

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

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

Communications

A. Consent Agenda

Proposed Meeting Minutes – January 23, 2018
National Carbon Technologies, LLC – Geographic Renaissance Zone Time Extension Transfer Amendment – Dan Parisian
Airgas Carbonic, Inc. – Agricultural Renaissance Zone Transfer/Name Change Amendment – Dan Parisian
WMU Foundation Grants – Assignment – Fred Molnar
Fuel Cell Systems Manufacturing, LLC – MBDP Reauthorization – Stacy Bowerman
Amazon – MBDP Reauthorization – Trevor Friedeberg
Southwest Michigan First – MBDP Amendment – Mike Gietzen
Detroit Diesel Corporation – MBDP Amendment – David Kurtycz
Trickl-EEZ Irrigation, Inc. – SSBCI Collateral Support – Aileen Cohen
Lofts on 820, LLC – MCRP Amendment – Lynda Franke

B. Business Investment

a. Business Growth

United Shore Financial Services, LLC – Brownfield Act 381 Work Plan – Jeremy Webb
Antolin Shelby, Inc. – MBDP Grant Amendment – Julia Veale

b. Capital Access

Greenville Venture Partners, LLC – Bond Inducement – Chris Cook
Liquid Web, LLC – Bond Inducement – Chris Cook

C. Community Vitality

Y Site, LLC – MCRP Request, Brownfield Act 381 Work Plan Amendment, MBT Amendment – Nate Scramlin
Grand Rapids Downtown Market Holdings – MCRP Amendment – Julius Edwards
BC Leasing, LLC – MSF Other – Chuck Donaldson

MICHIGAN STRATEGIC FUND

RESOLUTION 2018-

**APPROVAL OF FEBRUARY 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 – January 23, 2018

National Carbon Technologies, LLC – Geographic Renaissance Zone Time Extension Transfer Amendment

Airgas Carbonic, Inc. – Agricultural Renaissance Zone Transfer/Name Change Amendment

WMU Foundation Grants – Assignment

Fuel Cell Systems Manufacturing, LLC – MBDP Reauthorization

Amazon – MBDP Reauthorization

Southwest Michigan First – MBDP Amendment

Detroit Diesel Corporation – MBDP Amendment

Trickl-EEZ Irrigation, Inc. – SSBCI Collateral Support

Lofts on 820, LLC – MCRP Amendment

Ayes:

Nays:

Recused:

Lansing, Michigan
February 27, 2018

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

Members Present

Roger Curtis
Paul Gentilozzi
Andrew Lockwood (on behalf of Treasurer Khouri)
Jeff Mason

Members joined by phone

Stephen Hicks
Larry Koops
Terri Jo Umlor
Shaun Wilson
Wayne Wood

Member Absent

Paul Anderson

Mr. Mason called the meeting to order at 10:00 am.

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

Communications: Jennifer Tebedo, MSF Administrator, informed the Board that the Background Review Policy item under Closed Session was pulled from the Agenda and will be considered at the February meeting. A revised Agenda was provided to the Board at the table. She also advised the Board that the Quarterly Report of the Chief Compliance Officer was provided to them in the briefing packet.

A. CONSENT AGENDA

Resolution 2018-001 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 – December 19, 2017

Metro Community Development, Inc. – FY2018 Grant Request – **2018-002**

Kroger Company of Michigan – MBDP Grant Amendment – **2018-003**

Williams International Co., LLC – MBDP Grant Reauthorization and MSF-Designated Renaissance Zone Amendment – **2018-004 & 2018-005**

XALT Energy MI, LLC – Renaissance Zone Amendment, Standard MEGA Tax Credit Amendment, Cell Manufacturing Credit and Advanced Lithium Ion Battery Pack Credit Terminations – **2018-006 & 2018-007**

NanoBio Corporation – Partial Loan Conversion and Amendment Request – **2018-008**

Pure Michigan Venture Match Fund & Pure Michigan Venture Development Fund Programs – Reallocation of Returns and Repayments – **2018-009**

2015 Business Incubator Gatekeeper Grants – Amendment #2 – **2018-010**

2016 Business Incubator Gatekeeper Grants – Amendment #1 – **2018-011**

Lawrence Technological University Business Incubator Grant – Amendment #2 – **2018-012**

2015 TechTown Detroit Business Incubator Grant – Amendment #3 – **2018-013**

2015 Automation Alley Business Incubator Grant – Amendment #4 – **2018-014**
JNCC, LLC (Shamrock Village Development Project) – MBT Brownfield Credit Amendment #1 – **2018-015**
North Channel Investors, LLC and North Channel Brewing, LLC – MCRP Grant Amendment – **2018-016**
Grand Rapids Urban Market Holdings LLC – MCRP Loan Participation Amendment – **2018-017**

Paul Gentilozzi seconded the motion. **The motion carried: 9 ayes; 0 nays; 0 recused.**

B. BUSINESS INVESTMENT

B1. Entrepreneurship

Resolution 2018-018 Translume, Inc. – Loan Conversion Request

Christin Armstrong, Vice President Compliance & Contract Services, Margaret McCammon, Portfolio Manager, and Dean Wade, Compliance Specialist, provided the Board with information regarding this action item. Following brief discussion, Larry Koops motioned for the approval of Resolution 2018-018. Paul Gentilozzi seconded the motion. **The motion carried: 9 ayes; 0 nays; 0 recused.**

Mr. Mason adjourned the meeting at 10:30 am.



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

Memorandum

Date: February 27, 2018

To: Michigan Strategic Fund Board

From: Dan Parisian, Senior Compliance Specialist

Subject: K.I. Sawyer Renaissance Zone
Transfer of Geographic Renaissance Zone Time Extension –National Carbon Technologies, LLC

Action

Michigan Economic Development Corporation (“MEDC”) Staff requests the Michigan Strategic Fund (“MSF”) Board to approve a resolution transferring the Geographic Renaissance Zone time extension designation for RNFL Acquisition, LLC’s site (the “Company”) to National Carbon Technologies, LLC in the K.I. Sawyer Renaissance Zone (the “Zone”) located in the County of Marquette, Township of Forsyth. The Company’s term is currently set to expire on December 31, 2023.

Background

On November 28, 2008, a Geographic Renaissance Zone benefit for 7.7 acres occupied by Renewafuel, LLC was extended for 9 years. On January 4, 2012, the Company purchased sub-parcels AL-34 and AL-35 located within Renewafuel, LLC’s parcel 52-05-265-002-20 totaling 5.76 acres of the site. The remaining parcel for Renewafuel, LLC’s portion of the Zone was revoked on October 24, 2012. The Company’s designated Zone was approved for the remainder of the term and has been in effect since January 1, 2013 with the Zone set to expire on December 31, 2023.

In June of 2016, the Company ceased operation at the facility and laid off workers. The Company was purchased in the spring of 2017 by National Carbon Technologies, LLC which has invested over \$20 million to acquire and upgrade assets at the facility and has hired and trained 24 new full-time employees at the site. National Carbon Technologies, LLC has stated that they plan to invest additional money and create additional jobs at the site.

In December of 2017, both the County of Marquette and the Township of Forsyth approved resolutions for the transfer of the Zone benefit for the remainder of the term expiring on December 31, 2023 to National Carbon Technologies, LLC.

Recommendation

MEDC Staff recommends that the MSF Board approve the transfer of RNFL Acquisition, LLC’s Renaissance Zone time extension designation to National Carbon Technologies, LLC for sub-parcels AL-34 and AL-35 located within parcel 52-05-265-002-20 totaling 5.76 acres in the Township of Forsyth, County of Marquette effective December 30, 2017 for property tax purposes, and December 31, 2017 for all other tax purposes.

MICHIGAN STRATEGIC FUND

**RESOLUTION
2018-**

TRANSFER OF SUBZONE FOR AN EXISTING RENAISSANCE ZONE

KI Sawyer Geographic Renaissance Zone, RNFL Acquisition, LLC Subzone: National Carbon Technologies, LLC

WHEREAS, on October 24, 2012, the MSF Board approved a Geographic Renaissance Zone transfer for RNFL Acquisition, LLC (the "Company") for the K.I. Sawyer Renaissance Zone (the "Zone") for sub-parcels AL-34 and AL-35 located within parcel 52-05-265-002-20 for the remainder of the Term; as authorized in Section 4(4) of the Michigan Renaissance Zone Act, Public Act 376 of 1996 (the "Act"), as amended;

WHEREAS, as a condition of the Zone, a development agreement was entered into between the Company and the Michigan Strategic Fund (the "MSF");

WHEREAS, in the spring of 2017, the Company sold its assets to National Carbon Technologies, LLC;

WHEREAS, the Michigan Economic Development Corporation (the "MEDC") administers the renaissance zone program and received an application from National Carbon Technologies, LLC (the "Application") for a transfer of the renaissance zone designation for the property located within the KI Sawyer Renaissance Zone, RNFL Acquisition, LLC Subzone;

WHEREAS, as a condition of the transfer of the renaissance zone designation, National Carbon Technologies, LLC must enter into a development agreement with the MSF by May 27, 2018;

WHEREAS, the County of Marquette and the Township of Forsyth passed a resolution consenting to the transfer of the renaissance zone designation; and

WHEREAS, the MEDC recommends that the MSF approve the Application for a transfer of the renaissance zone designation for sub-parcels AL-34 and AL-35 located within parcel 52-05-265-002-20 in the KI Sawyer Renaissance Zone, RNFL Acquisition, LLC Subzone for the remainder of the term of the renaissance zone designation effective December 30, 2017 for property tax purposes, and December 31, 2017 for all other tax purposes ending on December 31, 2023, provided that a development agreement is entered into between National Carbon Technologies, LLC and the MSF by May 27, 2018.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board approves National Carbon Technologies, LLC's Application for a transfer of the renaissance zone designation for sub-parcels AL-34 and AL-35 located within parcel 52-05-265-002-20 in the KI Sawyer Renaissance Zone, RNFL Acquisition, LLC Subzone for the remainder of the term of the renaissance zone designation ending on December 30, 2023 for property tax purposes and December 31, 2023 for all other purposes, provided that a development agreement is entered into between National Carbon Technologies, LLC and the Michigan Strategic Fund by May 27, 2018;

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

Ayes:

Nays:

Recused:

February 27, 2018
Lansing, Michigan

Memorandum

Date: February 27, 2018

To: Michigan Strategic Fund Board

From: Dan Parisian, Senior Compliance Specialist

Subject: Airgas Carbonic, Inc. Renaissance Zone
Transfer of Agricultural Renaissance Zone –Airgas USA, LLC

Action

Michigan Economic Development Corporation (“MEDC”) Staff requests the Michigan Strategic Fund (“MSF”) Board to approve a resolution transferring the Agricultural Renaissance Zone designation for Airgas Carbonic, Inc. to Airgas USA, LLC’s (the “Company”) portion of the Agricultural Processing Renaissance Zone it shares with Green Plains Holdings II, LLC (the “Zone”) located in the Township of Riga, County of Lenawee. The Zone’s term is currently set to expire on December 31, 2020.

Background

In 2005, a 15-year Agricultural Renaissance Zone was approved for Green Plains Holdings II, LLC. In 2014, the Zone benefit for Green Plains Holdings II, LLC was transferred to Airgas Carbonic, Inc. for a portion of the Zone where it took over operations of the CO2 facility and maintained the jobs created at the site. Since the time of designation, Airgas Carbonic, Inc. has invested over \$8.6 million at the site.

However, on November 1, 2017, Airgas Carbonic, Inc. merged with the Company, the surviving entity of the merger. The Company has stated that they plan to maintain the jobs at the site.

Recommendation

MEDC Staff recommends that the MSF Board approve the transfer of Airgas Carbonic, Inc.’s portion of the Agricultural Processing Renaissance Zone designation to Airgas USA, LLC for parcel RGO-902-0110-00 effective December 30, 2017 for property tax purposes, and December 31, 2017 for all other tax purposes. MEDC Staff further recommends this transfer be conditioned upon the execution of a development agreement between the MSF and the Company.

MICHIGAN STRATEGIC FUND

**RESOLUTION
2018-**

**TRANSFER OF AGRICULTURAL RENAISSANCE ZONE
Airgas USA, LLC**

WHEREAS, in 2005, the Michigan Strategic Fund (“MSF”) Board approved an Agricultural Processing Renaissance Zone for Green Plains Holdings II, LLC, a portion of which was transferred to Airgas Carbonic, Inc. (the “Zone”), as authorized in Section 4(4) of the Michigan Renaissance Zone Act, Public Act 376 of 1996 (the "Act"), as amended;

WHEREAS, as a condition of the Zone, a development agreement was entered into between Airgas Carbonic, Inc. and the MSF;

WHEREAS, On November 1, 2017, Airgas Carbonic, Inc. (the “Company”) merged with its parent company Airgas USA, LLC;

WHEREAS, the Michigan Economic Development Corporation (the "MEDC") administers the renaissance zone program and received an application from Airgas USA, LLC for a transfer of the renaissance zone designation for the property located within the Zone (the “Application”);

WHEREAS, the MEDC recommends that the MSF approve the Application for a transfer of the Zone designation for parcel RGO-902-0110-00 for the remainder of the term of the Zone designation effective December 30, 2017 for property tax purposes, and December 31, 2017 for all other purposes, provided that a development agreement is entered into between Airgas USA, LLC and the Michigan Strategic Fund by May 27, 2018.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board approve Airgas USA, LLC’s Application for a transfer of the Zone designation for parcel RGO-902-0110-00 for the remainder of the term of the Zone effective December 30, 2017 for property tax purposes, and December 31, 2017 for all other purposes, provided that a development agreement is entered into between Airgas USA, LLC and the Michigan Strategic Fund by May 27, 2018;

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

Ayes:

Nays:

Recused:

February 27, 2018
Lansing, Michigan

MEMORANDUM

Date: February 27, 2018

To: MSF Board

From: Margaret McCammon, Portfolio Manager, Entrepreneurship and Innovation

Subject: Request to transfer affiliation of MEDC Biosciences Research & Commercialization Center award back to Western Michigan University.

REQUEST

Western Michigan University (WMU) requests that the MEDC Early Stage Funding award for the Biosciences Research & Commercialization Center (BRCC) be transferred back to WMU.

BACKGROUND TO AWARD

Under the authorities created by the Michigan Strategic Fund Act (“Act”), MCL 125.2088k, and transferred to the Michigan Strategic Fund (“MSF”) by Executive Order 2010-8, the MSF is charged with awarding grants and loans for basic research, applied research, university technology transfer, and commercialization of products, processes and services to encourage the development of competitive edge technologies to create jobs within the State of Michigan.

The BRCC was awarded a single \$10 million award in December 2003 (“2003 Grant”) to create the BRCC at WMU as part of the Technology Tri-corridor initiative. A further three year Early Stage Funding grant was then awarded from the 21st CJF 2011 Early Stage Funding program of \$3,830,000 for the period of 10/01/2011 to 09/30/2014 (“2011 Grant”), later extended to 03/31/2015. The purpose of the award was to invest in pre-seed and early stage companies that require capital to transition from research to early stages of the commercialization process in the competitive edge technology sectors. The final disbursement for the 2011 award was made in April 2013 and the account is now in monitoring mode as per clause 6G of the contract, which requires the BRCC to pay the Permanent Fund 10% of all Return on Investment until the award is repaid in full and then 3% of Returns in perpetuity. These awards have been combined for administrative purposes by the MEDC.

BRCC was originally part of WMU before being transferred to the Western Michigan University Research Foundation (WMURF) in 2006. The Board of Trustees of WMU has now dissolved WMURF, effective February 1, 2018, and transferred its functions back to WMU. As such, WMU requests that the MEDC awards for the BRCC are also transferred.

PROGRAM RESULTS

The BRCC has invested in 44 companies since 2005. Over \$15 million has been invested in these start-up life science companies with matching funds and other funding received post BRCC investment totaling \$470,545,000. Since inception the BRCC has created 445 full time jobs and returns to-date from investments total \$4,216,446

RECOMMENDATION

MEDC Staff recommend the MSF Board approve this request. The grant would be administered under an amended grant agreement with BRCC.

**MICHIGAN STRATEGIC FUND
RESOLUTION
2018-**

**ASSIGNMENT OF GRANTS FROM WESTERN MICHIGAN UNIVERSITY RESEARCH
FOUNDATION TO WESTERN MICHIGAN UNIVERSITY**

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

WHEREAS, pursuant to Public Act 173 of 2003, the Western Michigan University (“WMU”) received a \$10,000,000 grant for the creation of the Biosciences Research and Commercialization Center (“BRCC”) (the “2003 BRCC Grant”);

WHEREAS, in 2006 the Board of Trustees for WMU transferred the 2003 BRCC Grant to the WMU Research Foundation;

WHEREAS, on July 27, 2011, the MSF Board approved a grant of \$3,830,000 to the WMU Research Foundation for the BRCC (the “2011 BRCC Grant”);

WHEREAS, the Board of Trustees of WMU has determined it is in its best interest to dissolve the WMU Research Foundation and transfer all its functions, including oversight of the 2003 BRCC Grant and the 2011 BRCC Grant, to WMU and has requested that the MSF Board approve assignment of the agreements for the 2003 BRCC Grant and the 2011 BRCC Grant from WMU Research Foundation to WMU (the “Grant Assignment Request”);

WHEREAS, the MEDC recommends that the MSF Board approve the Grant Assignment Request; and

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

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan
February 27, 2018

MEMORANDUM

Date: February 27, 2018

To: Michigan Strategic Fund (“MSF”) Board

From: Stacy Bowerman, Vice President, Business Development Projects

Subject: Fuel Cell Systems Manufacturing LLC (“Company”)
Reauthorization of Michigan Business Development Program Performance-based Grant

Background

On January 30, 2017, the Michigan Strategic Fund (MSF) approved a MBDP performance-based grant in the amount of \$2,000,000 for the Company. The MBDP approval required that an Agreement be entered into within 120 days of the date of the approval, and may be extended for an additional 60 days with approval from the MSF Fund Manager.

