Commercial					

Interest Expense	302,951	986,192	693,956	814,026	814,026
CAP RPLC & DEBT REPAYMENT CAPACITY	-7,921,760	-7,721,731	-7,495,901	3,959,462	3,959,462
Total Annual Payment	888,400	1,162,600	956,950	956,950	956,950
Total Debt Service	888,400	1,162,600	956,950	956,950	956,950
MARGIN AFTER DEBT SERVICING	-8,810,160	-8,884,331	-8,452,851	3,002,512	3,002,512
Commercial DSCR	-8.92	-6.64	-7.83	4.14	4.14

Sensitivity Analysis

Debt Service Margin will be Depleted if:

Net Sales/Revenues Decreases by:	-117.52%	-17.92%	-27.08%	7.14%	7.14%
Operating Expense plus COGS Increase by:	-57.14%	-15.50%	-21.84%	7.88%	7.88%
Interest Rate Increase by:	0.00%	-209.04%	-265.92%	94.46%	70.65%

INDUSTRY COMPARISON

Balance Sheet: 12/31/2017

Comparative Historical Data - current year (Based on RMA 2017 Data) - Median Quartile

Income/Expense: 01/01/2017 to 12/31/2017

NAICS: 322121 - Paper (except Newsprint) Mills

Unqualified: 15, Reviewed: 4, Compiled: 2, Tax Return: 3, Other: 23, Total Number Stmt: 47

	Client	Industry	Variance		Client	Industry	Variance	Quartile
Assets				Liquidity Ratios				
Cash & Equivalents	0.6	5.1	-4.5	Current Ratio	0.3	1.4	-1.1	4
Trade Receivables (net)	8.0	21.4	-13.4	Quick Ratio (Acid Test)	0.1	0.7	-0.6	4
Inventory	15.3	21.7	-6.4	Sales / Receivables	64.8	11.6	53.2	1
All Other Current	16.0	1.5	14.5	Days' Receivables	5.6	31.0	-25.4	1
Total Current	39.8	49.8	-10.0	Cost of Sales / Inventory	31.9	7.2	24.7	1
Fixed Assets (net)	60.2	34.4	25.8	Days' Inventory	11.4	51.0	-39.6	1
Intangibles (net)	0.0	10.1	-10.1	Cost of Sales / Payables	10.1	11.1	-1.0	3
Other Non-Current	0.0	5.8	-5.8	Days' Payables	36.3	33.0	3.3	3
Total Assets	100.0	100.0		Sales / Working Capital	-5.6	18.3	-23.9	
Liabilities				Coverage Ratio				
Notes Payable	44.2	7.2	37.0	EBIT / Interest	-7.8	4.8	-12.6	4
Cur. Mat. L/T/D	0.0	3.7	-3.7	Net Prof. + Depr / Cur. Mat. L/T/D	0.0	3.0	-3.0	4
Trade Payables	48.5	20.1	28.4	Leverage Ratios				
All Other Current	39.2	7.6	31.6	Fixed / Net Worth	-1.2	1.5	-2.7	
All Other Current	39.2	7.6	31.6	Debt / Net Worth	-3.0	2.3	-5.3	
Total Current	131.9	38.7	93.2	Operating Ratios				
Long Term Debt	0.0	19.4	-19.4	% Prof. Bf. Taxes / Net Worth	179.0	14.8	164.2	1
Deferred Taxes	0.0	2.0	-2.0	% Prof. Bf. Taxes / Total Assets	-90.5	4.9	-95.4	4
Other Non-Current	18.7	6.4	12.3	Sales / Net Fixed Assets	8.6	6.7	1.9	2
Net Worth	-50.6	33.5	-84.1	Sales / Total Assets	5.2	1.8	3.4	1
Total Liab. & Net Worth	100.0	100.0		Expense to Sales Ratio				
Income Data				% Depreciation / Sales	0.0	2.4	-2.4	1
Contract Revenues	100.0	100.0	0.0	Officers' Compensation/Sales	0.0			
Gross Profit	5.4	18.3	-12.9					
Operating Expenses	21.0	13.9	7.1					
Operating Profit	-15.6	4.4	-20.0					
All Other Expenses (net)	2.0	1.3	0.7					
Profit Before Taxes	-17.6	3.1	-20.7					

Last Updated 10/27/2018 10:26:46 PM From RMA 2017 Data

OWNERSHIP / GUARANTORS

Name	Address	Relationship	% Own	Amt Guar.
Michael J Biehl		Guarantor	21	
James Zellar		Guarantor		
David Olson		Guarantor	21	
Zellar Mill-Ops Investment, Inc.		Guarantor	21	
Timothy Magnusson		Co-Owner	30	

Source MSDF	Program CSP	
Committed Date	Loan Closing Date	Total Loan \$4,250,000
MSF Share \$1,891,250	Additional Leverage (at closing)	Additional Leverage (ongoing)
Leverage 2.25	Closing Fee 1.75% of MSF share	Annual Fee 1.% of MSF annual balance
FTE @ Closing (in State)	FTE @ Closing (out of state)	Projected FTE Increase 8
FTE @ Annual Review	FTE Net Increase/Decrease	Support \$ per new job \$236,406.25
Associate	# Co's 1	Loan Type LOC

Employment

UP Paper has 97 full-time equivalent employees. The company anticipates adding 4 full-time employees within the next 6 months and an additional 4 within the next 2 years. The anticipated annual salary for employees of UP Paper, LLC is \$62,000.

Source of Information

It is the role of Capital Services Team staff ("CST") to review for eligibility, completeness, and adherence to industry standards and practices, the information provided by the financial institution and to manage the MSF's structural risk. Explanatory and background information is supplied in summary form to provide context for the request and is drawn exclusively from material submitted by the lending institution and from third party research sources such as Dunn and Bradstreets FirstResearch database.

Capital Access Program History

The Michigan Economic Development Corporation's (MEDC) Capital Access Programs began in 2009 with a state allocation of \$26 million. In 2011, the Federal government deployed an additional \$79 million to the State of Michigan to continue its efforts towards providing access to capital for small businesses. The programs under the Capital Access Unit assist small business and financial lending institutions by providing collateral support or loan participation. In either case, there is always a closing fee and annual fee charged, in addition to all principal returned as well as any fees and interest expense that the MEDC may receive through its support with the transactions. To date the program has funded over \$182 million to 252 companies, leveraged over \$912 million in Private Investments, received a total of \$9.9 million in program revenue, and has had losses of less than 1% of the total loan funded.

Confidentiality

As part of preparation for closing of the facility, there are numerous underwriting documents which contain financial and other proprietary information that are shared with Staff. The MSF Act, (pursuant to MCL 125.2005(9)) provides the MSF the authority to acknowledge such information as confidential information ("Designated Information"). The Bank and the company seek confidentiality protection from the MSF as described on the attached summary of Designated Information.

Exit Strategy

The Bank has implemented the following loan covenants in conjunction with its existing financing to UP Paper

- Minimum Debt Service Coverage of 1.00x - post-distributions
 - Measured quarterly beginning 12/31/2019
 - Defined as: (Net Income + Interest Expense + Depreciation + Amortization - Distributions)/(Actual Annual Debt Service)

These covenants are intended to require re-investment in the balance sheet of UPP and ultimately the release of the pledged collateral from the MSF.

Conditions

- Commitment will remain valid for 90 days with approval for MSF Fund Manager to extend the commitment an additional 30 days.
- Unlimited, unsecured personal guaranty of Michael Biel, James Zellar, and David Olsen and the unlimited unsecured corporate guaranty of Zellar Mill-Ops Investment Inc.
 - *Guarantees are for the benefit of the MSF, subordinated to the senior lender and limited by senior lender's exposure at time of closing, but the subordination of the guarantees to the MSF in favor of the senior lender may not exceed a principal balance of \$4,250,000, along with reasonable interest and fees.
- The proposed financing will be subject to a Minimum Debt Service Coverage Ratio, as calculated by the Bank. Required minimum fixed charge coverage ratio will be set at a level acceptable to Bank and CST.

SCORING & RATING

SCORING & RATING : MSDF_CSP_2019

Score = **3.20**

3 Average

Model Used: MEDC CRE Model

Last Scored: 11/13/2018 1:54 PM Aileen Cohen

Financial Statements and Forms calculated from:

Balance Sheet: Inc. / Exp.:
09/30/2018 9 Months 09/30/2018 9 Months

Criteria		Criteria Score	Wt %	Weighted Criteria Score	Review
Debt / Tang Net Worth:	7.79	1.00	20.00	0.200	
Debt Coverage Ratio:	4.14	5.00	20.00	1.000	
MSF Leverage Ratio	2.25	2.00	20.00	0.400	
Management / Borrower Character	Key positions filled by q	3.00	20.00	0.600	
Business & Industry Trends	Not Vulnerable to sudden	5.00	20.00	1.000	
				3.200	

SUMMARY OF DESIGNATED INFORMATION
MICHIGAN STRATEGIC FUND CONFIDENTIALITY LOG
MSDF-CSP

Per MSF Approval of the Staff Recommendation dated November 27, 2018

Name of Applicant	Summary of Designated Information
UP Paper, LLC at 402 West Elk Street, Manistique, Michigan 49854 and any related borrowers and guarantors; and Crestmark, a division of Meta Bank, (collectively, "Interested Parties to the Proposed Transaction")	Any portion of any documents or record of any kind containing any of the following business or personal information pertaining to any of the Interested Parties to the Proposed Transaction: Financial statements (including without limitation, income statements, balance sheets, statements of cash flow and profit and loss statements), ratio analysis, appraisals and other appraisal reporting, collateral analysis, accounts receivable aging reports, customer names and lists, tax returns, credit reports, social security or other tax identification numbers, and any analysis, report or record of any kind by or on behalf of any of the Interested Parties to the Proposed Transaction containing any of the foregoing information.

MEMORANDUM

Date: November 27, 2018

To: Michigan Strategic Fund Board

From: Michelle Audette-Bauman, Community Assistance Team Specialist
Lisa Edmonds, MCRP & Brownfield Program Specialist

Subject: Request for Approval of an Act 381 Work Plan
Catalyst 12 Project

REQUEST

The City of Kalamazoo Brownfield Redevelopment Authority is requesting approval of a Brownfield Act 381 Work Plan including local and school tax capture for MSF eligible activities in the amount of \$3,844,493, to support a community development project that will demolish an existing surface parking lot and construct a seven (7) story mixed-use building. The applicant anticipates that the project will result in a total capital investment in the amount of \$70,873,569 along with the creation of approximately 50 permanent full-time equivalent jobs with an average hourly wage of \$44.00.

LOCAL SUPPORT

Local support for the project includes the local portion of this Work Plan request which is estimated at \$2,446,316. The City of Kalamazoo is certified with the MEDC's Redevelopment Ready Communities (RRC) program. The project qualifies because it is a facility.

TAX CAPTURE SUMMARY

In order to alleviate brownfield conditions and prepare the site for redevelopment, the City of Kalamazoo, a Qualified Local Governmental Unit, has duly approved a brownfield plan for this property on July 16, 2018. The property has been determined to be a facility as verified by the Michigan Department of Environmental Quality (DEQ) on October 22, 2018.

There are 57.7573 non-homestead mills available for capture, with State mills from school operating and SET millages equaling 23.8704 mills (41.33%) and local millage equaling 33.8869 mills (58.67%). Tax increment capture is estimated to begin in 2020 and reimbursement to the developer is capped at 25 years. The project is located in the Downtown Development Authority (DDA), and the Work Plan is proposing that the Brownfield Redevelopment Authority capture 50% of the new state and local tax increment revenue for reimbursement of eligible brownfield activities. The total cost of MSF Eligible Activities is estimated to be \$14,450,000, however the work plan projects the maximum capture to be \$3,844,493 and caps reimbursement based on those projections.

The requested tax capture for MSF eligible activities breaks down as follows:

State tax capture	(41.33%)	\$	1,398,177
Local tax capture	(58.67%)	\$	2,446,316
TOTAL		\$	<u>3,844,493</u>

COST OF MSF ELIGIBLE ACTIVITIES

Demolition		\$	120,898
Infrastructure Improvements		+	11,934,091
Site Preparation		+	1,311,087
Sub-Total		\$	<u>13,366,076</u>
Contingency (7.9%)		+	1,053,924
Sub-Total		\$	<u>14,420,000</u>
Brownfield/Work Plan Preparation		+	30,000
TOTAL		\$	<u>14,450,000</u>

In addition, the project is estimating tax capture of \$9,923 for pre-approved DEQ eligible activities.

PROJECT BACKGROUND

This project will redevelop an existing surface parking lot into a new seven (7) story mixed-use building including office, residential and parking on 1.36 acres in downtown Kalamazoo. The approximately 290,000 square foot development will contain approximately 55,000 square feet of office space, 49 market rate and affordable residential units totaling approximately 41,000 square feet and 400 structured parking spaces. The project will also make improvements to the existing streetscape and expand the snowmelt system in the public right-of-way. The project expects to receive LEED certification for the inclusion of green building elements and best practices.

The developer is bringing over 80% equity to the project and current project returns are below 1%. The project will significantly improve the existing surface parking lot which was previously owned by the City of Kalamazoo, leading to an increase in taxable value for the property. It will increase density and vibrancy in the downtown by adding both commercial and residential space to the previously underutilized site. Additionally, the project will provide office space for the Kalamazoo Promise organization and provide approximately five (5) housing units affordable to households at 60% of area median income (AMI) in downtown Kalamazoo.

Brownfield eligible activities will alleviate Brownfield conditions across the site making it suitable for redevelopment, while protecting human health and the environment. Without Brownfield tax increment reimbursement, the cost burden related to Brownfield conditions would make the project financially unfeasible.

