

MICHIGAN STRATEGIC FUND BOARD MEETING

January 23, 2013

1:30 p.m.

**Michigan Economic Development Corporation
Lake Michigan Conference Room
300 N. Washington Square
Lansing, Michigan**

REVISED AGENDA

Call to Order

Welcome and Introduction of New Board Members

A. Adoption of Proposed MSF Meeting Minutes – December 19, 2012 [Action Item]

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

Communication [Information – Ellen Graham]

B. Administration - Allocation of Funds from the 21st Century Jobs Trust Fund [Action Item – Karla Campbell]

C. 21st Century Jobs Fund Program

1. Pure Michigan Venture Development Fund – [Action Item – Mike Flanagan]
 - a. Pure Michigan Venture Development Fund – Award Recommendations
 - b. Second Round Authorization – Pure Michigan Venture Development Fund
2. FY 2013 Business Incubator Program Recommendations and Business Incubator Metrics [Action Item – Paula Sorrell]
3. Limo Reid, Inc. d/b/a NRG Dynamix [Action Item – Dean Wade]
4. Michigan Community Revitalization Program [MCRP] - Whitney Partners [Action Item – Eric Hanna and Joe Martin]
5. Michigan Business Development Program [MBDP]
 - a. Norplas Industries, Inc. [Action Item – Joshua Hundt]
 - b. Dieomatic Incorporated DBA Cosma [Action Item – Joshua Hundt]
 - c. Moran Iron Works, Inc. [Action Item – Trevor Friedeberg]
 - d. Lenawee Stamping Corporation [Action Item – Trevor Friedeberg]
 - e. Denso International America Incorporated [Action Item – Marcia Gebarowski]
 - f. Denso Manufacturing Michigan Incorporated [Action Item – Marcia Gebarowski]
 - g. Rigaku Innovative Technologies, Inc. [Action Item – Marcia Gebarowski]
 - h. Lear Corporation – [Action Item – Marcia Gebarowski]
 - i. Integrated Manufacturing & Assembly, LLC [Action Item – Marcia Gebarowski]
 - j. Whirlpool Corporation [Action Item – Marcia Gebarowski]

D. Renaissance Zones –Whirlpool Corporation – Renaissance Zone Development Agreement Amendment [Action Items – Amy Lux]

E. Job Creation MBT Credit

1. Perrigo [Action Item – Stacy Bowerman]
2. Baracuda Networks [Action Item – Nell Taylor]
3. Axle Alliance Company, LLC [Action Item – Marcia Gebarowski]

F. Industrial Development Revenue Bond Program [IDRB] - *[Action Items – Diane Cranmer]*

1. Canton Renewables, LLC – Solid Waste – Amend Inducement to Extend Expiration Date and Increase Project Size
2. Evangelical Homes of Michigan – NTE \$28,000,000 Refinancing and New Financing/Non-profit – Locations in Saline and Sterling Heights, Michigan

G. State Small Business Credit Initiative [SSBCI]

1. Arctaris Michigan Fund, LP *[Action Item - Mike Flanagan and Emily Heintz]*
2. New Center Stamping, Inc. *[Action Item – Christopher Cook]*

H. Quarterly Delegated Reports

1. Credit Suisse *[Information Item – Mike Flanagan]*
2. MBDP and MCRP Delegated Approval – 1st Quarter 2013 *[Information Item – Amy Deprez and Joe Martin]*
3. Michigan Economic Growth Authority [MEGA] Tax Credit Administrative Amendments *[Information Item – Josh Hundt]*
4. MSDF & SSBCI Quarterly Delegated Report *[Information Item – Christopher Cook]*
5. Delegated Approvals for Pure Michigan Venture Match Fund *[Information Item – Antonio Luck]*
6. Delegated Approvals for 21st Century Jobs Fund Loan/Grant Portfolio *[Information Item – Dean Wade]*

Special Assistance: *The location of this meeting is accessible to mobility-challenged individuals. Persons with disabilities needing accommodations for effective participation in the meeting should contact Ellen Graham at 517.241.2244 one week in advance to request mobility, visual and hearing or other assistance.*

MICHIGAN STRATEGIC FUND BOARD MEETING
December 19, 2012
PROPOSED MEETING MINUTES

A meeting of the Michigan Strategic Fund [MSF] Board was held on Wednesday, December 19, 2012 at the Michigan Economic Development Corporation [MEDC], Lake Michigan Room, 300 N. Washington Square, Lansing, Michigan.

MEMBERS PRESENT: Steve Arwood, Michael Finney, Sabrina Keeley [via phone]. Andrew Lockwood [acting for and on behalf of Andy Dillon, designation attached], Howard Morris [via phone], Jim Petcoff, Richard Rassel [via phone], Shaun Wilson

MEMBERS ABSENT: Paul Hodges, Mike Jackson

CALL TO ORDER: Mr. Finney called the meeting to order at 1:32 p.m.

ADOPTION OF MSF PROPOSED MEETING MINUTES – November 28, 2012: Mr. Finney asked if there were any questions from the Board. There being none, **Ms. Keeley motioned approval of the November 28, 2012 MSF Board Proposed Meeting Minutes. Mr. Martin seconded the motion.** The motion carried – 9 ayes; 0 nays; 0 recused – 2 absent.

PUBLIC COMMENT: Mr. Finney asked if there were any comments from the public. There were none.

COMMUNICATION: Ellen Graham, Board Relations Liaison, advised the Board of the following:

- The Agenda had been revised:
 1. Changes had been made to Item C.1. Lakeshore Advantage Allocation.
 2. Revisions were made to Tool & Die Recovery Zone projects – Proper Group International, Krieger Craftsman, Hi-Tech Tool Industries, Baker Aerospace Tooling and Machining, Fori Automation, Tri-Mation, Steel Craft Technologies, Hot Stamp Tooling Systems, Ultimate Gaging Systems, 3DM Source, Concept Tooling Systems, Advanced Tooling Systems, KBE Precision, and Troy Industries for assessor clarification.
 3. MPI – Renaissance zone – revised the number of jobs the Company is committing to.
- Sabrina Keeley, Howard Morris, and Richard Rassel attended the meeting via phone.
- A Recusal Letter had been received from Sabrina Keeley for La-Z Boy Incorporated and MPI Research.
- A Recusal Letter had been received from Richard Rassel for LG Chem Power, Inc.
- A Recusal Letter had been received from Shaun Wilson for La-Z Boy Incorporated, Schwab Industries, Inc., and MPI Research

Mr. Finney requested the Office of Attorney General provide interpretation which would clarify the circumstances of when a Board member must recuse themselves. Ms. Markman replied she would have the information available at the January meeting.

21st Century Jobs Fund Program

Resolution 2012-176 – Lakeshore Advantage Allocation

Martin Dober, Senior Vice President, Entrepreneurship & Innovation, provided the Board with information regarding this action item.

As authorized by the Michigan General Government Appropriations Act [Act], the Michigan Strategic Fund [MSF] since 2008 has approved three allocations to Lakeshore Advantage for the Michigan State University [MSU] Bioeconomy Institute in Holland for a total amount of \$7,848,338. The reasons for the allocations were a result of the March 2005 Pfizer sale and closure of its 46 acre Holland Township site. Following initial conversations between Lakeshore Advantage and Pfizer, a dialogue regarding a possible property donation commenced with MSF. In December 2007, the

MSF Board of Trustees voted to accept approximately six acres of the site for the purpose of creating the MSU Bioeconomy Institute. On March 14, 2009, Lakeshore Advantage and MSU officially completed Phase I of the retention of Pfizer Assets and launched the MSU Bioeconomy Institute. MSU applied for Phase II funding for the Bioeconomy Institute from MSF through Lakeshore Advantage, Inc. in winter 2010. Lakeshore Advantage is now requesting Phase III funding for the MSU Bioeconomy Institute for the following purposes:

- a) Quarter 1 – R&D Director’s laboratory installed;
- b) Quarter 2 – Evaluate proposals and award 16 Green pilot plan usage grant[s];
- c) Quarter 3 – Begin new [2012-2013] academic year colloquium series; and
- d) Quarter 4 – Continue new [2012-2013] academic year colloquium series.

Recommendation: Staff recommends the MSF Board approve a new grant to Lakeshore Advantage in the amount of \$2,500,000 for 2 years, using \$1,500,000 in unutilized funds remaining from the 2008 Business Plan Competition Program, and \$1,000,000 in unutilized funds from the Retention of Pfizer Assets Program. The grant would be administered under a new agreement extending the existing purchase order with Lakeshore Advantage.

Board Discussion: Mr. Finney asked if there were any questions from the Board. Mr. Arwood requested clarification of the fourth “Whereas” in the Resolution asking if all funds had been committed. Mr. Dober responded affirmatively. Mr. Martin inquired about the length of time funds are allowed to be allocated in the program. Mr. Dober explained that he would contact the MEDC Finance team and notify the Board of their response. There being no further questions, **Mr. Petcoff motioned approval for Resolution 2012-176. Mr. Lockwood seconded the motion.** The motion carried – 9 ayes; 0 nays; 0 recused; 2 absent.

Resolution 2012-177 – Michigan Business Development Program - Sakthi Automotive Group USA, Incorporated

Marcia Gebarowski, Development Finance Manager, provided the Board with information regarding this action item.

Ms. Gebarowski advised the Board an approval for a Michigan Business Development Program [MBDP] performance-based grant in the amount of \$1,500,000 for the Company had been approved on May 23, 2012. Due to administrative limitations, all parties have been unable to enter into the Agreement within the allowable 120 days. The Company needed additional time to satisfy the legal due diligence requirements required to close on the grant. Additionally, the Company was not able to meet the requirements as set forth in Milestone 1 by the original deadline of August 31, 2012. The sale of the building was delayed due to ongoing negotiations between the Company and the buildings current tenant related to a non-compete clause in the tenants current lease agreement. The first milestone in the original Term Sheet required the Company to close on the sale of the building by August 31, 2012. The lease agreement with the building tenant and the Company has been worked out and the sale is expected to be finalized in early 2013.

Recommendation: Staff recommends re-approval of the MBDP Proposal as outlined in the Term Sheet attached to the Resolution. Closing the MBDP Proposal is subject to available funding under the MBDP at the time of closing, satisfactory completion of due diligence, finalization of all MBDP transaction documents and is further subject that the commitment will remain valid until January 30, 2013 with approval from the MSF Fund Manager to extend the commitment an additional 30 days.

Board Discussion: Mr. Finney asked if there were any questions from the Board. There being none, **Mr. Lockwood motioned approval for Resolution 2012-177. Mr. Arwood seconded the motion.** The motion carried – 9 ayes; 0 nays; 0 recused; 2 absent.

[Ms. Keeley and Mr. Wilson recused.]

Resolution 2012-178 – Approval of a Michigan Business Development Program Grant to La-Z Boy Incorporated

Resolution 2012-179 – MSF Designated Renaissance Zone La-Z Boy Incorporated

Resolution 2012-180 – Approval of County of Monroe Project

Marcia Gebarowski, Development Finance Manager, provided the Board with information regarding this action item and introduced guests: Susan Vanisacker, Director of Organizational Effectiveness & Community Relations for La-Z Boy; Mayor Robert Clark, City of Monroe; Dan Swallow, Director of Economic & Community Development, City of Monroe; and Tim Lake, President & CEO, Monroe County Business Development Corporation.

Ms. Vanisacker informed the Board that La-Z Boy Company is headquartered in the City of Monroe and has been one of the world's leading residential furniture producers for 85 years. The Company manufactures a full line of comfortable products for the living room and family room, including the Company's world-famous recliners, reclining sofas and love seats, sleep sofas, modular furniture and leather upholstery, as well as stationary sofas, love seats and chairs. The Company plans to purchase approximately 127 acres of vacant land, construct a new 150,000-200,000 square foot headquarters building and prepare the current headquarters site for redevelopment, which may include the former building being demolished. Mayor Clark, Mr. Swallow and Mr. Lake thanked the MEDC staff for their support and guidance. Mr. Lake further stated this project will be a landmark for further development within the City of Monroe and has 100% support of the Commissioners. Ms. Gebarowski summarized the project is proposed for the City of Monroe and will include over \$50 million in investment and creation of 50 new jobs related to the furniture manufacturing industry. The City of Monroe has also submitted an application for La-Z Boy Company for an MSF Designated Renaissance Zone for a nine year duration. Ms. Gebarowski further explained the County of Monroe is requesting \$700,000 in Community Development Block Grant [CDBG] funds for infrastructure improvements for the La-Z Boy world headquarters project.

Recommendation: Staff recommends the approval of the MBDP Proposal. Closing is subject to available funding under the MBDP at the time of closing, satisfactory completion of due diligence, finalization of all MBDP transaction documents, and further subject that the commitment will remain valid for 90 days with approval of MSF Fund Manager to extend the commitment an additional 30 days. Staff also recommends approval of the City of Monroe's request for a MSF Designated Renaissance Zone for La-Z Boy Incorporated for nine years. Staff further recommends and concludes that the project meets the minimum program requirements to be eligible under the CDBG program in the amount of \$700,000, authorized for the County of Monroe

Board Discussion: Mr. Finney informed the Board they would be voting to approve three resolutions for this project, i.e., 1) Approval of a Michigan Business Development Program Grant to La-Z Boy Incorporated; 2) MSF Designated Renaissance Zone La-Z Boy Incorporated; and 3) Approval of County of Monroe Project. Mr. Finney asked if there were any questions regarding the approval of a Michigan Business Development Program Grant to La-Z Boy Incorporated. There being none, **Mr. Martin motioned approval for Resolution 2012-178. Mr. Lockwood seconded the motion.** The motion carried – 7 ayes; 0 nays; 2 recused; 2 absent.