On August 22, 2017, the Michigan Business Development Program Performance-based Grant was reauthorized to allow for an additional 120 days to execute the grant agreement, with the ability to extend for an additional 60 days with the approval from the MSF Fund Manager.

The Company is a newly formed joint-venture between General Motors and Honda. Due to required reviews from all parties, it has taken longer than expected to execute the agreement. At this time, the Company does not anticipate it will be able to come to an agreement by the expiration of the reauthorization and has requested additional time to execute its Agreement.

The delay in execution of the agreement has not impacted project implementation. Being a new joint venture and product line, the Company anticipated an extended project ramp-up. The Company is still on track to meet its first job creation milestone due by December 31, 2023. Prior to execution of the agreement, the MEDC will conduct a civil and criminal background checks in accordance with the MSF Background Review Policy. No issues were identified. It is anticipated the Company will be in a position to execute the agreement within the allotted reauthorization timeline.

Recommendation

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

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

MICHIGAN STRATEGIC FUND

RESOLUTION 2018-

**RE-APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT TO
FUEL CELL SYSTEM MANUFACTURING 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, via MSF Resolution 2017-005, the MSF approved an \$2,000,000 Michigan Business Development Program Performance based grant on January 30, 2017 for Fuel Cell System Manufacturing LLC (the “Company”);

WHEREAS, via MSF Resolution 2017-121, the MSF approved a re-approval of the performance based MBDP grant to allow additional time for all parties to enter into a formal agreement;

WHEREAS, due to administrative limitations, the Company and MEDC have not been able to come to a formal agreement within the allotted approval timeframe;

WHEREAS, the Company has requested re-approval of the performance based MBDP grant of up to \$2,000,000 as outlined in the attached Term Sheet (“Grant Request”); and

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan
February 27, 2018

MICHIGAN ECONOMIC
DEVELOPMENT CORPORATION

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

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

Date: 1/11/2017

- | | | |
|---|--|---|
| 1. Company Name
("Company" or "Applicant"): | Fuel Cell System Manufacturing LLC | |
| 2. Company Address ("Project"): | 20001 Brownstown Center Drive
Brownstown Township, Michigan 48183 | |
| 3. MBDP Incentive Type: | Performance Based Grant | |
| 4. Maximum Amount of MBDP Incentive: | Up to \$2,000,000 ("MBDP Incentive Award") | |
| 5. Base Employment Level | 0 | The number of jobs currently maintained in Michigan by the Company based on data submitted by the Company to the MEDC reflecting the Company’s statewide employment level in Michigan prior to the proposed project. The Base Employment Level, including identification (subject to applicable law) of the Company data used to establish this level, shall be included in the final MBDP Incentive Award agreement (“Agreement”) between the MSF and the Company. |
| 6. Total Qualified New Job Creation:
(above Base Employment Level) | 64 | The minimum number of total Qualified New Jobs the Company and American Honda Motor Co., Inc., General Motors LLC, and GM Subsystems Manufacturing, LLC (to be known as “Company Group”) shall be required to create in Michigan (above the Base Employment Level), in addition to satisfying other milestones if applicable, to be minimally eligible to receive the full amount of the MBDP Incentive Award. Each Qualified New Job must be performed for consideration by a Michigan resident (whose Michigan income taxes are withheld as required), and each Qualified New Job must be in excess of the Base Employment Level. The final terms and conditions of the |

requirements for the minimum number of Qualified New Jobs that must be created, including provisions addressing disbursements of portions of the MBDP Incentive Award, shall be included in the final Agreement. The Qualified New Jobs for the MBDP are ineligible for any MEGA Credit Program.

a. **Start Date for Measurement of Creation of Qualified New Jobs:** Date of Approval of MSF Award

7. **Company Investment:** \$48,905,000 for Machinery and Equipment and Special Tooling, or any combination thereof, for the Project.

8. **Municipality supporting the Project:** Brownstown Charter Township

a. **Municipality Support.** One of the conditions of execution of the final Agreement is the requirement that the municipality shall have committed to provide: expedited permit processing. The final terms and conditions demonstrating this support shall be included in the final Agreement.

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

a. **Disbursement Milestone 1:** Up to \$1,550,000 Upon demonstrated creation of 48 Qualified New Jobs above the Base Employment Level, verification that at least 20 Company Group employees are enrolled in or completed at least one community college or Training Vendor certificate, and verification of final approval of municipality support by no later than December 31, 2021..

b. **Disbursement Milestone 2:** Up to \$450,000 Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 16 additional Qualified New Jobs (for a total of 64 Qualified New Jobs) above the Base Employment Level, by no later than December 31, 2023.

10. **Term of Agreement:** Execution of Agreement to June 30, 2024

11. **Repayment Provisions:**

Repayment provisions are required by law. The Repayment terms and conditions will be effective through the Term of the Agreement and shall be defined in the final Agreement. The final repayment provisions may require repayment of some or all of the disbursements made by the MSF, including if the Group moves 25%

or more of their employees out of Michigan, if the Company fails to maintain the Base Employment Level in Michigan, if the Company Group fails to maintain the Qualified New Jobs incented by this Award.

12. Reporting Requirements:

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

13. Public Announcements:

The Company shall not make, or cause, any announcement of the proposed MBDP Incentive Award parameters outlined in this letter before the date of approval by the MSF of the MBDP Incentive Award, unless prior authorized and coordinated with the MEDC. At the request and expense of the MSF or the MEDC, the Company will cooperate with the MSF or the MEDC to promote the Project through one or more of the placement of a sign, plaque, media coverage or other public presentation at the Project or other location acceptable to the Parties, subject to confidentiality required for maintenance of competitive position. The MSF and/or the MEDC agrees The Company will determine the announcement date.

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

If the Company is interested in the MEDC pursuing a recommendation to the MSF for a possible MBDP Incentive Award for the Company along the above parameters, please sign and date this Term Sheet. If the MEDC does not receive the signed Term Sheet from the Company by January 12, 2017, the MEDC may not be able to proceed with any recommendation to the MSF.

Acknowledged as received by:

Fuel Cell System Manufacturing LLC

By:



Printed Name:

Suheb Haq

Its:

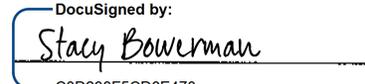
President

Dated:

January 12th, 2017

Michigan Economic Development Corporation

By:

DocuSigned by:


Printed Name:

COD238F5CD6E470...
Stacy Bowerman

Its:

Senior Planning Project Manager

Dated:

1/12/2017

MEMORANDUM

Date: February 27, 2018

To: Michigan Strategic Fund (“MSF”) Board

From: Trevor Friedeberg, Senior Business Development Project Manager

Subject: Amazon.com.dedc, LLC (“Company”)
Reauthorization of Michigan Business Development Program Performance-based Grant

Background

On June 27, 2017, the Michigan Strategic Fund (MSF) approved a MBDP performance-based grant in the amount of \$5,000,000 for the Company. The MBDP approval required that an Agreement be entered into within 120 days of the date of the approval, and may be extended for an additional 60 days with approval from the MSF Fund Manager.

The Company plans to construct a new state-of-the-art fulfillment center and create 1,600 Qualified New Jobs and invest \$140 million in the City of Romulus. Due to administrative limitations, all parties involved have not yet been able to execute a final agreement.

The Company will be ready to execute a final agreement once the grant approval has been reauthorized.

Recommendation

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

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

MICHIGAN STRATEGIC FUND

RESOLUTION 2018-

**RE-APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT TO
AMAZON.COM.DEDC, 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, via MSF Resolution 2017-095, the MSF approved an \$5,000,000 Michigan Business Development Program Performance based grant on June 27, 2017 for Amazon.com.dedc, LLC (the “Company”);

WHEREAS, due to administrative limitations, the Company and MEDC have not been able to come to a formal agreement within the allotted approval timeframe;

WHEREAS, the Company has requested re-approval of the performance based MBDP grant of up to \$5,000,000 as outlined in the attached Term Sheet (“Grant Request”); and

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan
February 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: May 31, 2017

Company Name: Amazon.com.dedc, LLC and/or its affiliates and subsidiaries.

Project Location: The City of Romulus

MBDP Incentive Type: Performance Base Grant

Maximum Amount of MBDP Incentive: Up to \$5,000,000

Base Employment Level: At least 277

Qualified New Jobs: At least 1,600

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

Start Date for Measurement of Creation of Qualified New Jobs: Date of MSF Board Approval

Term of the Agreement: October 31, 2021

Milestone Based Incentive: Disbursements will be made over a 3 year period and will be performance based on job creation as follows:
Milestone 1: \$2,600,000 for the creation of 850 jobs.
Milestone 2: \$1,100,000 for the creation of 360 jobs.
Milestone 3: \$1,300,000 for the creation of 390 jobs.

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

Acknowledged as received by:

Amazon.com.dedc, LLC
By: Braden Cox
Printed Name: Braden Cox
Its: Vice President

June 7, 2017

Michigan Economic Development Corporation
By: Trevor Friedberg
Printed Name: Trevor Friedberg
Its: Sr. Business Development Project Manager

MEMORANDUM

Date: February 27, 2018

To: Michigan Strategic Fund (“MSF”) Board

From: Mike Gietzen, Senior Business Development Project Manager

Subject: Southwest Michigan First Corporation (“Company”)
Michigan Business Development Program
Performance-based Loan Amendment

Request

This is a request for an amendment to the Michigan Business Development Program (“MBDP”) Performance-based Loan Agreement for Southwest Michigan First Corporation to extend the balloon payment due date and Term of the Agreement from October 1, 2023 to March 31, 2024 (the “Amendment Request”).

Background

On March 27, 2013, Southwest Michigan First Corporation was awarded a \$4 million Michigan Business Development Performance-based Loan to design, build, and lease a 35,000 sq. ft. design and testing facility for Newell Rubbermaid Inc. The Loan Agreement required annual interest payments of \$40,000 every April 1 for five years, with the outstanding loan balance due on October 31, 2018.

The MSF Board authorized an amendment to the Loan Agreement at its September 26, 2017, board meeting to extend the repayment terms an additional five years, with the outstanding loan balance due on October 1, 2023, to support an expansion at Newell Brands’ Kalamazoo facility.

At the time of the MSF amendment approval in September 2017, the lease agreement between Southwest Michigan First Corporation and Newell Brands was not finalized. Southwest Michigan First is requesting the balloon payment due date be extended to March 31, 2024, to remain consistent with the lease terms.

Recommendation

MEDC Staff recommends the following approval of the Amendment Request.

MICHIGAN STRATEGIC FUND

RESOLUTION 2018-

**APPROVAL OF AMENDMENT TO
THE MICHIGAN BUSINESS DEVELOPMENT PROGRAM LOAN TO
SOUTHWEST MICHIGAN FIRST 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, on March 27, 2013, by Resolution No. 2013-051, the MSF approved a performance based MBDP loan of up to \$4 million (“Loan”) for Southwest Michigan First Corporation (“Company”);

WHEREAS, on September 26, 2017, by Resolution No. 2017-164, the MSF approved a revised repayment schedule for the Loan, along with other terms and conditions for a Loan amendment;

WHEREAS, the Company was unable to execute transaction documents with the MSF within the original 120 day time period established by Resolution No. 2017-164, and the Company has requested that the Loan be amended to provide for the revised repayment schedule, along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“the Amendment Request”); and

WHEREAS, the MEDC recommends that the MSF approve the Company’s Amendment Request in accordance with the Term Sheet, subject to 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.

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

Ayes:

Nays:

Recused:

Lansing, Michigan
February 27, 2018

EXHIBIT A

Term Sheet

Amend the Loan to reflect:

Borrowers: Southwest Michigan First Corporation and Southwest Michigan Buildings, LLC (and/or such other affiliated entit(ies) having an ownership or other interest in the collateral noted below), jointly and severally.

Interest Rate: 1% per annum on the outstanding principal balance.

Repayment Terms: Fixed annual payments of principal and interest of a minimum of \$140,000, starting 04/01/19 and continuing through 04/01/23, with a balloon payment of all outstanding amounts due on 3/31/24, unless accelerated prior thereto as a result of default; all payments applied first to costs, fees, interest, then principal. No prepayment penalty.

MEMORANDUM

Date: February 27, 2018

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

From: David Kurtycz, Development Finance Manager

Subject: Detroit Diesel Corporation (“Company”)
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 to decrease the number of Qualified New Jobs (“QNJ”) from 245 to 180, decrease the grant amount from \$1,300,000 to \$955,080, to restructure the disbursement milestones, and to extend the term of the grant to June 30, 2020 (the “Amendment Request”).

Background

On March 24, 2015, the Michigan Strategic Fund approved a \$1,300,000 MBDP award for the Company to make significant investments in plant upgrades and add new machinery and equipment for a new medium-duty engine line at its facility in the Charter Township of Redford. This project involved the creation of 245 QNJs, and a capital investment of up to \$208,000,000. The Charter Township of Redford offered a property tax abatement on the real property investment related to the project. The Company has met the requirements of the first milestone (creating 50 jobs) and has completed the requisite compliance review of the first milestone.

The Company has made significant progress towards investing in and launching initiatives to expand manufacturing capabilities, most notably for medium duty engines, however some aspects have been slower to fully launch than anticipated. As a result, associated job creation has also been slower than originally anticipated. However, the Company is still targeting overall growth at the Redford Township site. The Company is seeking an amendment to future milestones to better align with their revised projections in the launch of the product lines.

Recommendation

MEDC Staff recommends approval of the Amendment Request.

MICHIGAN STRATEGIC FUND

RESOLUTION 2018-

**APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT
AMENDMENT TO
DETROIT DIESEL 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, the MSF Board approved a \$1,300,000 Michigan Business Development Program Performance based grant on March 24, 2015 for the expansion of its facility in the Charter Township of Redford to make significant investments in plant upgrades and add new machinery and equipment for a new medium-duty engine line (the “Project”);

WHEREAS, the Company requests that the MSF Board approve an amendment to the Michigan Business Development Program performance-based grant to decrease the number of Qualified New Jobs from 245 to 180, decrease the Maximum MBDP from \$1,300,000 to \$955,080, to restructure the disbursement milestones in accordance with the attached Term Sheet, and to extend the Term of the Agreement to June 30, 2020. (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:

Nays:

Recused:

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: January 23, 2018

Company Name: Detroit Diesel Corporation ("Company" or "Applicant")

Company Address: 13400 Outer Drive
Detroit, Michigan 48239

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 \$1,300,000 ("MBDP Incentive Award")
- **Base Employment Level** 2,268
- **Total Qualified New Job Creation:** 245
(above Base Employment Level)
- **Company Investment:** \$208,000,000 in building and leasehold improvements, machinery and equipment, special tooling or any combination thereof, for the Project.
- **Municipality supporting the Project:** Charter Township of Redford committed to provide use of municipal facilities related to the project at no cost to the Company, marketing and promotional assistance related to the project, staff time to coordinate retention visit with the Company.
- **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 \$500,000 Upon demonstrated creation of 50 Qualified New Jobs above the Base Employment Level and verification of final approval of municipality support by no later than December 15, 2015.
 - **Disbursement Milestone 2:** Up to \$700,000 Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 150 additional Qualified New Jobs (for a total of 200 Qualified New Jobs) above the Base Employment Level, by no later than December 31, 2016.

PURE MICHIGAN*

- **Disbursement Milestone 3:** Up to \$100,000 Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, and upon demonstrated creation of 45 additional Qualified New Jobs (for a total of 245 Qualified New Jobs) above the Base Employment Level, by no later than December 31, 2017.

- **Term of Agreement:** Execution of Agreement to December 31, 2019

Proposed MBDP Incentive Amendment:

- **Maximum Amount of MBDP Incentive:** Up to \$955,080 ("MBDP Incentive Award")
- **Total Qualified New Job Creation:** 180 Decrease the Qualified New Job Creation from 245 to 180
(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 \$265,300 Upon demonstrated creation of 50 Qualified New Jobs above the Base Employment Level and verification of final approval of municipality support by no later than December 31, 2016.

- **Disbursement Milestone 2:** Up to \$344,890 Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 65 additional Qualified New Jobs (for a total of 115 Qualified New Jobs) above the Base Employment Level, by no later than December 31, 2018.