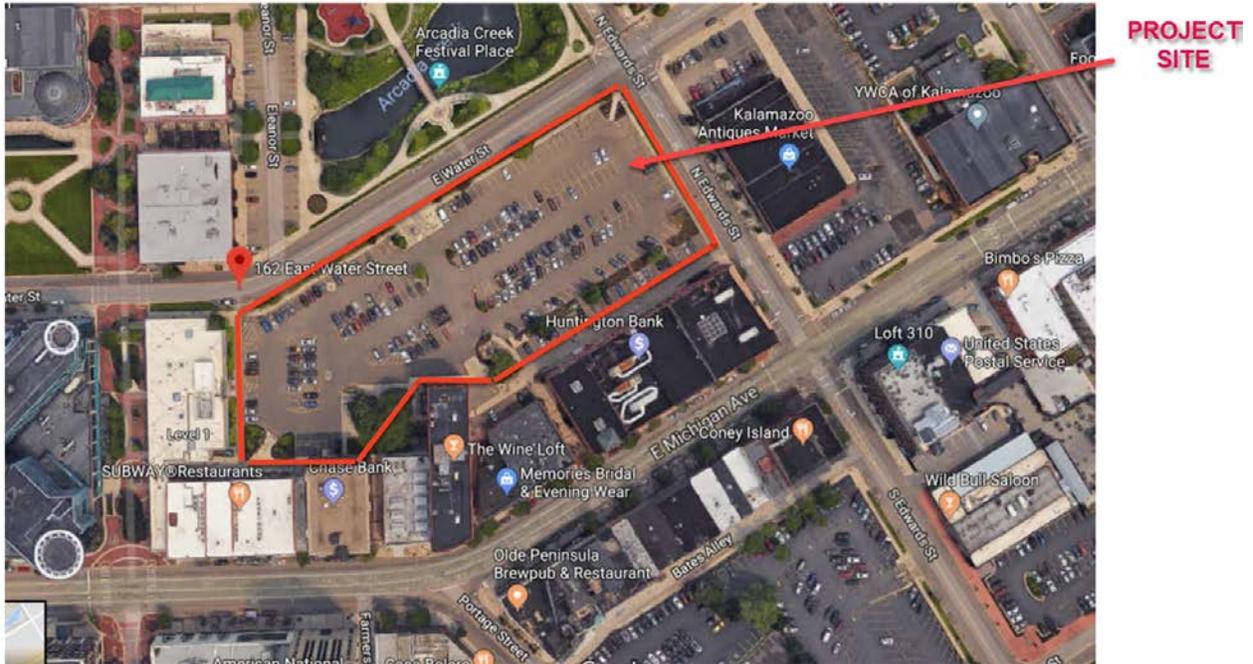
APPLICANT HISTORY

William D. Johnston is the Owner and President of Catalyst Development Co. 12, LLC ("Catalyst"). Patti Owens has served as Managing Director and Vice President of Catalyst since 2005. Catalyst has a long history of successful and award-winning projects in Kalamazoo and throughout Michigan, including the 154 S. Kalamazoo Mall project which received support from MEDC in 2011. The MEDC has completed civil and criminal background checks in accordance with the MSF Background Review Policy. No issues were identified.

RECOMMENDATION

MEDC staff recommends approval of local and school tax capture for the Act 381 eligible activities totaling \$3,844,493. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at \$1,398,177.

APPENDIX A – Project Map and Renderings





MEMORANDUM

Date: November 27, 2018

To: Michigan Strategic Fund Board

From: Michelle Audette-Bauman, Community Assistance Team Specialist
Julius Edwards, Commercial Real Estate Investment Manager
Lisa Edmonds, MCRP and Brownfield Program Specialist

Subject: Request for Approval of Michigan Community Revitalization Program
(MCRP) Other Economic Assistance –Loan and Equity Investment Awards
and a Request for Approval of an Act 381 Work Plan
Heritage Tower Project

REQUEST

Heritage Tower BC LLC (“Applicant”) is requesting a MCRP Other Economic Assistance –Loan and Equity Investment in the total amount of \$10,000,000 and the City of Battle Creek Brownfield Redevelopment Authority is requesting approval of a Brownfield Act 381 Work Plan including local and school tax capture for MSF eligible activities in the amount of \$2,426,600, to support a community development project that will rehabilitate a vacant nineteen (19) story building into 115,000 square feet of mixed-use space (“Heritage Tower Project”). The Applicant anticipates that the Heritage Tower Project will result in a total capital investment in the amount of \$32,330,000 along with the creation of approximately 15 permanent full-time equivalent jobs with an average hourly wage of \$15.00.

FINANCING OPPORTUNITY – MCRP OTHER ECONOMIC ASSISTANCE – LOAN AND EQUITY INVESTMENT

The Applicant has requested the MSF provide up to \$10,000,000 in MCRP Other Economic Assistance – Loan and Equity Investments. This request, which is currently anticipated to be 41% of eligible investment, will be one of three MCRP projects this year that can be allocated an award up to 50% of eligible investment, up to \$10,000,000, for the specific purpose of historic preservation.

The City of Battle Creek, Battle Creek Unlimited (BCU), the development team and MEDC staff have worked for over five (5) years to arrive at a development and financing structure to move this project forward. Heritage Tower BC LLC is leveraging a number of different funding sources including senior financing, soft funding from the City of Battle Creek and Battle Creek Unlimited, the Battle Creek Community Foundation, Federal Historic Tax Credit Equity, Deferred Developer Fees and Owner Equity, and a funding gap still exists. Due to the high costs of design and rehabilitation required to meet the Federal Secretary of Interior’s standards, significant deterioration due the building sitting vacant, environmental conditions, as well as the challenging economic conditions of the community, the development team has needed to pursue a number of non-traditional financing sources. Without the proposed \$10,000,000 MCRP investment and Brownfield Tax Increment Financing the project would not be feasible.

Mr. Mark Harmsen, the sole member of Heritage Tower BC LLC, has been involved in the redevelopment of the subject property since early 2014. Mr. Harmsen was first involved as a Development Consultant brought in by the prior development team and then as the sole member with the transfer of the property in December 2017. Since taking ownership, Mr. Harmsen has successfully negotiated funding from the City of Battle Creek, Battle Creek Unlimited and the Battle Creek Community Foundation making a project at this site more financially feasible.

Additionally, the level of local support provides further evidence of the importance of the redevelopment of the property to the community. The rehabilitation of the tallest building in the downtown is expected to bring new residents and commercial business to the central core of the City, while acting as a catalyst for other investment in the downtown.

MSF INVESTMENT TERMS – UP TO THE LESSER OF 50% OF ELIGIBLE INVESTMENT OR \$10,000,000

<u>MSF Facility #1:</u>	MCRP Performance-Based Loan
Borrower:	Heritage Tower BC LLC or a Related Entity
MSF Loan Amount:	Anticipated to be \$1,712,123. Staff is requesting the MSF Fund Manager be given authority to negotiate the final amount of the loan.
Term:	Anticipated to match that of the community capital, not to exceed 120 months. Staff is requesting the MSF Fund Manager be given authority to negotiate the final term of the loan.
Amortization:	Anticipated to match that of the community capital, not to exceed 360 months. Staff is requesting the MSF Fund Manager be given authority to negotiate the final amortization of the loan.
Interest Rate:	1.00% per annum
Repayment Terms:	Interest only for 24 months, followed by equal monthly principal and interest payments. Principal balance due at the earliest of maturity or sale.
MSF Fees:	The MSF shall be paid a one-time fee equal to one percent of the total MSF's Award amount. Additionally, the development team will be responsible for all third-party costs incurred by the MEDC/MSF in closing the transaction.
Collateral:	Anticipated to match that of the community capital, currently anticipated being a shared 2 nd security interest in the real estate, rental income and TIF reimbursements. Staff is requesting the MSF Fund Manager be given authority to negotiate the final security structure for the loan.

Guarantee:	Anticipated to be the limited personal guarantee of Mark Harmsen.
Timing of Funding:	The MSF investment would be made after (a) all of the Equity has been contributed to and used to fund approved and budgeted for Project costs and (b) the Senior Lender has waived all conditions precedent to funding (but for any conditions or obligations required of the Fund to make the Investment). For the avoidance of doubt, the MSF investment will be funded prior to the Senior Lender advancing any amounts under its loan.
<u>MSF Facility #2:</u>	MCRP Performance-Based Equity Investment
Applicant:	Heritage Tower BC LLC or a Related Entity
Investors Investment Amount:	Owner equity contributions of not less than \$560,000 (“Investor Equity”)
MSF Investment Amount:	Anticipated to be \$8,287,877 (“MSF Equity”). Staff is requesting the MSF Fund Manager be given authority to negotiate the final amount of the equity investment.
MSF Fees:	The MSF shall be paid a one-time fee equal to one percent of the MSF’s Award amount. Additionally, the development team will be responsible for all third-party costs incurred by the MEDC/MSF in closing the transaction.
Interest Purchased:	MSF will acquire an equity interest in Heritage Tower BC, LLC or an entity to be determined. The MSF will provide no guarantees on debt or accept any recourse obligation.
“Put” Rights:	The MSF will receive a “Put” right for among other things failure to adhere to MSF statutory requirements. If exercised, Heritage Tower BC, LLC or another entity to be determined shall repay in full the entire contribution provided to the partnership and any earned but unpaid profits available at the time of the notice to exercise the “Put” on terms and conditions acceptable to the MSF. The owners of the project will be required to guarantee the “Put” right obligation.
MSF “Exit” Option:	MSF will have the option to exit the project after 360 months following disbursement of its proceeds. At time of exit the MSF will be due any remaining unpaid returns and principal.
Investors “Call” Option:	Following construction completion the Investors will have the option to call the MSF’s ownership interest for 360 months at a value equal to the greater of any accrued and unpaid returns plus

the MSF's original principal investment or an amount necessary to assure a 6% IRR to the MSF.

Net Cash Flows:

To be determined at a later date, that will include the following considerations:

1. Senior debt service requirements.
2. Annual escrowed replacement reserves.
3. Capital expenditures above and beyond what has been escrowed for replacement reserves.
4. Other restrictions placed on the property by the Senior Lender and/or Federal Historic Tax Credit Investor.

Split of Net Cash Flows:

1. Investors to receive 100% of available distributable cash flow after consideration of items above, until a 13.5% annual cash-on-cash return has been received on its original investment of \$560,000.
2. Thereafter, an approximate 54/46 split of remaining available cash flow with approximately 54% going to the MSF and 46% going to all other Investors, including the City of Battle Creek and Battle Creek Unlimited. Proceeds to be applied towards repayment of MSF and other Investors original equity investments.

Split of Proceeds from Sale or Refinance:

1. 100% of remaining proceeds to the Investors until any accumulated unpaid returns have been paid and an IRR of 15% has been achieved
2. Thereafter, an approximate 54/46 split of remaining available cash flow with approximately 54% going to the MSF and 46% going to the other Investors.

Membership Change:

The MSF will have certain rights to block or consent to any material change in the membership of the project owner entity, except with respect to changes made for estate planning purposes.

Sale/Liquidation:

The MSF will have certain rights to block or consent to any material liquidation or sale event (e.g., sale to a non-qualified third party).

Timing of Funding:

The MSF investment would be made after (a) all of the Investors' Equity has been contributed to and used to fund approved and budgeted for Project expenses and (b) the Senior Lender has waived all conditions precedent to funding (but for any conditions or obligations required of the Fund to make the Investment). For the avoidance of doubt, the MSF investment

will be funded prior to the Senior Lender advancing any amounts under its loan.

Deferred Developer Fees:

The developer fees of \$890,000 will be deferred until such time that the project is producing cash flow in excess of that required for priority debt and other operating obligations.

Reserves:

The Investor will maintain an Operating Deficit Reserve, currently anticipated to be \$300,000.

Other Conditions:

The MSF's investment will be contingent upon the following:

- A copy of an acceptable "As-Complete" appraisal of subject property.
- A copy of an executed Guaranteed Maximum Price (GMP) construction contract between the Applicant and its contractor.
- Copies of final construction documents.
- Copies of all executed loan agreements, notes and mortgages, evidencing that the Applicant has financing in place in the minimum amount of \$6,690,000 in Senior Debt, or evidence of other sources available to make up the difference. The Senior Debt must have a term of not less than 60 months.
- Final agreements related to the City of Battle Creek's \$5,000,000 Investment/Loan
- Final agreements related to Battle Creek Unlimited \$3,000,000 Investment/Loan
- Final agreements related to Old National Bank's Federal Historic Tax Credit Investment
- Final agreements related to Battle Creek Community Foundation's \$450,000 loan.
- Final agreements related to bridge loan for the Federal Historic Tax Credit Equity (if applicable)
- Evidence of a minimum owner equity investment of \$560,000
- Final organizational and flow of funds chart.
- Final development budget and projections.
- Other documents may be required for review.

SUMMARY OF DEVELOPMENT SOURCES:

1 st Source Bank	\$ 6,690,000	20.69%
MSF Investment	\$10,000,000	30.93%
City of Battle Creek Investment	\$ 5,000,000	15.47%
Battle Creek Unlimited Investment	\$ 3,000,000	9.28%
Old National Bank HTC Equity	\$ 5,000,000	15.47%
Battle Creek Community Foundation	\$ 450,000	1.39%
Deferred Developer Fee	\$ 890,000	2.75%
Developer Equity	\$ 560,000	1.73%
Other Equity	\$ 740,000	2.29%
TOTAL	\$32,330,000	100.00%

SUMMARY OF DEVELOPMENT USES:

Acquisition	\$ 3,000,000
Hard Construction Costs	\$23,835,000
Soft Costs	\$ 850,000
Other	<u>\$ 4,645,000</u>
TOTAL	\$32,330,000

LOCAL SUPPORT

Local support for the project includes a \$5,000,000 investment from the City of Battle Creek, a \$3,000,000 investment from Battle Creek Unlimited (they are also forgoing previously accrued interest in excess of \$500,000 on the property), and \$450,000 is being contributed by the Battle Creek Community Foundation (BCCF). Additionally, the BCCF will be providing completion and performance guarantees for the project. Lastly, the City is contributing \$1,403,788 in local TIF reimbursements and have approved an Obsolete Property Rehabilitation Act and Neighborhood Enterprise Zone abatements for the project valued at approximately \$3.1 million. The City of Battle Creek is certified with the MEDC's Redevelopment Ready Communities (RRC) program. The project qualifies because it is a facility, functionally obsolete, and a historic resource.

MCRP PROGRAM AND GUIDELINES

On December 21, 2011, the MSF Board approved the Michigan Community Revitalization Program (MCRP) and on September 22, 2015, the MSF Board approved its restated program guidelines. The primary intended objective of the MCRP is to provide incentives to persons that make eligible investments on eligible property in Michigan. It is the role of the MEDC staff to review for eligibility, completeness, and adherence to the program, the information provided by the applicant and to manage the MSF's investment. As required under the MCRP, all statutory criteria for the project have been considered when making the recommendations in this memo.