Mr. Finney asked if there were any questions regarding approval of the MSF Designated Renaissance Zone La-Z Boy Incorporated. There being none, **Mr. Martin motioned approval for Resolution 2012-179. Mr. Lockwood seconded the motion.** The motion carried – 7 ayes; 0 nays; 2 recused; 2 absent.

Mr. Finney asked if there were any questions regarding the approval of the County of Monroe Project. There being none, **Mr. Martin motioned approval for Resolution 2012-180. Mr. Lockwood seconded the motion.** The motion carried – 7 ayes; 0 nays; 2 recused; 2 absent.

[Ms. Keeley and Mr. Wilson return to meeting.]

Resolution 2012-181 – Michigan Business Development Program - Canal Street Brewing Company, LLC

Stacy Bowerman, Development Finance Manager, and Karen Hinkle, Business Development Manager, provided the Board with information regarding this action item and introduced guests: Andy Winkel, CFO, Canal Street Brewing Company, LLC; Kara Wood, Economic Development Director, City of Grand Rapids; and Rick Chapala, Vice President-Business Development, The Right Place.

Mr. Winkel provided the Board with an overview of the project. The Company began operations in 1997 in Grand Rapids, Michigan with a sparse tap room and small production facility. In 2007, the Company relocated to its current facility to support customer demand. Over the past five years, the Company has increased its production by 15 times and has a network of 62 distributors across 23 states. The Company has the opportunity to capitalize on increasing demand of its current customer base beyond what its current facility and equipment will allow. The Company also plans to add distributors in new markets over the next five years. Mr. Chapala explained the commitment and support for growth within the food processing community. Ms. Wood concurred adding the area has seen an increase in the growth of suppliers for this industry. Ms. Bowerman summarized the project stating the Company plans to expand its existing

Grand Rapids facility to support its continued growth, make investments and create jobs related to its beer production. Once complete, the Company will have capacity to produce four times its current capacity. The project involves the creation of 52 Qualified New Jobs and a Qualified Investment of \$19.5 million of the total capital investment of up to \$26 million in the City of Grand Rapids. The requested incentive amount from the MSF is \$2 million in the form of a performance-based grant.

Recommendation: Staff recommends approval of the MBDP Proposal. Closing of the MBDP proposal is subject to available funding under the MBDP at the time of closing, satisfactory completion of due diligence, finalization of all MBDP transaction documents and further commitment will remain valid for 90 days with approval for MSF Fund Manager to extend the commitment an additional 30 days.

Board Discussion: Mr. Finney asked if there were any questions from the Board. Mr. Martin inquired if the current location had a dining facility. Mr. Winkel responded affirmatively. There being no further questions, **Mr. Lockwood motioned approval for Resolution 2012-181. Mr. Arwood seconded the motion.** The motion carried – 9 ayes; 0 nays; 0 recused; 2 absent.

Industrial Development Revenue Bond Program

Resolution 2012-182 – Erwin Quarder, Inc.

Diane Cranmer, IDR Specialist, provided the Board with information regarding this action item and introduced guests: Holly McManus, CPA, Finance Director, Erwin Quarder, Inc.; and Bowden Brown, Bond Counsel, Dykema.

Ms. McManus provided the Board with an overview of the project. The project includes the acquisition and installation of new manufacturing equipment. The equipment is projected to consist of injection molding machines and related equipment. It is expected that additional personnel will be needed after the purchase of equipment to meet the Company's customer's needs. The project also includes the refinancing of the remaining balance of the MSF Bonds issued in 2009 for the purpose of refunding the entire outstanding principal amount of prior MSF bonds issued in 2006. The refinancing is being undertaken primarily for the purpose of taking advantage of the low interest rate market and decreasing debt service payments, freeing cash flow to continue to grow the Company

Recommendation: Staff recommends the adoption of an Inducement Resolution in the amount of \$1,000,000 New and \$1,000,000 Refinancing for this project

Board Discussion: Mr. Finney asked if there were any questions from the Board. There being none, **Mr. Arwood motioned approval for Resolution 2012-182. Mr. Lockwood seconded the motion.** The motion carried – 9 ayes; 0 nays; 0 recused; 2 absent.

Brownfield Act 381

Resolution 2012-183 – City of Port Huron – 500 Thomas Edison Parkway Project

Dan Wells, Community Revitalization Specialist, provided the Board with information regarding this action item.

Mr. Wells explained the project will redevelop the Thomas Edison Inn site which includes the development of a county-owned and operated convention center, redevelopment of the Thomas Edison Inn, expansion of adjoining restaurant and the construction of the Baker College Culinary Institute. The project is located on approximately 12.5 acres of property at and around 500 Thomas Edison Parkway in the City of Port Huron. The property is made up of multiple parcels owned by the developer and hotel owner, JB Real Estate Development, LLC and St. Clair County, the end owner and operator of the proposed Convention Center. Eligible activities include upgraded water mains and sanitary sewers lines as well as road rehabilitation within right-of-ways adjacent to the property. Selective demolition of portions of the buildings will be undertaken as will selective site demolition that includes removing abandoned utilities and old parking lots.

Recommendation: Staff recommends approval of local and school tax capture for the MSF Eligible activities.

Board Discussion: Mr. Finney asked if there were any questions from the Board. There being none, **Mr. Lockwood motioned approval for Resolution 2012-183. Mr. Wilson seconded the motion.** The motion carried – 9 ayes; 0 nays; 0 recused; 2 absent.

[Due to the Michigan NextEnergy Authority projects approval with one collective vote as well as Mr. Rasssel's recusal for LG Chem Power, Inc., Mr. Rasssel disconnects from meeting.]

Michigan NextEnergy Authority [MNEA]

Jessica Gomez, Program Analyst, provided the Board with an overview of the MNEA program and information regarding these action items.

Ms. Gomez explained to the Board the MNEA was created to promote the development of alternative energy technology and to provide tax incentives for business activities and properly related to the research, development, and manufacturing of those technologies. The program was created in 2002 and is scheduled to sunset as of January 1, 2013. The MSF assumed the duties and powers of the MNEA Board through Executive Order 2012-09. The MSF is responsible for certifying taxpayers and property as eligible for tax credits against the Michigan Business Tax [MBT] and/or exemptions from the General Property Tax Act. The MBT tax credit ended due to the replacement of the MBT by the Corporate Income Tax [CIT]. The personal property tax exemption is in its final eligible year. Only new personal property can be certified as exempt. Companies who are engaged solely in the research, development, or manufacturing of alternative energy technology have previously been certified by the MNEA as an Alternative Energy Technology Business [AETB]. For the AETBs, all personal property that has not been previously taxed or exempted under another law may be certified by the MSF. Companies who are not engaged solely in the research, development, or manufacturing of alternative energy technology but own an alternative energy system may have that system exempted from personal property taxes.

Mr. Finney advised approval of the six projects being presented would be voted on collectively.

Resolution 2012-184 – Adaptive Materials, Inc.

Adaptive Materials, Inc. is engaged in the development of advanced fuel cell technology for providing portable power for transportation, military, and consumer markets. The cells are powered by readily available fuels such as propane. Adaptive Materials has been previously certified as an Alternative Energy Technology Business and has certified that it continues to be engaged solely in the research, development and manufacturing of advanced fuel cells, which qualifies as an alternative energy technology.

Recommendation: Staff recommends approval.

Resolution 2012-185 – Robert Bosch Battery Systems, LLC

Cobasys, LLC was certified as an Alternative Energy Technology Business in 2005. The name of the Company has changed to Robert Bosch Battery Systems, LLC. The nature of the business and the FEIN are still the same. They are a leading developer of advanced energy storage solutions for transportation and stationary applications. The Company develops solutions utilizing a number of different storage chemistries and technologies. The Company has been previously certified as an Alternative Energy Technology Business and has certified and it continues to be engaged solely in the research, development and manufacturing of advanced battery cells, which qualifies as an alternative energy technology.

Recommendation: Staff recommends approval.

Resolution 2012-186 – Field & Field PC

Field & Field, PC is a law firm that has purchased and installed a photovoltaic electric generation system to their facility. The Company has purchased a 3.0 kW DC STC photovoltaic electric generation system which qualifies as an alternative energy system. They are generating and putting into a usable form energy generated from an alternative energy system which qualifies as an alternative energy technology.

Recommendation: Staff recommends approval.

Resolution 2012-187 - Gardner Management Company

Gardner Management Company is a Residential Property Management Company that has purchased and installed a photovoltaic electric generation system to their facility. The Company has purchased an 18.33 kW DC STC photovoltaic electric generation system which qualifies as an alternative energy system. They are generating and putting into a usable form of energy generated from an alternative energy system.

Recommendation: Staff recommends approval.

Resolution 2012-188 – LG Chem Power, Inc.

L.G. Chem Power, Inc. researches and develops advanced lithium-ion battery technology for use in Hybrid, Electric and Plug-In Hybrid vehicles. LG Chem Ltd. owned Compact Power which has been previously certified as an Alternative Energy Technology Business. In 2010, LG Chem Ltd. divested Compact Power and established two separate companies – LG Chem Michigan, Inc. and LG Chem Power, Inc. LG Chem Power, Inc. has been previously certified as an Alternative Energy Technology Business and has certified that it continues to be engaged solely in the research, development and manufacturing of Battery cell energy systems, which qualifies as an alternative energy technology.

Recommendation: Staff recommends approval.

Resolution 2012-189 – Limo-Reid, Inc.

Limo-Reid, Inc. researches and develops hybrid transmissions based on hydraulic energy systems for automotive and marine use. Limo-Reid is a sister corporation of O’Brien Engineered Products, Inc. Limo-Reid has been previously certified as an Alternative Energy Technology Business [AETB] and has certified that it continues to be engaged solely in the research, development and manufacturing of hydraulic energy vehicle systems. Hydraulic energy systems are classified as alternative energy vehicle systems. Alternative energy vehicle systems qualify as an alternative energy technology business. Limo-Reid, Inc. is the surviving entity of the merger between Hybra-Drive Systems and Limo-Reid, Inc. in 2009. Hybra-Drive Systems was certified as an AETB on December 18, 2007.

Recommendation: Staff recommends approval.

Board Discussion: Mr. Finney asked if there were any questions from the Board. There being none, **Mr. Lockwood motioned approval for Resolutions 2012-184, 2012-185, 2012-186, 2012-187, 2012-189. Mr. Petcoff seconded the motion.** The motion carried – 8 ayes, 0 nays, 0 recused, 3 absent.

PLEASE NOTE: Resolution 2012-188 – LG Chem Power, Inc. – The motion carried – 8 ayes; 0 nays; 1 recused; 2 absent.

[Mr. Rassel reconnects to meeting.]

Tool & Die Recovery Zone Program

Amy Lux, Program Specialist, provided the Board with information regarding these actions items.

Resolution – 2012-190 - Proper Group International, Inc. – Time Extension

Proper Group International, Inc. is at the forefront of the plastic molding industry, providing rapid prototype development to injection molds for the transportation industry. The Michigan Economic Development Corporation [MEDC] received a new resolution passed by the City of Warren requesting an MSF approved extension for 5-additional years from the original 5-year Recovery Zone designation for a total of 10 years, with a new expiration date of December 31, 2020, rather than December 31, 2015. In exchange for the additional years of Recovery Zone benefits, the Company has agreed to amend their existing Memorandum of Understanding with the MSF to include updated reporting requirements. The Company also plans to invest an additional \$2 million in the next two years for the purchase of additional machinery and equipment. This should result in the addition of 10 new jobs to their current workforce of 218.

Recommendation: Staff recommends extension of the Recovery Zone duration on the parcels of property previously designated for Proper Group International, Inc. at 13870 E. Eleven Mile Road, Warren, MI under condition that the Company provides annual written reports which include updated reporting requirements through 2021.

Board Discussion: Mr. Finney asked if there were any questions from the Board. There being none, **Mr. Martin motioned approval for Resolution 2012-190. Mr. Petcoff seconded the motion.** The motion carried – 9 ayes; 0 nays; 0 recused; 2 absent.

Resolution 2012- 191 – Krieger Craftsmen, Inc. – Adding Land

Krieger Craftsmen, Inc. is in the business of designing, manufacturing, and repairing molds. The MEDC received an application from the Company requesting that land adjacent to their current facility be included in their Recovery Zone designation in order to receive the benefits for the remaining eight years of their designation, ending December 31, 2020. The additional land would add 3.2 acres and a new facility to the existing Recovery Zone to support their expansion. As the Renaissance Zone Act requires, the land would be used primarily for Tool and Die activities and is leased by the Company. The City of Walker has passed a resolution supporting the expansion of the Recovery Zone boundaries and the Michigan Tooling Group Collaborative has expressed their consent and confirmed the Company is in good standing in their collaborative. With the expansion, the Company plans to purchase \$1 million in new equipment in order to outfit the new building for added production. This should result in the creation of 4 new employees to their current workforce.

Recommendation: Staff recommends approval of the addition of the contiguous parcel at the 2758 Three Mile Road, NW, Walker, Michigan on parcel 41-13-09-201-011 to the Company’s current Recovery Zone designation under the same terms and conditions, contingent that the Company provides an annual written report which includes updated reporting requirements through 2021.

Board Discussion: Mr. Finney asked if there were any questions from the Board. There being none, **Mr. Lockwood motioned approval for Resolution 2012-191. Mr. Wilson seconded the motion.** The motion carried – 9 ayes; 0 nays; 0 recused; 2 absent.