- **Disbursement Milestone 3:** Up to \$344,890 Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, and upon demonstrated creation of 65 additional Qualified New Jobs (for a total of 180 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 to 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 February 7, 2018, the MEDC may not be able to proceed with any recommendation to the MSF.

Detroit Diesel Corporation

Detroit Diesel Corporation

By:



Printed Name: Matt Pfaffenbach

Its:

Vice President of Operations

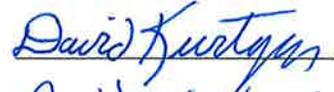
Dated:

January 31, 2018

Acknowledged as received by:

Michigan Economic Development Corporation

By:



Printed Name:

David Kurtycz

Its:

Business Development Project Manager

Dated:

February 6, 2018

Detroit Diesel Corporation

MEMORANDUM

To:
Michigan Strategic Fund Board for the MBGF-CSP

From:
Aileen Cohen, Capital Project & Portfolio Manager

Date:
02/27/2018

Subject:
Trickl-EEZ Irrigation, Inc. (and/or related borrower(s)) / SSBCI - Collateral Support Proposal

Request

Trickl-EEZ Irrigation, Inc. ("Trickl-EEZ" or "Company") is one of the nation's leading dealers in Drip Irrigation, as well as most types of other irrigation systems. Trickl-EEZ sells a variety of irrigation systems to the agricultural community: row crops, green houses, nurseries, and subsurface high value specialty crops throughout the Midwest. The Borrower is located in St. Joseph, Michigan.

Horizon Bank ("Bank") has proposed financing of a term loan and working capital line of credit to Trickl-EEZ to pay off its existing notes and increase its cash flow availability. Due to collateral shortfall on both the term loan and 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:

Term = Equipment Loan	\$1,250,000
Revolving = Line of Credit	\$1,300,000
Term = Real Estate Loan	\$340,000
Term = Real Estate Loan	\$305,000
<u>Total Loans Leveraged</u>	<u>\$3,195,000</u>

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

Term = Equipment Loan	\$648,700
<u>Revolving = Line of Credit</u>	<u>\$601,300</u>
Total MSF Contribution	\$1,300,000

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 2.45:1.

Borrower History

Trickl-EEZ Irrigation, Inc. was established over 40 years ago by John and Sandra Nye. John and Sandra sold the Company to their primary employee Phil Ausra who had worked there for 20 years as the AutoCAD System Designer as well as inside sales. John Nye still remains as an employee working with his long-time customers. John's wife Sandy retired from doing the office work and was subsequently replaced.

The MSF previously provided \$1,372,250 in collateral support to Trickl-EEZ Irrigation, Inc. through Fifth Third Bank. This loan is a refinance of the existing Fifth Third Bank loans which will result in a pay off and return of the existing MSF support. The new loans from Horizon Bank will provide reduced interest rates to increase the Company's cash flow availability. Additionally, Horizon Bank will provide an additional 5% draw on accounts receivable. 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 on the attached summary is confidential;
- b. Approval of the MBGF-CSP proposal contained herein and:
- c. Subject to available funding under the MBGF-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 MBGF-CSP Cash Collateral Deposit Agreement, and further subject to the following terms and conditions:

Facility 1 - Trickl-EEZ Irrigation, Inc.

Borrower: Trickl-EEZ Irrigation, Inc.
Lender: Horizon Bank
Loan Amount: up to \$1,300,000
MSF Cash Collateral: up to \$648,700
Loan Type: Term note featuring 9 year term/9 year amortization



Fees: Tier II: 1.75% at Closing
1.00% annually thereafter on the MSF Share Balance.

Facility 2 - Trickl-EEZ Irrigation, Inc.

Borrower: Trickl-EEZ Irrigation, Inc.
 Lender: Horizon Bank
 Loan Amount: up to \$1,250,000
 MSF Cash Collateral: up to \$601,300
 Loan Type: 12 month revolving line of credit, Interest due monthly and principal and accrued interest due at maturity.
 Fees: Tier II: 1.75% at Closing
 1.00% annually thereafter on the MSF Share Balance.

Exhibit A

Credit Presentation

GENERAL INFORMATION

Company Name Trickl-EEZ Irrigation, Inc	Address 4266 Hollywood Rd.	City, State Zip St. Joseph, Michigan 49085
Entity Type S Corporation	Type of Operation - Primary Nursery, Garden Center, and Farm Supply Stores NAICS: 444220	
Lender Horizon Bank	Lender Contact David Eiffler	

Bank Facility and MSF Support

The Bank has proposed to provide the following credit facilities:

The Bank has proposed the following credit facilities:

Term = Equipment Loan	\$1,250,000
Revolving = Line of Credit	\$1,300,000
Term = Real Estate Loan	\$340,000
Term = Real Estate Loan	\$305,000
Total Loans Leveraged	\$3,195,000

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

Term = Equipment Loan	\$648,700
Revolving = Line of Credit	\$601,300
Total MSF Contribution	\$1,300,000

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 2.45:1.

Background

Trickl-EEZ sells, designs, and installs various irrigation systems for farms, nurseries, commercial setting and some residential uses. They provide both underground and above ground types of irrigation systems. Their extensive business history allows the Company to be a principal player in the markets they serve. Their primary geographic sales area includes Michigan, Indiana, Ohio, Illinois, Pennsylvania and New York. In some areas, the State government will actually subsidize installation of underground systems in an effort to promote "green friendly" environmental water saving programs. Trickl-EEZ has been fortunate to be asked by local units of government to refurbish old water treatment plants for use as watering systems as well.

Trickl-EEZ was started 42 years ago by John and Sandra Nye. John and Sandra sold the business in 2016 to long time employee Phil Ausra and his uncles Steve Ausra and Bob Ausra (brothers). Phil has been employed by Trickl-EEZ for 20+ years. Steve and Bob currently own a company called Ausra Equipment & Supply Company, Inc. ("Ausra Equipment"). Ausra Equipment was founded in 1969 by Steve and Bob's father. Ausra Equipment is a Case equipment dealer servicing all of west Michigan and beyond from its headquarters in Dowagiac, MI.

The MSF previously provided \$1,372,250 in collateral support to Trickl-EEZ Irrigation, Inc. through Fifth Third Bank. This loan is a refinance of the existing loans at reduced interest rates to increase the Company's cash flow availability.

Financing Opportunity

Horizon Bank is working with Trickl-EEZ to provide new financing for the refinance of its equipment and working capital line. The Company has been in business for over 40 years and the Borrower has been affiliated with the Company for over 20 years. The Bank is asking for the MSF's support through the SSBCI Collateral Support program for its equipment loan and working capital line of credit. The Bank is also providing 2 additional loans to the Borrower and a separate holding company, Ausra Properties SJ, LLC, which was formed to purchase the real estate currently owned by Trickl-EEZ in Michigan and Pennsylvania. These loans are not part of the MSF's supported financing package.

Loan Request #1												
Loan #	Purpose	Type	Balance/ Request Amt.	Accrued Interest	Commit.	Interest Rate	Payment Amt. P&I	# Pmts.	Term	Amort	Orig. Date	Mat. Date
	Equipment Loan	Term	1,300,000			4.6	14,568	12	9	9		
Total			1,300,000									
Collateral	Type	Value	Adv Rate	Disc. Value	Prior Lien	Coll. Amt.						
Collateral Support - 49.9%	SSBCI	648,700	100%	648,700		648,700						
Equipment	Used	320,727	33%	105,840		105,840						
Total			969,427		754,540	754,540						
Total Loan Amount			1,300,000					Margin of Collateral to Loan			0.58	
Total Collateral Amount			754,540					% Loan to Collateral			172.29%	

Loan Request #2												
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	1,250,000			4.25	53,125	12	1			
Total			1,250,000									
Collateral	Type	Value	Adv Rate	Disc. Value	Prior Lien	Coll. Amt.						
Accounts Receivable	Eligible	541,271	80%	433,017		433,017						
Collateral Support - 48.1%	SSBCI	601,300	100%	601,300		601,300						
Equipment	Used	1,443,371	50%	721,686		721,686						
Total			2,585,942		1,756,003	1,756,003						
Total Loan Amount			1,250,000					Margin of Collateral to Loan			1.40	
Total Collateral Amount			1,756,003					% Loan to Collateral			71.18%	

Summary												
Total Loan Amount			2,550,000					Margin of Collateral to Loan			0.98	
Total Collateral Amount			2,510,543					% Loan to Collateral			101.57%	

Collateral

Request #1

The Bank is requesting collateral support on the proposed term loan of up to \$648,700 or 49.9% of the \$1,300,000 loan. The Bank is refinancing an existing debt the Borrower has with another lending institution. The refinance will lower the borrower's interest rate, monthly payment, and increase overall cash flow. As shown by the above collateral chart, the existing equipment is not valued high enough to support the proposed loan amount and therefore, would not be able to provide the loan without the assistance of the MSF collateral support program.

Request #2

The Bank is requesting collateral support on the proposed revolving working capital line of credit ("LOC") of up to \$601,300 or 48.1% of the loan. The Borrower currently has a LOC with another lending institution. The LOC will have the following advance rate:

Advancing 80% of eligible A/R.

Advances to be governed by a monthly Borrowing Base Certificate and limited to 80% of eligible A/R and 50% of inventory. Eligible receivables excludes accounts over 90 days, tainted accounts (10% per Horizon Bank Policy) and accounts with concentrations over 25%.

Ratios and Indicators

LIQUIDITY / LEVERAGE RATIOS

Balance Sheet Dates	12/31/2014	12/31/2015	12/31/2016	09/30/2017
Balance Sheet Description			6 Month	9 Month
Current Ratio:*	2.25	2.66	1.60	6.90
Quick Ratio(Acid Test):*	1.07	0.97	0.58	2.56
Working Capital:*	930,770	1,088,025	946,615	2,142,842
Debt / Equity:*	0.61	0.44	14.94	7.38
Debt / Asset:*	38.03%	30.32%	93.73%	88.06%
Current Liabilities / Total Liabilities:*	100.00%	100.00%	40.45%	9.87%
Debt / Tang Net Worth:*	0.63	0.44	-5.55	-7.81

PROFITABILITY RATIOS

Inc. & Exp. Beginning Date	01/01/2014	01/01/2015	01/01/2016	01/01/2017	
Inc. & Exp. Ending Date	12/31/2014*	12/31/2015*	12/31/2016*	09/30/2017*	4 Yr Avg.
Inc. & Exp. Description			6 Month	9 Month	
Return on Investment:*	22.8%	24.7%	8.9%	11.4%	17.0%
Gross Profit Margin:	10.4%	11.7%	14.3%	27.3%	15.9%
Net Profit Margin:	3.8%	5.0%	6.8%	5.0%	5.2%

INDUSTRY COMPARISON

Balance Sheet: 12/31/2015

Comparative Historical Data - 1 year ago (Based on RMA 2016 Data) - Median Quartile

Income/Expense: 01/01/2015 to 12/31/2015

NAICS: 444220 - Nursery, Garden Center, and Farm Supply Stores

Unqualified: 12, Reviewed: 22, Compiled: 46, Tax Return: 58, Other: 66, Total Number Stmt: 204

	Client	Industry	Variance		Client	Industry	Variance	Quartile
Assets				Liquidity Ratios				
Cash & Equivalents	11.5	10.0	1.5	Current Ratio	2.7	1.6	1.1	2
Trade Receivables (net)	18.1	10.6	7.5	Quick Ratio (Acid Test)	1.0	0.5	0.5	2
Inventory	50.8	37.4	13.4	Sales / Receivables	19.3	55.2	-35.9	3
All Other Current	0.3	1.8	-1.5	Days' Receivables	18.9	7.0	11.9	3
Total Current	80.6	59.7	20.9	Cost of Sales / Inventory	6.0	5.0	1.0	2
Fixed Assets (net)	18.2	29.4	-11.2	Days' Inventory	60.4	73.0	-12.6	2
Intangibles (net)	1.2	2.1	-0.9	Cost of Sales / Payables	26.4	15.4	11.0	2
Other Non-Current	0.0	8.7	-8.7	Days' Payables	13.8	24.0	-10.2	2
Total Assets	100.0	100.0		Sales / Working Capital	6.9	12.6	-5.7	
Liabilities				Coverage Ratio				
Notes Payable	0.0	10.1	-10.1	EBIT / Interest	40.3	4.8	35.5	1
Cur. Mat. L/T/D	0.0	4.1	-4.1	Net Prof. + Depr. / Cur. Mat. L/T/D	0.0	2.4	-2.4	4
Trade Payables	11.6	14.1	-2.5	Leverage Ratios				
All Other Current	18.7	12.6	6.1	Fixed / Net Worth	0.3	0.8	-0.5	
Total Current	30.3	41.0	-10.7	Debt / Net Worth	0.4	1.7	-1.3	
Long Term Debt	0.0	18.4	-18.4	Operating Ratios				
Deferred Taxes	0.0	0.1	-0.1	% Prof. Bf. Taxes / Net Worth	25.2	18.1	7.1	2
Other Non-Current	0.0	8.2	-8.2	% Prof. Bf. Taxes / Total Assets	17.2	7.1	10.1	1
Net Worth	69.7	32.3	37.4	Sales / Net Fixed Assets	19.1	12.2	6.9	2
Total Liab. & Net Worth	100.0	100.0		Sales / Total Assets	3.5	2.6	0.9	2
Income Data				Expense to Sales Ratio				
Contract Revenues	100.0	100.0	0.0	% Depreciation / Sales	0.1	1.3	-1.2	1
Gross Profit	11.7	37.3	-25.6	Officers' Compensation/Sales	0.0	3.6	-3.6	1
Operating Expenses	7.8	33.6	-25.8					
Operating Profit	3.9	3.7	0.2					
All Other Expenses (net)	-1.1	0.4	-1.5					
Profit Before Taxes	5.0	3.3	1.7					

Last Updated 02/08/2018 9:46:28 AM From RMA 2016 Data

OWNERSHIP / GUARANTORS

Source SSBCI		Program CSP
Committed Date	Loan Closing Date	Total Loan \$2,550,000
MSF Share \$1,300,000	Additional Leverage (at closing) \$645,000	Additional Leverage (ongoing)
Leverage 2.45	Closing Fee 1.75% of MSF share	Annual Fee 1% of MSF annual balance
FTE @ Closing (in State) 12	FTE @ Closing (out of state)	Projected FTE Increase 2
FTE @ Annual Review	FTE Net Increase/Decrease	Support \$ per new job \$650,000
Associate	# Co's 1	Loan Type Term & Revolving

Employment

Trickl-EEZ Irrigation, Inc. has 12 full-time equivalent employees ("FTE's"). The company anticipates adding 2 FTE's within the next 2 years. The anticipated annual salary for employees of Trickl-EEZ Irrigation, Inc. is \$45,000.

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 Bradstreet's 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 department 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 \$178.8 million to 247 companies, leveraged over \$902 million in Private Investments, received a total of \$8.8 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 Trickl-EEZ

- Minimum Debt Service Coverage of 1.25x
 - Measured annually beginning 12/31/2018
 - Defined as: (Earnings Before Interest + Depreciation + Amortization - Distributions)/(Actual Annual Debt Service)

This covenant is intended to require re-investment in the balance sheet of Trickl-EEZ 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 Steve Ausra, Bob Ausra, and Phil Ausra.
 - *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 \$3,195,000, 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 Debt Service Coverage ratio will be set at a level acceptable to Bank and CST.

SCORING & RATING

SCORING & RATING : SSBCI_CSP

Score = **4.20**

4 Good

Model Used: MEDC CRE Model

Last Scored: 02/08/2018 9:53 AM Aileen Cohen

Financial Statements and Forms calculated from:

Balance Sheet: Inc. / Exp.:
09/30/2017 9 Month 09/30/2017 9 Month

Criteria		Criteria Score	Wt %	Weighted Criteria Score	Review
Debt / Tang Net Worth:	-7.81	5.00	20.00	1.000	
Debt Coverage Ratio:	2.12	5.00	20.00	1.000	
MSF Leverage Ratio	2.46	2.00	20.00	0.400	
Management / Borrower Character	Excellent team/Well exper	5.00	20.00	1.000	
Business & Industry Trends	Ltd vulnerability to sudd	4.00	20.00	0.800	
				4.200	

SUMMARY OF DESIGNATED INFORMATION
MICHIGAN STRATEGIC FUND CONFIDENTIALITY LOG

MBGF-CSP

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

Name of Applicant	Summary of Designated Information
Trickl-EEZ Irrigation Inc. at 4266 Hollywood Rd., St. Joseph, MI 49085 and any related borrowers and guarantors; and Horizon 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.