The project complies with all of the Board-approved MCRP parameters with the exception of the following:

- Developer and related party fees limited to 4% of the Total Development Costs of the project - Developer fees are slightly above the 4% allowed by the parameters at 6.16%. Staff is comfortable with this deviation as the additional 2.16% will be deferred, and later paid through available cash flow. Additionally, MEDC staff has worked with the development and other financing partners with the City of Battle of Creek and BCU to arrive at a level of compensation for the development team that all parties are comfortable moving forward with.
- Minimum Owner Equity of 10% of Total Development Costs - The development team and other related parties have contributed over \$1.3 million to the property over the course of the past five

years to cover carrying costs and predevelopment costs. MEDC staff is allowing the development team to recognize \$560,000 of these previously incurred costs as owner equity and for the purposes of calculating the developer's return. Staff is comfortable with this deviation due to the deferral of developer fee of \$890,000, or 2.75% of costs, Other Equity contributed by prior development team of \$740,000, or 2.29% of costs, and Federal Historic Tax Credit Equity provided by Old National Bank of \$5,000,000, or 15.47% of costs. Furthermore, the development team has significant soft financing from the City of Battle Creek and BCU, and they have also negotiated away over \$500,000 in accrued interest on the property.

- The proposed equity structure deviates from the MCRP Parameters preferred economic equity structure. Staff is comfortable with this deviation due to unique nature of the project and the significant involvement of the City of Battle and BCU in the project. All parties have arrived at a structure that satisfies everyone's interests and will return approximately 54% of available cash flow back to the MSF for repayment of its investment.

TAX CAPTURE SUMMARY

In order to alleviate brownfield conditions and prepare the site for redevelopment, the City of Battle Creek, a Qualified Local Governmental Unit, has duly approved a brownfield plan for this property on October 16, 2018. The property has been determined to be a facility as verified by the Michigan Department of Environmental Quality (DEQ) on October 15, 2018; deemed functionally obsolete as verified by a Michigan Master Assessing Officer (MMAO) assessor on July 12, 2013; and it is a historic resource as verified by the Historic Preservation Part 2 approval dated August 17, 2018.

There are 60.0396 non-homestead mills available for capture, with State mills from school operating and SET millages equaling 24 mills and local millage equaling 36.0396 mills. There is a Neighborhood Enterprise Zone tax abatement on the property for 15 years and an Obsolete Property Rehabilitation Act tax abatement on the property for 12 years, which makes the blended ratio 42.15% to 57.85%, state to local, respectively. Tax increment capture will begin in 2020 and is estimated to continue for 22 years. The requested tax capture for MSF eligible activities breaks down as follows:

State tax capture	(42.15%)	\$	1,022,812
Local tax capture	(57.85%)	\$	1,403,788
TOTAL		\$	2,426,600

COST OF MSF ELIGIBLE ACTIVITIES

Demolition	\$	1,250,000
Lead and Asbestos Abatement		652,000
Infrastructure Improvements		115,000
Site Preparation	+	67,000
Sub-Total	\$	2,084,000
Contingency (15%)	+	312,600
Sub-Total	\$	2,396,600
Brownfield/Work Plan Preparation	+	30,000
TOTAL	\$	2,426,600

In addition, the project is requesting from the MDEQ \$15,000 in TIF to assist with environmental eligible activities.

PROJECT BACKGROUND

This project will rehabilitate a vacant nineteen (19) story approximately 115,000 square feet historic building that sits on 0.77 acres into an iconic and active mixed-use building in downtown Battle Creek.

The rehabilitated building will include approximately eighty-five (85) market-rate apartments occupying approximately 65,000 square feet and approximately 32,300 square feet of commercial, retail and office space located on the first two floors, with the remaining square footage allocated to common areas. The building, which was constructed in 1931 and is the tallest building in the City, is listed on the National Register of Historic Places.

The City of Battle Creek, BCU, the development team and MEDC staff have worked for over five (5) years to arrive at a development and financing structure to move this project forward. Heritage Tower BC LLC will be leveraging a number of different funding sources for this project including traditional senior financing, historic tax credit equity and loans from the City of Battle Creek, the local economic development organization and local community foundation. The development team and related parties have contributed over \$1.3 million to the project in the form of predevelopment and other carrying costs. MEDC is allowing the development team to recognize \$560,000 of previously incurred predevelopment costs as its owner equity contribution. Additionally, the development team will be deferring \$890,000 in developer fees. Higher costs associated with meeting national standards for historic rehabilitation, significant costs associated with the deterioration of the vacant building, environmental conditions, as well as challenging economic conditions in the community are driving the need for MCRP assistance and other non-traditional financing sources. Additionally, brownfield eligible activities will alleviate Brownfield conditions across the site making it suitable for redevelopment, while protecting human health and the environment. Without Brownfield tax increment reimbursement and the MCRP investment, the cost burden related to Brownfield conditions would make the project financially unfeasible.

APPLICANT HISTORY

Mark Harmsen is leading the redevelopment of the Heritage Tower project. Mr. Harmsen has over 40 years of real estate development experience and oversaw redevelopment of the 32-story Plaza Towers project in 1997 in Grand Rapids, Michigan. The Plaza Towers project was originally constructed in 1988 and completed in 1991. Due to faulty construction, the building experienced mold and construction issues and the building was eventually condemned. Mark led the team in the two year, \$36 million rebuild project, that brought the building back to life as downtown Grand Rapid's first major residential project. The MEDC has completed civil and criminal background checks in accordance with the MSF Background Review Policy. No issues were identified.

RECOMMENDATION

MEDC staff recommends approval of the following (the "Recommendation"):

- a) Local and school tax capture for the Act 381 eligible activities totaling \$2,426,600. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at \$1,022,812.
- b) A MCRP Other Economic Assistance – Loan and Equity Investment in the amount of up to \$10,000,000 (one of three annual awards of greater than 25% of eligible investment, for the specific purpose of historic preservation) for Heritage Tower BC LLC on terms and conditions outlined in Exhibit A found in the resolution.
- c) Waiver of the MCRP Incentive Parameter requirement of the following as previously discussed;
 - Developer and related party fees limited to 4% of the Total Development Costs of the project.
 - Minimum Owner Equity of 10% of Total Development Costs.
 - MSF Preferred Equity Economic Structure.

APPENDIX A – Project Map



RESOLUTIONS

MICHIGAN STRATEGIC FUND

**RESOLUTION
2018-179**

**APPROVAL OF NOVEMBER 2018 CONSENT AGENDA
FOR THE MICHIGAN STRATEGIC FUND BOARD**

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

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

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

NOW, THEREFORE, BE IT RESOLVED, the MSF approves the Consent Agenda items listed below and identified in the final Consent Agenda for this board meeting.

Consent Agenda Items:

Proposed Meeting Minutes – October 23, 2018
Federal-Mogul Corporation – MEGA Tax Credit Amendment
US Farathane – MBDP Grant Amendment
Northern Michigan University – Investment Agreement Amendment
CDBG Loans – Amended Repaid Funds Agreement
Frontier Medical Devices, Inc. – K.I. Sawyer Renaissance Zone Revocation
Extreme Tool and Engineering, Inc. – Tool & Die Recovery Zone Revocation
Casey Tool & Die, Inc. – Tool & Die Recovery Zone Revocation
Grow Michigan – Investment Committee Appointment
Lofts on Michigan, LLC – MCRP Amendment
Jackson Entertainment, LLC – MCRP Amendment
Lofts on Alabama, LLC – MCRP Amendment
Park District – Brownfield Act 381 Work Plan and Brownfield MBT Amendment
UK/Ireland Tourism Marketing – Request for RFP
Germany/Austria/Switzerland Tourism Marketing – Request for RFP

Ayes: Jeremy Hendges, Stephen Hicks, Andrew Lockwood (on behalf of Treasurer Khouri, designation attached), Jeff Mason, Terrence J.L. Reeves, Terri Jo Umlor, Wayne Wood

Nays: 0

Recused: 0

Lansing, Michigan
November 27, 2018



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

NICK A. KHOURI
STATE TREASURER

January 18, 2018

Ms. Jennifer Tebedo
Board Relations Liaison
Michigan Strategic Fund Office
300 N. Washington Square
Lansing, MI 48913

Dear Ms. Tebedo:

I hereby designate Andrew Lockwood to represent me at Michigan Strategic Fund Meeting, I am unable to attend.

Sincerely,

A handwritten signature in black ink, appearing to be "N.A. Khouri", with a long horizontal stroke extending to the right.

N.A. Khouri
State Treasurer

Cc: Andrew Lockwood

MICHIGAN STRATEGIC FUND

**RESOLUTION
2018-180**

**FEDERAL-MOGUL CORPORATION
MEGA RETENTION TAX CREDIT AMENDMENT**

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 grant an authorized business a credit against the tax imposed by the Michigan Business Tax Act, 2007 PA 36, as amended (a “Tax Credit”);

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

WHEREAS, on December 14, 2004, the MEGA Board authorized a Retention Tax Credit for Federal-Mogul Corporation (“Federal-Mogul” or “Company”) of up to 100 percent for twenty consecutive years for at least 1,000 and no more than 1,866 retained jobs in the State of Michigan with an average weekly wage of at least \$1,174, including 150 retained jobs at the Company’s Southfield headquarters and a minimum of 220 retained jobs at the Company’s Greenville facility (the “Federal-Mogul MEGA Tax Credit”);

WHEREAS, the following companies were included in the Federal-Mogul MEGA Tax Credit for the purposes of counting retained jobs: Federal-Mogul Corporation, Federal-Mogul Powertrain, Inc., Federal-Mogul World Wide, Inc. and Federal-Mogul-Piston Rings, Inc.;

WHEREAS, on May 15, 2007, the MEGA Board approved a transfer of the MEGA Tax Credit from Federal-Mogul Corporation to New Federal-Mogul Corporation, which was the surviving entity of a merger with Federal-Mogul Corporation;

WHEREAS, on July 21, 2009, the MEGA Board approved an amendment to reduce the number of retained jobs required to be maintained at the Greenville facility from 220 to 150. In consideration for reducing the retained jobs at the Greenville facility, the term MEGA Tax Credit was reduced from twenty years to eighteen years;

WHEREAS, on March 27, 2013, the MSF Board approved an amendment to add Federal-Mogul Vehicle Component Solutions, Inc. as an entity to be counted for retained jobs;

WHEREAS, on June 26, 2013, the MSF Board approved an amendment allowing Federal-Mogul Corporation to move their headquarters from Southfield to another location within the boundaries of Oakland County;

WHEREAS, on October 29, 2014, the MSF Board approved an amendment to reflect ownership structure changes at the Company and added Federal-Mogul Motorparts Corporation as an Affiliated Business for the purpose of counting retained jobs;

WHEREAS, Federal-Mogul has applied for and received tax credits through tax year 2017;

WHEREAS, effective October 1, 2018, Tenneco, Inc. (“Tenneco”), one of the world’s largest designers, manufacturers, and marketers of clean air and ride performance products and systems for the automotive and commercial trucking industries, acquired Federal-Mogul for a total consideration of \$5.4 billion in the form of cash, Tenneco equity, and assumption of debt;

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

WHEREAS, the Tenneco, Federal-Mogul, and the MSF wish to amend the Federal-Mogul MEGA Tax Credit in accordance with the following (collectively, the “Amendment Request”):

- (1) Add Tenneco, Inc. and Tenneco Automotive Operating Company, Inc. as entities that may be included for the purpose of counting retained jobs and base jobs under the agreement for tax year 2018;
- (2) Increase the maximum number of retained jobs under the Federal-Mogul MEGA Tax Credit from 1,866 to 3,400;
- (3) Allow a statewide consideration for calculating base employment and retained jobs;
- (4) Reduce the term of the Federal-Mogul MEGA Tax Credit from 17 to 13 years so that the credit expires with the tax year ending December 31, 2018;
- (5) Impose a cap of \$12 million for any tax credit claimed for tax year 2018;
- (6) Require repayment of the Federal-Mogul MEGA Tax Credit if 33 percent (33%) or more of the retained jobs are relocated out of the State of Michigan within four years of December 31, 2018;

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

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

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

Ayes: Jeremy Hendges, Stephen Hicks, Andrew Lockwood (on behalf of Treasurer Khouri, designation attached), Jeff Mason, Terrence J.L. Reeves, Terri Jo Umlor, Wayne Wood

Nays: 0

Recused: 0

Lansing, Michigan
November 27, 2018



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

NICK A. KHOURI
STATE TREASURER

January 18, 2018

Ms. Jennifer Tebedo
Board Relations Liaison
Michigan Strategic Fund Office
300 N. Washington Square
Lansing, MI 48913

Dear Ms. Tebedo:

I hereby designate Andrew Lockwood to represent me at Michigan Strategic Fund Meeting, I am unable to attend.

Sincerely,

A handwritten signature in black ink, appearing to be "N.A. Khouri", with a long horizontal stroke extending to the right.

N.A. Khouri
State Treasurer

Cc: Andrew Lockwood

MICHIGAN STRATEGIC FUND

**RESOLUTION
2018-181**

**APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM
GRANT AMENDMENT TO
U.S. FARATHANE PORT HURON, LLC**

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

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

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

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

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

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

WHEREAS, the MSF Board approved a \$2,300,000 Michigan Business Development Program performance-based grant on April 25, 2017 for the expansion into a new facility in the City of Port Huron (the “Project”);

WHEREAS, the Company requests that the MSF Board approve an amendment to the Michigan Business Development Program performance-based grant by adding the related entity U.S. Farathane, LLC (“U.S. Farathane”) for the purpose of counting Base Employment and Qualified New Jobs (the “Grant Amendment Request”);

WHEREAS, the MEDC recommends approval of the Grant Amendment Request; and

WHEREAS, the MSF Board wishes to approve the Grant Amendment Request.

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

BE IT FURTHER RESOLVED, the MSF authorizes the MSF Fund Manager to negotiate the final terms and conditions of the final documents necessary to effectuate the Grant Amendment Request.

Ayes: Jeremy Hendges, Stephen Hicks, Andrew Lockwood (on behalf of Treasurer Khouri, designation attached), Jeff Mason, Terrence J.L. Reeves, Terri Jo Umlor, Wayne Wood

Nays: 0

Recused: 0



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

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January 18, 2018

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N.A. Khouri
State Treasurer

Cc: Andrew Lockwood

MICHIGAN STRATEGIC FUND

RESOLUTION

2018-182

**APPROVAL OF AN AMENDMENT TO MSF INVESTMENT AWARD
TO NORTHERN MICHIGAN UNIVERSITY**

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

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

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

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

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

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

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

WHEREAS, by Resolution 2017-043 on March 28, 2017, the MSF Board awarded a \$6.5 million Investment Fund to fund the Northern Michigan University UP Rural Broadband “Super Highway” Initiative (“Award”);

WHEREAS, the MEDC recommends that the MSF approve an amendment request to extend the due date of Key Milestone Number Three to October 1, 2019 and the due date of Key Milestone Number Five to December 31, 2020 (the “Amendment Recommendation”);

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

BE IT FURTHER RESOLVED, the MSF Board authorizes the MSF Fund Manager to negotiate the final terms and conditions of the final documents necessary to effectuate the Amendment Recommendation.