Resolution 2012-192 – Hi-Tech Tool Industries – Time Extension

Hi-Tech Tool Industries, Ltd. is in the business of designing and building unique machines, adding value to its customer’s production process. The MEDC received a new resolution passed by the City of Sterling Heights requesting an MSF approved extension for 5 additional years from the original five-year Recovery Zone designation for a total of 10 years, with a new expiration date of 2018 rather than 2013. The Company plans to purchase land adjacent to their current facility and investing \$2.25 million on a 41,000 square foot expansion of the building. With this added capacity the Company anticipates increasing staff by 20-25%.

Recommendation: Staff recommends extension of the Recovery Zone duration on the parcel of property previously designated for Hi-Tech Tool Industries, Ltd. at 6701 Center Drive, Sterling Heights, under the condition that the Company provides an annual written report which includes updated reporting requirements through 2018.

Board Discussion: Mr. Finney asked if there were any questions from the Board. There being none, **Mr. Lockwood motioned approval for Resolution 2012-192. Mr. Martin seconded the motion.** The motion carried – 9 ayes; 0 nays; 0 recused; 2 absent.

Resolution 2012-193 – Existing Company Adding Property to an Existing Tool & Die Renaissance Recovery Zone: Baker Aerospace Tooling & Machining, Inc.

Resolution 2012-194 – Existing Company Adding Additional Location to an Existing Tool & Die Renaissance Recovery Zone: Baker Aerospace Tooling and Machining, Inc.

Baker Aerospace Tooling & Machining, Inc. specializes in designing, machining, fabricating, welding of complex 3-dimensional prototype production parts and tooling for aircraft, military and the automotive industries. The Company has been successful since their designation, but the current size of the operations is limiting them in production capacity and the size of contracts they may bid on. The MEDC received an application from the Collaborative on behalf of the Company to extend Tool and Die Recovery Zone benefits to new facilities purchased by the Company in order to expand production. The Company has requested a modification of their existing Recovery Zone to add a facility on a contiguous parcel and in addition, the Company is requesting a second Recovery Zone designation to encompass another new facility on a parcel nearby, but not contiguous, to their existing Zone. The Collaborative has expressed support for both the boundary modification of the existing Recovery Zone and approval of a second Recovery Zone designation for the non-contiguous real property, which will count as their 18th out of 20 possible Recovery Zone designations according to

the Renaissance Zone Act. MEDC staff has received a new resolution passed by the Charter Township of Macomb supporting the expansion of the Recovery Zone benefits to the newly requested land. With the added land, the Company plans on investing an additional \$8 million to renovate and outfit the building through the next three years which is anticipated to result in 230 new full-time jobs. In addition, the Company will enter into a Memorandum of Understanding [MOU] with the MSF to require certain reporting requirements and other restrictions, now that the Company has grown to more than 75 employees. In addition to the added Renaissance Zone benefits being requested, the Company has accepted a Business Development Program performance-based grant in the amount of \$800,000 related to their expansion project. The Company is currently in the application process for this incentive and staff anticipates delegated approval in early January.

Recommendation: Staff recommends an amendment of Baker Aerospace Tooling & Machining, Inc.'s existing Recovery Zone to include the real property parcel 08-20-103-010 for the remaining 7 years with an expiration date of December 31, 2019; and a second Recovery Zone designation for Baker Aerospace Tooling & Machining, Inc. for real property parcel 08-20-103-006 for a term of 7 years, with an expiration date of December 31, 2019. The MEDC's recommendation is conditioned upon the requirement that the Company provide an annual written report, which includes updated reporting requirements through 2020.

Board Discussion: Mr. Finney asked if there were any questions from the Board. There being none, **Mr. Arwood motioned approval for Resolution 2012-193 and Resolution 2012-194. Mr. Lockwood seconded the motion.** The motion carried – 9 ayes; 0 nays; 0 recused; 2 absent.

Resolution 2012-195 – Fori Automation, Inc. – Adding Land and Time Extension

Fori Automation, Inc. designs and integrates state of the art automated systems, initially for the automotive and defense industry, but now primarily for the aerospace industry. The MEDC received an application from the Company requesting that land adjacent to their current facility be included in their Recovery Zone designation in order to support their expansion. In addition, the Company is also requesting that both their initial property designation and the adjacent parcel now being requested receive a 5-year time extension, for a total of 10 years, with a new expiration date of December 31, 2019 rather than December 31, 2014. Shelby Charter Township has passed a resolution supporting both of these requests and the Global Tooling Alliance Collaborative has expressed their consent and confirmed that Fori Automation is in good standing in their collaborative. In exchange for the time extension and addition of land to their Recovery Zone, as a Recovery Zone with 75 or more employees, the Company will amend their current Memorandum of Understanding with the MSF to include updated reporting requirements and other expectations. Also, with the expansion, the Company plans to invest \$350,000 to \$550,000 annually over the next five years in order to construct and outfit the new building. This should result in the creation of 48 new jobs to their current workforce of 174 by 2017.

Recommendation: Staff recommends the addition of the contiguous parcel located at 50755 Wing Drive, Shelby Township, on parcel number 23-07-24-126-004 to the Company's current Recovery Zone designation under the same terms and conditions; a 5-year extension of the Recovery Zone duration on the parcels of property previously designated at 50599 Wing Drive, Shelby Township, Michigan 48315 on parcel 23-07-24126-032 and for the additional property located at 50755 Wing Drive, Shelby Township, on parcel number 23-07-24-126-004. The MEDC's recommendation is contingent on the condition that the Company provides an annual written report which includes updated reporting requirements through 2020.

Board Discussion: Mr. Finney asked if there were any questions from the Board. There being none, **Mr. Lockwood motioned approval for Resolution 2012-195. Mr. Petcoff seconded the motion.** The motion carried – 9 ayes; 0 nays; 0 recused; 2 absent.

Resolution 2012-196 – Revocation of an Existing Tool & Die Renaissance Recovery Zone Designation Due to Relocation: Tri-Mation Industries, Inc.

Resolution 2012-197 - Relocation of an Existing Tool & Die Renaissance Recovery Zone Designation: Tri-Mation Industries, Inc.

Tri-Mation Industries, Inc. is in the business of providing jigs, fixtures, spare parts, and automation equipment to manufacturers in Michigan. Since designation, the Company has made more than \$215,000 in investments and doubled their full-time employment from 7 employees in 2006 to 14 currently. The Company has been successful and has moved

to a larger facility in the Village of Mattawan, Van Buren County in order to gain 20,000 square feet of additional manufacturing space. The MEDC received notice from the Company that they have moved to their new location in the Village of Mattawan, Van Buren County. The Company obtained a resolution from the Village of Mattawan approving the 8-year remainder of the Recovery Zone designation for the Company's new location at 53160 North Main Street, Mattawan, MI 49017, plants #10 and #12, effective January 1, 2013 with an expiration of December 31, 2020. The Collaborative members are supportive and in unanimous agreement of the Company moving to their new location. The Recovery Zone contact person provided written confirmation to the MEDC that the Company is a current member in good standing. In turn, MEDC notified the local government of the Township of Alamo, the site of the Company's former facility, to ensure their awareness of the relocation and the MEDC's intention to seek a revocation of the previous site. With the continued support of the Recovery Zone designation at their new site, the Company plans to invest \$50,000 in additional equipment in 2013 and the move to the new building will double their employment capacity.

Recommendation: Staff recommends the MSF approve the relocation of the Recovery Zone for Tri-Mation Industries, Inc. by revoking their former location in Alamo Township and approving a Recovery Zone for their Village of Mattawan location.

Board Discussion: Mr. Finney asked if there were any questions from the Board. There being none, **Mr. Arwood motioned approval for Resolution 2012-196 and Resolution 2012-197. Mr. Lockwood seconded the motion.** The motion carried – 9 ayes; 0 nays; 0 recusals; 2 absent.

Resolution 2012-198 – Steel Craft Technologies – Adding Second Location

Steel Craft Technologies manufactures hot rolled plate products used in large, heavy duty steel fabrications and welded assemblies, principally for the automotive, heavy construction equipment, petroleum and military industries. The Company is a member of the Tooling Systems Group Collaborative [TSGC]. The Company is considering the purchase of a new building in order to start-up a new production line, specifically, fast turnaround, high volume hot rolled steel plate cutting and burning used principally in the tool and die industry. This expansion is expected to utilize the former Ashley Capital facility in the City of Grand Rapids to create 37 new employees by the end of 2013 and is anticipated to require \$3.1 million in capital investment to renovate and equip the building for operation. The MEDC received an application from the TSGC on behalf of the Company requesting approval of a second location at 1155 42nd Street SE, Grand Rapids, MI on parcel number 41-18-20-300-057 [the second location]. The City of Grand Rapids passed a resolution agreeing to the designation of the second location in the Recovery Zone and has entered into a Memorandum of Understanding with the Company committing to certain job creation and investment milestones. The TSGC Recovery Zone members are supportive and in unanimous agreement of the Company's expansion into the second location. In addition, the TSGC Recovery Zone contact person provided written confirmation to the MEDC that the Company is a member in good standing with their collaborative. In exchange for the Recovery Zone designation, the Company has agreed to enter in to a Memorandum of Understanding with the MSF, including certain reporting requirements and other expectations.

Recommendation: Staff recommends the MSF approve the addition of the second location property to the TSGC Recovery Zone for a five year recovery zone designation, effective January 1, 2013, with an expiration of December 31, 2017.

Board Discussion: Mr. Finney asked if there were any questions from the Board. There being none, **Mr. Lockwood motioned approval for Resolution 2012-198. Mr. Arwood seconded the motion.** The motion carried – 9 ayes; 0 nays; 0 recused; 2 absent.

Resolution 2012-199 – Hot Stamp Tooling Systems, LLC – Add to Existing Recovery Zone

Hot Stamp Tooling Systems, LLC is in the business of building hot form stamping die sets for the automotive industry. The Company plans to move from their current facility in Tennessee into Michigan to join the Tooling Systems Group Tool & Die Collaborative to utilize their facility at 555 Plymouth Ave NE in the City of Grand Rapids. The MEDC received a request from Tooling Systems Group Collaborative to allow Hot Stamp Tooling Systems, LLC to join their existing Recovery Zone that was designated by the MSF on December 16, 2004, effective January 1, 2005. The City of Grand Rapids, by resolution approved the creation of a 5-year Recovery Zone that would begin January 1, 2013, for income tax purposes and end December 31, 2017. For both personal and real property tax purposes, the zone will begin

December 31, 2012. The Tooling Systems Group Recovery Zone members have agreed to allow the Company to join the coalition. There was a unanimous vote to accept the Company as a member. The Act allows the MSF to modify an existing Recovery Zone to add one or more qualified tool and die businesses with the consent of all other qualified tool and die businesses that are participating in the Recovery Zone. The Company joining still must meet all the requirements of the Act. In exchange for the Recovery Zone designation, Hot Stamp Tooling Systems, LLC projects to employ 68 individuals by the end of 2014 and to invest at least \$5 million in upfront capital investment in order to outfit the Plymouth Ave. Facility for operation.

Recommendation: Staff recommends MSF approve the property for Hot Stamp Tooling Systems, LLC to be designated as a Recovery Zone and join the Tooling Systems Group Collaborative for a 5-year term under the condition that the Company provides an annual written report which includes updated reporting requirements through 2018.

Board Discussion: Mr. Finney asked if there were any questions from the Board. There being none, **Mr. Lockwood motioned approval for Resolution 2012-199. Mr. Wilson seconded the motion.** The motion carried – 9 ayes; 0 nays; 0 recused; 2 absent.

Resolution 2012-200 – Ultimate Gaging Systems, Inc. – Add to Existing Recovery Zone

Ultimate Gaging Systems, Inc. is a new start-up Company created in 2011 and is in the business of manufacturing jigs and fixtures used to assure their customers that parts they have purchased are built to the proper specification. The Company has joined the Tooling Systems Group Tool and Die Collaborative to utilize their facility at 555 Plymouth Ave NE in the City of Grand Rapids. The MEDC received a request from the Tooling Systems Group Collaborative to allow Ultimate Gaging Systems, Inc. to join their existing Recovery Zone that was designated by the MSF on December 16, 2004, effective January 1, 2005. The City of Grand Rapids, by resolution, approved the creation of a 5-year Recovery Zone that would begin January 1, 2013, for income tax purposes and end December 31, 2017. For both personal and real property tax purposes, the zone would begin December 31, 2012. The Tooling Systems Group Recovery Zone members have agreed to allow the Company to join the coalition. The Act allows the MSF to modify an existing Recovery Zone to add one or more qualified tool and die businesses with the consent of all other qualified tool and die businesses that are participating in the Recovery Zone. The Company joining still must meet all the requirements in the Act. In exchange for the Recovery Zone designation, the Company expects to employ 12 additional individuals and to invest \$800,000 in additional milling equipment to outfit the Plymouth Ave Facility.

Recommendation: Staff recommends the MSF approve the property for Ultimate Gaging Systems, Inc. to be designated as a Recovery Zone and join the Tooling Systems Group Collaborative for a 5-year term, under the condition that the Company provides an annual written report which includes updated reporting requirements through 2018.

Board Discussion: Mr. Finney asked if there were any questions from the Board. There being none, **Mr. Arwood motioned approval for Resolution 2012-200. Ms. Keeley seconded the motion.** The motion carried – 9 ayes, 0 nays; 0 recused; 2 absent.