* Adjusted for Loan To/From Affiliates/Shareholders

MICHIGAN STRATEGIC FUND

RESOLUTION 2018-

**SSBCI MBGF-CSP
APPROVAL OF COLLATERAL SUPPORT AGREEMENT FOR
TRICKL-EEZ IRRIGATION, INC. AND RELATED BORROWERS**

WHEREAS, under the State Small Business Credit Initiative Act of 2010 (title III of the Small Business Jobs Act of 2010, Public Law 111-240, 124 Stat. 2568, 2582 (the “SSBCI”), the United States Congress appropriated funds to the United States Department of Treasury (“US Treasury”) to be allocated and disbursed to states that have applied for and created programs in accordance with the SSBCI to increase the amount of capital made available by private lenders to small businesses (“SSBCI Programs”);

WHEREAS, At its May 25, 2011 meeting, the MSF Board approved: (i) the creation of the Michigan Business Growth Fund (the “MBGF”), an SSBCI Program created by the MSF to disburse SSBCI funds in accordance with the SSBCI, and (ii) as part of the MBGF, the creation of a collateral support program designed to enhance the collateral position of commercial borrowers to promote advancement of credit facilities from lenders (the “MBGF-CSP”), and (iii) the guidelines for the MBGF-CSP (“MBGF-CSP Guidelines”) and MBGF-CSP Cash Collateral Deposit Agreement (“MBGF-CSP Agreement”), each to be utilized for the operation of the MBGF-CSP, and (iv) the MSF Fund Manager or Chairperson to negotiate and sign the terms and conditions of the MBGF-CSP Agreement as authorized by the MSF Board;

WHEREAS, On June 21, 2011, the US Department of Treasury approved the State of Michigan, through the MSF, to receive and disburse SSBCI funds within the SSBCI Programs created by the MSF;

WHEREAS, the Michigan Economic Development Corporation (“MEDC”) provides administrative services for the Michigan Strategic Fund (“MSF”) for SSBCI Programs, including the MBGF-CSP;

WHEREAS, Horizon Bank (“Bank”) has proposed new credit facilities to Trickle-EEZ Irrigation, Inc. and/or related borrowers (the “Proposed Borrowers”) of: (i) up to \$1,300,000 term note to refinance equipment (“Project #1”), (ii) up to \$1,250,000 on a working capital line of credit (“Project #2”), (iii.) up to \$340,000 on a term note to refinance real estate (“Project #3”), and (iv) up to \$305,000 on a term note to refinance real estate (“Project 4”);

WHEREAS, Proposed Borrowers have requested collateral support from the MSF under the MBGF-CSP for Project #1 and Project #2 in an amount not to exceed the lesser of: (i) \$648,700 and \$601,300 respectively or (ii) up to 49.9% and 48.1% of the total amount of each respective Bank loan (“MBGF-CSP Support for Projects #1 and #2”);

WHEREAS, the MEDC has reviewed the Bank’s current credit documents for the Proposed Borrowers, and recommends that the MSF Board approve the MBGF-CSP Support, subject to: (i) available funding, and final due diligence performed, to the satisfaction of the MEDC; and (ii) execution of the MBGF-CSP Agreement within 90 days of the date of this Resolution (“Time Period”), or the collateral support approvals 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 MBGF-CSP Support subject to: (i) available funding, and final due diligence performed, to the satisfaction of the MEDC; and (ii) execution of the MBGF-CSP Agreements within 90 days of the date of this Resolution (“Time Period”), or

the loan participation support approvals 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 MBGF-CSP Agreement on behalf of the MSF, so long as the final terms and conditions are not materially adverse to the MSF.

Ayes:

Nays:

Recused:

Lansing, Michigan
February 27, 2018

MEMORANDUM

Date: February 27, 2018
To: Michigan Strategic Fund Board
From: Lynda Franke, Underwriting and Incentive Structuring Specialist
Subject: Lofts on 820, LLC
Michigan Community Revitalization Program – Loan Participation
Request for Consent to Amend the Lender’s Loan Documents

Request

Lofts on 820, LLC (“Company” or “Borrower”) and Macatawa Bank (“Lender”) are requesting approval of a consent to allow the Borrower and Lender to amend the Lender’s loan documents to allow certain uses of a previously collected capital call, use of the balance as a partial pro-rata pay-down of both the MSF loan and the Lender’s loan, and a change in the amortization schedule for both loans. (“Request”).

Background

The Michigan Strategic Fund Board approved a \$3,100,000 Other Economic Assistance-Loan Participation on September 17, 2014 to the Company for the purpose of redeveloping an approximately 156,000 square foot office building located at 820 Monroe NW and 804 Bond Avenue in the City of Grand Rapids, Michigan. The rehabilitation of the original four-story building provided a completely renovated structure housing 87, instead of 82, market rate residential units occupying approximately 66,000 square feet and about 39,000 square feet of commercial space. The total project was to consist of approximately 125,705 square feet. The former additions to the original structure were demolished, to create space for outdoor dining, tenant common area and on-site parking in the rear of the site.

Project construction was completed in 2016, but lease up has been slower than anticipated. In January 2017, the Lender notified the MSF of a covenant default due to the slower lease up timeline. This default triggered a capital call by the Lender of \$1,365,000 from the development team. The funds were held as collateral while the project’s management worked to lease-up the remainder of the space.

Lease up has steadily progressed, with the property reaching stabilized occupancy. Currently 84 of 87 residential units are leased, and all eight of the retail/office suites began paying rent as of January 2018. In the past year, the building management was replaced. The Lender believes that taking the following steps will set up the Borrower for performance on both loans, and enable the project to have long-term success.

- 1) The capital contribution that has been held for a year as collateral will now go toward Borrower reimbursement for tenant improvements, a covenant waiver fee that will be split pro rata with the MSF, funding of a tax escrow account, and a partial refund to the Borrower, with the remaining balance of \$950,000 used as a partial, pro-rata principal pay down on the MSF and Lender shares of the loan participation.

- 2) The Lender loan and MSF loan will be re-amortized, at the same interest rates. The Lender intends to use the remaining months available under the original approval for the new amortization schedule. The maturity date is unchanged.
- 3) The Lender is waiving the March 31, 2017 covenant waiver and eliminating the March 31, 2018 covenant check.

Following these changes, it is anticipated that the projected debt service coverage ratio for 2018 will be 1.28.

An amendment to the project was previously approved on February 13, 2015 as a consent to allow Essence Properties II, LLC to enter into a ground lease and to allow for a junior mortgage to be recorded by Chemical Bank, who would be financing the construction of the restaurant on the parcel. The ground lease obligated the tenant to purchase the real estate subject to the ground lease upon completion of the project and the MSF was aware that it would require a second amendment. A reconfiguration of the residential space to include an additional five units resulted in an increased appraised value compared to the original project.

An amendment request was approved by the MSF Fund Manager on March 29, 2016 to allow for the sale of the restaurant parcel and removal of the projected rental payments.

Due to the slower than expected lease-up, an amendment request was approved on May 24, 2016 to extend the Draw Expiration Date, raise the cap limit on construction advances prior to stabilization, and redefine stabilization from an occupancy percentage to \$160,000 in monthly rental income.

The company is current with reporting requirements.

Recommendation

The MEDC staff recommends approval of a consent to allow the Borrower and Lender to amend the Lender's loan documents and any ancillary agreements to effectuate the changes as detailed above. Staff is also requesting that the MSF Board authorize the MSF Fund Manager to amend the MSF Loan Participation and other ancillary agreements as necessary to effectuate the proposed changes.

MICHIGAN STRATEGIC FUND

RESOLUTION 2018 -

APPROVAL OF AN AMENDMENT TO A MICHIGAN COMMUNITY REVITALIZATION PROGRAM OTHER ECONOMIC ASSISTANCE AWARD FOR LOFTS ON 820, 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 2014-152 on September 17, 2014 the MSF Board awarded a MCRP Other Economic Assistance-Loan Participation Award to Lofts on 820, LLC (“Borrower”) in the amount of \$3,100,000 (“Award”), of a \$19,100,000 total loan from Macatawa Bank (“Lender”) toward financing construction activities and infrastructure improvements to real property (“Project”);

WHEREAS, on February 13, 2015, the first amendment to the project was approved as a consent request to allow the Borrower to enter into a ground lease with Essence Properties II, LLC and to allow for a junior leasehold mortgage to be recorded on the parcel by Chemical Bank;

WHEREAS, on March 29, 2016, the MSF Fund Manager approved a consent request to allow for the sale of the restaurant parcel and removal of projected rental payments from the ground lease;

WHEREAS, by Resolution 2016-060 on May 24, 2016 the MSF Board approved an amendment request to extend the Draw Expiration Date, increase the Lender’s cap limit for construction advances, and redefine “Stabilization” from a percentage of occupancy to a minimum monthly rental income;

WHEREAS, the MEDC recommends that the MSF provide consent to allow the Lender to take the necessary steps to release funds from a previous capital call from the Borrower for the purposes of reimbursing the Borrower for tenant improvements, cover a covenant waiver fee that will be split pro rata with the MSF, and fund a tax escrow account and partial refund to the

Borrower, with the remaining balance of \$950,000 used as a partial principal pay down on the loan participation split pro-rata between the Lender and MSF; as a result of the pay down, the Lender and MSF shares of the loan participation will be re-amortized at the same interest rates. Additionally, MEDC staff is requesting to allow the Lender to waive the March 31, 2017 covenant requirement and eliminate the March 31, 2018 covenant check, with all other requirements remaining in place from the original approval (collectively, the “MCRP Amendment Recommendation”).

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan
February 27, 2018

MEMORANDUM

Date: February 27, 2018

To: Michigan Strategic Fund Board

From: Jeremy Webb, Sr. Business Development Project Manager
Kelly Gram, Brownfield Program Specialist

Subject: Oakland County Brownfield Redevelopment Authority
Request for Approval of an Act 381 Work Plan
United Shore Development Project

Request

The proposed project will be undertaken by United Shore Financial Services, LLC and Pontiac Center Investment, LLC (collectively, the Developer). The project will redevelop 58 acres and 4 parcels of property located at 585-707 South Boulevard East in the City of Pontiac. The project qualifies for an Act 381 work plan because the property has been determined to be a facility and/or adjacent to a facility.

In order to alleviate Brownfield conditions and prepare the proposed project site for redevelopment, the Oakland County Brownfield Redevelopment Authority is seeking approval of local and school tax capture for MSF eligible activities in the amount of \$1,900,145.

Without State assistance, the project would move forward on a reduced scale. There would be less job creation, significantly less investment, the project would take more time and future growth would likely take place in California where the majority of the Developer's customers are located.

The Developer anticipates the project will result in a capital investment of \$69 million along with the creation of approximately 600 permanent full-time equivalent jobs with an average hourly wage of \$21.00. This job creation is in addition to the 2,200 retained and relocated jobs from within the county.

Background

The Developer plans to significantly renovate an approximately 619,754 square foot existing building for use as a corporate headquarters. Extensive site improvements are planned as well, including the renovation and addition of surface parking lots, new generator installations and the construction of a new outdoor recreation center and amphitheater.

Demolition activities include the select demolition of building elements for reuse, disposal of non-recyclable building elements, on-site reuse of demolition debris, removal of abandoned utilities, parking lots, curbs and gutters, and sidewalks. Asbestos abatement will be necessary prior to demolition activities in order to protect human health. Infrastructure improvements including storm and sanitary sewer main installation as well as landscaping within the public right of way and are necessary to support the new

development. Site preparation activities include temporary construction access/roads, temporary traffic control, temporary erosion control, temporary site control, grading, staking, clearing and grubbing, excavation of unstable materials, and the relocation of active utilities.

Founded in 1986 in Michigan, United Shore Financial Services, LLC is a mortgage lending firm and fast growing financial services company. With a commitment to technology, elite client service, and a rewarding work environment, the company indicated they are the top-ranked firm in the United States by volume in the wholesale mortgage-lending business. United Shore has seen its employee count grow from 400 to 2,200 over the past seven years. United Shore Financial Services, LLC received an Industrial Development Revenue Bond from the MSF in 2002, which was completed successfully.

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

Recommendation

MEDC staff recommends approval of local and school tax capture for the Act 381 eligible activities totaling \$1,900,145. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at \$841,194.

APPENDIX A – Programmatic Requirements & Screening Guidelines

Property Eligibility

The project is located within the boundaries of the City of Pontiac, which is a Qualified Local Governmental Unit, and has been determined to be a facility and/or adjacent to a facility as verified by Michigan Department of Environmental Quality (DEQ) on February 6, 2018.

The property is the subject of a Brownfield Plan, duly approved by the County of Oakland on November 9, 2017 and concurred with by the City of Pontiac on December 7, 2017.

In addition, the project is requesting from the DEQ \$477,000 to assist with environmental eligible activities.

Key Statutory Criteria

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

a) Overall Benefit to the Public:

The proposed redevelopment embodies the city's vision for economic development and job creation. This project will re-activate the property, utilizing both interior and exterior effectively. The addition of various interior amenities to the building and recreational features to the exterior portions of the property further the Developer's goal of creating a sense of culture and high quality of work-life balance. The influx of thousands of new employees into the area will create an immediate benefit to local businesses and greatly increase the tax base. Furthermore, investment in Pontiac's Diamond Corridor has been highlighted as a priority for the city.

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

This project is expected to create 600 new, full-time equivalent jobs. These jobs will include positions across all areas of the financial services industry including sales, tech, managerial, technical, and finance professionals.

c) Area of High Unemployment:

The City of Pontiac unadjusted jobless rate was 8.1% in September 2017. This compares to the statewide seasonally adjusted average of 4.3% in September 2017.

d) Level and Extent of Contamination Alleviated:

Based on environmental site assessments conducted on the property, contamination has been identified that exceeds various MDEQ cleanup criteria as a result of the historic uses of the property. The proposed redevelopment and eligible activities included within this Brownfield Plan/381 Work Plan will ensure the Developer meets due care obligations and does not exacerbate or expose occupants to existing contamination.

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

The project is not qualifying as functionally obsolete or blighted.

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

The Developer is moving from its current corporate headquarters in Troy, Michigan. It is not anticipated that this move will create a brownfield, as the Troy office building is anticipated to be leased out to another tenant.

g) Whether the Project is Financially and Economically Sound:

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

h) Other Factors Considered:

None

Tax Capture Breakdown

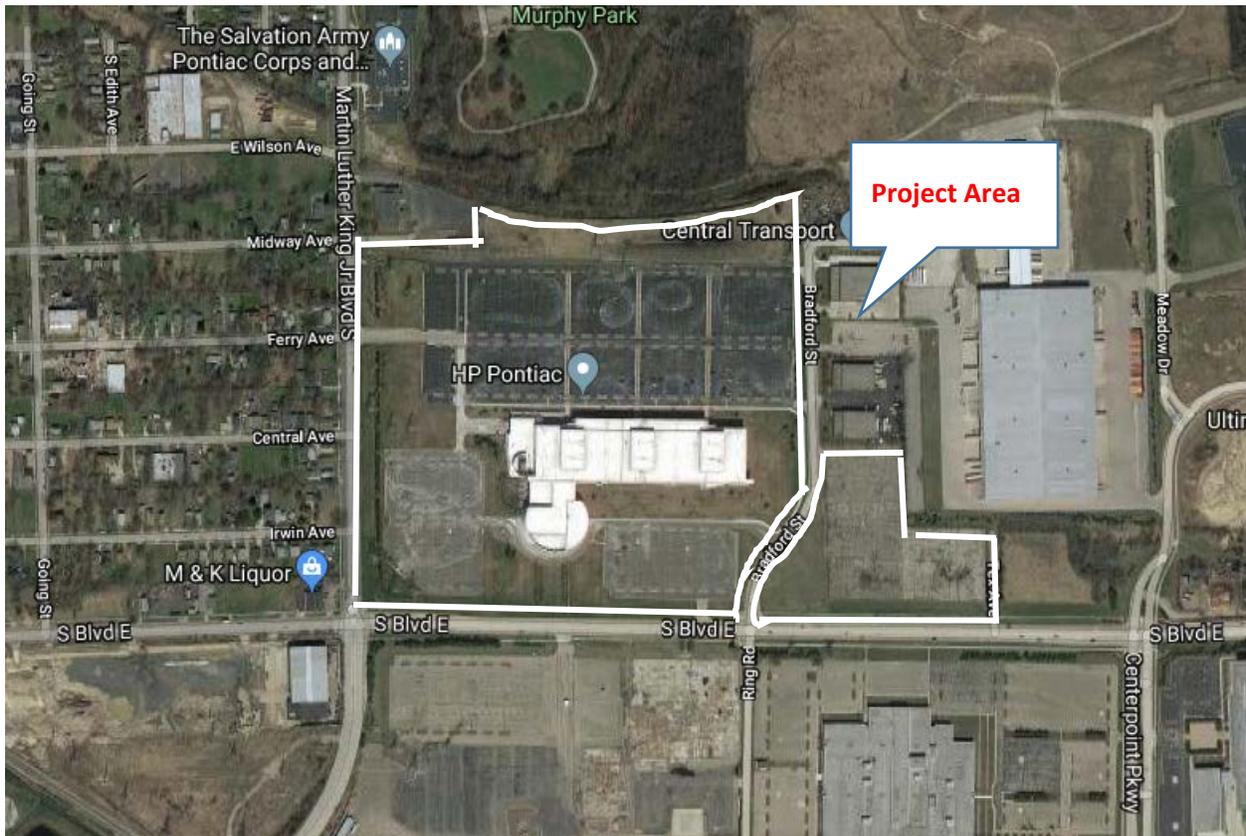
There are 54.2116 non-homestead mills available for capture, with school millage equaling 24 mills (44.27%) and local millage equaling 30.2116 mills (55.73%). Tax increment capture will begin in 2019 and is estimated to continue for 15 years. The requested tax capture for MSF eligible activities breaks down as follows:

School tax capture	(44.27%)	\$	841,194
Local tax capture	(55.73%)	\$	<u>1,058,951</u>
TOTAL		\$	1,900,145

Cost of MSF Eligible Activities

Demolition		\$	800,509
Asbestos Abatement			65,000
Infrastructure Improvements			392,073
Site Preparation		+	<u>386,022</u>
Sub-Total		\$	1,643,604
Contingency (15%)		+	<u>246,541</u>
Sub-Total		\$	1,890,145
Brownfield/Work Plan Preparation		+	<u>10,000</u>
TOTAL		\$	1,900,145

APPENDIX B – Project Map



MICHIGAN STRATEGIC FUND

RESOLUTION 2018 -

**APPROVAL OF A BROWNFIELD ACT 381 WORK PLAN
OAKLAND COUNTY BROWNFIELD REDEVELOPMENT AUTHORITY
UNITED SHORE DEVELOPMENT 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 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 Oakland County Brownfield Redevelopment Authority (the “Authority”) has submitted a work plan for property located at 585-707 South Boulevard East within the City of Pontiac, known as United Shore Development Project (the “Project”);

WHEREAS, the City of Pontiac is a “qualified local governmental unit” and is eligible to provide for a) demolition; b) asbestos abatement; c) public infrastructure improvements; d) site preparation; e) brownfield and work plan preparation; f) brownfield and work plan implementation 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 44.27% to 55.73% ratio currently existing between school and local taxes for non-homestead properties, to reimburse the cost of site preparation, demolition, asbestos abatement and infrastructure improvements as presented in the Work Plan dated January 31, 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 \$1,890,145 for the principal activity costs of non-environmental activities and a contingency, a maximum of \$10,000 for Brownfield/Work Plan preparation, and with the capture of taxes levied for school operating purposes being limited to a maximum of \$841,194.