Ayes: Jeremy Hedges, Stephen Hicks, Andrew Lockwood (on behalf of Treasurer Khouri, designation attached), Jeff Mason, Terrence J.L. Reeves, Terri Jo Umlor, Wayne Wood

Nays: 0

Recused: 0

Lansing, Michigan
November 27, 2018



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

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January 18, 2018

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Michigan Strategic Fund Office
300 N. Washington Square
Lansing, MI 48913

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N.A. Khouri
State Treasurer

Cc: Andrew Lockwood

MICHIGAN STRATEGIC FUND

**RESOLUTION
2018-183**

**COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REGIONAL LOAN FUND
MANAGERS DESIGNATION EXTENSION AND MODIFICATION OF REPAID FUNDS
AGREEMENT**

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

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

WHEREAS, the CDBG program has policies, criteria, and parameters which are enumerated in the annual Program Guidelines (the "Criteria");

WHEREAS, the Criteria are contained in the Michigan Annual and Five-Year Consolidated Plan for Housing and Community Development ("Consolidated Plan") approved by Resolution 2015-039 and CDBG Funding Guide which the MSF most recently approved by Resolution 2018-102;

WHEREAS, on August 24, 2011, by Resolution 2011-120, the Fund Manager was authorized to regionalize the existing CDBG loan funds into nine (9) regional entities statewide with one Regional Fund Manager for each region, which Regional Fund Managers were designated by the MSF Board on October 24, 2012 by Resolution 2012-142;

WHEREAS, On May 22, 2013, the MSF Board authorized the Repaid Funds Agreements between a Regional Fund Manager and the MSF, by Resolution 2013-078;

WHEREAS, on September 22, 2015, by Resolution 2015-139, the CDBG Regional Loan Fund Managers' designation were extended to end October 31, 2018;

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board approves and extends the designation of the Regional Fund Managers for a period expiring on June 30, 2021;

BE IT FURTHER RESOLVED, that the MSF Board approves the amended Repaid Funds Agreement; and

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

Ayes: Jeremy Hendges, Stephen Hicks, Andrew Lockwood (on behalf of Treasurer Khouri, designation attached), Jeff Mason, Terrence J.L. Reeves, Terri Jo Umlor, Wayne Wood

Nays: 0

Recused: 0

Lansing, Michigan
November 27, 2018

EXHIBIT A

- 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.



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

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January 18, 2018

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Michigan Strategic Fund Office
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N.A. Khouri
State Treasurer

Cc: Andrew Lockwood

MICHIGAN STRATEGIC FUND

**RESOLUTION
2018-184**

**REVOCATION OF AN EXISTING K.I. SAWYER RENAISSANCE ZONE TIME EXTENSION
DESIGNATION: Frontier Medical Devices, Inc.**

WHEREAS, Public Act 116 of 2008 amended the Michigan Renaissance Zone Act (the “Act”), 1996 PA 376, as amended, to authorize the Michigan Strategic Fund (“MSF”) to extend the duration of renaissance zone status for one or more portions of an existing renaissance zone for a period of time not to exceed fifteen (15) years, provided that the extension will increase capital investment or job creation and the affected county consents to the extension;

WHEREAS, on July 28, 2010, the MSF Board approved a Renaissance Zone time extension for Frontier Medical Devices, Inc. (the “Company”) for parcel number AL-31B located within the Township of Forsyth, Michigan and the K.I. Sawyer Renaissance Zone;

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

WHEREAS, Section 4(7) of the Act allows the MSF Board to revoke the time extension designation if the MSF Board determines that job creation has not been maintained or otherwise violates the terms of the written development agreement; and

WHEREAS, the Michigan Economic Development Corporation (“MEDC”) provides administrative services for the renaissance zone program and determined that the Company failed to submit an annual progress report by January 31, 2017, as required per the development agreement executed between the MSF and the Company; and

WHEREAS, pursuant to the development agreement, the Company was sent notice initiating a cure period to cure its noncompliance or revocation would be recommended, and the cure period has since lapsed.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board approves the revocation of the Company’s Renaissance Zone time extension designation for parcel number AL-31B in the Township of Forsyth, Michigan, effective December 30, 2018 for property tax purposes and December 31, 2018 for all other purposes; and

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

Ayes: Jeremy Hedges, Stephen Hicks, Andrew Lockwood (on behalf of Treasurer Khouri, designation attached), Jeff Mason, Terrence J.L. Reeves, Terri Jo Umlor, Wayne Wood

Nays: 0

Recused: 0

Lansing, Michigan
November 27, 2018



STATE OF MICHIGAN
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Sincerely,

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N.A. Khouri
State Treasurer

Cc: Andrew Lockwood

MICHIGAN STRATEGIC FUND

**RESOLUTION
2018-185**

**REVOCAION OF AN EXISTING TOOL & DIE RENAISSANCE
RECOVERY ZONE DESIGNATION: Extreme Tool and Engineering, Inc.**

WHEREAS, the Michigan Renaissance Zone Act (the “Act”), 1996 PA 376, as amended, authorizes the Michigan Strategic Fund (“MSF”) Board to designate up to thirty-five (35) tool and die renaissance recovery zones (“Recovery Zone”) anywhere in the State of Michigan;

WHEREAS, on December 20, 2006 the MSF Board designated a Recovery Zone for the Michigan Coast to Coast Tool and Die Collaborative (the “Collaborative”) beginning January 1, 2007;

WHEREAS, on February 24, 2010 the MSF Board approved the addition of Extreme Tool and Engineering, Inc. (the “Company”) located at 999 Production Drive, Wakefield, Michigan 49968 (the “Property”) to the Collaborative;

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

WHEREAS, the Company is no longer conducting business as a tool and die on the Property and has ceased participation with the Collaborative;

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

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

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board revokes the Recovery Zone designation for Extreme Tool and Engineering, Inc. for the Property located at 999 Production Drive, Wakefield, Michigan 49968, effective on December 30, 2018 for property tax purposes and December 31, 2018 for all other purposes; and

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

Ayes: Jeremy Hendges, Stephen Hicks, Andrew Lockwood (on behalf of Treasurer Khouri, designation attached), Jeff Mason, Terrence J.L. Reeves, Terri Jo Umlor, Wayne Wood

Nays: 0

Recused: 0

Lansing, Michigan
November 27, 2018



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

NICK A. KHOURI
STATE TREASURER

January 18, 2018

Ms. Jennifer Tebedo
Board Relations Liaison
Michigan Strategic Fund Office
300 N. Washington Square
Lansing, MI 48913

Dear Ms. Tebedo:

I hereby designate Andrew Lockwood to represent me at Michigan Strategic Fund Meeting, I am unable to attend.

Sincerely,

A handwritten signature in black ink, appearing to be "N.A. Khouri", with a long horizontal stroke extending to the right.

N.A. Khouri
State Treasurer

Cc: Andrew Lockwood

MICHIGAN STRATEGIC FUND

**RESOLUTION
2018-186**

**REVOCATION OF AN EXISTING TOOL & DIE RENAISSANCE
RECOVERY ZONE DESIGNATION: Casey Tool & Die, Inc.**

WHEREAS, the Michigan Renaissance Zone Act (the “Act”), 1996 PA 376, as amended, authorizes the Michigan Strategic Fund (“MSF”) Board to designate up to thirty-five (35) tool and die renaissance recovery zones (“Recovery Zone”) anywhere in the State of Michigan;

WHEREAS, on December 21, 2005, the MSF Board designated a Recovery Zone for the Southwest Michigan Tooling Collaborative (the “Collaborative”) beginning January 1, 2006;

WHEREAS, the Collaborative includes Casey Tool & Die, Inc. (the “Company”) located at 58100 Park Place, Dowagiac, Michigan 49047 (the “Property”);

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

WHEREAS, the Company is no longer conducting business as a tool and die on the Property and has ceased participation with the Collaborative;

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

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

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board revokes the Recovery Zone designation for Casey Tool & Die, Inc. for the Property located at 58100 Park Place, Dowagiac, Michigan 49047, effective on December 30, 2018 for property tax purposes and December 31, 2018 for all other purposes; and

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

Ayes: Jeremy Hendges, Stephen Hicks, Andrew Lockwood (on behalf of Treasurer Khouri, designation attached), Jeff Mason, Terrence J.L. Reeves, Terri Jo Umlor, Wayne Wood

Nays: 0

Recused: 0

Lansing, Michigan
November 27, 2018



STATE OF MICHIGAN
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N.A. Khouri
State Treasurer

Cc: Andrew Lockwood

MICHIGAN STRATEGIC FUND

**RESOLUTION
2018-187**

**APPOINTMENT OF INVESTMENT COMMITTEE MEMBER FOR
GROW MICHIGAN – CAPITAL CONDUIT PROGRAM,
OPERATING COMPANY 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 Grow Michigan – Capital Conduit Program under the MSDF (“CCP”);

WHEREAS, on December 21, 2011, the MSF (1) approved the creation and operation of the Operating Company Initiative (“OCI”) under the CCP and (2) adopted guidelines for the OCI (“OCI Guidelines”);

WHEREAS, on January 25, 2012, the MSF approved an award to Grow Michigan, LLC (“Grow Michigan Award”) under the OCI;

WHEREAS, pursuant to the OCI Guidelines and the terms of the OCI Award, the MSF Board has the right to appoint one member to the Grow Michigan investment committee;

WHEREAS, on September 27, 2012, the MSF approved the appointment of Peter Mogk to the Grow Michigan investment committee;

WHEREAS, the MEDC recommends and the MSF Board desires to remove Peter Mogk and appoint Aaron Seybert, Social Investment Officer – Kresge Foundation, to the Grow Michigan investment committee;

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

Ayes: Jeremy Hendges, Stephen Hicks, Andrew Lockwood (on behalf of Treasurer Khouri, designation attached), Jeff Mason, Terrence J.L. Reeves, Terri Jo Umlor, Wayne Wood

Nays: 0

Recused: 0

Lansing, Michigan
November 27, 2018



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

NICK A. KHOURI
STATE TREASURER

January 18, 2018

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Michigan Strategic Fund Office
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Lansing, MI 48913

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N.A. Khouri
State Treasurer

Cc: Andrew Lockwood

MICHIGAN STRATEGIC FUND

RESOLUTION 2018-188

APPROVAL OF AN AMENDMENT TO A MICHIGAN COMMUNITY REVITALIZATION PROGRAM OTHER ECONOMIC ASSISTANCE AWARD FOR LOFTS ON MICHIGAN, LLC

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

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

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

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

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

WHEREAS, by Resolution 2014-054 on April 22, 2014 the MSF Board awarded a MCRP Other Economic Assistance Loan Participation Award to Lofts on Michigan, LLC, in furtherance of the Project of up to \$2,450,000 (“Award”);

WHEREAS, by Resolution 2014-133 on August 26, 2014 the MSF Board rescinded Resolution 2014-054 due to a change in the senior lender, and re-awarded a MCRP Grant/Loan/Other Economic Assistance Award to Applicant, in furtherance of the Project of up to \$2,450,000 (“Award”);

WHEREAS, by Resolution 2016-115 on July 26, 2016, the MSF Board approved an amendment request to extend the loan conversion, certification of loan conversion and project completion deadlines, and to allow the release of a letter of credit as collateral;

WHEREAS, by Resolution 2016-134 on August 23, 2016, the MSF Board approved an amendment request to allow Mercantile Bank to add a prepayment penalty to their portion of the permanent financing loan, and preclude the MSF from sharing in said penalty or other associated fees collected by Mercantile Bank related to the prepayment of the MSF MCRP incentive;

WHEREAS, on May 4, 2017, the MSF Fund Manager approved a consent request for the waiver of the conversion date requirements in the MCRP Other Economic Assistance Loan Participation and Servicing Agreement and any related ancillary agreements, extending the loan conversion date from April 20, 2017 to July 10, 2017;

WHEREAS, on July 26, 2017, the MSF Fund Manager approved a consent request allowing the Borrower to enter into a Forbearance Agreement with Mercantile Bank and allow a principal reduction payment to apply strictly to paying down Mercantile’s portion of the financing; and

WHEREAS, on October 24, 2017, the MSF Board approved an amendment request to terminate the existing Agreement with Mercantile Bank and replace it with a new Loan Participation Agreement with Horizon Bank; and

WHEREAS, the MEDC recommends that the MSF approve an amendment to terminate the existing Agreement with Horizon Bank and replace it with a new MCRP Performance Based Direct Loan in accordance with the Term Sheet and Guidelines, subject to: (i) final due diligence performed to the satisfaction of the MEDC; and (ii) execution of the Transaction Documents for the Award Request within 120 days of the date of this Resolution (“Time Period”), or this Resolution shall have no effect; provided however, at the sole discretion of the MSF Fund Manager, the Time Period may be extended for up to an additional 120 days (“MCRP Amendment Recommendation”).

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

BE IT FURTHER RESOLVED, the MSF Board authorizes the MSF Fund Manager to negotiate the final terms and conditions and execute all final documents necessary to effectuate the MCRP Amendment Recommendation.

Ayes: Jeremy Hedges, Stephen Hicks, Andrew Lockwood (on behalf of Treasurer Khouri, designation attached), Jeff Mason, Terrence J.L. Reeves, Terri Jo Umlor, Wayne Wood

Nays: 0

Recused: 0

Lansing, Michigan
November 27, 2018

EXHIBIT A "TERM

SHEET"

LOAN FACILITY

MSF Facility MCRP **PERFORMANCE-BASED DIRECT LOAN** Participation and Servicing Agreement Under "~~other economic assistance~~"

Borrower: Lofts on Michigan, LLC

Lender: ~~Horizon Bank~~

Total Loan Amount: Currently estimated at \$11,150,000

Lender Share: Currently estimated at \$9,200,000

MSF Share: Up to \$1,950,000 (~~\$500,000 was forgiven at construction completion~~)

Loan Amount: Up to \$1,950,000

Term: ~~To match that of the Lender, Not to exceed 120 months, with an interest only period of up to 24 months.~~

Amortization: ~~On the MSF Share Up to 25 years following the interest only period.~~

Interest Rate: ~~On the MSF Share 1.00% per annum~~

Repayment Terms: ~~On the MSF Share up to 24 months of monthly interest only payments followed by Monthly principal and interest payments.~~

~~Up to 500,000 of the MSF Share of the loan to be forgiven at issuance of a "Certificate of Occupancy" for the entire building.~~

Subordination of Payments

- ~~1) Payments to the MSF allowed to the extent that the Debt Service Coverage Ratio (DSCR) is always above 1.15x.~~
- 2) Certain defaults under the **LADDER CAPITAL** loan agreement ~~related to missed payments~~ will trigger suspension of all payments to the MSF until the default has been cured.