Resolution 2012-201 – 3DM Source, Inc. – Add to Existing Recovery Zone

3DM Source, Inc. is in the business of producing intricate, highly-detailed, close-tolerance metal parts and are developing a niche market within the tool and die industry of providing machine complete hardened details for sheet metal tooling manufacturers. The Company was created internally by the Tooling systems Group Tool & Die Collaborative by combining departments in an effort to gain better utilization of the available equipment and improve quality and turn-around. The MEDC received a request from the Tooling Systems Group Collaborative to allow 3DM Source, Inc. to join their existing Recovery Zone that was designated by the MSF on December 16, 2004, effective January 1, 2005. The City of Grand Rapids, by resolution, approved the creation of a 5-year Recovery Zone that would begin January 1, 2013, for local income tax purposes and end December 31, 2017. For both personal and real property tax purposes, the zone would begin December 31, 2012. The Tooling Systems Group Recovery Zone members have agreed to allow the Company to join the coalition. The Act allows the MSF to modify an existing Recovery Zone to add one or more qualified tool and die businesses with the consent of all other qualified tool and die businesses that are participating in the Recovery Zone. The Company joining still must meet all the requirements of the act. In exchange for the Recovery Zone designation, the Company projects to employ 5 additional individuals and to invest at least

\$200,000 in the next year, and possibly an additional \$400,000 in equipment in the next two years, in order to outfit the Plymouth Ave Facility to grow their operations.

Recommendation: Staff recommends MSF approval of the property for 3DM Source, Inc. to be designated as a Recovery Zone and join the Tooling Systems Group Collaborative for a 5-year term under the condition that the Company provides an annual written report which include updated reporting requirements through 2018.

Board Discussion: Mr. Finney asked if there were any questions from the Board. There being none, **Mr. Martin motioned approval for Resolution 2012-201. Mr. Arwood seconded the motion.** The motion carried – 9 ayes; 0 nays; 0 recused; 2 absent.

Resolution 2012-202 – Revocation of an Existing Tool & Die Renaissance Recovery Zone Designation Due to Relocation: Concept Tooling Systems, Inc.

Resolution 2012-203 – Relocation of an Existing Tool & Die Recovery Zone Designation: Concept Tooling System, Inc.

Concept Tooling Systems, Inc. is a designer and engineer of small to large progressive transfer and line sheet metal stamping dies in full, 3-D solids, using CATIA V5, Unigraphics NX4 and AutoForm. Since designation, the Company has made approximately \$500,000 in investments and more than doubled their full-time employment from 14 employees to 34. The Company has decided to move their operations to the Plymouth Ave Facility to join four other coalition members – Hot Stamp Tooling Systems, Ultimate Gaging Systems, Advanced Tooling Systems, and 3DM Source - in order to utilize their share of the Collaborative sales and estimating resources and to allow for expansion of their current operations. The MEDC received notice from the Company that they have moved from their original location in the City of Walker to their new location at the Plymouth Ave Facility in the City of Grand Rapids. The Company obtained a resolution from the City of Grand Rapids approving a 5-year Recovery Zone designation for the Company's new location at the Plymouth Ave Facility, effective January 1, 2013, with an expiration of December 31, 2017. The Collaborative members are supportive and in unanimous agreement of the Company moving to their new location. In turn, the MEDC notified the City of Walker, the site of the Company's former facility of the relocation and the MEDC's intentions to seek a revocation of the Recovery Zone. With the continued support of the Recovery Zone designation, the Company plans to invest \$50,000 in additional equipment in 2013 and to create 5 new additional design jobs to support their planned growth.

Recommendation: Staff recommends the MSF approve the relocation of the Recovery Zone for Concept Tooling Systems, Inc. by revoking their former location in the City of Walker and approving a Recovery Zone for their Plymouth Ave Facility in the City of Grand Rapids for 5 years, beginning January 1, 2013 and ending on December 31, 2017.

Board Discussion: Mr. Finney asked if there were any questions in regard to the revocation of the original location. There being none, **Mr. Lockwood motioned approval for Resolution 2012-202. Mr. Arwood seconded the motion.** The motion carried – 9 ayes; 0 nays; 0 recused; 2 absent. Mr. Finney asked if there were any questions in regard to the relocation of Concept Tooling Systems, Inc. There being none, **Mr. Arwood motioned approval for Resolution 2012-203. Mr. Petcoff seconded the motion.** The motion carried – 9 ayes; 0 nays; 0 recused; 2 absent.

Resolution 2012-204 – Advanced Tooling Systems – Adding Second Location

Advanced Tooling Systems, Inc. is in the business of designing, building, re-engineering and providing service to medium to large sized sheet metal stamping dies and tooling. The Company is a member of the Tooling Systems Group Collaborative [TSGC]. Since expanding in to the Plymouth Ave Facility, the Company has made approximately \$4 million in investments and created 12 new full-time jobs at the facility. At the Plymouth Ave Facility, four other coalition members are also located to utilize their shared expertise and to allow for expansion of their current operations. The Plymouth Ave Facility gives the Company the capability to manufacture certain types of tools they were previously unable to produce due to space and equipment restrictions. The MEDC received an application from the TSGC on behalf of the Company requesting the approval of a second location at the Plymouth Ave Facility. The City of Grand Rapids passed a resolution agreeing to the designation of the second location in the Recovery Zone and has entered into a Memorandum of Understanding with the Company committing to certain job creation and investment milestones. The TSGC Recovery Zone members are supportive and in unanimous agreement of the Company's expansion. The TSGC contact provided written confirmation that the Company is a member in good standing with their collaborative. In

exchange for the Recovery Zone designation, the Company has agreed to enter in to a Memorandum of Understanding with the MSF, including certain reporting requirements and other expectations.

Recommendation: Staff recommends the MSF approve the additional Plymouth Ave Facility property to the TSGC Recovery Zone as a second location for the Company for a five year Recovery Zone designation, consistent with the current MEDC policy, effective January 1, 2013, with an expiration of December 31, 2017.

Board Discussion: Mr. Finney asked if there were any questions from the Board. There being none, **Mr. Martin motioned approval for Resolution 2012-204. Mr. Lockwood seconded the motion.** The motion carried – 9 ayes; 0 nays; 0 recused; 2 absent.

Resolution 2012-205 – KBE Precision Products, Inc. – Add to Existing Recovery Zone

KBE Precision Products, Inc. is in the business of fabricating fixtures and tools for the automobile industry and is currently trying to branch out into aerospace and defense work. The MEDC has received a request from the Third Coast Tooling Alliance Collaborative to allow the Company to join their existing Recovery Zone that was designated by the MSF on December 16, 2009, effective January 1, 2010. The City of New Baltimore, by resolution approved the creation of a 5-year Recovery Zone that would begin January 1, 2013 and end December 31, 2017. In addition, the Collaborative members have agreed to allow the Company to join the coalition unanimously. Over the past year, the Company has spent over \$1 million to move and outfit their new facility in New Baltimore. In exchange for the Recovery Zone designation, the Company projects to invest an additional \$1 million in new equipment in order to expand production capacity, requiring 8 to 14 new employees in the next two years.

Recommendation: Staff recommends the MSF approval of the property for KBE Precision, Inc. to be designated as a Recovery Zone and join the Third Coast Tooling Alliance for a 5-year term, consistent with the MEDC policy for companies joining an existing collaborative, under the condition that the Company provide an annual written report which include updated reporting requirements through 2018.

Board Discussion: Mr. Finney asked if there were any questions from the Board. There being none, **Mr. Arwood motioned approval for Resolution 2012-205. Mr. Lockwood seconded the motion.** The motion carried – 9 ayes; 0 nays; 0 recused; 2 absent.

Resolution 2012-206 – Troy Industries, Inc. – Time Extension

Troy Industries, Inc. is in the business of designing and building quality indexable cutting tools and milling products that service a wide range of manufacturing industries. The MEDC received a new resolution passed by the Charter Township of Shelby requesting an MSF Approved extension for 5 additional years from the original 5-year Recovery Zone designation for a total of 10 years, with a new expiration date of 2020 rather than 2015. In exchange for the added years of Recovery Zone benefits, the Company plans to purchase \$90,000 to \$120,000 in new machinery in order to increase production capacity. This will require at least one new employee being hired right away and one to two additional employees in the next few years.

Recommendation: Staff recommends extension of the Recovery Zone duration on the parcels of property previously designated for Troy Industries, Inc. at 13300 West Star Drive, Shelby Township, Michigan under the conditions that the Company provides an annual written report which include updated reporting requirements through 2021.

Board Discussion: Mr. Finney asked if there were any questions from the Board. There being none, **Mr. Martin motioned approval for Resolution 2012-206. Mr. Lockwood seconded the motion.** The motion carried – 9 ayes; 0 nays; 0 recused; 2 absent.

[Mr. Wilson recused.]

Resolution 2012-207 – Schwab Industries, Inc. – Extend Duration

Schwab Industries, Inc. is a family owned Company located in Shelby Charter Township, Macomb County, in the business of providing stamping and tooling supplies for the automotive, mass transit, aerospace and defense industries. The MEDC received an application from the Company requesting that their designation receive a 5-year time extension for a total of 10 years, with a new expiration date of December 31, 2019, rather than December 31, 2014. Shelby Charter

Township has passed a resolution supporting this request and the Global Tooling Alliance Collaborative has expressed their consent and confirmed that Schwab Industries, Inc. is a Company with good standing in their collaborative. With the added years of Recovery Zone benefits, the Company has more available capital to implement an expansion plan in a nearby site, in order to take on more work for the aerospace industry. The Company plans to invest nearly \$4 million in new equipment, which should result in the creation of 12-15 new jobs in the next 12 months, and an additional 12-15 new jobs once the expansion has been completed.

Recommendation: Staff recommends the MSF approve a 5-year extension of the Recovery Zone duration the property previously designated contingent on the condition that the Company provide an annual written report which include updated reporting requirements through 2018.

Board Discussion: Mr. Finney asked if there were any questions from the Board. There being none, **Mr. Arwood motioned approval for Resolution 2012-207. Mr. Lockwood seconded the motion.** The motion carried – 8 ayes; 0 nays; 1 recused; 2 absent.

[Mr. Wilson returns.]

Resolution 2012-208 – Lansing Tool & Engineering, Inc. – Revocation

Karla Campbell, MSF Fund Manager, provided the Board with information regarding this action item. Ms. Campbell advised the Board that MEDC received written notification from the new property owners, U.S. Tool & Engineering, LLC, a subsidiary of Revstone Industries, LLC, of their purchase on March 26, 2010 of the assets and property of Lansing Tool & Engineering, Inc. They further stated that Lansing Tool & Engineering, LLC closed its doors and ceased qualified operations at the Property at the time of purchase. Further, MEDC contacted Pat O’Mara, Resident Agent for Lansing Tool & Engineering, Inc. and confirmed that Lansing Tool & Engineering, Inc. ceased operations and has no employees as of March 26, 2010. The Lansing Tool & Engineering LLC is no longer a participating member in the collaborative agreement with the members of United Tooling coalition. Lansing Tool & Engineering, Inc. never contacted MEDC to notify them of the new ownership of the Property even in his position as Manager for U.S. Tool & Engineering, LLC. Under MCL 125.26883(3), the MSF may revoke the designation of a Recovery Zone for a qualified tool and die business if the qualified tool and die business fails or ceases to participate in or comply with a qualified collaborative agreement. The MEDC confirmed that the Company ceased tool and die business operations and notified the Coalition that a recommendation would be made to the MSF at its December 19, 2012 meeting to formally revoke the Company’s Recovery Zone designation.

Recommendation: Staff recommends the designation of the existing Recovery Zone property for Lansing Tool & Engineering, Inc. located at 1313 S. Waverly Road, Lansing, Michigan 48917. All properties will go back on the tax rolls effective December 31, 2012 for both personal and real property tax purposes and the business and income tax, if applicable, will be back on the tax rolls for January 1, 2013. It is also staff’s recommendation that the MSF support the collection of taxes previously abated in years 2011 and 2012 and will send such recommendation to the Michigan Department of Treasury and other taxing jurisdictions.

Board Discussion: Mr. Finney asked if there were any questions from the Board. There being none, **Mr. Martin motioned approval for Resolution 2012-208. Mr. Arwood seconded the motion.** The motion carried - 9 ayes; 0 nays; 0 recused; 2 absent.

Renaissance Zones

[Ms. Keeley and Mr. Wilson recused.]

Resolution 2012-209 – MPI Research, Inc. Amendment

Karla Campbell, MSF Fund Manager, provided the Board with information regarding this action item and introduced guests: Paul Sylvester, Executive Vice President and CFO, MPI Research Inc.; and Jill Bland, Vice President, Southwest Michigan First.

Ms. Campbell advised the Board that MPI Research, Inc. is a privately held preclinical contract research organization that focuses on the safety evaluation and toxicology needs of the biotechnology, pharmaceutical, medical device,

chemical, agricultural and related industries. MPI offers a wide spectrum of services, including all stages of the preclinical testing process, from drug discovery to investigational new drug submission through new drug applications, as well as post-approval, lot release and stability testing. In June of 2008, the MSF approved a new Pharmaceutical Recovery Renaissance Zone for the MPI Research, Inc. project, which consisted of renovation and utilization of two existing building in the City of Kalamazoo, previously abandoned by Pfizer, Inc. for the Company to expand their operations. Due to the economic downturn, MPI has been unable to make progress on the project as planned. In 2011, MPI reached an agreement with Western Michigan University to transfer one of the two facilities in the Renaissance Zone for use by the University as its Medical School. This development is a tremendous boon to the region and has garnered the support of the state and local governments, private business, and the greater Kalamazoo community. Mr. Sylvester explained to the Board that due to the transfer of one parcel/facility to Western Michigan University, the Company filed an amendment request with the MEDC, requesting the parcel sold to Western Michigan University be revoked, reducing the 5.8-acre Renaissance Zone to 1.14 acres, and agreeing to alterations in the terms of the Renaissance Zone and their Development Agreement with the MSF. The Company requests the capital investment requirement for the Kalamazoo site/project be changed to \$5 million dollars by 2014, rather than \$30 million by 2013. Since designation, the Company has invested just over \$3 million. In addition, MPI requests the reduction in the job growth requirement to 60 new jobs by the end of 2014, from 400 new jobs by 2013; the Company has 2 employees currently. In response to the reduced milestones, the MEDC also recommends reducing the terms of the Renaissance zone from 15 years to 10 years, to end on December 31, 2018. Ms. Bland expressed support from Kalamazoo Urban Strategy for the MPI project.