BE IT FURTHER RESOLVED, that the MSF Board authorizes the MSF Fund Manager, to provide written notification to the Authority, in the form of a letter which incorporates the terms set forth in this Resolution and consistent with the limitations of the Act, and that this approval is further conditioned upon the Authority, or the County, 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:

Nays:

Recused:

Lansing, Michigan
February 27, 2018

MEMORANDUM

Date: February 27, 2018

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

From: Julia Veale, Business Development Project Manager

Subject: Antolin Shelby, Inc. (“Company”)
Approved Michigan Business Development Program Grant Agreement Amendment

Request

The Company is requesting amendment to increase its MBDP performance-based grant from \$3,600,000 for 430 Qualified New Jobs (“QNJ”) to \$5,364,000 for 640 QNJ and an increase in capital investment from \$61,200,000 to \$63.7 million in Shelby Township, Macomb County. The Milestones will be restructured as outlined in the attached Term Sheet.

Background

On February 28, 2017 the MSF approved a \$3.6 million MBDP grant for the creation of 430 Qualified New Jobs and a capital investment of up to \$61.2 million. The Company was awarded a contract to increase its supply of headliners for an OEM contract. To accommodate the new work, the Company entered into a 10 year lease for a 350,000 square foot build-to-suit manufacturing facility in the Cherry Creek Industrial Park in Shelby Township.

As of the Company’s last Progress Report there is a headcount of 110 QNJ and the Qualified Investment of \$1,000,000 was met on June 1, 2017. Business Compliance has completed review of Milestone 1 and has approved disbursement of \$1.8 million.

The Company has recently been notified of a project pull ahead from their OEM for the Dodge truck program manufactured at the Shelby Township facility. The OEM feels that they will be at a competitive disadvantage unless production is ramped up to accommodate economic demand due to the natural catastrophes and vehicle losses over the last year. In order to accommodate the ramp up in production, the Company is proposing to expand its Shelby Township location to create an additional 210 jobs and \$2,500,000 in private investment for machinery and equipment and building updates.

Grupo Antolin has also considered its Nashville, Illinois site for this expansion. The Nashville site is approximately 215,000 square feet with room for immediate on-site expansion. The total site of 24.39 acres would provide ample floor space for the programs being considered for this project. The current lease rate is well below market and would bode well for future extensions or expansion. Grupo Antolin has expanded at this facility twice in the past. Washington County in Illinois has proven to be business friendly through its low real estate taxes.

Recommendation

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

- a) Amend the MBDP Agreement to increase grant amount from \$3,600,000 to \$5,634,000, increase number of QNJs from 430 to 640 and restructure Milestones as outlined in the attached Term Sheet.
- b) All other aspects of the approval remain unchanged.

MICHIGAN STRATEGIC FUND

RESOLUTION 2018-

**APPROVAL OF AN AMENDMENT TO MICHIGAN BUSINESS DEVELOPMENT PROGRAM
GRANT TO
ANTOLIN SHELBY, 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, Antolin Shelby, Inc. (“Company”) has requested an amendment to its existing Michigan Business Development Program (MBDP) performance-based grant from \$3,600,000 for 430 jobs to \$5,364,000 for 640 jobs and increase capital investment from \$61.2 million to \$63.7 million. The Company is also requesting to extend milestone deadline dates for milestones 2 and 3 by 5 months.

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 Amendment Recommendation”).

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

Ayes:

Nays:

Recused:

Lansing, Michigan
February 27, 2018

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: 12/15/2017

Company Name: Antolin Shelby, Inc.
Company Address ("Project"): 52888 Shelby Parkway
Shelby Township, MI 48315

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 \$3,600,000 ("MBDP Incentive Award")
- **Base Employment Level:** 0
- **Total Qualified New Job Creation:** 430
(above Base Employment Level)
- **Company Investment:** \$61,200,000 in annual building lease costs, machinery and equipment, building renovations, or any combination thereof, for the Project
- **Qualified Investment:** \$1,000,000 The total minimum amount of the required Company Investment in Michigan related to the project, which at a minimum must include the following: electrical or private infrastructure costs, or machinery and equipment related to the project ("Qualified Investment"). Investment made after February 1, 2017 and no later than October 30, 2017 will be considered as Qualified Investment. The final terms and conditions of the Qualified Investment shall be included in the final Agreement.
- **Municipality supporting the Project:** Shelby Township



- **Disbursement Milestones:** The terms and conditions of each of the disbursements of any portion of the MBDP Incentive Award are outlined in Exhibit B of the Agreement, and include:
 - **Disbursement Milestone 1:** Up to \$1,800,000 Upon demonstrated creation of 75 Qualified New Jobs above the Base Employment Level, demonstrated completion of Qualified Investment, and verification of final approval of municipality support by no later than November 30, 2017.
 - **Disbursement Milestone 2:** Up to \$1,000,000 Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 275 additional Qualified New Jobs (for a total of 350 Qualified New Jobs) above the Base Employment Level, by no later than December 31, 2018.
 - **Disbursement Milestone 3:** Up to \$800,000 Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, and upon demonstrated creation of 80 additional Qualified New Jobs (for a total of 430 Qualified New Jobs) above the Base Employment Level, by no later than May 30, 2019.

- **Term of Agreement:** Execution of Agreement to November 30, 2019

Proposed MBDP Incentive Amendment

- **Maximum Amount of MBDP Incentive:** Up to \$5,364,000 (“MBDP Incentive Award”)
- **Total Qualified New Job Creation:** 640
(above Base Employment Level)
- **Company Investment:** \$63,700,000 in annual building lease costs, machinery and equipment, building renovations *or any combination thereof, for the Project.*

- **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 \$1,800,000 Upon demonstrated creation of 75 Qualified New Jobs above the Base Employment Level, demonstrated completion of Qualified Investment, and verification of final approval of municipality support by no later than November 30, 2017.
 - **Disbursement Milestone 2:** Up to \$1,000,000 Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 275 additional Qualified New Jobs (for a total of 350 Qualified New Jobs) above the Base Employment Level, by no later than May 30, 2018.
 - **Disbursement Milestone 3:** Up to \$800,000 Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, and upon demonstrated

creation of 80 additional Qualified New Jobs (for a total of 430 Qualified New Jobs) above the Base Employment Level, by no later than October 30, 2018.

o **Disbursement Milestone 4:** Up to \$1,276,800 Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, and upon demonstrated creation of 152 additional Qualified New Jobs (for a total of 582 Qualified New Jobs) above the Base Employment Level, by no later than April 30, 2019.

o **Disbursement Milestone 5:** Up to \$487,200 Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, and upon demonstrated creation of 58 additional Qualified New Jobs (for a total of 5 Qualified New Jobs) above the Base Employment Level, by no later than October 30, 2019.

• **Term of Agreement:** Execution of Agreement to April 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 to 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 December 22, 2017, the MEDC may not be able to proceed with any recommendation to the MSF.

Acknowledged as received by:

Antolin Shelby, Inc.

By:



Printed Name:

Pablo Baroja

Its:

President NAFTA

Dated:

Dec. 19, 2017

Michigan Economic Development Corporation

By:



Printed Name:

Julia Veale

Its:

BDPM

Dated:

Dec. 19, 2017

Antolin Shelby, Inc.

By: Karen Abbey
Printed Name: Karen Abbey
Its: EVP - Finance
Dated: 12/19/17

MEMORANDUM

Date: February 27, 2018

To: Michigan Strategic Fund Board

From: Christopher Cook, Director, Capital Access

Subject: *Private Activity Bond – Inducement
Greenville Venture Partners, LLC - \$12,000,000
Tax-Exempt*

Request:

Greenville Venture Partners, LLC (“Greenville”) a State of Michigan LLC, is requesting private activity bond financing for the purpose of assisting in the acquisition of land, the construction of an approximately 55,000 square foot facility and the acquisition and installation of machinery and equipment to be located near or about 6501 South Fitzner, Greenville, Montcalm County, Michigan. The proposed financing will include capital expenditures associated with removing accumulated solids within the processing equipment and piping that will enable Greenville to pretreat its effluent prior to being discharged into the local municipal treatment system for further processing.

Background:

Greenville is a subsidiary of Foremost Farms USA, Cooperative. Foremost Farms was created in 1995 through a consolidation of Wisconsin Dairies Cooperative in Wisconsin and Golden Guernsey Dairy Cooperative in Milwaukee. Also in 1995, Foremost Farms acquired the Morning Glory Farms Region of Associated Milk Producers, Inc.

Description of Project:

The Project consists of the construction of a dairy condensing facility. Greenville indicates the construction of this facility will provide long term market access for its member owners in the State of Michigan. Milk production in the State is projected to continue to grow at a rate that continues to exceed existing dairy plant processing capacities in Michigan. This facility will provide an outlet to process excess milk supply contained in the State.

It is estimated that approximately 33 new jobs will be created as a result of this project.

The following incentives have been offered:

Michigan Business Development Program	\$412,500
Michigan Department of Agriculture and rural Development (MDARD) Program	\$500,000
Transportation Economic Development Fund	\$400,000
MI Works! Service Centers	\$378,612
PA 198 Property Tax Abatement (Real Property; 12 years)	\$2,331,000
6 Mill State Education Tax Abatement (12 years)	\$555,000

Plans of Finance:

The Bonds will be secured with an irrevocable direct pay letter of credit provided by an institution with a minimum rating of “A” or better.

Recommendation:

After reviewing the private activity bond application for Greenville Venture Partners, LLC, staff finds this project meets the requirements for an Inducement Resolution in the amount of \$12,000,000.

MICHIGAN STRATEGIC FUND

INDUCEMENT RESOLUTION

2018 –

Greenville Venture Partners, LLC

WHEREAS, Greenville Venture Partners, LLC, is a Michigan corporation (the “Borrower”), located at E10889 Penny Lane, Baraboo, Wisconsin;

WHEREAS, the Borrower desires to finance the acquisition of land and installation of machinery and equipment to be located at or about 6501 South Fitzner, Greenville, Montcalm County, Michigan. The proposed financing will include capital expenditures associated with removing accumulated solids within the processing equipment and piping that will enable Greenville to pretreat its effluent prior to being discharged into the local municipal treatment system for further processing;

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

WHEREAS, the Borrower has advised the MSF that the cost of the Project will not exceed Twelve Million Dollars (\$12,000,000);

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

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

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

1. The MSF intends to provide the Loan to the Borrower subject to the conditions of this Resolution.
2. The Loan shall be designated for the Project in accordance with the Borrower's Tax-Exempt Application Form dated February 2, 2018.
3. The maximum principal amount of the bonds (the "Bonds") expected to be issued to provide the Loan to finance the Project shall not exceed Twelve Million Dollars (\$12,000,000). The Borrower shall be obligated to make loan repayments in an amount sufficient to assure full repayment of the Bonds, establish appropriate reserves and pay costs and expenses relating to the issuance of the Bonds and the making of the Loan.
4. The MSF's obligation to issue the Bonds and make the Loan shall be conditioned upon a) the ability of the MSF to issue, sell and deliver the Bonds under applicable federal and state laws, b) receipt of an allocation from the State Treasurer pursuant to 1988 PA 496 as it relates to limitations on the issuance by states of private activity bonds under the Code, and c) any prioritization, fee schedules or other requirements or limitations implemented by the MSF or the State Treasurer.
5. The MSF's obligation to make the Loan and issue the Bonds contemplated by this Resolution shall expire two years after the date of this Resolution.
6. The Loan may be evidenced by a promissory note and secured by such instruments as are in form and substance satisfactory to the MSF, the Attorney General of the State of Michigan (the “Attorney General”) and bond counsel to the MSF, including a loan agreement, indenture, first mortgage, security agreement and such additional security as may be required by the MSF or purchaser of the Bonds.

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

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

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

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

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

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

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

ADOPTED

Ayes:

Nays:

Recused:

Lansing, Michigan
February 27, 2018

MEMORANDUM

Date: February 27, 2018

To: Michigan Strategic Fund Board

From: Christopher Cook, Director, Capital Access

Subject: *Private Activity Bond – Inducement
Liquid Web, LLC - \$4,000,000
Taxable*

Request:

Liquid Web, LLC (“Liquid Web”), a State of Delaware LLC, is requesting private activity taxable bond financing for the purpose of the acquisition and installation of energy efficiency improvements, including a new heating and air conditioning system, within its two Lansing facilities located at 2703 Ena Drive Lansing, MI 48917 and 4428 South Creyts Road Lansing, MI 48917 in Eaton County, Michigan.

Background:

Liquid Web indicates it is a Michigan based web hosting company that has been in business in excess of 20 years. Liquid Web states it provides a full range of web hosting and services for both individual and large customers. The two facilities located in Lansing host servers and also provide products to allow its customers to host their web sites, easily expand their web presence, provide internet security and solve other issues associated with the management of web sites. Liquid Web has over 32,000 customers located in over 132 separate countries and manages in excess of 500,000 sites.

Liquid Web has over 600 employees, the majority of which are located in the State of Michigan.

Description of Project:

The Project consists of the acquisition and installation of energy efficiency improvements, including a new heating and air conditioning system, duct work, fan cooling and electronic controls, to its two Lansing facilities.

Plans of Finance:

The Bonds will be secured by a special assessment lien levied by Eaton County, Michigan against the Project sites pursuant to the Michigan Property Assessed Clean Energy Act, Act 270 of 2010 as amended.

Keybank Capital Markets has indicated an interest in providing private placement services to support this bond issue.

Recommendation:

After reviewing the private activity bond application for Liquid Web, LLC, staff finds this project meets the requirements for an Inducement Resolution in the amount of \$4,000,000.

MICHIGAN STRATEGIC FUND

INDUCEMENT RESOLUTION

2018 –

Liquid Web, LLC

WHEREAS, Liquid Web, LLC, is a Delaware corporation (the “Borrower”), located at 2703 Ena Drive, Lansing, Eaton County, Michigan, and 4428 South Creyts Road, Lansing, Eaton County, Michigan;

WHEREAS, the Borrower desires to finance the acquisition and installation of energy efficiency improvements, including a new heating and air conditioning system, duct work, fan cooling and electronic controls within its two Lansing facilities;

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

WHEREAS, the Borrower has advised the MSF that the cost of the Project will not exceed Four Million Dollars (\$4,000,000);

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

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

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

1. The MSF intends to provide the Loan to the Borrower subject to the conditions of this Resolution.
2. The Loan shall be designated for the Project in accordance with the Borrower's Taxable Application Form dated January 22, 2018.
3. The maximum principal amount of the bonds (the "Bonds") expected to be issued to provide the Loan to finance the Project shall not exceed Four Million Dollars (\$4,000,000). The Borrower shall be obligated to make loan repayments in an amount sufficient to assure full repayment of the Bonds, establish appropriate reserves and pay costs and expenses relating to the issuance of the Bonds and the making of the Loan.
4. The MSF's obligation to issue the Bonds and make the Loan shall be conditioned upon a) the ability of the MSF to issue, sell and deliver the Bonds under applicable federal and state laws, b) receipt of an allocation from the State Treasurer pursuant to 1988 PA 496 as it relates to limitations on the issuance by states of private activity bonds under the Code, and c) any prioritization, fee schedules or other requirements or limitations implemented by the MSF or the State Treasurer.
5. The MSF's obligation to make the Loan and issue the Bonds contemplated by this Resolution shall expire two years after the date of this Resolution.