Collateral: ~~To match that of the Lender, currently~~ Anticipated being a mortgage lien on the property, and assignments of leases/rents and Tax Increment Financing. ~~MSF Share of~~ **LIEN INTEREST IN THE** collateral will be subordinated to that of the **THIRD PARTY SENIOR** Lender.

Guarantee: ~~To match that of the Lender, currently anticipated being the unsecured limited guarantees of the owners of Lofts on Michigan, LLC members during construction converting to limited proportional guarantees thereafter. The MSF Share of guarantee(s) will be subordinated to the Lender.~~ **GUARANTEES ACCEPTABLE TO THE MSF FUND MANAGER.**

Fee: The **MSF** shall be paid a one-time fee equal to **0.50%** of the MSF's loan. The Borrower will be responsible for any third-party fees incurred by the MEDC/MSF in closing the loan.

MICHIGAN STRATEGIC FUND

**RESOLUTION
2018-189**

**APPROVAL TO AMEND A MICHIGAN COMMUNITY REVITALIZATION PROGRAM
OTHER ECONOMIC ASSISTANCE LOAN PARTICIPATION AWARD TO
JACKSON ENTERTAINMENT, LLC OR RELATED ENTITIES
(STUDIO C PROJECT)**

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

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

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

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

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

WHEREAS, by Resolution 2018-059 on April 24, 2018, the MSF Board approved a MCRP Other Economic Assistance Loan Participation Award for Jackson Entertainment, LLC or Related Entities, in furtherance of the Studio C Project of up to \$5,500,000 (“Award”);

WHEREAS, Mercantile Bank (“Lender”) will be providing financing to Jackson Entertainment, LLC or related entities (“Proposed Borrower”) of approximately \$49,000,000 toward the redevelopment activities and site improvements to real property (“Project”);

WHEREAS, the MEDC is recommending that the MSF approve an amendment recommendation to waive the MCRP Parameter that limits the term of MCRP loans to 84 months and extend the term of the Loan Participation Agreement to 108 months, with all other requirements and terms to remain in place from the original approval (“MCRP Amendment Recommendation”);

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

Ayes: Jeremy Hedges, Stephen Hicks, Andrew Lockwood (on behalf of Treasurer Khouri, designation attached), Jeff Mason, Terrence J.L. Reeves, Terri Jo Umlor, Wayne Wood

Nays: 0

Recused: 0

Lansing, Michigan
November 27, 2018



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

NICK A. KHOURI
STATE TREASURER

January 18, 2018

Ms. Jennifer Tebedo
Board Relations Liaison
Michigan Strategic Fund Office
300 N. Washington Square
Lansing, MI 48913

Dear Ms. Tebedo:

I hereby designate Andrew Lockwood to represent me at Michigan Strategic Fund Meeting, I am unable to attend.

Sincerely,

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N.A. Khouri
State Treasurer

Cc: Andrew Lockwood

MICHIGAN STRATEGIC FUND

**RESOLUTION
2018-190**

**APPROVAL OF AN AMENDMENT TO A MICHIGAN COMMUNITY REVITALIZATION
PROGRAM OTHER ECONOMIC ASSISTANCE AWARD FOR
LOFTS ON ALABAMA, LLC**

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

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

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

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

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

WHEREAS, by Resolution 2015-164 on June 8, 2015 the MSF Board awarded a CRP Other Economic Assistance Loan Participation Award to Lofts on Alabama, LLC, in furtherance of the Project of up to \$3,000,000 (“Award”);

WHEREAS, by Resolution 2017-053 on April 25, 2017 the MSF Board approved an amendment request to extend the Draw Expiration Date by two months and reduce the permanent loan term by two months;

WHEREAS, on June 28, 2017 the MSF Fund manager approved a consent request to allow the final draw to be processed after the Draw Expiration Date, provided Macatawa Bank (“Lender”) make adjustments to the Borrower’s account as if the draw had occurred on time;

WHEREAS, the MEDC is recommending that the MSF approve an amendment request to amend the Lender’s loan covenants to create a Senior Lender Debt Service Coverage (“DSC”) of 1.25, reduce the total DSC threshold for MSF repayments to 1.05 for the life of the loan, and correct an error in the definition of Debt Service Coverage Ratio, with all other requirements remaining in place from the original approval.

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

Ayes: Jeremy Hedges, Stephen Hicks, Andrew Lockwood (on behalf of Treasurer Khouri, designation attached), Jeff Mason, Terrence J.L. Reeves, Terri Jo Umlor, Wayne Wood

Nays: 0

Recused: 0

Lansing, Michigan
November 27, 2018



STATE OF MICHIGAN
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LANSING

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NICK A. KHOURI
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January 18, 2018

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Michigan Strategic Fund Office
300 N. Washington Square
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Sincerely,

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N.A. Khouri
State Treasurer

Cc: Andrew Lockwood

MICHIGAN STRATEGIC FUND

**RESOLUTION
2018-191**

**APPROVAL OF A BROWNFIELD ACT 381 WORK PLAN
CITY OF EAST LANSING BROWNFIELD REDEVELOPMENT AUTHORITY
PARK DISTRICT PROJECT
AMENDMENT #2**

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

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

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

WHEREAS, the MEGA Board approved a Work Plan request for City Center Two Project (the “Project”), by Resolution 2008-80 on July 15, 2008, authorizing the Authority to capture taxes levied for school operating purposes based on a maximum of \$57,835,839 in eligible activities and amended by Resolution 2011-101 on July 19, 2011, to extend the time to complete eligible activities;

WHEREAS, as a condition of Resolution 2011-101, the MEGA Board authorized the Authority to complete eligible activities by July 15, 2014, provided that tax capture shall be initiated by July 15, 2013;

WHEREAS, as a condition of Resolution 2008-80, the MEGA Board required the East Lansing Downtown Development Authority to support the costs related to the Project by contributing tax increment revenues, estimated at \$30,239,701, during the duration of the associated brownfield plan in order to reimburse eligible activities;

WHEREAS, the City of East Lansing Brownfield Redevelopment Authority (the “Authority”) wishes to amend the scope of the Project by recognizing eight parcels as eligible property, reducing the scope of the project, and removing the time limit required to complete eligible activities, and decreasing the maximum amount for eligible costs;

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

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

NOW, THEREFORE, BE IT RESOLVED, the MSF Board authorizes the Authority to capture taxes levied for school operating purposes in substantially the same proportion as 36.55% to 63.45% ratio currently existing between school and local taxes for non-homestead properties, to reimburse the cost of site preparation, demolition, lead and asbestos abatement and infrastructure improvements as presented in the revised Work Plan dated October 10, 2018. Any change in millage that increases the capture percentage of school taxes in the ratio above by more than 5 percentage points must be approved by the MSF Board. The authorization is based on the Authority capturing all available local operating mills for the term of the capture period. The authorization for the capture of taxes levied for school operating purposes is based on costs of MSF eligible activities with a maximum of \$4,514,786 for the principal activity costs of non-environmental activities and a contingency, a maximum of \$1,055,807 in interest, and a maximum of \$15,000 for Brownfield/Work Plan preparation, and with the capture of taxes levied for school operating purposes being limited to a maximum of \$2,041,534.

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

BE IT FURTHER RESOLVED, the condition requiring eligible activities to be completed by July 15, 2014, provided that tax capture shall be initiated by July 15, 2013 is hereby rescinded.

BE IT FURTHER RESOLVED, that the condition requiring the East Lansing Downtown Development Authority to support the costs related to the Project by contributing tax increment revenues, estimated at \$30,239,701, during the duration the associated brownfield plan in order to reimburse eligible activities is hereby rescinded.

BE IT FURTHER RESOLVED, that the MSF Board is authorizing the capture of taxes levied for school operating purposes for the payment of interest, up to a maximum of \$1,055,807 related to the eligible activities for the Project.

BE IT FURTHER RESOLVED, that all other provisions of Resolutions 2008-80 and 2011-101 are reaffirmed and the MSF authorizes the MSF Fund Manager to implement the terms of this resolution.

Ayes: Jeremy Hendges, Stephen Hicks, Andrew Lockwood (on behalf of Treasurer Khouri, designation attached), Jeff Mason, Terrence J.L. Reeves, Terri Jo Umlor, Wayne Wood

Nays: 0

Recused: 0

Lansing, Michigan
November 27, 2018



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

NICK A. KHOURI
STATE TREASURER

January 18, 2018

Ms. Jennifer Tebedo
Board Relations Liaison
Michigan Strategic Fund Office
300 N. Washington Square
Lansing, MI 48913

Dear Ms. Tebedo:

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Sincerely,

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N.A. Khouri
State Treasurer

Cc: Andrew Lockwood

MICHIGAN STRATEGIC FUND

**RESOLUTION
2018-192**

**PARK DISTRICT PROJECT
100 GRAND RIVER, LLC
BROWNFIELD REDEVELOPMENT MBT CREDIT – AMENDMENT #2
CITY OF EAST LANSING**

At the meeting of the Michigan Strategic Fund (“MSF”) held on November 27, 2018 in Lansing, Michigan;

WHEREAS, the Michigan Economic Growth Authority (“MEGA”) is authorized by 1995 PA 24, as amended, to 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 2008-79 on July 15, 2008, the MEGA Board awarded a Brownfield MBT Tax Credit to City Center II Project, LLC (the “Applicant”) to make eligible investment up to \$50,000,000 at an eligible property in the City of East Lansing (the “Project”);

WHEREAS, by Resolution 2018-166 on October 23, 2018, the MSF Board amended the Project by adding 100 Grand River, LLC as a qualified taxpayer and removing City Center Two Project, LLC as a qualified taxpayer;

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

WHEREAS, a request has been submitted to amend the Project to change the scope of the project, and add 5 years to complete the project; and

WHEREAS, no certificate of completion has been issued for the Project; and

WHEREAS, the Michigan Economic Development Corporation (“MEDC”) provides administrative services to the MSF, and recommends approval of the amendment by the MSF Board, provided that the maximum credit amount does not exceed \$10,000,000;

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board amends the Project by modifying the scope of the Project to reflect the construction of a 13-story mixed-use building containing ground floor retail, approximately 197 mixed-market residential units and two levels of integrated parking; and

BE IT FURTHER RESOLVED, that the Project is amended to extend the date of completion by five years to its statutory deadline of May 6, 2021; and

BE IT FURTHER RESOLVED, that the Project is required to submit a Certificate of Completion request within one year of project completion.

Ayes: Jeremy Hendges, Stephen Hicks, Andrew Lockwood (on behalf of Treasurer Khouri, designation attached), Jeff Mason, Terrence J.L. Reeves, Terri Jo Umlor, Wayne Wood

Nays: 0

Recused: 0

Lansing, Michigan
November 27, 2018



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N.A. Khouri
State Treasurer

Cc: Andrew Lockwood

MICHIGAN STRATEGIC FUND

**RESOLUTION
2018-193**

**AUTHORIZATION OF REQUEST FOR PROPOSALS FOR
TRAVEL MICHIGAN TOURISM REPRESENTATIVE**

WHEREAS, the Michigan Strategic Fund (“MSF”) desires to engage a firm to represent Travel Michigan and the State of Michigan for tourism promotion in the United Kingdom/Ireland and Germany/Austria/Switzerland;

WHEREAS, under the Michigan Strategic Fund Act, MCL 125.2001 et seq. (“Act”), and in particular, Section 88b of the Act, the MSF has the power to make grants, loans and investments, which includes promoting tourism, business development and business marketing, creating or retaining jobs, and increasing capital investment activity;

WHEREAS, Section 88b(6) of the Act provides that the MSF Board may select all vendors for all expenditures and for program awards by issuing a request for proposal or an alternative competitive process as determined by the MSF Board;

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

WHEREAS, to facilitate responsive evaluation, recommendations, and closings of awards to distribute funds the MEDC recommends that a Request for Proposals (“RFP”) be issued for firms to promote tourism for the MSF;

WHEREAS, the MEDC recommends that an RFP be issued for an entity to provide a representative for tourism promotion of Michigan in the United Kingdom, including Ireland (“United Kingdom Tourism RFP”);

WHEREAS, the MEDC recommends that an RFP be issued for an entity to provide a representative for tourism promotion of Michigan in Germany, Austria, and Switzerland (“Germany Tourism RFP”);

WHEREAS, the MEDC recommends, and the MSF Board desires, to issue these two (2) RFPs either separately or in combination;

WHEREAS, the MSF has reviewed the RFP forms, which establish a competitive proposal process for awarding grants and expenditures as provided above;

WHEREAS, the MSF desires to initiate the competitive proposal process to award expenditures for the promotion of Michigan’s tourism industry.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board approves the United Kingdom Tourism RFP and the Germany Tourism RFP and authorizes their issuance; and

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

Ayes: Jeremy Hendges, Stephen Hicks, Andrew Lockwood (on behalf of Treasurer Khouri, designation attached), Jeff Mason, Terrence J.L. Reeves, Terri Jo Umlor, Wayne Wood

Nays: 0

Recused: 0

Lansing, Michigan
November 27, 2018



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

NICK A. KHOURI
STATE TREASURER

January 18, 2018

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N.A. Khouri
State Treasurer

Cc: Andrew Lockwood

MICHIGAN STRATEGIC FUND

**RESOLUTION
2018-194**

**APPROVAL OF AN MSF-DESIGNATED RENAISSANCE ZONE
Corktown Area Renaissance Zone**

WHEREAS, Section 8a(2) of the Michigan Renaissance Zone Act (the “Act”), 1996 PA 376, as amended, authorizes the Michigan Strategic Fund (“MSF”) to designate up to 27 renaissance zones (a “Renaissance Zone”) in one or more cities, villages, or townships if consented by the local unit of government in which the zone is located;

WHEREAS, Section 6(5) of the Act allows the MSF Board to choose the beginning date of a Renaissance Zone designation made pursuant to Section 8a(2) of the Act, provided that the beginning date must be January 1 of a year for income tax and Michigan Business Tax purposes and December 31, for property tax purposes, and must not be more than five (5) years after the date of designation;

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

WHEREAS, the MEDC received an application from the City of Detroit (the “City”) for a renaissance zone designation to which it has consented within its jurisdiction under Section 8a(2) of the Act (the “Application”) for a geographic area that encompasses the former Michigan Central Station building and surrounding areas in the City’s Corktown area attached as Exhibit A (the “Property”);

WHEREAS, Ford Motor Company and its affiliates (collectively, the “Company”) wish to locate operations in a Corktown campus, as described in the Application, within a portion of the Property of the proposed renaissance zone (the “Project”);

WHEREAS, pursuant to Section 6(5) of the Act, the City has requested that the term of the proposed renaissance zone begin upon the occurrence of certain conditions and that, subsequently or coincidentally, certain areas of the proposed renaissance zone have beginning dates determined upon the occurrence of certain other conditions; and

WHEREAS, the MEDC recommends the MSF Board approve the Application for the designation of an MSF-Designated renaissance zone for the geographic areas depicted in the attached Exhibit A (the “Corktown Area Renaissance Zone”) for a term of thirty (30) years to start upon satisfaction of certain conditions and, subsequently or coincidentally, for certain areas of the proposed renaissance zone have beginning dates determined upon the occurrence of certain other conditions.