Recommendation: Staff recommends:

1. Revocation of parcel 06-15-470-002 from the existing Pharmaceutical Recovery Renaissance Zone;
2. Reduction of the Pharmaceutical Recovery Renaissance Zone term from 15 years to 10 years, ending December 31, 2018;
3. The amended and restated Development Agreement reflecting the changes to the terms and conditions discussed herein between the Michigan Strategic Fund and MPI Research, Inc.
4. MPI will no longer collect the Michigan Business Tax portion of the Renaissance zone and beginning with the tax year 2012 will file under the Corporate Income Tax structure.

Board Discussion: Mr. Finney asked if there were any questions from the Board. There being none, **Mr. Lockwood motioned approval for Resolution 2012-209. Mr. Martin seconded the motion.** The motion carried - 7 ayes; 0 nays; 2 recused; 2 absent.

[Mr. Wilson returns. Ms. Keeley disconnects from the meeting.]

Resolution 2012-210 – Terex USA, LLC

Amy Lux, Program Specialist, provided information to the Board regarding this action item.

Terex USA, LLC is a subsidiary of Terex Corporation, which specializes in manufacturing and industrial products with several brands and facilities worldwide. Woodsman, LLC, also known as Woodsman Chippers, began manufacturing drum-style brush chippers in 1994. They have been attempting to expand their product line since they expanded their operations to their current facility in Clare County. Woodsman, LLC met its initial capital investment commitment, spending \$1.1 million by the end of 2010. However the Company has struggled in recent years and has begun declining. As a result, the Company has had to reduce its workforce making it difficult for them to meet their job creation commitment of 87 new full-time jobs by the end of 2014. On May 23, 2011, Terex USA, LLC purchased Woodsman, LLC with an aim to turn around the current trend. The Company believes the “Woodsman” name has value and would be complimentary to the existing Terex product line. With its expertise in manufacturing and industrial products, Terex USA, LLC believes that it can meet the milestones in the development agreement, bringing jobs to the county of Clare and Village of Farwell.

Recommendation: MEDC recommends the MSF approve the transfer of the designation of the Mid-Michigan Economic Growth Corridor Renaissance Zone, Village of Farwell Subzone from Woodsman, LLC to Terex USA, LLC for the term of the time extension, ending December 31, 2024, effective immediately, on the condition that Terex USA, LLC signs an assignment and assumption of the Agreement, agreeing to the obligations outlined therein.

Board Discussion: Mr. Finney asked if there were any questions from the Board. There being none, **Mr. Lockwood motioned approval for Resolution 2012-210. Mr. Wilson seconded the motion.** The motion carried – 8 ayes; 0 nay; 0 recused; 3 absent.

Meeting adjourned 3:50 p.m.

DRAFT



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

ANDY DILLON
STATE TREASURER

June 21, 2012

Ms. Ellen Graham
Board Relations Liaison
Michigan Strategic Fund Office
300 N. Washington Square
Lansing, Michigan 48913

Dear Ms. Graham:

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

Sincerely,

A handwritten signature in cursive script, appearing to read "Andy Dillon".

Andy Dillon
State Treasurer

cc: Andrew Dillon



MEMORANDUM

Date: January 23, 2013
To: Michigan Strategic Fund Board
From: Karla Campbell, MSF Fund Manager
Subject: Allocation of Funds From The 21st Century Jobs Trust Fund

Background

The Michigan Business Development Programs (MBDP) and the Michigan Community Revitalization Programs (MCRP) were enacted by legislation in 2011 under MCL 125.2088r and MCL 125.2090b, respectively. Under Public Act 200 of 2012, \$100 million has been appropriated for use in FY13, of which a minimum of \$20 million is to be utilized for the MCRP. Before the funds are available to the Michigan Strategic Fund (MSF) for use, they are placed in a Trust Fund, MCL 12.258, until the MSF requests the funds be disbursed from the State Treasurer.

Recommendation

The MEDC, as the provider of administrative services to the MSF, requests that the Michigan State Treasurer transfer and disburse the FY13 as described above for the purposes described in chapter 8C of the MSF Act, 1984 PA 270, MCL 125.2090 to 125.2090d.

MICHIGAN STRATEGIC FUND

RESOLUTION 2013-

ALLOCATION OF FUNDS FROM THE 21ST CENTURY JOBS TRUST FUND TO THE MICHIGAN STRATEGIC FUND FOR THE MICHIGAN BUSINESS DEVELOPMENT PROGRAM AND THE MICHIGAN COMMUNITY REVITALIZATION PROGRAM

WHEREAS, the Michigan legislature passed legislation establishing the 21st Century Jobs Trust Fund initiative;

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

WHEREAS, under MCL 125.2088r and MCL 125.2090b, the MSF shall create and operate the Michigan Business Development Program (“MBD Program”) and the Michigan Community Revitalization Program (“MCR Program”);

WHEREAS, on October 26, 2011, the MSF created the MBD Program and the MCR Program;

WHEREAS, MCL 12.258 provides that the MSF Board may request the state treasurer to transfer appropriated funds from the 21st Century Jobs Trust Fund to the MSF in the amounts designated by the MSF Board to fund disbursements or reserves for programs or activities under Chapter 8A and Chapter 8C of the MSF Act, MCL 125.2088 et. seq.;

WHEREAS, 2012 PA 200 appropriated \$25 million to the 21st Century Jobs Trust Fund and \$75 million to the General Government Fund for business attraction and economic gardening for the 2012-2013 fiscal year;

WHEREAS, 2011 PA 252 places the \$75 million of funds appropriated for business attraction and economic gardening in the 21st Century Jobs Trust Fund;

WHEREAS, the MEDC recommends that the MSF allocate \$100 million from the 21st Century Jobs Trust Fund from the appropriations to the MSF, with at least \$20 million of the funds to be spent on projects under the MCR Program; and

WHEREAS, after consideration of that recommendation, the MSF Board desires to allocate \$100 million from the 21st Century Jobs Trust Fund to the MSF for the purposes of the MBD Program and the MCR Program, with at least \$20 million to be spent on projects under the MCR Program.

NOW, THEREFORE, BE IT RESOLVED, the MSF Board requests the state treasurer to transfer \$100 million from the 21st Century Jobs Trust Fund to the MSF for the MBD Program and MCR Program; and

BE IT FURTHER RESOLVED, the MSF Board allocates \$100 million from the 21st Century Jobs Trust Fund to the MSF for the MBD Program and MCR Program, with at least \$20 million to be spent on projects under the MCR Program.

Ayes:

Nays:

Recused:

Lansing, Michigan
January 23, 2013

MEMORANDUM

DATE: January 23, 2013

TO: MSF Board Members

FROM: Capital Markets Team

SUBJECT: Pure Michigan Venture Development Fund: Award Recommendations

BACKGROUND

In June 2012, the MSF Board approved the Pure Michigan Venture Development Fund (“VDF” or “Program”), an initial allocation of \$5 million from the MSF Investment Fund, and the opening of the Program application period. The Program is designed to invest in first and second generation venture capital funds in Michigan. The State’s investment will act as a significant anchor enabling awardees to raise additional funds and become viable entities. The ultimate goals of the Program are to expand the venture industry in the State and increase the number of venture investments in our innovative, early stage companies. The Program received five applications during its first round application period, of which four were eligible for peer review based on the minimum eligibility criteria.

REVIEW PROCESS

Upon receipt of applications, MEDC legal staff conducted an initial screening to ensure applicants had met the minimum eligibility criteria for the Program. Eligible applications were forwarded by MEDC legal to Credit Suisse Asset Management, LLC (“Credit Suisse”), the independent peer reviewer, which conducted an extensive review of all applicant funds. Based on scoring criteria approved by the MSF Fund Manager (*Attachment A*), Credit Suisse rank-ordered the applicants and provided detailed analysis of each fund. These materials were subsequently provided to the Program Joint Evaluation Committee (“JEC”) for final review via MEDC legal.

The JEC evaluated the results of the peer review based on the JEC scoring criteria approved by the MSF Fund Manager (*Attachment B*) and conducted a consensus scoring of the applicants. Based on these results, the JEC is recommending VDF awards to the top two scoring funds. These recommendations are consistent with the top two ranking funds from the Credit Suisse peer review.

RECOMMENDATION

After evaluating the recommendation of the JEC and reviewing the results of the independent peer review, MEDC Staff recommends the following two funds for award of up to \$2.25 million each:

1. Michigan eLab

Michigan eLab is a seed to early stage technology venture fund focused primarily, although not exclusively, on companies from The University of Michigan ecosystem (e.g. faculty, students, alumni, university research and research partner institutions). The Fund will be based in Ann Arbor and will have an office in Silicon Valley. The Fund is currently in the process of raising funds, with a target of \$40 million.

Industry Focus - Information Technology (60%), Life Science/Healthcare IT (25%), and Other (15%). Within each sector, the Fund will concentrate on areas of research excellence of the University of Michigan which may include medical innovations, automotive technologies, MEMS (Micro-Electro-Mechanical Systems), manufacturing technologies, wireless, telecommunications, security, and computer & network architecture.

Investment Stage – Primarily seed stage. Seed capital investments in at least 40 companies. Series A investments in up to 20 companies.

Geographic Focus - At least 80% of investments being in Michigan located startups or founded by Michigan alums and/or having a meaningful operating presence in Michigan.

Management - Michigan eLab will initially employ a total of six professionals, comprising the four partners, a venture analyst, and an administrative assistant. Doug Neal is the Ann Arbor-based General Partner. All four of the Partners have been making successful private investments in technology companies since the 1990s. They have collectively founded, operated and funded multiple Silicon Valley technology start-ups with exit events (public offerings, mergers and acquisitions) having valuations in excess of \$1 billion. (*See Executive Summaries & General Partner Biographies – Attachment C*).

2. Resonant Venture Partners

Resonant Venture Partners (“Resonant”) is an Ann Arbor, Michigan-based venture capital firm that makes seed stage investments in companies developing cloud infrastructure, software and services. Resonant Fund I is a 2010 vintage fund that held its first close on August, 2010. The Fund has made several investments to date. The Fund has continued to raise funds and is targeting a final close of \$20 million.

Industry Focus - Companies developing cloud infrastructure, software and services.

Investment Stage – Early Stage.

Geographic Focus - U.S. with primary focus on Michigan and other Midwest markets.

Management - Michael Godwin and Jason Townsend, Resonant’s managing directors, are both Michigan natives that originally left Michigan to pursue technology careers, but who have now returned to apply the expertise gained in Boston, Seattle and Silicon Valley to the startup ecosystem in Michigan. The managing directors and Fund Advisory Board members have worked together since 2008 on the Wolverine Venture Fund at the University of Michigan. The Fund Advisory Board includes Mary Campbell, a venture capitalist in Michigan since 1987 with EDF Ventures, and Tom Kinnear, a prominent angel investor, VC limited partner, and Executive Director of the Zell Lurie Institute for Entrepreneurial Studies at the Ross School of Business at the University of Michigan.

Staff recommends all of the following to the MSF Board:

- Approval of both Michigan eLab and Resonant Venture Partners for awards under the Pure Michigan Venture Development Fund of up to \$2.25 million each.
- Delegation of authority to the MSF Fund Manager to negotiate and finalize the terms and conditions of the awards, including approval of any final agreements.

Scoring Criteria Venture Development Fund

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

B Ability to Leverage Additional Funds

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

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

C Investment Strategy

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

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

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

JEC Consensus Scoring Sheet
Pure Michigan Venture Development Fund

	Augment Ventures	Michigan eLab	Resonant Venture Partners	Vineyard Capital Group
A Management				
This involves an evaluation of the experience, expertise and cohesiveness of a fund's management team, and the degree of alignment of the interests of the general partner with those of the limited partners.				
Total Score	13.0/30	22.5/30	20.0/30	16.0/30
B Ability to Leverage Additional Funds				
This involves an evaluation of the experience and expertise of a fund's management team, in raising additional funds.				
Total Score	5.0/10	8.0/10	5.5/10	4.0/10
C Investment Strategy				
Many factors are taken into account when analyzing a fund's investment strategy, including the fund's value-addition proposition, the target area of focus (across various parameters such as geography, industry and stage of investment), and the fund's competitive advantages over other funds that have a similar investment strategy and profile.				
Total Score	8.0/15	12.0/15	11.0/15	11.0/15
D Investment Process				
Evaluation of the investment process is focused on the manager's ability to source deals, generate superior and consistent deal flow and conduct thorough due diligence on potential portfolio company investments.				
Total Score	12.0/20	10.5/20	14.0/20	9.5/20
E In-State Commitment				
A crucial ingredient for the success of the Fund is the identification and selection of managers, both local and national, that have a strong commitment to investing in the State.				
Total Score	7.5/10	7.0/10	9.5/10	7.0/10
Grand Total Score	45.5/85	60.0/85	60.0/85	47.5/85

PURE MICHIGAN VENTURE DEVELOPMENT FUND
ATTACHMENT C
EXECUTIVE SUMMARIES & BIOGRAPHIES

Michigan eLab

Executive Summary

Michigan eLab (also referred to as “the Fund”) is a seed to early stage technology venture fund focused primarily, although not exclusively, on companies from The University of Michigan ecosystem (e.g. faculty, students, alumni, university research and research partner institutions). The Fund focuses on technologies and markets where Michigan has a differentiating advantage and on founders that are exceptional in their fields. The Fund will be based in Ann Arbor, with its concentration of talent, and will have an office in Silicon Valley, to leverage the greatest technology and innovation center in the world.