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

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

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

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

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

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

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

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

ADOPTED

Ayes:

Nays:

Recused:

Lansing, Michigan
February 27, 2018

MEMORANDUM

Date: February 27, 2018

To: Michigan Strategic Fund Board

From: Nate Scramlin, Senior Community Assistance Team Specialist
Julius Edwards, Underwriting and Incentive Structuring Manager
Lisa Edmonds, MCRP & Brownfield Program Specialist

Subject: City of Lansing Brownfield Redevelopment Authority
Request for Approval of an Act 381 Work Plan Amendment - Reutter Park Place Project (Metro Place Project)
Y Site, LLC - Request for Approval Michigan Community Revitalization Program Other Economic Assistance – Metro Place Redevelopment Project
Y Site, LLC - Request for Approval of MBT Brownfield Credit Amendment [#S11-0034] - Metro Place Project

Request

Y Site, LLC plans to demolish the vacant, severely deteriorated YMCA building at 301 W. Lenawee and construct a four-story mixed use building on 2.23 acres featuring 145 loft-style apartments and approximately 6,925 square feet of commercial and retail space on the ground level. The project is located in downtown Lansing and qualifies for a Michigan Community Revitalization Program (MCRP) award, Act 381 work plan, and MBT Amendment because it is a facility.

In order to alleviate brownfield conditions and prepare the proposed project site for redevelopment, the City of Lansing Brownfield Redevelopment Authority is seeking an amendment to an existing Act 381 Work Plan for a three year time extension and a change to the scope of the project to include 145 loft apartments and approximately 6,925 square feet of commercial and retail space on the ground floor. The Act 381 Work Plan's previously approved amount for local and school tax capture for MSF eligible activities of \$1,400,500 remains the same.

Y Site, LLC is requesting approval of a MCRP award in the amount of up to the lesser of 20% of the "Eligible Investment" or \$2,957,000, in the form of a performance-based other economic assistance equity investment.

Y Site, LLC also requests the following amendment to the Brownfield MBT credit for the Metro Place project, originally approved by the MEGA Board on November 21, 2011 and amended by the MSF Board on December 23, 2014: Three (3) year extension of the completion date, to November 21, 2020 and a change to the scope of the project.

The total cost to complete the proposed project is estimated at \$24,665,567. The existing building has been vacant on the site for the last 17 years due to obsolescence and infeasibility of renovation.

Demolition costs are atypically high for the project, because of the volume of asbestos-containing materials in the building and the presence of a substantial amount of water which has accumulated in the sub-basement. Other Brownfield conditions on the site (e.g., contamination in soils and accumulated water, and higher cost foundations due to the presence of non-native soils) add substantial construction costs to the project fueling a portion of the need for subsidy. Due to these Brownfield conditions and market risk, both have necessitated the request for MCRP assistance to complete the redevelopment of the property beyond Brownfield TIF and MBT tax credit support. Y Site, LLC is in the final stages of the HUD 221(d)(4) approval process to secure approximately \$17.1 million in senior debt. Additionally, the development team has secured a \$532,318 EPA RLF loan and is contributing \$2.5 million in private equity to the project (10% of total development costs) while deferring 100% of the developer fees. The remaining gap would be filled by a combination of a MBT tax credit valued at approximately \$1,125,000 and the MCRP award. The MSF support on the project will allow the project to achieve an anticipated return of approximately 11%. Staff is requesting the ability to go up to the lesser of 20% of eligible investment or \$2,957,000, due to the fact that HUD loan has been not been finalized and the development team are still in the process of finalizing the project budget.

MCRP detailed structure is provided in **Appendix A**.

The Applicant anticipates that the project will result in total capital investment in the amount of \$24,665,567 along with the creation of approximately 25 permanent full-time equivalent jobs with an average hourly wage of \$15.00.

Background

Metro Place will consist of a four-story mixed-use development totaling approximately 103,634 gross square-feet. Located three blocks south of the state capitol building, Metro Place is located in the heart of downtown Lansing. Currently, the site contains a vacant, obsolete ex-YMCA building and a small commercial structure which was originally used as a house. The vacant YMCA building, which was constructed in 1949, is in very poor condition. Renovation is not economically feasible. The building has been heavily vandalized resulting in destruction of the interior character. There is extensive water damage in the building on all floors, which has contributed to irreparable loss of previous amenities and finishes. Mold growth is prevalent throughout the building walls and ceilings.

The obsolete structures and other site improvements will be demolished upon full asbestos abatement, and the site will be prepared for construction. The new Metro Place development will have 145 loft apartments with an adequate mix of studio, one bedroom, and two bedroom units offered in various layouts. Approximately 6,925 square feet of commercial and retail space will be located on the ground level, along with some of the apartments. Upon completion, there will be approximately 154 surface parking places available onsite, while supplemental parking will be available on adjacent streets.

Julie Lawton-Essa, CEO of Y Site, LLC, has owned and operated a reputable real estate brokerage firm in Mid-Michigan known as the Lawton Group. Ms. Lawton-Essa has developed a 360 unit mini-storage facility and owns a 178 unit apartment complex, a 44 unit hotel/lodge and a 360 unit mini-storage facility. She has participated in complex real estate transactions and is well versed in commercial real estate development and valuation as well as complicated financial transactions. Y Site, LLC was awarded the previous Act 381 and MBT incentives, as well as a MCRP award in 2014. Unfortunately, due to

complications with their HUD financing, the development team could not meet the established MCRP project milestones and the MEDC dismissed the previous MCRP support. The development is in the final steps of the process for approval of HUD backed financing. 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 (the “Recommendation”):

- a) Approval of the request by the City of Lansing Brownfield Redevelopment Authority for a change in project scope to include 145 loft apartments and approximately 6,925 square feet of commercial and retail space on the ground floor and to provide a three (3) year time extension to November 21, 2020 for the completion date for the Act 381 eligible activities totaling \$1,400,500.
- b) Approval of a MCRP performance-based other economic assistance in the amount of up to the lesser of 20% of “Eligible Investment” or \$2,957,000 for Y Site, LLC.
- c) Approval of the Brownfield MBT credit amendment request to project number S11-0034, to reflect the current project scope that includes 145 loft apartments and approximately 6,925 square feet of commercial and retail space on the ground floor and to provide a three (3) year time extension of the project completion date, to November 21, 2020.

APPENDIX A

FINANCING OPPORTUNITY – MCRP EQUITY INVESTMENT

The development team is in the process of securing debt in the form of HUD 221(d)(4) mortgage insured financing for the project. Greystone Funding Corporation, one of the largest suppliers of the HUD based financing, would be providing the senior debt financing for the development. HUD has highly restrictive requirements related to subordinated debt. Therefore, MEDC staff is recommending the MCRP award be structured as an equity investment.

The project is in the final stages of the HUD underwriting process, which cannot be finalized prior to all financing sources having been secured. One of the final steps in this process is securing approval of the MCRP award. Until this final step has been completed the final mortgage amount cannot be determined. Due to the uncertainty of the final mortgage amount and the time typically associated with a closing a HUD backed loan MEDC staff is requesting flexibility to go up to the lesser of 20% of “Eligible Investment” or \$2,957,000 for the development.

SUMMARY OF DEVELOPMENT SOURCES:

Greystone	\$17,156,800	69.56%
EPA RLF Loan	\$532,318	2.16%
Deferred Developer Fees	\$975,000	3.95%
Owner Equity	\$2,476,449	10.04%
MBT Credit	\$1,125,000	4.56%
MSF Equity Investment	\$2,400,000	9.73%
TOTAL	\$24,665,567	100.00%

MCRP EQUITY INVESTMENT

Applicant(s):	Y Site, LLC or a related entity (“Company” or “Applicant”)
Investor Investment Amount:	Owner equity investment of not less than \$2,475,000 (“Investor Equity”)
MSF Investment Amount:	Up to the lessor of 20% of “Eligible Investment” or \$2,957,000. The structure of the MSF Investment will be subject to the HUD insured loan structure. (“MSF Equity”)
Interest Purchased:	MSF will acquire an equity interest in Y Site, LLC or related entity to be determined. The MSF will provide no guarantees on the debt or accept any recourse obligation.
“Put” Right:	The MSF will receive a “Put” right for among other things failure to adhere to MSF statutory requirements. If exercised, Y Site, LLC or another entity or individual 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 “Put” on terms and conditions acceptable to the MSF. The owners of the project will be required to guarantee the “Put” right obligation.

“Exit” Right:

The MSF will have the option to exit the project after 480 months following disbursement of its proceeds. At time of exit the MSF will be due any remaining unpaid returns and the remaining balance of its principal equity investment.

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.

Split of Net Cash Flows:

1. MSF to receive 100% of available distributable cash flow until a 5% annual cash-on-cash return has been received on its original investment. This return will be cumulative but non-compounding.
2. Investors to receive 100% of remaining available cash flow until a 10% annual cash-on-cash return has been received on its original investment.
3. Thereafter, a 30/70 split of remaining available cash flow with 30% going to the MSF and 70% going to the Investors. Proceeds to be applied towards payment of the MSF and Investors equity investments.

Split of Proceeds from Sale or Refinance:

1. 100% of remaining proceeds to the MSF until any accumulated unpaid returns have been paid.
2. 100% of remaining proceeds to the Investors until any accumulated unpaid returns have been paid.
3. Pro Rata split of proceeds until the remaining original principal equity investments have been repaid to the MSF and the Investors.

4. Thereafter, a 30/70 split of remaining available cash flow with 30% going to the MSF and 70% going to the 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 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:

Approval will be contingent upon receipt of the following:

- Evidence of site plan approval from the City of Lansing (if applicable).
- 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 \$21,000,000 in debt financing, or evidence of other sources available to make up the difference. The Senior Debt must have a term of not less than 48 months.
- Evidence of a minimum owner equity investment of \$2,475,000.
- Final executed Development Agreement (if applicable).
- Other documents may be required for review.

APPENDIX B – Programmatic Requirements & Screening Guidelines

Property Eligibility

The project is located within the boundaries of the City of Lansing, which is a Qualified Local Governmental Unit, and has been determined to be a facility as verified by Michigan Department of Environmental Quality (DEQ) on July 11, 2011.

The property is the subject of a Brownfield Plan, duly approved by the City of Lansing Brownfield Redevelopment Authority on May 6, 2011 and concurred with by the City of Lansing on June 13, 2011.

MCRP Program and its 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. The total MCRP eligible investment for this project is estimated to be \$15,536,969.

Source of Information

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

As required under the MCRP, the following statutory criteria is being considered by the MSF:

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

The Y Site property has sat vacant for 17 years showing continual decline and diminishing the values of surrounding properties. The City of Lansing's master plan currently identifies mixed-use redevelopment as a high priority for the downtown district. This project will put the property back to full use, increasing urban density in the downtown area. As previously stated, the project will provide 145 additional housing units and 6,925 square feet of retail/commercial space to the downtown area which is a priority for the City and region. This is a high priority project in the city of Lansing.

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

The project will add new commercial and residential tenants to the downtown. These additions are expected to act as a catalyst for new development and growth. The addition of new people in the downtown is also expected to increase the economic vitality of local businesses.

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

The City of Lansing Brownfield Redevelopment Authority and the City Council approved a brownfield plan for the reimbursement of eligible activities in the amount of \$1,400,500, and the City's portion of that is estimated to be \$859,627.

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

Demolition costs are atypically high for the project, because of the volume of asbestos-containing materials in the building and the presence of a substantial amount of water which has accumulated in the sub-basement. Other Brownfield conditions on the site (e.g., contamination in soils and accumulated water, and higher cost foundations due to the presence of non-native soils) add substantial construction costs to the project fueling a portion of the need for subsidy. Due to these Brownfield conditions and market risk, both have necessitated the request for MCRP assistance to complete the redevelopment of the property beyond Brownfield TIF and MBT tax credit support. Y Site, LLC is the final stages of the HUD 221(d)(4) approval process to secure approximately \$17.1 million in senior debt. Additionally, has secured a \$532,318 EPA RLF loan and contributing \$2.5 million in private equity to the project (10% of total development costs) while deferring 100% of the developer fees. The remaining gap would be filled by a combination of a MBT tax credit valued at approximately \$1,125,000 and the MCRP award. The MSF support on the project will allow the project to achieve an anticipated return of approximately 11%.

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

Through a complete redevelopment of the Y Site property, this project will bring new life back into site in downtown Lansing—one that has stood vacant and underutilized for many years.

F. Creation of jobs:

This project anticipates the creation of 25 jobs with an average hourly wage estimated to be \$15.

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

Greystone Funding Corporation will be the direct lender providing a HUD 221(d)(4) loan of approximately \$17.1 million. Other support is provided in EPA revolving loan funds through the City of Lansing of up to \$532,318. The development team is contributing private equity of over 10% of the total development cost, including their deferred developer fee.

H. Whether the project is financially and economically sound:

It is anticipated that following achievement of stabilization, the development will generate adequate cash flow to service debt over 1.20 to 1.00 on average. Additionally, the MCRP investment will be structured as an equity investment providing additional financial flexibility and cushion for the project. The risk will be mitigated by the flexibility provided by the MCRP equity investment. Additionally, the project is strongly supported by the local community and will carry the financial support of the HUD back guarantee and the investors.

An appraisal performed by Allen & Associates dated June 19, 2017 supports the proposed rental structure for both the residential and commercial portions of the building. Residential rents are projected between \$1.22 to \$1.95 per square foot, which is consistent with other new developments in the market.

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

This project will significantly increase the density of the area with the creation of 145 new residential units in downtown Lansing.

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

With the addition of over 6,900 square feet of new commercial space on the first floor, and 145 new residential units, foot traffic on the street will certainly increase. Due to the location of the building, new residents will have access to a number of retail, cultural, and recreational amenities all within a five minute walk of their front door.

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

This project does not involve any abandoned public buildings.

L. Whether the project promotes sustainable development:

Y Site, LLC will strive to include green building practices and energy-efficient lighting and appliances. Its building envelope, HVAC system, water usage, and lighting demands will be a vast improvement over those in previous development and will significantly contribute to sustainable development in Lansing.

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

This project does not involve the rehabilitation of a historic resource.

N. Whether the project addresses area-wide redevelopment:

The Metro Place project addresses the Lansing community's area-wide redevelopment goals by providing additional commercial and residential development in the downtown. The project meets the goals of the Master Plan by creating development that is mixed-use and is pedestrian friendly.

O. Whether the project addresses underserved markets of commerce:

This project will bring additional commercial activity to the downtown and, through the development of additional residences, a significant increase in patrons to new and existing downtown businesses.

P. The level and extent of environmental contamination:

A February 2008 Phase II and a July 2, 2014 investigation identified the presence of chromium, mercury, selenium, silver, 2-methylnaphthalene, and naphthalene in the soil at concentrations exceeding MDEQ Residential Drinking Water Protection (DWP), and/or Groundwater Surface Water Interface Protection (GSIP) criteria. Chromium, lead, mercury, and silver were detected in groundwater at concentrations exceeding MDEQ Residential DW and/or GSI criteria.

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

This project does not involve the rehabilitation of a historic resource.

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

This project is not expected to compete with existing Michigan businesses however it is expected to bolster many of the business owners in downtown Lansing with the addition of 145 new residences in downtown Lansing.

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

No additional criterial needs to be considered.

Brownfield Act 381 Program Additional Project Information:

A. Reuse of functionally obsolete buildings and/or redevelopment of blighted property:

This project does not involve the reuse of functionally obsolete buildings, however the redevelopment is expected to remove significant instances of blight on the site.

B. Whether project will create a new brownfield property in the State:

No new Brownfields will be created by this project.