NOW, THEREFORE, BE IT RESOLVED, pursuant to Section 8a(2) of the Act, the MSF Board approves the Application for the designation of the Corktown Area Renaissance Zone for a term of up to thirty (30) years for the geographic area depicted in Exhibit A;

BE IT FURTHER RESOLVED, the term of the Corktown Area Renaissance Zone shall start the January 1 (and the preceding December 31, for property tax purposes) immediately following MSF Fund Manager approval upon the occurrence of all of the following conditions, provided that each occurs no later than five (five) years after the date of this resolution:

1. The Company has provided written request to the MSF Fund Manager to begin the term of the Corktown Area Renaissance Zone containing a map depicting the portion of Property the Company will initially utilize for the Project (“the Active Ford Zone”);
2. A development agreement has been executed between the Company, the MSF, and the landowners of the Active Ford Zone (the “Ford Development Agreement”);
3. A development agreement has been executed between the City and the Company; and

BE IT FURTHER RESOLVED, the portions of the Property of the Corktown Area Renaissance Zone outside of the Active Ford Zone (the “Inactive Zone”) shall have a beginning date of the start of the tax year immediately after the satisfaction of any the following sets of eligibility requirements (collectively, the “Scenarios”) for the portions of the Inactive Zone that meet the requirements of any of the Scenarios, provided that the beginning date is coincident or subsequent to when the term of the Corktown Area Renaissance Zone begins and does not exceed five (5) years from the date of this resolution:

- A. Scenario A – (i) the Company owns and operates on land within the Inactive Zone, and (ii) the Ford Development Agreement is amended to govern the terms and conditions of the additional renaissance zone benefits;
- B. Scenario B – (i) a business entity leases a facility or portion thereof and operates on land within the Inactive Zone that is owned by the Company or an affiliate of the Company, and (ii) the Ford Development Agreement is amended to govern the terms and conditions of the renaissance zone benefits; or
- C. Scenario C – (i) a business entity owns or leases, and operates on or will operate on, land or a facility, or portion thereof, within the Inactive Zone, (ii) a development agreement is executed between the business entity and the MSF to govern the terms and conditions of the renaissance zone benefits, and (iii) a development agreement is executed between the business entity and the City; and

BE IT FURTHER RESOLVED, that the MSF Board authorizes the Fund Manager to negotiate the final terms and conditions of and to execute the development agreements and any other related documents necessary to effectuate the terms of this Resolution on behalf of the MSF.

Ayes: Jeremy Hedges, Stephen Hicks, Andrew Lockwood (on behalf of Treasurer Khouri, designation attached), Jeff Mason, Terrence J.L. Reeves, Terri Jo Umlor, Wayne Wood

Nays: 0

Recused: 0

Lansing, Michigan
November 27, 2018

Exhibit A

13 Nov 2018



0 0.25 mi

Parcel Data: City of Detroit Assessor's Office. Building data: SEMCOG



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

NICK A. KHOURI
STATE TREASURER

January 18, 2018

Ms. Jennifer Tebedo
Board Relations Liaison
Michigan Strategic Fund Office
300 N. Washington Square
Lansing, MI 48913

Dear Ms. Tebedo:

I hereby designate Andrew Lockwood to represent me at Michigan Strategic Fund Meeting, I am unable to attend.

Sincerely,

A handwritten signature in black ink, appearing to be "N.A. Khouri", with a long horizontal stroke extending to the right.

N.A. Khouri
State Treasurer

Cc: Andrew Lockwood

MICHIGAN STRATEGIC FUND

**RESOLUTION
2018-195**

**APPROVAL OF A BROWNFIELD ACT 381 WORK PLAN
CITY OF HAZEL PARK BROWNFIELD REDEVELOPMENT AUTHORITY
TRI-COUNTY COMMERCE CENTER REDEVELOPMENT PROJECT #2 AND #3**

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

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

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

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

WHEREAS, the City of Hazel Park Brownfield Redevelopment Authority (the “Authority”) has submitted a work plan for property located at 1650 East 10 Mile Road, 24211 Hughes Avenue, and Oakgrove Avenue within the City of Hazel Park, known as the Tri-County Commerce Center Redevelopment Project #2 and #3 (the “Project”);

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

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

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

NOW, THEREFORE, BE IT RESOLVED, the MSF Board authorizes the Authority to capture taxes levied for school operating purposes in substantially the same proportion as 31.91% to 68.09% ratio currently existing between school and local taxes for non-homestead properties, to reimburse the cost of site preparation, demolition, and infrastructure improvements as presented in the Work Plan dated November 6, 2018. Any change in millage that increases the capture percentage of school operating taxes by more than 5 percentage points must be approved by the MSF Board. The authorization is based on the Authority capturing all available local operating

mills for the term of the capture period. The authorization for the capture of taxes levied for school operating purposes is based on a maximum of \$21,396,910 for the principal activity costs of non-environmental activities and a contingency, a maximum of \$20,000 for Brownfield/Work Plan implementation and a maximum of \$20,000 for Brownfield/Work Plan preparation, and with the capture of taxes levied for school operating purposes being limited to a maximum of \$6,840,518.

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

BE IT FURTHER RESOLVED, that an entity's decision to relocate from a Michigan location to the newly constructed facility may result in suspension of the school tax capture if the relocating entity has little or no intentions of expanding the size of its relocated facility; employing a higher number of individuals than employed prior to its move into the facility; or any other valid business reason.

BE IT FURTHER RESOLVED, that no taxes levied for school operating purposes shall be used to reimburse interest costs related to the eligible activities for the Project.

Ayes: Jeremy Hendges, Stephen Hicks, Andrew Lockwood (on behalf of Treasurer Khouri, designation attached), Jeff Mason, Terrence J.L. Reeves, Terri Jo Umlor, Shaun Wilson, Wayne Wood

Nays: 0

Recused: 0

Lansing, Michigan
November 27, 2018



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

NICK A. KHOURI
STATE TREASURER

January 18, 2018

Ms. Jennifer Tebedo
Board Relations Liaison
Michigan Strategic Fund Office
300 N. Washington Square
Lansing, MI 48913

Dear Ms. Tebedo:

I hereby designate Andrew Lockwood to represent me at Michigan Strategic Fund Meeting, I am unable to attend.

Sincerely,

A handwritten signature in black ink, appearing to be "N.A. Khouri", with a long horizontal stroke extending to the right.

N.A. Khouri
State Treasurer

Cc: Andrew Lockwood

MICHIGAN STRATEGIC FUND

**RESOLUTION
2018-196**

**GOOD JOBS FOR MICHIGAN AWARD
APTIV US SERVICES GENERAL PARTNERSHIP**

WHEREAS, Public Act 109 of 2017 authorized the Michigan Strategic Fund (the “MSF”) to create and operate the Good Jobs for Michigan Program (the “GJFM Program”);

WHEREAS, on September 26, 2017, the MSF created the GJFM Program and adopted guidelines for the GJFM Program;

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

WHEREAS, Aptiv US Services General Partnership (the “Company”) proposes to make capital investment of \$20,000,000, with the potential for up to \$30,000,000, and create 500 Certified New Jobs as it relocates its Indiana facility to the city of Troy (the “Project”) and applied for a GJFM incentive in connection with the Project;

WHEREAS, MEDC staff has reviewed the Company’s request for a GJFM incentive and determined that the following statutory requirements have been or will be met by the Company:

- (a) The Company is an Eligible Business as defined in MCL 125.2090g(d);
- (b) The Company will create and maintain a minimum of 250 Certified New Jobs with an average wage equal to or greater than 125 percent of the regional prosperity average wage of \$74,808 annually;
- (c) The Company will maintain a statewide base employment level of 1,121;
- (d) The plans for the expansion are economically sound;
- (e) The expansion of the Eligible Business will increase employment opportunities and strengthen Michigan’s economy;
- (f) The assistance provided under GJFM is an incentive to expand in Michigan and address the competitive disadvantages with sites outside the State;
- (g) An industry-recognized regional economic model cost-benefit analysis has indicated that the payment of withholding tax capture revenues under the GJFM Program will result in an overall positive fiscal impact to the State;
- (h) The Company will create the Certified New Jobs not more than five years after execution of a written agreement with the MSF;
- (i) The Company will maintain the requisite number of Certified New Jobs for the duration of the period of time that the Company receives withholding tax capture revenues under the GJFM Program; and
- (j) The city of Troy approved the Company’s expansion by resolution.

WHEREAS, the MEDC recommends that the MSF authorize the Company to receive withholding tax capture revenues for the Project of up to 100 percent for ten years, not to exceed \$30,685,850 (the “GJFM Award Recommendation”); and

WHEREAS, the MSF wishes to approve the GJFM Award Recommendation.

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

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

Ayes: Jeremy Hedges, Stephen Hicks, Andrew Lockwood (on behalf of Treasurer Khouri, designation attached), Jeff Mason, Terrence J.L. Reeves, Terri Jo Umlor, Shaun Wilson, Wayne Wood

Nays: 0

Recused: 0

Lansing, Michigan
November 27, 2018



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

NICK A. KHOURI
STATE TREASURER

January 18, 2018

Ms. Jennifer Tebedo
Board Relations Liaison
Michigan Strategic Fund Office
300 N. Washington Square
Lansing, MI 48913

Dear Ms. Tebedo:

I hereby designate Andrew Lockwood to represent me at Michigan Strategic Fund Meeting, I am unable to attend.

Sincerely,

A handwritten signature in black ink, appearing to be "N.A.", followed by a horizontal line.

N.A. Khouri
State Treasurer

Cc: Andrew Lockwood

MICHIGAN STRATEGIC FUND

**RESOLUTION
2018-197**

**APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT TO
SPARTAN MICHIGAN LLC**

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

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

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

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

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

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

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

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

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

Ayes: Paul Gentilozzi, Jeremy Hendges, Stephen Hicks, Andrew Lockwood (on behalf of Treasurer Khouri, designation attached), Jeff Mason, Terrence J.L. Reeves, Terri Jo Umlor, Shaun Wilson, Wayne Wood

Nays: 0

Recused: 0

Lansing, Michigan
November 27, 2018

MICHIGAN ECONOMIC
DEVELOPMENT CORPORATION

EXHIBIT A
MICHIGAN BUSINESS DEVELOPMENT PROGRAM
Performance Based Incentive - Term Sheet - Summary

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").

Date: November 11, 2018

Company Name: Spartan Michigan LLC and/or its affiliates and subsidiaries.

Project Location: St. Johns, Michigan

MBDP Incentive Type: Performance Based Grant

Maximum Amount of MBDP Incentive: Up to \$2,000,000

Base Employment Level: At least 0

Qualified New Jobs: At least 231 at the Project Location

Municipality Supporting Project: City of St. Johns has agreed to provide staff, financial or economic assistance in support of the project.

Start Date for Measurement of Creation of Qualified New Jobs: May 14, 2018 (date of accepted offer)

Term of the Agreement: October 31, 2023

Milestone Based Incentive: Disbursements will be made over a 4 year period and will be performance based on job creation as follows:
Milestone 1: \$216,450 for the creation of 25 jobs.
Milestone 2: \$216,450 for the creation of 25 jobs.
Milestone 3: \$865,800 for the creation of 100 jobs.
Milestone 4: \$701,300 for the creation of 81 jobs.

The detailed numbers, and statutorily required repayment and reporting provisions, will be reflected in the subsequent transaction documents.

Acknowledged as received by:

Spartan Michigan LLC

By:



Printed Name:

THOMAS A PENCIL

Its:

Authorized Representative

Michigan Economic Development Corporation

By:



Printed Name:

Jeremy J. Webb

Its:

Sr. Business Development Project Manager



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

NICK A. KHOURI
STATE TREASURER

January 18, 2018

Ms. Jennifer Tebedo
Board Relations Liaison
Michigan Strategic Fund Office
300 N. Washington Square
Lansing, MI 48913

Dear Ms. Tebedo:

I hereby designate Andrew Lockwood to represent me at Michigan Strategic Fund Meeting, I am unable to attend.

Sincerely,

A handwritten signature in black ink, appearing to be "N.A. Khouri", with a long horizontal stroke extending to the right.

N.A. Khouri
State Treasurer

Cc: Andrew Lockwood

MICHIGAN STRATEGIC FUND

**RESOLUTION
2018-198**

**APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT TO
GALLAGHER-KAISER CORPORATION**

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

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

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

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

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

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

WHEREAS, Gallagher-Kaiser Corporation (“Company”) has requested a performance based MBDP Grant of up to \$3,200,000 (“Grant Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”); and

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

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

Ayes Paul Gentilozzi, Jeremy Hendges, Stephen Hicks, Andrew Lockwood (on behalf of Treasurer Khouri, designation attached), Jeff Mason, Terrence J.L. Reeves, Terri Jo Umlor, Shaun Wilson, Wayne Wood

Nays: 0

Recused: 0

Lansing, Michigan
November 27, 2018

EXHIBIT A
MICHIGAN BUSINESS DEVELOPMENT PROGRAM
Performance Based Incentive - Term Sheet - Summary

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").

Date: 11/9/2018

Company Name:	Gallagher-Kaiser Corporation and/or its affiliates and subsidiaries.
Project Location:	13710 Mount Elliott Street Hamtramck, Michigan 48212 13400 Mount Elliott Street Detroit, Michigan 48212 769 & 777 Chicago Road Troy, Michigan 48083
MBDP Incentive Type:	Performance Based Grant
Maximum Amount of MBDP Incentive:	Up to \$3,200,000
Base Employment Level:	At least 255
Qualified New Jobs:	At least 300
Municipality Supporting Project:	City of Detroit has agreed to provide staff, financial or economic assistance in support of the project.
Start Date for Measurement of Creation of Qualified New Jobs:	October 23, 2018 (date of accepted offer letter)
Term of the Agreement:	June 30, 2022
Milestone Based Incentive:	Disbursements will be made over a 4 year period and will be performance based on job creation as follows: Milestone 1: \$500,000 for the creation of 40 jobs. Milestone 2: \$500,000 for the creation of 40 jobs. Milestone 3: \$435,000 for the creation of 60 jobs. Milestone 4: \$640,600 for the creation of 60 jobs. Milestone 5: \$590,510 for the creation of 50 jobs. Milestone 6: \$533,890 for the creation of 50 jobs.