Michigan eLab is complimentary to the existing Michigan start-up ecosystem, but is distinct from other Michigan-based venture funds in several important ways. It will bridge the gap in local experienced entrepreneurial density by providing its portfolio companies with a bridge from Silicon Valley – a high touch, hands on approach through deep engagement with experienced entrepreneur coaches having expertise specifically in the technologies and markets in which portfolio companies participate. The coaches, along with the Fund partners, will provide a direct, systematic and persistent connection into the Silicon Valley network of entrepreneurs, technologists, customers, partners and financial and investment resources. The Fund also has several prominent local Michigan entrepreneurs who are coaches, and the majority of Silicon Valley-based coaches have a strong connection to Michigan.

Michigan eLab’s four partners have approximately 100 years of combined experience as technology company founders, operational executives and venture capitalists. They have collectively founded, operated and funded multiple Silicon Valley technology start-ups with exit events (public offerings, mergers and acquisitions) having valuations in excess of \$1 billion. This level of experience is unusual for any venture fund, in particular for a small fund located in Michigan.

The Fund is currently in the process of raising funds, with a target of \$40 million. It has multiple firm commitments, including General Partner commitments, and is targeting a first close of \$10 million on or before October 31. Michigan eLab is the first and only fund to directly, systematically and persistently connect the Silicon Valley network to Michigan entrepreneurs. It is the only fund whose partners have both long track records of success in Silicon Valley and strong ties to Michigan, including well established ties with The University of Michigan.

Biographies

Rick Bolander is co-founding partner of Gabriel Venture Partners, an early-stage Silicon Valley venture capital firm with \$260 million under management focused on investing in capital efficient companies while actively assisting entrepreneurs to build market leaders. During his venture career, Rick has been involved in more than 50 venture deals and has led over \$100 million in early-stage financings. He currently focuses on investments with disruptive business models in digital media infrastructure and applications, communications, information technology, and the Internet. Before joining Gabriel, he

served as General Partner at Chicago-based Apex Investment Partners, where he honed his early experience spanning angel, early stage, late stage, and large institutional rounds. Rick also has experience as an entrepreneur as founder of Blue Sky Ventures in Chicago, as well as substantial operating experience, having held management positions with AT&T in marketing, sales and operations. Rick has served on the boards of AccessLine Communications (acquired by Telenetix), Concord Communications (IPO - NASDAQ: CCRD), Exodus Communications (IPO - NASDAQ: EXDS, then acquired by Savvis), Neopath (acquired by Cisco), NetScaler (acquired by Citrix Systems), Persistent Systems (IPO - BSE India: PER EQ), Placeware (acquired by Microsoft) and Tut Systems (IPO – NASDAQ: TUTS). Rick is on the board of the University of Michigan Center for Entrepreneurship, which has been a leader in the cultural transformation-taking place in Michigan. He is a recipient of the College of Engineering Alumni Society Merit Award. He helped develop a course at the University of Michigan for students to be able to be mentors for at-risk-youth. He was a lecturer for a University of Michigan, EECS, and microprocessor design course. He is a graduate of the University of Michigan School of Engineering (BSE '83, MSE '85) and Harvard Business School (MBA).

Scott Chou has been a general partner of Gabriel Venture Partners since 2000, and has a broad base of experience in venture capital, technology and startup operations. His extensive experience working with early-stage technology ventures is a direct reflection of his passion for innovation and entrepreneurship. Scott leads Gabriel's Disruptive Technologies practice, proactively managing relationships with universities, as well as corporate and government labs, in search of groundbreaking innovations with enormous market potential. Scott is the author of *Maxims, Morals, and Metaphors: A Primer on Venture Capital*, a popular book used in teaching the art of venture capital. He has led investments in several successful companies, including Iridigm (acquired by QUALCOMM), LVL7 Systems (acquired by Broadcom), NextG Networks (acquired by private equity syndicate), and Step Labs (acquired by Dolby Labs). He was a Kaufman Fellow and is a graduate of the California Institute of Technology (BS EE), Stanford University (MSE) and Harvard University (MS CS).

Bob Stefanski was on the founding team of TIBCO Software, a world leader in enterprise infrastructure software, where he served as Executive Vice President, Corporate Development and General Counsel. As a leader of the executive management team, he had broad responsibility for day to day operations of the business from its founding in 1997 to its emergence in the 2000s as one of the world's leading enterprise infrastructure software companies. Bob left TIBCO in 2008. Today TIBCO has \$1 billion in annual sales and a market capitalization over \$5 billion. Bob is now a partner with the global law firm Reed Smith and also an active advisor, board member and investor in Silicon Valley-based startups in the software, mobility and Internet markets. He began his career in 1989 as an attorney with Weil, Gotshal & Manges in New York City. He has also been an advisor, mentor and speaker with the UM Center for Entrepreneurship since its inception in 2007. Bob is a graduate of the University of Michigan Law School (1989), the University of Michigan Graduate School of Engineering (1986) and Northern Michigan University, (BS Mathematics/Computer Science 1984).

Doug Neal has over 20 years of technology industry experience including founding, operating, board, investing, venture accelerator management and entrepreneurial education. After 15 years in California in a variety of leadership positions at Hewlett Packard and Symantec, he co-founded Mobile Automation, a mobile software security company which was venture backed by Greylock and acquired by iPass Inc. in 2005. As CEO of Mobile Automation, Doug was responsible for both operational leadership and the strategic direction of the company including key technology decisions, sales and fundraising. Under Doug's leadership Mobile Automation grew at 75% CAGR for 5 consecutive years before being acquired. After completing the successful integration of Mobile Automation into iPass

Doug relocated to his home state of Michigan in 2005 to raise his family and help grow the entrepreneurial ecosystem in Ann Arbor. During the next several years Doug was a member of the review board for the Michigan Pre-Seed Capital Fund, which evaluated numerous Michigan investment opportunities for matching funds from the State of Michigan. In 2009, Doug became Managing Director of the University of Michigan Center for Entrepreneurship, during which time he transformed the organization to include a world-class university startup accelerator (TechArb) which has since launched almost 100 student ventures, grew enrollment in entrepreneurial programs to 20,000 students and was instrumental in developing a process for teaching entrepreneurial programs to engineering and non-engineering students. Recently, Doug has become a member of the Michigan's First Step Fund investment review committee, which evaluates early stage investments monthly. Doug is a regular lecturer at the University in entrepreneurial studies as well as a frequent guest speaker and panelist in the Michigan entrepreneurial ecosystem and was named lead instructor by the National Science Foundation (NSF) of the University of Michigan Innovation Corps (I-Corps) hub. He has a Bachelor of Science degree in computer science from Central Michigan University (1988).

Resonant Venture Partners

Overview

A Note from the Directors

Resonant Venture Partners is a venture capital firm based in Ann Arbor, Michigan that makes seed stage investments in companies developing cloud infrastructure, software and services. Entrepreneurs in our own right, we partner with portfolio companies through challenging product, market and operational issues at the earliest phases. At the same time, we maintain a top-tier back office, a disciplined approach to venture investing and a high level of service to our limited partners. We launched in 2010 with our initial investment in Duo Security and have since invested in Accio Energy, Deepfield Networks, Precog and Sookasa. In February 2012, we secured a follow-on investment in Duo Security at a significant increase in valuation, attracting round leader Google Ventures. These early results affirm that Resonant is on the way to becoming a strong regional and national venture capital brand.

It Takes One to Know One

We at Resonant are founders, engineers and operators as well as investors, adept at picking winners because we have worked with the best and repeatedly delivered top-tier results. When interviewing technical founders, it is essential to have someone in the room that can speak their language and challenge their assumptions. For many funds, this means hiring specialists. At Resonant we are just as comfortable with source code, staffing and market analysis tools as we are with IRR and exit comps. Our technical fluency and startup acumen allows us to quickly ascertain the viability of any team, technology, business model or exit strategy.

One Company at a Time

Our plans include launching multiple funds, bridging the capital gap for IT in the Midwest and providing our limited partners the opportunity to participate at the cutting edge of high-tech commercialization. Yet we never forget that we must devote ourselves to each company we help build. Early in the product and market development phases, we help our CEOs get prototypes built and pilot programs underway. When ready, we work with our syndicate partners to hammer out terms and capitalize the company for the next phase of development. This early collaborative work aligns all stakeholders and establishes the basis for strong investment protection. Resonant, through sound investment management from the

earliest phase, is able to efficiently transfer market traction and company progress into the results you require from your alternative investments, one company at a time.

IT/Cloud Infrastructure

Resonant invests in companies with novel technologies that add capabilities to existing cloud infrastructure as well as those that improve pre-existing mission critical functions. The cloud is comprised of a vast array of hardware, software and communications platforms operating together to allow content and service providers to reach their customers. Cisco Systems has estimated that traffic in the cloud will quintuple by 2016 and the FCC estimates that the number of data-plan enabled smart phones will more than double in the same period. Demand for cloud based products and services continue to grow at an astonishing rate even as carriers scramble to maintain the existing capacity. This growth is accompanied by challenging engineering, management, social and economic problems. We have singled out specific sector needs and are looking for companies that can secure high volume transaction levels in security, payment processing, big data, storage and other facilitating technologies.

Regional Opportunity

Resonant invests nationally in the best companies that meet our sector and life stage criteria. However, there is much more competition for deals in Silicon Valley, Boston, and New York than in Michigan and other Midwest markets that are considered to be 'flyover' markets by industry insiders. We intend to take advantage of this dynamic that results in lower initial valuations and ultimately a significant market premium paid to investors in Midwest companies over comparable companies in the major markets. Resonant's early stage focus and high domain specificity will allow us to seize on opportunities in niche Midwest markets because we have a differentiated skill set, less overhead, a smaller portfolio and bite size requirements compatible with our bigger coastal syndicate partners.

Michigan, in particular, has a very rich technology ecosystem, hosting many thousands of software/hardware engineers statewide and over 2200 software companies including divisions of giants like Google, General Electric, Compuware and Arbor Networks. Few are aware that the founders and CEOs of companies like Google, Sun Microsystems, Groupon, Adobe Photoshop, Skype, Craigslist, Twitter and Microsoft have Michigan roots. Other modern technology luminaries with Michigan roots include the father of the iPod and the co-founder of the World Wide Web. We at Resonant are determined to add the founders of our portfolio companies to this distinguished list of innovators.

Resonant Mission: To help Michigan become a top venture destination.

Resonant Headquartered in Ann Arbor, MI: Resonant is headquartered at 425 N. Main St, Ann Arbor, MI 48104. Resonant Venture Partners, LLC is a Michigan limited liability company and Resonant Fund I is a Michigan limited partnership. Resonant retains the services of Michigan-based firms for accounting and legal work. Both managing directors and two of the three fund advisory board members live in Ann Arbor, MI.

Managing Directors are Michigan Natives: Michael Godwin and Jason Townsend, Resonant's managing directors, are both Michigan natives that originally left Michigan to pursue technology careers, but who have now returned to apply the expertise gained in Boston, Seattle and Silicon Valley to the startup ecosystem in Michigan. Godwin was born and raised in Ann Arbor, MI. He returned to Michigan in 2005 to raise his son with his wife Karen, a senior manager in Google's Ann Arbor office. Townsend, originally from Rochester Hills, MI, likewise returned to Michigan in 2006 with his wife Devonie after developing a

three state sales territory for Intel that included Michigan. Both Godwin and Townsend earned an MBA from the Stephen M. Ross School of Business at the University of Michigan.

Fund Advisory Board Includes Influential Michigan Natives: Resonant Fund Advisory Board member Mary Campbell has been in the venture capital industry in Michigan since 1987 with EDF Ventures and recently won a lifetime achievement award issued by Crain's Detroit Business and the Association for Corporate Growth. Tom Kinnear is the Executive Director of the Zell Lurie Institute for Entrepreneurial Studies at the Ross School of Business at the University of Michigan. He is also a prolific angel investor, an active member of the angel investing community and Limited Partner in other notable venture capital firms. Many of Resonant's Limited Partners are also Michigan natives and are invested in both Resonant and the economic success of the state.

Initial Portfolio Contains Three Michigan Companies: Resonant has already made three investments in strong Michigan startups: Accio Energy, Deepfield Networks and Duo Security. All three companies are located in Ann Arbor and feature high-caliber proven CEOs. Of the companies that Resonant has evaluated to date, approximately 65% are Michigan based companies that intend to remain in Michigan. *Michigan Strategy and Economic Considerations:* There are sound economic reasons for investing in Midwest companies and Michigan companies in particular. In the 2011 Michigan Venture Capital Report, the Michigan Venture Capital Association stated that "...Michigan and Midwest venture capital-backed companies receive much less capital than coastal companies, yet achieve cash on cash returns nearly four times higher." Michigan has huge untapped resources in its research centers. The University of Michigan spent over \$1.24B in R&D in Fiscal Year 2011, second only to Johns Hopkins University nationally. Ironically, the ratio of venture capital deployed to research spending is inverted in Michigan compared to the top five venture markets. Finally, the venture money in Michigan is biased towards life sciences, while the information technology sector is grossly underserved. Resonant has carefully positioned itself nationally with respect to region, sector and competition in order to succeed. Resonant will invest heavily, though not exclusively, in Michigan based, early stage high tech startups.