Tax Capture Breakdown

There are 61.9501 non-homestead mills available for capture, with school millage equaling 23.9262 mills (38.62%) and local millage equaling 38.0239 mills (61.38%). Tax increment capture will begin in 2020 and is estimated to continue for 12 years. The requested tax capture for MSF eligible activities breaks down as follows:

School tax capture	(38.62%)	\$	540,873
Local tax capture	(61.38%)	\$	859,627
TOTAL		\$	1,400,500

Cost of MSF Eligible Activities

Demolition and Lead & Asbestos Abatement	\$	750,000
Infrastructure Improvements		96,500
Site Preparation	+	554,000
TOTAL	\$	1,400,500

Brownfield MBT Credit Amendment Request By:

Y Site, LLC

2152 Commons Parkway

Okemos, MI 48864

Contact: Julie Lawton-Essa, Co-Manager Member

	Previous Approval	Amendment
Project Eligible Investment:	\$12,472,996	\$12,728,761
Requested Credit Amount:	\$1,250,000 (CAPPED)	\$1,250,000 (CAPPED)
Requested Credit Percentage:	12.5%	12.5%

APPENDIX C – Project Map and Renderings









MICHIGAN STRATEGIC FUND

RESOLUTION 2018-

MICHIGAN COMMUNITY REVITALIZATION PROGRAM OTHER ECONOMIC ASSISTANCE PERFORMANCE-BASED EQUITY INVESTMENT AWARD TO Y SITE, LLC OR A RELATED ENTITY (METRO PLACE APARTMENTS)

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, as later amended) to enable the 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, Y Site, LLC or such entities formed or to be formed in the furtherance of the Metro Place Apartments Project (“Applicant” or “Co-Applicants”) have requested an Other Economic Assistance Performance-Based Equity Investment Award from the MSF under the MCRP for the project in an amount not to exceed \$2,957,000 (“Award Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”);

WHEREAS, the MEDC recommends that the MSF approve the MCRP Award Request in accordance with the Term Sheet, subject to: (i) available Funding, (ii) final due diligence performed to the satisfaction of the MEDC; and (iii) execution of transaction documents within 240 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 (the foregoing, collectively, the “MCRP Award Recommendation”);

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

Ayes:

Nays:

Recused:

Lansing, Michigan
February 27, 2018

EXHIBIT A

“TERM SHEET”

Applicant(s):	Y Site, LLC or a related entity (“Company” or “Applicant”)
Investor Investment Amount:	Owner equity investment of not less than \$2,475,000 (“Investor Equity”)
MSF Investment Amount:	Up to the lesser of 20% of “Eligible Investment” or \$2,957,000. The structure of the MSF Investment will be subject to the HUD insured loan structure. (“MSF Equity”)
Interest Purchased:	MSF will acquire an equity interest in Y Site, LLC or related entity to be determined. The MSF will provide no guarantees on the debt or accept any recourse obligation.
“Put” Right:	The MSF will receive a “Put” right for among other things failure to adhere to MSF statutory requirements. If exercised, Y Site, LLC or another entity or individual 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 “Put” on terms and conditions acceptable to the MSF. The owners of the project will be required to guarantee the “Put” right obligation.
“Exit” Right:	The MSF will have the option to exit the project after 480 months following disbursement of its proceeds. At time of exit the MSF will be due any remaining unpaid returns and the remaining balance of its principal equity investment.
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.
Split of Net Cash Flows:	<ol style="list-style-type: none">1. MSF to receive 100% of available distributable cash flow until a 5% annual cash-on cash return has been received on its original investment. This return will be cumulative but non-compounding.

2. Investors to receive 100% of remaining available cash flow until a 10% annual cash-on-cash return has been received on its original investment.
3. Thereafter, a 30/70 split of remaining available cash flow with 30% going to the MSF and 70% going to the Investors. Proceeds to be applied towards payment of the MSF and Investors equity investments.

Split of Proceeds from Sale or Refinance:

1. 100% of remaining proceeds to the MSF until any accumulated unpaid returns have been paid.
2. 100% of remaining proceeds to the Investors until any accumulated unpaid returns have been paid.
3. Pro Rata split of proceeds until the remaining original principal equity investments have been repaid to the MSF and the Investors.
4. Thereafter, a 30/70 split of remaining available cash flow with 30% going to the MSF and 70% going to the 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 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:

Approval will be contingent upon receipt of the following:

- Evidence of site plan approval from the City of Lansing (if applicable).
- 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 \$21,000,000 in debt financing, or evidence of other sources available to make up the difference. The Senior Debt must have a term of not less than 48 months.
- Evidence of a minimum owner equity investment of \$2,475,000.
- Final executed Development Agreement (if applicable).
- Other documents may be required for review.

MICHIGAN STRATEGIC FUND

RESOLUTION 2018 -

**CITY OF LANSING BROWNFIELD REDEVELOPMENT AUTHORITY
Y SITE, LLC 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 MSF;

WHEREAS, the MEGA Board approved a Work Plan request for the Y Site, LLC Project (the “Project”), by Resolution 2011-162 on December 13, 2011, authorizing the Authority to capture taxes levied for school operating purposes based on a maximum of \$1,400,500 in eligible activities;

WHEREAS, the City of Lansing Brownfield Redevelopment Authority (the “Authority”) is requesting MSF approval to allow a change in project scope to include 145 loft apartments and approximately 6,925 square feet of commercial and retail space on the ground floor and an additional three years to complete the 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 MSF approval of the change in project scope and the extended time to complete the eligible activities by eliminating time restrictions to complete eligible activities.

WHEREAS, by Resolution 2014-233 on December 16, 2014, the MSF Board approved an amendment request to extend the time to complete the eligible activities authorized by three (3) years of the date the resolution was adopted;

NOW, THEREFORE, BE IT RESOLVED, the MSF Board authorizes a change in project scope and an extension of time to complete the eligible activities by extending the time restrictions to complete eligible activities by three years.

BE IT FURTHER RESOLVED, that all other provisions of Resolution 2011-162 are reaffirmed and the MSF authorizes the MSF Fund Manager to implement the terms of this resolution.

Ayes:

Nays:

Recused:

Lansing, Michigan
February 27, 2018

MICHIGAN STRATEGIC FUND

RESOLUTION 2018 -

METRO PLACE PROJECT

Y SITE, LLC

BROWNFIELD REDEVELOPMENT MBT CREDIT – AMENDMENT #2

CITY OF LANSING BROWNFIELD REDEVELOPMENT AUTHORITY

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

WHEREAS, the Michigan Economic Growth Authority (“MEGA”) is authorized by 1995 PA 24, as amended, and in particular the Chairman for purposes of small or mini credits, to approve 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, on December 23, 2014, the MSF Chairman issued a pre-approval letter for a Small Brownfield MBT Tax Credit to Y Site, LLC (the “Applicant”) to make eligible investment up to \$12,472,996 at an eligible property in the City of Lansing (the “Project”);

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

WHEREAS, a request has been submitted to amend the Project to reflect the current project scope and to add a three year time extension of the project completion date, to November 21, 2020; 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 \$1,250,000;

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board recommends that the MSF President issue an amended pre-approval letter to amend the Project by reflecting the current project scope and to add a three year time extension of the project completion date, to November 21, 2020, provided that the maximum credit does not exceed \$1,250,000.

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

Ayes:

Nays:

Recused:

Lansing, Michigan
February 27, 2018

MEMORANDUM

Date: February 27, 2018

To: Michigan Strategic Fund Board

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

Subject: Grand Rapids Downtown Market Holdings, LLC Request for Approval of a Michigan Community Revitalization Program \$3,000,000 Other Economic Assistance Performance-Based Loan Participation Agreement Amendment

Request

Grand Rapids Downtown Market Holdings, LLC (“Company”) is requesting approval to amend or replace the Michigan Community Revitalization Program Other Economic Assistance Performance-Based Loan Participation Agreement (“Agreement”) and any related ancillary agreements. The amendment request dated February 6, 2018 includes requests to amortize the MSF Loan over 30 years and reduce the interest rate from 2% to 1% per annum.

Background

The Michigan Strategic Fund Board approved a \$3,000,000 Other Economic Assistance Loan Participation Award in the form of a \$4,000,000 loan facility from Fifth Third Bank (“Participating Lender”) on February 27, 2013 to the Company for the purpose of constructing a 25,000 square foot year round market on multiple parcels, encompassing an entire city block of property, located at 435 Ionia Avenue, SW and 109 Logan Street, SW in the City of Grand Rapids. The project was to include multi-vendor space for fresh food markets, with both a year-round, indoor component and space for an outdoor seasonal farmer’s market, as well as restaurants and other food services, educational facilities, food processing and production facilities (such as a kitchen incubator), a rooftop greenhouse and other mixed-use components such as crafts, retail shops, residential units and offices.

The project has been successful in completing construction, attracting tenants, and bringing to fruition an attractive landmark in the City of Grand Rapids that is highly valued by its citizens. Despite these successes, the development team underestimated the level of operating expenses that would be incurred annually to operate a market of this nature. Additionally, changes in the support network that originally supported the project has led the market’s team to believe that a debt restructuring is imperative to maintaining the level of services the market currently offers.

On July 25, 2017 MEDC staff presented to the MSF Board an amendment request to restructure the MSF’s Share of the loan participation to accommodate a 40 year amortization period and a 1% interest rate. At that time the Board elected to table the amendment request and extend the expiration date for the interest only period from June 30, 2017 to September 30, 2017 to allow time for the development team to present information on a potential of restructuring of the Bank’s Share of the loan participation. During the time that has elapsed since that meeting the development team has been working diligently to finalize

a restructuring proposal to present to the MSF Board. The market has been able to raise capital to pay off the \$1,000,000 loan from Fifth Third Bank. Additionally, they have taken steps to reduce operating expenses through staff attrition and significantly reducing the marketing budget. Lastly, the market is requesting that the MSF consider amortizing its remaining \$3,000,000 loan over 30 years and reduce the interest from 2% to 1% per annum. Overall, the above financing changes will reduce the market's potential annual debt obligations from approximately \$260,000 to \$116,000 and put them in line with what the market was paying in interest only payments (\$110,000). MEDC staff and the market believe the above changes will allow the market to continue to operate at a high level, providing quality services to the community.

Below is a summary of all of the amendments for the project to date:

An amendment/waiver request to the project was approved on July 1, 2014 to address the following:

- Recognize and waive the default resulting from Grand Rapids Downtown Market Holdings, LLC ("Company" or "Borrower") not obtaining a New Market Tax Credits allocation and not implementing an amortization schedule by December 31, 2013.
- To allow Fifth Third Bank ("Bank of Lender") to amend the Draw Note to allow interest only payments to continue through June 30, 2016, with P & I payments beginning with the payment due July 30, 2016, with the amortization to be agreed upon prior to June 30, 2016 by all parties involved, but limit the maximum amortization period to 20 years.
- To allow the Bank to amend the Loan Agreement to allow the Borrower to finance \$500,000 for tenant improvements (the previous language only allowed for \$300,000).

A second amendment request to the project was approved on November 24, 2015 to:

- Consent to subordinating its collateral position to a proposed \$1,000,000 line of credit (LOC) from Old National Bank allowing the Lender to have a security position in the assets of the project. The LOC will be used to meet short-term working capital needs, financing future tenant build-outs, fund tenant allowances to attract other tenants, and finance additional non-income producing build-outs within the existing space such as restrooms, etc.

A third amendment request was approved on June 28, 2016 to extend the interest only period an additional 12 months to continue through June 30, 2017.

A fourth amendment was approved at the MSF's July 25, 2017 Board meeting, extending the interest only period on the loan participation to September 30, 2017.

A fifth amendment was approved at the MSF's September 26, 2017 Board meeting, extending the interest only period on the loan participation to January 31, 2018.

A sixth amendment was approved at the MSF's January 23, 2018 Board meeting, extending the interest only period on the loan participation to May 31, 2018 to allow time for approval of a financing restructuring and closing on any restructured proposal.

Recommendation

MEDC staff recommends approval to amend or replace the \$3,000,000 MSF Share of the loan participation. New terms would include a 30 year amortization period and decrease the interest rate from 2% to 1% per annum. All other terms of the loan would remain materially unchanged.

**MICHIGAN STRATEGIC FUND
RESOLUTION 2018 -**

**APPROVAL OF AN AMENDMENT TO
THE MICHIGAN COMMUNITY REVITALIZATION PROGRAM OTHER
ECONOMIC ASSISTANCE PERFORMANCE-BASED LOAN PARTICIPATION
AWARD TO
GRAND RAPIDS DOWNTOWN MARKET HOLDINGS, LLC**

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

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

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

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

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

WHEREAS, by Resolution 2013-029 on February 27, 2015, the MSF Board awarded a MCRP Other Economic Assistance – Performance-Based Loan Participation to Grand Rapids Downtown Market Holdings (“Borrower”) of up to \$3,000,000 (“Award”) in a \$ 4,000,000 loan facility from Fifth Third Bank (“Participating Lender”);

WHEREAS, on July 1, 2014, the MSF Fund Manager approved an amendment to: 1) waive the default resulting from the project not receiving a New Market Tax Credit allocation; 2) extend the interest only period to June 30, 2016 and limit the future amortization period to 20 years; and 3) allow the Participating Lender to finance \$500,000 in tenant improvements;

WHEREAS, by Resolution 2015-169 on November 24, 2015, the MSF Board approved an amendment request for the MSF consent to subordinate its collateral position to a proposed \$1,000,000 Line of Credit from Old National Bank;

WHEREAS, by Resolution 2016-087 on June 28, 2016, the MSF Board approved an amendment request for the MSF to consent to extend the interest-only payments for one year;

WHEREAS, by Resolution 2017-114 on July 25, 2017, the MSF Board approved an amendment request for the MSF to consent to extend the interest-only payments to September 30, 2017;

WHEREAS, by Resolution 2017-156 on September 26, 2017, the MSF Board approved an amendment request for the MSF to consent to extend the interest-only payments to January 31, 2018;

WHEREAS, by Resolution 2018-017 on January 23, 2018, the MSF Board approved an amendment request for the MSF to consent to extend the interest-only payments to May 31, 2018;

WHEREAS, the MEDC staff is recommending that the MSF Board approve amending or replacing the MSF's Other Economic Assistance Loan Participation Agreement and other ancillary agreements allowing for the MSF's loan to be amortized over a period of 30 years and reduce the interest rate from 2% to 1%. All other terms of the MSF financing will remain materially unchanged;

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

ADOPTED

Ayes:

Nays:

Recused:

Lansing, Michigan
February 27, 2018

MEMORANDUM

Date: February 27, 2018

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

From: Charles Donaldson, Community Assistance Team Specialist
Julius Edwards, Manager, Underwriter and Incentive Structuring

Subject: BC Leasing, LLC and Related Entities - Buick City Industrial Park – Request for Approval of a Michigan Strategic Fund (MSF) Grant and Equity Investments

Request

MEDC staff is requesting approval of the following: 1) transfer of \$1,000,000 from the Michigan Community Revitalization Program (MCRP) in order to make up to a \$999,900 performance-based grant and \$100 limited liability equity investment in and to a special purpose entity (SPE), as permitted under MCL 125.2088b(2)(c). The grant request will be used to fund due diligence activities, assess the financial feasibility of acquiring and developing the site of the former Buick City automobile manufacturing plant located in northeast Flint and establish reserves to fund the ownership and operating activities of the SPE; 2) a \$5,500,000 equity investment from the MSF Investment Fund in BC Leasing, LLC for the purposes of developing and operating the above mentioned property following the successful acquisition.

Background

Buick City is one of the larger former automobile manufacturing complexes in the country. The site consists of over 360 acres located north of E. Hamilton Avenue, partially south of E. Baltimore Boulevard and partially south of Stewart Avenue, partially east of Andrew Street, partially east of North Street, and partially east of Industrial Avenue, and west of James P. Cole Boulevard in the City of Flint, County of Genesee, Michigan. The site was used for automobile production dating back to 1904, and housed all aspects of Buick vehicle construction. Buick City officially closed in 2010, taking with it the jobs and the associated economic activities within the community. The property has been transferred to the RACER Trust as part of the GM Bankruptcy. Although the buildings on the site have been demolished, the site remains environmentally challenged and is an eyesore in the community. There has been interest in redeveloping portions of the property; however, significant development hurdles have deterred projects from moving forward beyond pre-development planning.

The City of Flint Master Plan identifies that *“Buick City and corridor sites offer the most significant opportunity for economic redevelopment within the region and could accommodate a wide array of uses beyond the heavy industrial automotive complex that was once located there.”*

Upon successful due diligence and acquisition, the proposed project would focus initial vertical construction activities on approximately 140 acres of the southern end of the Buick City site (south of Leith Street). On this area, a new eco industrial park would create a new development that promotes environmentally friendly design with connections to the surrounding neighborhoods and institutions. This

initial phase of the development would create at least 300,000 square feet (sf) of warehouse and light industrial space. In addition to the new industrial space, the project would also provide an environmentally friendly green “cap” over the entire Southern site with walking and biking trails and appropriate landscaping. Depending upon the market and tenants’ demands, immediate subsequent phases of this development would provide another 700,000 square feet of light industrial space.

As part of the initial development, the northern portion of the site (north of Leith Street) will at a minimum provide community appropriate landscaping design to shield the blight from the surrounding neighborhood. Infrastructure work such as storm water, road, rail and bridge improvements will need to be completed within this area to ensure a successful development on the Southern portion. Additionally, as part of the initial due diligence the project is looking closely at renewable energy options on the northern end, such as a solar park. With these proposed development options along with the strong interest expressed by other public and private partners, the project would help mitigate longstanding environmental concerns at the site and provide the opportunity of working with the City of Flint to implement new storm water infrastructure on the site.

The costs for the project are estimated to be approximately \$23,000,000, and the two current sources of funds will be the C.S. Mott Foundation (Mott Foundation), directly and through BC Leasing, LLC, and the MSF. Funding assistance on this project is critical for two main reasons. The first and most critical reason is the partnership between the Mott Foundation and the MSF is expected to signal to other funders (both grant funders and financial investors) that this project is a worthy investment goal. Secondly, the primary funding source from the Mott Foundation is through use of its Mission Related Investment (MRI) funds.

The local contribution for this project is expected to be through an Act 381 Brownfield TIF. There is no work plan drafted yet, and this Act 381 Brownfield TIF will be proposed to the MSF Board at a later date. The other investments being requested for approval will act as a catalyst for the overall project.