The detailed numbers, and statutorily required repayment and reporting provisions, will be reflected in the subsequent transaction documents.

MICHIGAN ECONOMIC
DEVELOPMENT CORPORATION

Acknowledged as received by:

Gallagher-Kaiser Corporation

By:

K.M. Krause

Printed Name:

K.M. Krause

Its:

CFO

Michigan Economic Development Corporation

By:

Jeremy J. Webb

Printed Name:

Jeremy J. Webb

Its:

Sr. Business Development Project Manager



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

NICK A. KHOURI
STATE TREASURER

January 18, 2018

Ms. Jennifer Tebedo
Board Relations Liaison
Michigan Strategic Fund Office
300 N. Washington Square
Lansing, MI 48913

Dear Ms. Tebedo:

I hereby designate Andrew Lockwood to represent me at Michigan Strategic Fund Meeting, I am unable to attend.

Sincerely,

A handwritten signature in black ink, appearing to be "N.A. Khouri", with a long horizontal stroke extending to the right.

N.A. Khouri
State Treasurer

Cc: Andrew Lockwood

MICHIGAN STRATEGIC FUND

**RESOLUTION
2018-199**

**APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT TO
SAMSUNG SDI AMERICA, INC.**

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

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

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

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

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

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

WHEREAS, Samsung SDI America, Inc. (“Company”) has requested a performance based MBDP grant of up to \$10 million (“Grant Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”); and

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

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

Ayes: Paul Gentilozzi, Jeremy Hendges, Stephen Hicks, Andrew Lockwood (on behalf of Treasurer Khouri, designation attached), Jeff Mason, Terrence J.L. Reeves, Terri Jo Umlor, Shaun Wilson, Wayne Wood

Nays: 0

Recused: 0

Lansing, Michigan
November 27, 2018

EXHIBIT A
MICHIGAN BUSINESS DEVELOPMENT PROGRAM
Performance Based Incentive - Term Sheet - Summary

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").

Date: November 13, 2018

Company Name: Samsung SDI America, Inc. and/or its affiliates and subsidiaries.

Project Location: Auburn Hills, Michigan

MBDP Incentive Type: Performance Based Grant

Maximum Amount of MBDP Incentive: Up to \$10 million

Base Employment Level: At least 130

Qualified New Jobs: At least 461 in Michigan

Municipality Supporting Project: The City of Auburn Hills has agreed to provide staff, financial or economic assistance in support of the project.

Start Date for Measurement of Creation of Qualified New Jobs: November 27, 2018 (Date of MSF Board)

Term of the Agreement: May 31, 2025

Milestone Based Incentive: Disbursements will be made over a 6 year period and will be performance based on job creation as follows:
Lease Execution: \$2.3 million for executing a minimum 10 year lease.
Machinery & Equipment: \$1.7 million for at least \$9 million in M&E investment.
Workforce Development: \$2 million for eligible training expenses.

Additionally, on November 30th of each year, the Company may request disbursement equal to \$8,677 for each Qualified New Job (up to 461 Qualified New Jobs and not to exceed the total amount of \$4,000,000) upon demonstration that the base employment level and any Qualified New Jobs for which disbursements have previously been made have been maintained, and provided that:

- I. On November 30, 2019, the Company has created a minimum of at least 25 Qualified New Jobs above the Base Employment Level and submits documentation verifying commitment of local support;
- II. On November 30, 2020, the Company has created a minimum of 50 Qualified New Jobs above the Base Employment Level; and
- III. On November 30, 2021, the Company has created a minimum of 100 Qualified New Jobs above the Base Employment Level; and
- IV. On November 30, 2022, the Company has created a minimum of 200 Qualified New Jobs above the Base Employment Level; and

November 13, 2018 – Samsung SDI America, Inc.

S. 4/5

MICHIGAN ECONOMIC
DEVELOPMENT CORPORATION

- V. On November 30, 2023, the Company has created a minimum of 300 Qualified New Jobs above the Base Employment Level; and
- VI. On November 30, 2024, the Company has created a minimum of 400 Qualified New Jobs above the Base Employment Level.

There are 3 performance milestones tied to Lease Execution, Machinery and Equipment Purchase, and Workforce Development expected to be disbursed prior to job creation. The remaining disbursements will be tied to job creation milestones.

The detailed numbers, and statutorily required repayment and reporting provisions, will be reflected in the subsequent transaction documents.

Acknowledged as received by:

Samsung SDI America, Inc.

By:

Printed Name:

Its:


HYEON SONG

VP PLANNING TEAM

SAMSUNG SDI

15th Nov 2018

Michigan Economic Development Corporation

By:

Printed Name:

Its:


Trevor Friedberg

Director, Business Development
Projects



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

NICK A. KHOURI
STATE TREASURER

January 18, 2018

Ms. Jennifer Tebedo
Board Relations Liaison
Michigan Strategic Fund Office
300 N. Washington Square
Lansing, MI 48913

Dear Ms. Tebedo:

I hereby designate Andrew Lockwood to represent me at Michigan Strategic Fund Meeting, I am unable to attend.

Sincerely,

A handwritten signature in black ink, appearing to be "N.A. Khouri", with a long horizontal stroke extending to the right.

N.A. Khouri
State Treasurer

Cc: Andrew Lockwood

MICHIGAN STRATEGIC FUND

**RESOLUTION
2018-200**

**APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM
GRANT AMENDMENT TO
GESTAMP MASON, LLC AND GESTAMP WASHTENAW, LLC**

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

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

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

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

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

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

WHEREAS, the MSF Board approved a \$1,175,000 Michigan Business Development Program performance-based grant on October 25, 2016 for the expansion of its operations in the City of Chelsea and the City of Mason (the “Project”);

WHEREAS, Gestamp Mason, LLC and Gestamp Washtenaw, LLC (“Company”) has requested that the MSF Board approve an amendment to the Michigan Business Development Program performance-based grant by adding the related entity Edscha Automotive Michigan, Inc. (“Edscha”) for the purpose of counting Base Employment and increase required Qualified New Jobs from 235 to 370 which will increase the maximum grant amount from \$1,175,000 to \$1,850,000 (the “Grant Amendment Request”);

WHEREAS, the MEDC recommends approval of the Grant Amendment Request; and

WHEREAS, the MSF Board wishes to approve the Grant Amendment Request.

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

BE IT FURTHER RESOLVED, the MSF authorizes the MSF Fund Manager to negotiate the final terms and conditions of the final documents necessary to effectuate the Grant Amendment Request.

Ayes: Paul Gentilozzi, Jeremy Hedges, Stephen Hicks, Andrew Lockwood (on behalf of Treasurer Khouri, designation attached), Jeff Mason, Terrence J.L. Reeves, Terri Jo Umlor, Shaun Wilson, Wayne Wood

Nays: 0

Recused: 0

MICHIGAN ECONOMIC
DEVELOPMENT CORPORATION

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

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

Date: 10/19/2018

Company Name: Gestamp Mason, LLC & Gestamp Washtenaw, LLC
("Company" or "Applicant")

Company Address ("Project"): 5800 Sibley Road
Chelsea, Michigan 48118

and

200 Kipp Road
Mason, Michigan 48854

MBDP Incentive Type: Performance Based Grant

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

- **Maximum Amount of MBDP Incentive:** Up to \$1,175,000 ("MBDP Incentive Award")
- **Base Employment Level** 872 The number of jobs currently maintained in Michigan by the Company and Gestamp North America, Inc. and Gestamp Alabama, LLC or any combination ("Company Group") based on data submitted by the Company to the MEDC reflecting the Company Group'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.
- **Total Qualified New Job Creation:** 235
(above Base Employment Level)

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- **Start Date for Measurement of Creation of Qualified New Jobs:** October 25, 2016

- **Company Investment:** \$158,000,000 in building purchase, building renovations, machinery and equipment, new building construction and computers and IT, *or any combination thereof, for the Project.*

- **Municipality supporting the Project:** The Cities of Chelsea and Mason have agreed to provide staff, financial or economic assistance in support of the Project.

- **Disbursement Milestones:** The terms and conditions of each of the disbursements of any portion of the MBDP Incentive Award are outlined in Exhibit B of the Agreement, and include:
 - **Disbursement Milestone 1:** Up to \$375,000 Upon demonstrated creation of 75 Qualified New Jobs above the Base Employment Level and verification of final approval of municipality support by no later than December 31, 2018.

 - **Disbursement Milestone 2:** Up to \$800,000 Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 160 additional Qualified New Jobs (for a total of 235 Qualified New Jobs) above the Base Employment Level, by no later than December 31, 2019.

- **Term of Agreement:** Execution of Agreement to June 30, 2020.

Proposed MBDP Incentive Amendment:

- **Maximum Amount of MBDP Incentive:** Up to \$1,850,000 ("MBDP Incentive Award")

- **Base Employment Level** 872 The number of jobs currently maintained in Michigan by the Company and Gestamp North America, Inc. and Gestamp Alabama, LLC and Edscha Automotive Michigan, Inc. or any combination ("Company Group") based on data submitted by the Company to the MEDC reflecting the Company Group'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.



- **Total Qualified New Job Creation:** 370
(above Base Employment Level)

- **Disbursement Milestones:** The terms and conditions of each of the disbursements of any portion of the MBDP Incentive Award will be amended as follows:

- **Disbursement Milestone 1:** Up to \$925,000 Upon demonstrated creation of 185 Qualified New Jobs above the Base Employment Level and verification of final approval of municipality support by no later than December 31, 2018.
- **Disbursement Milestone 2:** Up to \$925,000 Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 185 additional Qualified New Jobs (for a total of 370 Qualified New Jobs) above the Base Employment Level, by no later than December 31, 2019.

- **Term of Agreement:** Execution of Agreement to June 30, 2020.

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

If the Company is interested in the MEDC pursuing a recommendation to the MSF for a possible MBDP Incentive Award Amendment for the Company along the above parameters, please sign and date this Term Sheet. If the MEDC does not receive the signed Term Sheet from the Company by November 30, 2018, the MEDC may not be able to proceed with any recommendation to the MSF.

Acknowledged as received by:

Gestamp Mason, LLC/Gestamp Washtenaw, LLC

By:



Printed Name:

Francisco José Riberas Hera
Sole Member of
the Board of Managers

Its:

Dated:

11/7/2018

Michigan Economic Development Corporation

By:



Printed Name:

Erik wilford

Its:

Business Development Project Manager

Dated:

11/8/2018



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

NICK A. KHOURI
STATE TREASURER

January 18, 2018

Ms. Jennifer Tebedo
Board Relations Liaison
Michigan Strategic Fund Office
300 N. Washington Square
Lansing, MI 48913

Dear Ms. Tebedo:

I hereby designate Andrew Lockwood to represent me at Michigan Strategic Fund Meeting, I am unable to attend.

Sincerely,

A handwritten signature in black ink, appearing to be "N.A. Khouri", with a long horizontal stroke extending to the right.

N.A. Khouri
State Treasurer

Cc: Andrew Lockwood

MICHIGAN STRATEGIC FUND

**RESOLUTION
2018-201**

MICHIGAN MANUFACTURING TECHNOLOGY CENTER GRANT

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

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

WHEREAS, Section 7 of the Act provides that the MSF has the power to make grants, loans and investments;

WHEREAS, Section 2 of the Act provides that the purposes of the Act and of the MSF is to, among other things, help diversify the economy of this state, assist business enterprise in obtaining additional sources of financing to aid this state in achieving the goal of long-term economic growth and full employment, meet the growing competition for business enterprises, preserve existing jobs, create new jobs, and reduce the cost of business and production;

WHEREAS, the MSF desires to award a grant of up to \$2,125,000 to the Michigan Manufacturing Technology Center (“MMTC”) for an initial term of November 27, 2018 to October 31, 2019, with the option to extend the grant for up to an additional three years and allocate additional funding at the sole discretion of the MSF Board and subject to available funding (the “MMTC Grant”).

NOW, THEREFORE, BE IT RESOLVED, that the MSF approves the MMTC Grant;
and

BE IT FURTHER RESOLVED, that the MSF Fund Manager is authorized to negotiate final terms and conditions of the MMTC Grant and to execute all documents necessary to effectuate MMTC Grant in accordance with the terms of this Resolution.

Ayes: Paul Gentilozzi, Jeremy Hendges, Stephen Hicks, Andrew Lockwood (on behalf of Treasurer Khouri, designation attached), Jeff Mason, Terrence J.L. Reeves, Terri Jo Umlor, Shaun Wilson, Wayne Wood

Nays: 0

Recused: 0

Lansing, Michigan
November 27, 2018



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

NICK A. KHOURI
STATE TREASURER

January 18, 2018

Ms. Jennifer Tebedo
Board Relations Liaison
Michigan Strategic Fund Office
300 N. Washington Square
Lansing, MI 48913

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N.A. Khouri
State Treasurer

Cc: Andrew Lockwood

MICHIGAN STRATEGIC FUND

**RESOLUTION
2018-202**

**MSDF-CSP
APPROVAL OF CASH COLLATERAL DEPOSIT AGREEMENT FOR
UP PAPER, LLC AND RELATED BORROWERS**

WHEREAS, Public Acts 215 and 225 of 2005 established the 21st Century Jobs 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 approved the creation of the Michigan Supplier Diversification Fund (“MSDF”) as a loan enhancement program;

WHEREAS, at its May 20, 2009 meeting, the MSF Board approved the: (i) creation and operation of the Michigan Collateral Support Program (“MCSP”) under the MSDF, and (a) adopted the MCSP guidelines, as later amended (“MCSP Guidelines”);

WHEREAS, on June 24, 2009, the MSF approved the MSF Chairperson to negotiate the final terms and conditions of the Cash Collateral Deposit Agreement, as later amended, to be used for the MCSP (“MCSP Agreements”) and sign the final MCSP Agreements on the MSF’s behalf, so long as the final terms and conditions of the MCSP Agreements are not materially adverse to the interest of the MSF Board;

WHEREAS, Crestmark, a division of Meta Bank (“Bank”) has proposed a new credit facility to UP Paper, LLC and/or related borrowers (the “Proposed Borrowers”) of \$4,250,000 for a working capital line of credit;

WHEREAS, Proposed Borrowers have requested collateral support from the MSF under the MSDF-CSP in an amount not to exceed the lesser of: (i) \$1,891,250 or (ii) up to 44.5% of the total amount of the Bank loan (“MSDF-CSP Support”);

WHEREAS, the MEDC has reviewed the Bank’s current credit documents for the Proposed Borrowers, and recommends that the MSF Board approve the MSDF-CSP Support, subject to: (i) available funding, and final due diligence performed, to the satisfaction of the MEDC; and (ii) execution of the MSDF-CSP Agreement within 90 days of the date of this Resolution (“Time Period”), or the collateral support approval under 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;

NOW, THEREFORE, BE IT RESOLVED, the MSF approves the MSDF-CSP Support subject to: (i) available funding, and final due diligence performed, to the satisfaction of the MEDC; and (ii) execution of the MSDF-CSP Agreements within 90 days of the date of this Resolution (“Time Period”), or the collateral support approval under 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; and

BE IT FURTHER RESOLVED, that the MSF Fund Manager is authorized to negotiate all final terms and conditions and to execute the MSDF-CSP Agreement on behalf of the MSF, so long as the final terms and conditions are not materially adverse to the MSF.