Michigan Affiliates and Collaborators: Resonant applied to the Michigan 21st Century Jobs Fund Accelerator Award program in 2010. During that time Resonant acquired formal letters of collaboration from many prominent Michigan entities and business operators. Among the endorsements were letters from the deans of the University of Michigan's College of Engineering and Ross School of Business. Other University of Michigan endorsements came from the Center for Venture Capital & Private Equity Finance, the College of Engineering's Center for Entrepreneurship, the Office of Tech Transfer and the Zell Lurie Institute for Entrepreneurial Studies. Outside the university, endorsers included Ann Arbor SPARK, Arbor Partners, DFJ Mercury, EDF Ventures, Menlo Innovations, the Michigan Venture Capital Association – which granted Resonant an honorary membership, Schox Patent Group, and the Tech Brewery. Recent funds that have expressed interest in partnering with Resonant on Michigan deals – not including the dozen funds that are already co-investors – include Arsenal Ventures, Augment Ventures, Compuware Ventures, Detroit Venture Partners, Early Stage Partners, Foundry Group, GM Ventures, Huron River Ventures, IA Ventures, Lightbank, Intel Capital, MK Capital, New World Ventures, Panorama Capital, Start Garden, and the Wolverine Venture Fund.

Biographies

Michael Godwin has worked with venture backed startups in the software, consulting, wireless and online commerce industries since 1996. He has worked with many notable firms including: AT&T, Excite, Independent Online Distribution Alliance, Menlo Innovations, WebCrawler, and Zengine/MCSI. Michael currently serves on the board of directors of Accio Energy. Additionally, he serves on the boards of the following Ann Arbor, MI based non-profit organizations: Ann Arbor Symphony Orchestra, Ann Arbor Amateur Hockey Association and the Moo Duk Martial Arts Institute.

Michael is a former managing director of the Wolverine Venture Fund's student advisory board at the University of Michigan. During his time with the Wolverine Venture Fund, Michael conducted due diligence and invested in several companies across the information technology, manufacturing, life sciences and clean tech sectors. Michael spearheaded the effort to fully integrate the deal acquisition, collaboration, document tracking and knowledge transfer procedures into a single solution.

Prior to his role with the Wolverine Venture Fund at the University of Michigan's Ross School of Business, Michael was a consultant and software engineer with Menlo Innovations where he helped develop the software for the first production release of Accuri Cytometer's C6 Flow Cytometer. In addition to his work with Accuri, he was also instrumental in helping Menlo secure some of its larger consulting agreements by applying his deep experience in early stage and corporate operations.

Before working with Menlo Innovations, Michael designed and built the royalty allocation system for the Independent Online Distribution Alliance. IODA was named one of Fortune magazine's 25 Breakout Companies for 2005 and a "Rising Star" in Deloitte's Technology Fast 50 for Silicon Valley. IODA was acquired by Sony Music Entertainment (SME) for an undisclosed sum in June 2009.

Prior to his role with IODA, Michael worked as a software engineer with WebCrawler, which was acquired by Excite. With Excite Prior, Michael was part of the \$6.7B merger with AT&T/@Home- the largest M&A involving an internet firm at the time.

Michael holds an MBA from the University of Michigan and a Bachelor of Music degree from Berklee College of Music, Boston. During his time at the University of Michigan he won the VCIC Venture Capital Investment Challenge in 2008, the David T. Shelby Award for Outstanding Leadership through the Zell Lurie Institute for Entrepreneurial Studies in 2010 and was elected to and served on the Board of Community Values and Ethics from 2008-2010.

Michael also has extensive experience in the music industry. Michael was a partner in a private San Francisco based publishing company and recording studio and has performed as a bassist, guitarist and singer with hundreds of independent and major label acts. He composed music for the feature film *Way Past Cool*, an independent feature film directed by academy award winner Adam Davidson. Michael was a prolific session player and performed on numerous releases by independent artists.

Finally, Michael is an Ann Arbor native who returned to Ann Arbor from San Francisco with his wife Karen and son Oliver in 2005. Karen helped establish the Google office in Ann Arbor where she is a senior manager of a global division of the company. The Godwins lead a very active lifestyle that involves multiple sports and activities. Michael and Karen chose to raise Oliver in vibrant Ann Arbor because of the close proximity to family and cultural richness of the area.

Jason Townsend is a Managing Director and Founder of Resonant Venture Partners. He has worked in the semiconductor, software, clean tech and automotive industries since 1999. Jason has been an active real estate investor since 2003 and was named to the Crain's Detroit Business 2010 "40 Under 40" List in 2010.

Prior to Resonant, Jason served as a managing director of the Wolverine Venture Fund's student advisory board at the Ross School of Business. During his time with the Wolverine Venture Fund, Jason conducted due diligence and invested in companies across the information technology, manufacturing, life sciences and clean tech sectors. He was also responsible for implementing a fully integrated solution for the deal acquisition, collaboration, document tracking and knowledge transfer procedures. In recognition of his leadership to the Fund, he was awarded the David T. Shelby Award from the Zell Lurie Institute for Entrepreneurial Studies.

While at Ross, Jason also founded and was the CEO of Ikanos Power, a clean energy startup commercializing a fuel reforming technology set to revolutionize the way electricity is generated from fossil fuels. Due to his entrepreneurial achievements, he was the recipient of a Mondry Scholarship, a Marcel Gani Grant, the Williamson Award, the DTE Clean Energy Prize, and the Dow Sustainability Award.

Prior to his acceptance at Ross, Jason started his career as a product engineer at both ITT Automotive and then at Chrysler. With a burgeoning interest in high tech, he went to work at Intel as a lead execution engineer, advanced to a technical sales engineer role, and ultimately became the youngest business development manager in North America. He influenced \$30M of sales in the Great Lakes District while forging trusted advisor relationships with senior level executives at F500 companies. Due to his outward-facing role at Intel, Jason built a strong personal network of 700+ C-level executives, VP's, and senior managers in the global technology industry.

While at Intel, Jason founded and was the CEO of Townsend Investments, a real estate investment company. Along with his partners, he initially focused on procuring single-family homes and lakefront condos before quickly finding a niche in multi-family properties. Jason's most notable deal was the structuring of a \$13M acquisition of a 240-unit apartment complex. The property management arm and single-family homes have since been sold, but the multifamily properties continue to yield superior returns.

Jason is a Wolverine at heart and holds both an MBA with High Distinction and a Bachelor of Science in Computer Engineering from the University of Michigan. As an undergraduate he was a member of the Michigan Marching Band, where he met his wife, Devonie, and performed in front of 100k+ fans at every football game for five years. Jason and Devonie have multiple generations of families in Michigan and have proudly chosen to establish roots in Ann Arbor in order to continue that tradition.

MICHIGAN STRATEGIC FUND

RESOLUTION 2013-

PURE MICHIGAN VENTURE DEVELOPMENT FUND AWARD

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

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

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

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

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

WHEREAS, at its June 27, 2012 meeting the MSF has approved the guidelines and process for the Pure Michigan Venture Development Fund (“PMVDF Program”), which included provisions required by MCL 125.2088k and established a competitive proposal process for making awards to qualified venture funds;

WHEREAS, also at its June 27, 2012 meeting, the MSF Board engaged Credit Suisse Asset Management LLC (“Credit Suisse”) to assist in the independent peer review of applications received under the PMVDF Program;

WHEREAS, four proposals were received and reviewed by Credit Suisse under the PMVDF Program;

WHEREAS, Credit Suisse scored and ranked the four proposals based on criteria and scoring factors required by the Act and previously approved by the MSF;

WHEREAS, Resonant Venture Partners and Michigan eLab received the highest scores through the independent peer review process;

WHEREAS, Credit Suisse recommends that the MSF make an award of up to \$2.25 million to each Resonant Venture Partners and Michigan eLab (the “PMVDF Awards”);

WHEREAS, a joint evaluation committee (“JEC”) appointed by the MSF Fund Manager reviewed the Credit Suisse scoring and recommends that the MSF approve the PMVDF Awards;

NOW, THEREFORE, BE IT RESOLVED, subject to compliance with the Act and completion of civil and criminal background checks, the MSF Board approves the PMVDF Awards;

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

Ayes:

Nays:

Recused:

Lansing, Michigan
January 23, 2013

MEMORANDUM

DATE: January 23, 2013
TO: MSF Board
FROM: Mike Flanagan – Manager, Equity Capital Programs
SUBJECT: Second Round Authorization - Pure Michigan Venture Development Fund

BACKGROUND

On June 27, 2012 the Michigan Strategic Fund (“MSF”) Board approved the Pure Michigan Venture Development Fund (“PMVDF” or “Program”) Guidelines and allocated funding of \$5 million to the Program. This allocation was limited, from its original target of \$9 million, due to FY 2012 budget constraints. The MSF has fully committed its initial allocation of \$5 million.

Staff is now requesting the additional \$4 million allocation from the Jobs for Michigan investment fund (the “Investment Fund”), which has already been projected in the FY 2013 budget, to reach this target. Staff also requests that a new application period be opened to receive second round submissions. At the conclusion of the second application and review period, staff intends to make up to two new recommendations for award to the MSF Board.

APPLICATION PROCESS

- Applications will be accepted starting January 24, 2013. All applications must be submitted by February 28, 2013.
- All applications will undergo a two-step evaluation process involving external review by Credit Suisse Asset Management, LLC (“Credit Suisse”) and internal review by a JEC appointed by the MSF Fund Manager. The JEC will make final recommendations for awards to the MSF Board.
- Detailed information on the Venture Development Fund process and program requirements are attached as Exhibit A to the program approval resolution (“PMVDF Program Guidelines”)

RECOMMENDATION

MEDC Staff recommends the following to the MSF Board:

- Allocation of funding in the amount of \$4,000,000 from the Investment Fund to the Pure Michigan Venture Development Fund;
- Selection of Credit Suisse as a peer reviewer to evaluate the proposals submitted in response to the Program;
- Delegation to the MSF Fund Manager of the authority to develop and approve the scoring and evaluation criteria and process to be used by the independent peer reviewer and the JEC in evaluating proposals received under the Program;
- That the MSF authorize the Fund Manager to appoint members of a JEC for the purpose of reviewing the results of the peer review and making final recommendation for award to the MSF;
- Authorization to open a second application and review period for the Program.

MICHIGAN STRATEGIC FUND

RESOLUTION 2013-

**PURE MICHIGAN VENTURE DEVELOPMENT FUND PROGRAM SECOUND ROUND
AND FUNDING ALLOCATION**

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

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

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

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

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

WHEREAS, at its June 27, 2012 meeting the MSF approved the guidelines and process for the Pure Michigan Venture Development Fund (the “PMVDF” or “PMVDF Program”), which established a competitive proposal process for making awards to qualified venture funds and allocated \$5,000,000 to the PMVDF Program;

WHEREAS, the MSF has fully committed the \$5,000,000 from the first round of the PMVDF;

WHEREAS, the MEDC recommends and the MSF desires to open a second round of the PMVDF Program to make additional awards to qualified venture funds. The PMVDF Program Guidelines are attached as Exhibit A to this Resolution;

WHEREAS, the MEDC recommends and the MSF desires to allocate \$4,000,000 from the jobs for Michigan investment fund (the “Investment Fund”) for the second round of the PMVDF and direct that repayments to the MSF from awards authorized under the PMVDF be returned to the PMVDF for future use under the PMVDF.

NOW, THEREFORE, BE IT RESOLVED, the MSF authorizes that the PMVDF Program be opened for a second round of applications from qualified venture funds using the attached PMVDF Program Guidelines;

BE IT FURTHER RESOVED, the MSF hereby directs funding of the PMVDF using \$4,000,000 from the Investment Fund and that repayments to the MSF from awards authorized under the PMVDF be returned to the PMVDF for future use under the PMVDF; and

BE IT FURTHER RESOLVED, that the MSF authorizes the MSF Fund Manager to modify the PMVDF Program Guidelines as may be necessary or appropriate, if the modifications are not materially adverse to the interests of the MSF.

Ayes:

Nays:

Recused:

Lansing, Michigan
January 23, 2013

MICHIGAN STRATEGIC FUND

RESOLUTION 2013-

PURE MICHIGAN VENTURE DEVELOPMENT FUND DELEGATION OF AUTHORITY JOINT EVALUATION COMMITTEE, APPLICATION AND EVALUATION PROCESS AND SCORING CRITERIA

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

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

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

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

WHEREAS, at its June 27, 2012 meeting, MSF Board approved the Pure Michigan Venture Development Fund (“PMVDF”) and the Pure Michigan Venture Development Fund Guidelines (“PMVDF Guidelines”) to assist in the growth of the venture industry by increasing the number of viable venture funds, with the intent of increasing the number of venture investments in the State;

WHEREAS, at its January 23, 2013 meeting, the MSF Board authorized a second round of funding and applications under the PMVDF using the previously approved PMVDF Guidelines;

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

WHEREAS, the Act requires that applications be reviewed by a joint evaluation committee as determined by the MSF Board;

WHEREAS, the MEDC recommends that the MSF engage Credit Suisse Asset Management LLC (“Credit Suisse”) to assist in the review of applications received in response to the PMVDF;

WHEREAS, under Section 125.2005(7) of the Act, the MSF Board may delegate to its president, vice-president, staff or others those functions and authority the MSF Board deems necessary or appropriate; and

WHEREAS, the MEDC recommends and the MSF desires to delegate the authority to the MSF Fund Manager to (1) appoint a JEC to review proposals and to make recommendations to the MSF Board for awards under the PMVDF and (2) to develop and approve the application and evaluation process under the PMVDF, each in accordance with the program guidelines and the MSF Act, to be used by Credit Suisse and the JEC in reviewing applications and making award recommendations under the PMVDF (the “Delegation of Authority”).