It is anticipated that the initial investment from the MSF of \$1,000,000 will be matched by up to a \$1,500,000 grant investment by the Mott Foundation. Collectively, these funds would be used for master planning development of the entire site, and include preliminary engineering, survey, title, environmental, market analysis, accounting and tax estimating, and other feasibility and due diligence studies. The parties will review the master plan (and the results of the related due diligence) with both the City of Flint and the Michigan Economic Development Corporation (“MEDC”) to assess the feasibility of the Project. The initial phase of the project is expected to result in the creation of approximately 300 permanent full-time equivalent jobs with an average hourly wage of \$15.00.

The Mott Foundation’s preliminary due diligence indicates that tenant demand exists to support the phase I development. Based on comparables obtained by the Mott Foundation from community sources, rental rates have been projected in a range sufficient to produce a reasonable rate of return on its investment. Additional market analysis is part of the feasibility study being funded by the Mott and MSF grants.

The MSF monies will be made available only after at least \$1,000,000 of the Mott Foundation proceeds have been expended. It is anticipated that upon successful completion of the due diligence and acquisition of the property the MSF’s original \$1,000,000 investment will be converted into equity in the overall project and MSF will make the additional \$5,500,000 MSF investment available to the project for completion of development activities. Additionally, the \$5,500,000 investment from the MSF would be contingent upon an additional \$15,500,000 commitment to the project from the Mott Foundation. In this

initial phase, the Mott Foundation would be committing \$16,500,000 and the MSF \$6,500,000 to the project.

The project would create a community-focused eco industrial park designed on an environmentally friendly basis with connections to the Flint River and surrounding neighborhoods and institutions. The master development of the site will coordinate the efforts of the City of Flint, MEDC, MSF, MDEQ, DNR, MDOT, EPA, RACER, and other funders and supporters of the overall project. The plan would involve the implementation of a new storm water infrastructure, access roads, bridges, rails and control points (internal roads, gates, fences, etc.). The master plan for the site would include appropriate landscaping on the entire southern site with walking and biking trails to ensure proper and coordinated integration of the development into the surrounding neighborhoods and institutions, addressing a serious community concern. The inclusion of these items in phase I will also increase the efficiencies and logistics for the later phases of development of the entire site.

Under the Mott Foundation's plan, BC Leasing, LLC would enter into a ground lease with a special purpose entity ("SPE") established to acquire the site from RACER. MSF would be the principal limited partner in the SPE. The ground lease would obligate BC Leasing, LLC to build and develop at least 300,000 square feet of warehouse, packaging and light industrial space. Construction would commence and the new facilities would be marketed immediately following closing on the property with RACER. BC Leasing would commit to cause the construction of phase I to be completed whether or not signed lease commitments were obtained prior to commencement of construction.

The Mott Foundation has been responsible for a number of important developments in Flint. Nine decades ago, Charles Stewart Mott established the Mott Foundation that bears his name in response to his deep concern about the welfare of Flint, Michigan, and an abiding affection for his adopted community. The Mott Foundation's focus on the Flint area put it in a unique position to undertake this project. The Mott Foundation's efforts to stimulate local job growth, revitalize the city center and spark new economic energy in the greater Flint area has been demonstrated through financial contributions to complete recent projects such as the Flint Farmers Market, The Capitol Theatre and the Mott Community College Culinary Facility. All projects that have received MSF support.

Appendix A includes a project map and renderings.

Recommendation

MEDC Staff recommends approval of the following:

- a) Approval to transfer of \$1,000,000 from the Michigan Community Revitalization Program (MCRP) to fund up to a \$999,900 performance-based grant and to make a \$100 limited liability equity investment into special purpose entity (SPE) on terms and conditions outlined in Exhibit A to the proposed resolution; and
- b) Approval of an equity investment in BC Leasing, LLC for up to \$5,500,000 from the Investment Fund on terms and condition outlined in Exhibit A to the proposed resolution.

APPENDIX A – Project Map and Renderings



**MICHIGAN STRATEGIC FUND
RESOLUTION 2018-**

**APPROVAL OF AN MSF GRANT AND EQUITY INVESTMENTS FOR THE
PURCHASE, DEVELOPMENT AND OPERATION OF THE FORMER BUICK CITY**

WHEREAS, the Michigan legislature enacted the Michigan Strategic Fund Act, MCL 125.2001 et. seq., (“MSF Act”) to enable the Michigan Strategic Fund (“MSF”) to provide incentives in the form of grants, loans and other economic assistance for the development and improvement of Michigan’s economy;

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

WHEREAS, the Michigan legislature appropriated certain funds for use by the MSF for business attraction and community revitalization;

WHEREAS, the MSF allocated certain legislative appropriations for business attraction and community revitalization to the Community Revitalization Program (“CRP”);

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

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

WHEREAS, pursuant to the MSF Act, specifically MCL 125.2088(b)(2)(c), funds appropriated to the MSF under the CRP and Investment Fund monies, are authorized to be expended for programs or activities authorized under the MSF Act, so long as the programs or activities provide for repayment for breach of the written agreement or the failure to meet measurable milestones;

WHEREAS, pursuant to the MSF Act, specifically MCL 125.2007(c), the MSF has the power to make grants and investments;

WHEREAS, it is proposed that the MSF participate in the formation of a special purpose entity (“SPE”) which SPE will pursue the purchase of the former Buick City real estate parcel(s) (“Real Estate”) in Flint, Michigan (“Purchaser SPE”), with a view toward facilitating the ultimate redevelopment, leasing and operation of Real Estate for light industrial and/or manufacturing and/or warehousing park uses, which may include pedestrian friendly infrastructure space (“Project”);

WHEREAS, it is proposed that the MSF grant up to \$999,900 (“Purchaser SPE Grant Request”), and make an limited liability equity investment of up to \$100 (“Purchaser SPE Equity Request”), to facilitate the environmental, consultant and other professional services for, and toward the purchase of the Real Estate by, the Purchaser SPE for the Project (the Purchaser SPE Grant Request and Purchaser SPE Equity Request, collectively referred to as the “Purchaser SPE Award Request”);

WHEREAS, prior to or coincident with the closing of the purchase of the Real Estate by the Purchaser SPE, it is proposed that the MSF participate as a limited liability member in BC Leasing, LLC (or another limited liability entity to be formed), which entity will pursue redevelopment and operation of the Project (“Developer LLC”);

WHEREAS, it is proposed that an additional \$5,500,000 be invested by the MSF in the Developer LLC to facilitate redevelopment and operation of the Project (“Developer LLC Award Request”);

WHEREAS, the MEDC recommends that \$1,000,000 from the CRP be transferred to fund the Purchaser SPE Award Request (“Purchaser SPE Funding”);

WHEREAS, the MEDC recommends that an additional total of \$5,500,000 be transferred from the Investment Fund to fund the Developer LLC Award Request (“Developer LLC Funding”); and

WHEREAS, the MEDC recommends that the MSF approve the Purchaser SPE Award Request and the Developer LLC Award Request for a total award of \$6,500,000, along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”), subject to: (i) available funding and (ii) final due diligence performed to the satisfaction of the MEDC (“Award Recommendation”).

NOW THEREFORE, BE IT RESOLVED, the MSF Board approves MSF’s limited liability participation in the Purchaser SPE and in the Developer LLC;

BE IT FURTHER RESOLVED, the MSF Board approves the Purchaser SPE Funding;

BE IT FURTHER RESOLVED, the MSF Board approves the Developer LLC Funding;

BE IT FURTHER RESOLVED, the MSF Board approves the Award Recommendation; and

BE IT FURTHER RESOLVED, the MSF Board approves the MSF Fund Manager or the MSF President to negotiate the final terms and conditions of the Award Recommendation, approves the MSF Fund Manager or the MSF President to further approve disbursement milestones, repayment and other terms and conditions that are deemed necessary and appropriate from time to time to adapt to the Purchaser SPE, Developer LLC, and Project needs, so long as such terms and conditions continue to include disbursement milestones and repayment provisions, and approves the MSF Fund Manager or the MSF President to sign all documents necessary to effectuate the foregoing.

Ayes:

Nays:

Recused:

Lansing, Michigan
February 27, 2018

EXHIBIT A

PURCHASER SPE:

- Awardee Name:** A special purpose entity to be formed (“Purchaser SPE”).
- Project Site:** The former Buick City real estate parcel(s), (currently owned by the RACER Trust or affiliated entity), located in Flint, Michigan.
- Project Description:** Activities arising out of, and related to, the operation of the Purchaser SPE and the purchase of the Real Estate toward facilitation of the ultimate redevelopment, leasing and operation of the Project (“Purchaser Activities”).

Purchaser SPE Information:

- (i) SPE Manager/General Partner: Anticipated to be a non-profit directorship-based entity, which will contribute services and provide for the management of Purchaser SPE; and
- (ii) Limited Liability Interest: MSF.

Award Amount/Type and Purchaser SPE Funding:

- (i) MSF grant of up to a total of \$999,900 to the Purchaser SPE; and
- (ii) MSF equity commitment of up to a total of \$100 in the Purchaser SPE, with priority distribution rights; and
- (iii) C.S. Mott Foundation (or affiliated entity) (“Mott”) grant to the Purchaser SPE of at least \$1.5 million or such other greater amount acceptable to Mott.

Grant Disbursements:

- (i) MSF grant disbursements to the Purchaser SPE shall be based upon approved expenses arising out of Purchaser Activities, including without limitation, predevelopment and operating expenses, environmental services, consultant services, legal services, surveying services and other Real Estate and Project related invoices, contracts, reserves and expenses. In addition, grant disbursements may be used toward the Purchaser SPE’s purchase of the Real Estate. Payment of reasonable GP expenses (including expenses arising out of any third party contracts), in addition to Purchaser SPE expenses, is permitted. All MSF disbursements shall be subject to the approval of the MSF Grant Manager;
- (ii) At least \$1 million of Mott grant funds must be paid to, and expended by, the Purchaser SPE for permitted Purchaser Activities prior to any MSF grant disbursements. Direct payment by Mott of expenses for permitted Purchaser Activities prior to or after MSF approval of the Purchaser SPE Award Request will also be accounted for in the calculation of Mott’s grant requirements.
- (iii) Each of the MSF disbursements must equal at least \$500,000, and the Purchaser SPE may only request a disbursement once per calendar quarter;
- (iv) At least \$1.5 million of Mott grant disbursements (or direct payment of permitted expenses), and all MSF grant disbursements, must be expended by the Purchaser SPE for permitted Purchaser Activities, prior to any call of the \$100 MSF equity commitment in the Purchaser SPE.

Other terms and conditions to include:

- (i) Purpose of the Purchaser SPE must be consistent with Project;
- (ii) On or before the MSF signs its grant agreement and equity agreement with the Purchaser SPE, Mott must sign a grant agreement evidencing its commitment of up to at least \$1.5 million in funding from Mott to the Purchaser SPE, or for the direct payment of expenses for permitted Purchaser Activities;
- (iii) Purchaser SPE equity documents and any applicable ancillary documents shall establish an operating reserve, and an exit plan for the MSF (which may include puts and calls), all on terms and conditions satisfactory to the MSF Fund Manager or MSF President;
- (iv) At signing, or within a reasonable time after signing of the grant and equity interest agreements, the Purchaser SPE shall pay a closing fee to the MSF of \$10,000. The Purchaser SPE shall be responsible to pay for any third party costs and expenses of the MSF and the MEDC to facilitate the Purchaser SPE Award Request. All such fees must originate from Mott’s funding commitment;
- (v) Appropriate transaction documents shall also provide that upon purchase of the Real Estate by the Purchaser SPE (but only if such purchase occurs):
 - a. All grant funds then actually disbursed by the MSF and Mott to the Purchaser SPE (or for the direct payment of permitted expenses), or later expended from an operating reserve or otherwise, shall be deemed, and converted into, respective capital contributions into the Developer LLC; and
 - b. Undisbursed MSF and Mott grant funds otherwise made available for the Purchaser SPE, and not otherwise retained as part of the Purchaser SPE operating reserve, shall be deemed, and converted into, capital commitments to the Developer LLC; and
 - c. The Purchaser SPE shall sell, lease or otherwise transfer possession and all development and operation of the Real Estate to the Developer LLC for only nominal consideration;
- (vi) None of the grant or equity funds may be used as prohibited under MCL 125.2088c(3) and MCL125.2088c(4), and the Purchaser SPE shall comply with all state required terms. In the event of a violation of the foregoing, in addition to other exit plan terms and conditions, the MSF shall be entitled to exercise repayment remedies, which terms and conditions shall be acceptable to Mott and the MSF Fund Manager or MSF President; and
- (vii) Other terms and conditions deemed necessary or appropriate by the MSF Fund Manager or MSF President.

DEVELOPER LLC:

Awardee Name: BC Leasing, LLC (or another limited liability entity to be formed) (“Developer LLC”).

Project Site: The former Buick City real estate parcel(s), (currently owned by the RACER Trust or affiliated entity), located in Flint, Michigan to be purchased by Purchaser SPE and subsequently leased, sold, or possession otherwise transferred, to Developer LLC.

Project Description: Activities arising out of, and related to, facilitating the ownership, development, leasing and operations of the Project (“Developer Activities”).

Developer LLC Information:

- (i) **Manager:** Mott shall be, or in control of, the managing member, subject to restrictions required by law, and such other restrictions and consent rights acceptable to Mott and the MSF Fund Manager or MSF President, anticipated to include, without limitation, provisions as to change of control, anti-dilution, liquidation, and transfer or other disposition of the Real Estate; and
- (ii) **Limited Liability Members:** MSF and Mott, and may also include other investors acceptable to MSF and Mott, subject to the terms of the investment documents.

Award Amount/Type and Developer LLC Funding:

Prior to or coincident with the date the Purchaser SPE closes on the purchase of the Real Estate:

- (i) **MSF Equity Commitment:** Up to a \$5,500,000 capital commitment from Investment Fund monies, plus (i) any grant funds not disbursed by the MSF and not held as an operating reserve by the Purchaser SPE (from the \$999,900 Purchaser SPE Award) shall be added to the Developer LLC Award, thereby increasing the total MSF capital commitment to the Developer LLC and (ii) all grant funds then actually disbursed by the MSF to the Purchaser SPE, or later disbursed from the Purchaser SPE operating reserve or otherwise, shall be deemed, and converted into, MSF capital contributions into the Developer LLC. Thus, in total, the aggregate principal amount of the MSF support for the Project is up to \$6.5 million; and
- (ii) **Mott Equity Commitment:** Up to a \$15,000,000 capital commitment, plus (i) any funds not disbursed by Mott to the Purchaser SPE and not held as an operating reserve by the Purchaser SPE (from the Mott grant of \$1.5 million to the Purchaser SPE) shall be added to Mott’s capital commitment to the Developer LLC, thereby increasing the total Mott capital commitment to the Developer LLC, and (ii) all funds actually disbursed by Mott to the Purchaser SPE (or for direct payment of permitted expenses) or later disbursed from the Purchaser SPE operating reserve or otherwise shall be deemed, and converted into, Mott capital contributions into the Developer LLC. Thus, in total, the aggregate principal amount of Mott support for the Project is at least \$16.5 million.

Capital Calls:

- (i) All capital calls must be based upon calls for payment of approved Developer Activities, arising out of, or related to the Real Estate and the Project, including without limitation, development, leasing and operating expenses, environmental services, consultant services, legal services, surveying services and other Real Estate and Project related invoices, contracts, reserves and expenses. All MSF capital contributions shall be subject to the approval of the Investment Manager; and
- (ii) All capital calls shall be funded by a call ratio of 25% to 75% with the MSF to contribute \$0.25 to each \$.75 to be contributed by Mott; and
- (iii) All capital calls must be requested within a 36 month period to begin on a date acceptable to the members. Capital calls shall be requested no more than once per month, and only after all previous capital calls have been paid by the members, and shall be subject to such other terms and conditions acceptable to the members.

Other terms and conditions to include:

- (i) Purpose of the Developer LLC must be consistent with Project;

- (ii) The Developer LLC shall pay a closing fee to the MSF of \$55,000 at signing, or within a reasonable time thereafter, of the Developer LLC operating agreement. The Purchaser SPE shall be responsible to pay for any third party costs and expenses of the MSF and the MEDC to facilitate the Developer LLC Award Request. All such fees must originate from Mott's funding to the Developer LLC;
- (iii) Distributions to members of net cash flow or of the sale and liquidation proceeds shall be funded on a ratio of 25% to 75% with the MSF distribution calculated at \$0.25 for each \$0.75 due Mott. Disbursement ratio for sale or liquidation proceeds, but not for distributions of net cash flow, will be adjusted in the event of permitted excess capital contributions funded by Mott. Distributions to members are not subject to recall;
- (iv) Developer LLC equity documents and any applicable ancillary documents shall establish an operating reserve, and an exit plan for the MSF(which may include puts and calls), all on terms and conditions satisfactory to Mott, and the MSF Fund Manager or MSF President;
- (v) None of the capital contributions may be used as prohibited under MCL 125.2088c(3) and MCL125.2088c(4), and the Developer LLC shall comply with all state required terms. In the event of a violation of the foregoing, in addition to other exit plan terms and conditions, the MSF shall be entitled to exercise a put option, which terms and conditions shall be acceptable to Mott, and the MSF Fund Manager or MSF President; and
- (vi) Other terms and conditions deemed necessary or appropriate by the MSF Fund Manager or MSF President.