Ayes: Paul Gentilozzi, Jeremy Hedges, Stephen Hicks, Andrew Lockwood (on behalf of Treasurer Khouri, designation attached), Jeff Mason, Terrence J.L. Reeves, Terri Jo Umlor, Shaun Wilson, Wayne Wood

Nays: 0

Recused: 0

Lansing, Michigan
November 27, 2018



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

NICK A. KHOURI
STATE TREASURER

January 18, 2018

Ms. Jennifer Tebedo
Board Relations Liaison
Michigan Strategic Fund Office
300 N. Washington Square
Lansing, MI 48913

Dear Ms. Tebedo:

I hereby designate Andrew Lockwood to represent me at Michigan Strategic Fund Meeting, I am unable to attend.

Sincerely,

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N.A. Khouri
State Treasurer

Cc: Andrew Lockwood

MICHIGAN STRATEGIC FUND

**RESOLUTION
2018-203**

**APPROVAL OF A BROWNFIELD ACT 381 WORK PLAN
CITY OF KALAMAZOO BROWNFIELD REDEVELOPMENT AUTHORITY
CATALYST DEVELOPMENT CO. 12, LLC**

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

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

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

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

WHEREAS, the City of Kalamazoo Brownfield Redevelopment Authority (the “Authority”) has submitted a work plan for property located at 139 N. Edwards Street and 162 E. Water Street within the City of Kalamazoo, known as Catalyst Development Co. 12, LLC (the “Project”);

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

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

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

NOW, THEREFORE, BE IT RESOLVED, the MSF Board authorizes the Authority to capture 50% of the new taxes levied for school operating purposes in substantially the same proportion as 41.33% to 58.67% ratio currently existing between school and local taxes for non-homestead properties, to reimburse the cost of site preparation, demolition, and infrastructure improvements as presented in the Work Plan dated November 9, 2018. Any change in millage that increases the capture percentage of school taxes in the ratio above by more than 5 percentage points must be approved by the MSF Board. The authorization is based on the Authority capturing all available local operating mills for the term of the capture period. The authorization for the capture of taxes levied for school operating purposes is based on costs of MSF eligible activities with a maximum of \$3,844,493 for the principal activity costs of non-environmental activities and a contingency, a maximum of \$30,000 for Brownfield/Work Plan preparation, and with the capture of taxes levied for school operating purposes being limited to a maximum of \$1,398,177.

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

BE IT FURTHER RESOLVED, that no taxes levied for school operating purposes shall be used to reimburse interest costs related to the eligible activities for the Project.

Ayes: Paul Gentilozzi, Jeremy Hedges, Stephen Hicks, Andrew Lockwood (on behalf of Treasurer Khouri, designation attached), Jeff Mason, Terrence J.L. Reeves, Terri Jo Umlor, Shaun Wilson, Wayne Wood

Nays: 0

Recused: 0

Lansing, Michigan
November 27, 2018



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

NICK A. KHOURI
STATE TREASURER

January 18, 2018

Ms. Jennifer Tebedo
Board Relations Liaison
Michigan Strategic Fund Office
300 N. Washington Square
Lansing, MI 48913

Dear Ms. Tebedo:

I hereby designate Andrew Lockwood to represent me at Michigan Strategic Fund Meeting, I am unable to attend.

Sincerely,

A handwritten signature in black ink, appearing to be "N.A. Khouri", with a long horizontal stroke extending to the right.

N.A. Khouri
State Treasurer

Cc: Andrew Lockwood

MICHIGAN STRATEGIC FUND

**RESOLUTION
2018-204**

**APPROVAL OF A MICHIGAN COMMUNITY REVITALIZATION PROGRAM
OTHER ECONOMIC ASSISTANCE PERFORMANCE BASED LOAN AND EQUITY
INVESTMENT AWARD TO HERITAGE TOWER BC LLC**

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

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

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

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

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

WHEREAS, Heritage Tower BC LLC (“Company”) has requested a performance-based loan and equity investment of up to \$10,000,000 (“Award Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”);

WHEREAS, it is anticipated that the project will not be able to meet the MCRP Incentive Parameters of developer fees limited to 4%, minimum owner equity of 10%, and the preferred economic equity structure, and staff is recommending a deviation from these parameters;

WHEREAS, the MEDC has recommended that the MSF approve the Company’s Award Request in accordance with the Term Sheet, and 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 120 days (“MCRP Award Recommendation”); and

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

Ayes: Paul Gentilozzi, Jeremy Hendges, Stephen Hicks, Andrew Lockwood (on behalf of Treasurer Khouri, designation attached), Jeff Mason, Terrence J.L. Reeves, Terri Jo Umlor, Shaun Wilson, Wayne Wood

Nays: 0

Recused: 0

Lansing, Michigan
November 27, 2018

EXHIBIT A

“Term Sheet”

<u>MSF Facility #1:</u>	MCRP Performance-Based Loan
Borrower:	Heritage Tower BC LLC or a Related Entity
MSF Loan Amount:	Anticipated to be \$1,712,123. Staff is requesting the MSF Fund Manager be given authority to negotiate the final amount of the loan.
Term:	Anticipated to match that of the community capital, not to exceed 120 months. Staff is requesting the MSF Fund Manager be given authority to negotiate the final term of the loan.
Amortization:	Anticipated to match that of the community capital, not to exceed 360 months. Staff is requesting the MSF Fund Manager be given authority to negotiate the final amortization of the loan.
Interest Rate:	1.00% per annum
Repayment Terms:	Interest only for 24 months, followed by equal monthly principal and interest payments. Principal balance due at the earliest of maturity or sale.
MSF Fees:	The MSF shall be paid a one-time fee equal to one percent of the total MSF’s Award amount. Additionally, the development team will be responsible for all third-party costs incurred by the MEDC/MSF in closing the transaction.
Collateral:	Anticipated to match that of the community capital, currently anticipated being a shared 2 nd security interest in the real estate, rental income and TIF reimbursements. Staff is requesting the MSF Fund Manager be given authority to negotiate the final security structure for the loan.
Guarantee:	Anticipated to be the limited personal guarantee of Mark Harmsen.
Timing of Funding:	The MSF investment would be made after (a) all of the Equity has been contributed to and used to fund approved and budgeted for Project costs and (b) the Senior Lender has waived all conditions precedent to funding (but for any conditions or obligations required of the Fund to make the Investment). For the avoidance of doubt, the MSF investment will be funded prior to the Senior Lender advancing any amounts under its loan.

<u>MSF Facility #2:</u>	MCRP Performance-Based Equity Investment
Applicant:	Heritage Tower BC LLC or a Related Entity
Investors Investment Amount:	Owner equity contributions of not less than \$560,000 (“Investor Equity”)
MSF Investment Amount:	Anticipated to be \$8,287,877 (“MSF Equity”). Staff is requesting the MSF Fund Manager be given authority to negotiate the final amount of the equity investment.
MSF Fees:	The MSF shall be paid a one-time fee equal to one percent of the MSF’s Award amount. Additionally, the development team will be responsible for all third-party costs incurred by the MEDC/MSF in closing the transaction.
Interest Purchased:	MSF will acquire an equity interest in Heritage Tower BC, LLC or an entity to be determined. The MSF will provide no guarantees on debt or accept any recourse obligation.
“Put” Rights:	The MSF will receive a “Put” right for among other things failure to adhere to MSF statutory requirements. If exercised, Heritage Tower BC, LLC or another entity to be determined shall repay in full the entire contribution provided to the partnership and any earned but unpaid profits available at the time of the notice to exercise the “Put” on terms and conditions acceptable to the MSF. The owners of the project will be required to guarantee the “Put” right obligation.
MSF “Exit” Option:	MSF will have the option to exit the project after 360 months following disbursement of its proceeds. At time of exit the MSF will be due any remaining unpaid returns and principal.
Investors “Call” Option:	Following construction completion the Investors will have the option to call the MSF’s ownership interest for 360 months at a value equal to the greater of any accrued and unpaid returns plus the MSF’s original principal investment or an amount necessary to assure a 6% IRR to the MSF.
Net Cash Flows:	To be determined at a later date, that will include the following considerations: <ol style="list-style-type: none"> 1. Senior debt service requirements. 2. Annual escrowed replacement reserves. 3. Capital expenditures above and beyond what has been escrowed for replacement reserves. 4. Other restrictions placed on the property by the Senior Lender and/or Federal Historic Tax Credit Investor.

Split of Net Cash Flows:

1. Investors to receive 100% of available distributable cash flow after consideration of items above, until a 13.5% annual cash-on-cash return has been received on its original investment of \$560,000.
2. Thereafter, an approximate 54/46 split of remaining available cash flow with approximately 54% going to the MSF and 46% going to all other Investors, including the City of Battle Creek and Battle Creek Unlimited. Proceeds to be applied towards repayment of MSF and other Investors original equity investments.

Split of Proceeds from Sale or Refinance:

1. 100% of remaining proceeds to the Investors until any accumulated unpaid returns have been paid and an IRR of 15% has been achieved
2. Thereafter, an approximate 54/46 split of remaining available cash flow with approximately 54% going to the MSF and 46% going to the other Investors.

Membership Change:

The MSF will have certain rights to block or consent to any material change in the membership of the project owner entity, except with respect to changes made for estate planning purposes.

Sale/Liquidation:

The MSF will have certain rights to block or consent to any material liquidation or sale event (e.g., sale to a non-qualified third party).

Timing of Funding:

The MSF investment would be made after (a) all of the Investors' Equity has been contributed to and used to fund approved and budgeted for Project expenses and (b) the Senior Lender has waived all conditions precedent to funding (but for any conditions or obligations required of the Fund to make the Investment). For the avoidance of doubt, the MSF investment will be funded prior to the Senior Lender advancing any amounts under its loan.

Other Conditions:

The MSF's investment will be contingent upon the following:

- A copy of an acceptable "As-Complete" appraisal of subject property.
- A copy of an executed Guaranteed Maximum Price (GMP) construction contract between the Applicant and its contractor.
- Copies of final construction documents.
- Copies of all executed loan agreements, notes and mortgages, evidencing that the Applicant has financing in place in the minimum amount of \$6,690,000 in Senior Debt, or evidence of other sources available to make up the difference. The Senior Debt must have a term of not less than 60 months.
- Final agreements related to the City of Battle Creek's \$5,000,000 Investment/Loan

- Final agreements related to Battle Creek Unlimited \$3,000,000 Investment/Loan
- Final agreements related to Old National Bank's Federal Historic Tax Credit Investment
- Final agreements related to Battle Creek Community Foundation's \$450,000 loan.
- Final agreements related to bridge loan for the Federal Historic Tax Credit Equity (if applicable)
- Evidence of a minimum owner equity investment of \$560,000
- Final organizational and flow of funds chart.
- Final development budget and projections.
- Other documents may be required for review.



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

NICK A. KHOURI
STATE TREASURER

January 18, 2018

Ms. Jennifer Tebedo
Board Relations Liaison
Michigan Strategic Fund Office
300 N. Washington Square
Lansing, MI 48913

Dear Ms. Tebedo:

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Sincerely,

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N.A. Khouri
State Treasurer

Cc: Andrew Lockwood

MICHIGAN STRATEGIC FUND

**RESOLUTION
2018-205**

**APPROVAL OF A BROWNFIELD ACT 381 WORK PLAN
CITY OF BATTLE CREEK BROWNFIELD REDEVELOPMENT AUTHORITY
SITE NO. 14, THE HERITAGE TOWER PROJECT**

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

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

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

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

WHEREAS, the City of Battle Creek Brownfield Redevelopment Authority (the “Authority”) has submitted a work plan for property located at 25 West Michigan Avenue within the City of Battle Creek, known as Site No. 14, the Heritage Tower Project (the “Project”);

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

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

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

NOW, THEREFORE, BE IT RESOLVED, the MSF Board authorizes the Authority to capture taxes levied for school operating purposes in substantially the same proportion as 42.15% to 57.85% ratio currently existing between school and local taxes for non-homestead properties, to reimburse the cost of site preparation, demolition, lead and asbestos abatement and infrastructure improvements as presented in the Work Plan dated November 8, 2018. Any change in millage that increases the capture percentage of school taxes in the ratio above by more than 5 percentage points must be approved by the MSF Board. The authorization is based on the Authority capturing all available local operating mills for the term of the capture period. The authorization for the capture of taxes levied for school operating purposes is based on costs of MSF eligible activities with a maximum of \$2,396,600 for the principal activity costs of non-environmental activities and a contingency, and a maximum of \$30,000 for Brownfield/Work Plan preparation, and with the capture of taxes levied for school operating purposes being limited to a maximum of \$1,022,812.

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

BE IT FURTHER RESOLVED, that no taxes levied for school operating purposes shall be used to reimburse interest costs related to the eligible activities for the Project.

Ayes Paul Gentilozzi, Jeremy Hedges, Stephen Hicks, Andrew Lockwood (on behalf of Treasurer Khouri, designation attached), Jeff Mason, Terrence J.L. Reeves, Terri Jo Umlor, Shaun Wilson, Wayne Wood

Nays: 0

Recused: 0

Lansing, Michigan
November 27, 2018



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

NICK A. KHOURI
STATE TREASURER

January 18, 2018

Ms. Jennifer Tebedo
Board Relations Liaison
Michigan Strategic Fund Office
300 N. Washington Square
Lansing, MI 48913

Dear Ms. Tebedo:

I hereby designate Andrew Lockwood to represent me at Michigan Strategic Fund Meeting, I am unable to attend.

Sincerely,

A handwritten signature in black ink, appearing to be "N.A. Khouri", with a long horizontal stroke extending to the right.

N.A. Khouri
State Treasurer

Cc: Andrew Lockwood