NOW, THEREFORE, BE IT RESOLVED, the MSF Board approves the use of Credit Suisse to assist in the review of applications received under the PMVDF; and

BE IT FURTHER RESOLVED, the MSF Board approves the Delegation of Authority for the PMVDF.

Ayes:

Nays:

Recused:

Lansing, Michigan
January 23, 2013

MEMORANDUM

Date: January 23, 2013
To: MSF Board
From: Paula Sorrell, Managing Director, Entrepreneurial Services
Subject: FY 2013 Business Incubator Program - Recommendations

BACKGROUND

Since 2009 the Michigan Strategic Fund (“MSF”) has provided funding to business incubators to stimulate the creation and continued growth of technology-based businesses and jobs by capitalizing on the State of Michigan's growing base of high technology industry, its skilled labor force, its nationally recognized university system, its SmartZones, and its business incubators.

Pursuant to Section 1034 of Public Act 200 of 2012, the MSF is directed to award grants that total not more than \$8,500,000.00 for business incubators and accelerators as follows:

- (a) A high performance regional business incubator or accelerator that provides services in at least 8 counties and received funding as an auto technology business accelerator under section 88j of the Michigan strategic fund act, 1984 PA 270, MCL 125.2088j, shall receive a grant of not less than \$2,000,000.00.
- (b) Funding of not less than \$750,000.00 and not greater than \$1,000,000 shall be awarded to 1 high performance business incubator or accelerator in a city with a population greater than 650,000.
- (c) Funding of not less than \$500,000.00 and not greater than \$1,000,000 shall be awarded to 1 high performance business incubator or accelerator in each of the following governmental units:
 - (i) Houghton County.
 - (ii) Isabella County.
 - (iii) Kent County.
 - (iv) Macomb County.
 - (v) Oakland County.
 - (vi) Washtenaw County.
 - (vii) Midland County.
 - (viii) A Mason County business incubator that provides services to Lake, Mason, Manistee, and Oceana Counties.
- (d) Funding of not less than \$275,000.00 and not greater than \$1,000,000 shall be awarded to 1 high performance business incubator or accelerator in Ingham County.

On October 24 2012, the MSF Board approved the following actions:

- 1) Allocation of \$8.5 million from funds appropriated to the MSF for innovation and entrepreneurship by 2012 PA 200 to the 2013 Business Incubator Program;
- 2) 2013 Business Incubator RFP;
- 3) JEC to review the submissions to the RFP, and
- 4) Scoring and evaluation criteria for the review of the business incubator proposals.

RESULTS

The MEDC received 12 proposals totaling \$9,708,959 in response to the RFP. Exhibit A identifies the proposals in order as listed in the legislation: High performance regional business incubator, a city with a population greater than 650,000, Houghton County, Isabella County, Kent County, Macomb County, Oakland County, Washtenaw County, Midland County, Mason County (no proposals received), Ingham

County, and the remaining two proposals for business incubators located outside the legislatively identified governmental units. Proposals ranged from \$440,000 to \$2 million for 2 to 4 years. The proposals requested funding for business acceleration programs such as: identifying and providing start-up services, seed funds, talent programs, boot camps, executive-in residence programs, and trade missions.

The JEC met and recorded a consensus score using the scoring and evaluation criteria approved by the MSF. A Genesee County proposal, one of the two proposals located outside the governmental units identified in legislation, was withdrawn and the other proposal scored less than 70 and was recommended for non-funding. For the other proposals identified from legislatively identified areas, the JEC recommended the following:

- a) Proposals scoring less than 70 receive the minimum amount of \$500,000 (except the high performance regional business incubator legislatively mandated as \$2,000,000)
- b) Proposals greater than 70 receive requested amounts

Of the 12 proposals received, 10 proposals were recommended for funding of \$8,042,000. The award and funding recommendations are identified in Exhibit B. The legislation included the opportunity to make an award in Mason County though no proposals were received from an entity in that area so no award was recommended. If additional opportunities arise such as in Mason County, the JEC recommends that the MEDC return to the MSF Board for approval.

RECOMMENDATION

MEDC Staff recommends that the MSF Board approves funding of the proposals identified in Exhibit B, and the right for MEDC to return to the MSF Board with additional opportunities for funding under this program. The MSF Entrepreneurial Sub Committee concurs with this recommendation.

Exhibit A

(Proposals in order as listed in the legislation)

Incubator/Accelerator	Governmental Unit identified in Legislation	Amount Requested	Score
Automation Alley	High Performance Regional Business Incubator	\$2,000,000	69
Wayne State University Technology and Research Park (TechTown)	City with a population greater than 650,000	\$1,000,000	74
Michigan Tech Enterprise Corporation	Houghton County	\$702,000	77
Central Michigan University Research Corporation	Isabella County	\$500,000	71
Grand Rapids SmartZone Local Development Finance Authority in conjunction with Grand Valley State University (GVSU)-Center for Entrepreneurship and Innovation	Kent County	\$840,000	78
Oakland University Macomb-Oakland University INCubator	Macomb County	\$776,959	66
Automation Alley with Oakland University SmartZone Rochester Hills Incubator/Accelerator (OU INC)	Oakland County	\$750,000	67
Ann Arbor SPARK	Washtenaw County	\$1,000,000	81
MidMichigan Innovation Center	Midland County	\$500,000	55
No Proposals Received	Mason County		NA
Lansing Economic Area Partnership	Ingham County	\$958,000	62
Withdrawn	Genesee County	\$242,000	NA
GVSU-Michigan Alternative and Renewable Energy Center	Muskegon County	\$440,000	60
Total		\$9,708,959	

Exhibit B

(Proposals listed in Descending Score order)

Incubator/Accelerator	Governmental Unit identified in Legislation	Amount Requested	Score	Recommended Amount
Ann Arbor SPARK	Washtenaw County	\$1,000,000	81	\$1,000,000
Grand Rapids SmartZone Local Development Finance Authority in conjunction with GVSU-Center for Entrepreneurship and Innovation	Kent County	\$840,000	78	\$840,000
Michigan Tech Enterprise Corporation	Houghton County	\$702,000	77	\$702,000
Wayne State University Technology and Research Park (TechTown)	City with a population greater than 650,000	\$1,000,000	74	\$1,000,000
Central Michigan University Research Corporation	Isabella County	\$500,000	71	\$500,000
Automation Alley	High Performance Regional Business Incubator	\$2,000,000	69	\$2,000,000
Automation Alley with Oakland University SmartZone Rochester Hills Incubator/Accelerator (OU INC)	Oakland County	\$750,000	67	\$500,000
Oakland University Macomb-Oakland University INCubator	Macomb County	\$776,959	66	\$500,000
Lansing Economic Area Partnership	Ingham County	\$958,000	62	\$500,000
MidMichigan Innovation Center	Midland County	\$500,000	55	\$500,000
Total		\$9,026,959		\$8,042,000

MEMORANDUM

Date: January 23, 2013
To: MSF Board
From: Paula Sorrell, Managing Director, Entrepreneurial Services
Subject: Business Incubator Metrics

BACKGROUND

Section 1034(1) of the FY12 Omnibus Appropriations Act, Public Act 63 of 2011, requires that a portion of the funds appropriated to the Michigan Strategic Fund (MSF) for innovation and entrepreneurship be used for business incubators and accelerators located in the following governmental units: Houghton County, Kent County, Macomb County, Oakland County, Washtenaw County, a city with a population greater than 650,000, and a Midland County satellite site of an incubator located in Isabella County. Section 1034(7) of the Act requires each applicant to develop a dashboard of indicators to measure the effectiveness of the business incubator and accelerator programs and to submit a copy of the dashboard indicators to the MSF. The Act further requires the MSF to transmit the dashboard indicators to the Senate and House Subcommittees on General Government, Senate and House Fiscal Agencies, and the State Budget Office.

RESULTS

The business incubators agreed to submit monthly the following dashboard of indicators via completing a Google Docs spreadsheet:

Dollars leveraged, new companies created, companies expanded, companies served – tech companies, companies served – traditional companies, jobs created, jobs retained, people/companies attending events, types of capital received – MEDC funds, SBIR/STTR, other federal funds, venture capital, angel funds, bank/loan, owner investment, new sales, and other.

Results for fiscal year 2012 are included in Exhibit A. Through legislation and approved by the MSF Board, the business incubators received \$7.3 million dollars in fiscal years 2011 and 2012. (Awarded grant dollars from both years are shown because dollars awarded in one year may be spent over a number of years.) This resulted in 168 new companies created, 678 jobs created, and \$96 million of new capital received for the companies that the incubators serve. These results indicate that the business incubators are leveraging the MSF approved funding to accelerate the creation and growth of new companies.

Exhibit A

Business Incubators	2011 & 2012 MSF Grants	\$\$ Leveraged = Match received because of MEDC grant	New Companies created	Companies Expanded	Companies Served - TECH Companies	Companies Served - TRADITIONAL Companies
Ann Arbor Spark	\$100,000	\$0	55	0	462	0
Detroit TechTown	\$437,500	\$0	1	0	403	1,990
Detroit TechTown's partner Bizdom U	\$437,500	\$0	8	19	95	0
Detroit Creative Corridor Center	\$100,000	\$0	0	17	57	81
E. Lansing/Lansing LEAP	\$250,000	\$0	28	4	179	59
Flint Kettering	\$150,000	\$0	31	11	108	22
Grand Rapids WMSTI & GVSU	\$600,000	\$0	1	1	174	7
Hart Starting Block	\$250,000	\$0	9	3	0	147
Houghton MTEC	\$850,000	\$69,500	13	6	154	59
Kalamazoo SMIC	\$700,000	\$0	2	9	141	126
Midland MMIC	\$500,000	\$100,000	1	6	192	179
Mt. Pleasant CMURC	\$450,000	\$0	8	23	224	117
Muskegon MAREC	\$100,000	\$0	0	1	31	21
Newaygo Stream	\$250,000	\$195,000	4	21	2	437
Sterling Heights Macomb OUInc	\$750,000	\$0	4	2	257	2
Troy Automation Alley	\$875,000	\$0	3	5	425	11
Ypsilanti Ann Arbor Spark East	\$500,000	\$0	0	0	15	99
TOTAL Business Incubators	\$7,300,000	\$364,500	168	128	2,919	3,357

Exhibit A
(Continued)

	For Companies Served by the Organization		
Business Incubators	Jobs created	Jobs retained	People/Companies Attending Events
Ann Arbor Spark	15	268	2,020
Detroit TechTown	33	1,105	811
Detroit TechTown's partner Bizdom U	23	156	996
Detroit Creative Corridor Center	46	377	10,941
E. Lansing/Lansing LEAP	33	11	632
Flint Kettering	47	0	691
Grand Rapids WMSTI & GVSU	46	115	485
Hart Starting Block	41	74	36
Houghton MTEC	36	389	366
Kalamazoo SMIC	5	198	668
Midland MMIC	110	202	781
Mt. Pleasant CMURC	46	1,004	0
Muskegon MAREC	18	46	563
Newaygo Stream	0	100	99
Sterling Heights Macomb OUInc	23	34	1,550
Troy Automation Alley	137	2,155	3,307
Ypsilanti Ann Arbor Spark East	19	42	147
TOTAL Business Incubators	678	6,276	24,093

Exhibit A
(Continued)

Types of Capital Received - For Companies Served by the Organization

Business Incubators	MEDC Funds	SBIR/STTR, other Fed	Venture Capital	Angel Funds	Bank / Loan	Owner investment	New Sales	Other	Total Capital Received
Ann Arbor Spark	\$0	\$3,011,000	\$19,518,297	\$0	\$0	\$0	\$796,150	\$4,472,490	\$27,797,937
Detroit TechTown	\$725,000	\$1,441,532	\$250,000	\$1,252,500	\$0	\$968,775	\$214,350	\$1,418,868	\$6,271,025
Detroit TechTown's partner Bizdom U	\$98,436	\$75,000	\$0	\$25,000	\$0	\$5,000	\$338,755	\$213,300	\$755,491
Detroit Creative Corridor Center	\$285,000	\$0	\$0	\$0	\$77,016	\$11,076	\$364,689	\$0	\$737,781
E. Lansing/Lansing LEAP	\$50,000	\$1,450,000	\$6,500,000	\$0	\$0	\$200,000	\$1,620,000	\$0	\$9,820,000
Flint Kettering	\$42,500	\$0	\$7,000	\$100,000	\$0	\$69,700	\$617,600	\$0	\$836,800
Grand Rapids WMSTI & GVSU	\$482,000	\$1,500,000	\$0	\$500,000	\$0	\$50,000	\$10,000	\$140,400	\$2,682,400
Hart Starting Block	\$0	\$0	\$0	\$0	\$0	\$10,000	\$0	\$0	\$10,000
Houghton MTEC	\$25,500	\$1,071,047	\$0	\$0	\$300,000	\$9,400	\$3,001,108	\$0	\$4,407,055
Kalamazoo SMIC	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$16,780,182	\$16,780,182
Midland MMIC	\$332,500	\$50,000	\$275,000	\$1,143,500	\$85,000	\$473,997	\$730,394	\$0	\$3,090,391
Mt. Pleasant CMURC	\$154,631	\$0	\$36,000	\$629,498	\$1,000,000	\$3,110,280	\$4,754,494	\$0	\$9,684,903
Muskegon MAREC	\$48,000	\$0	\$0	\$0	\$0	\$1,000	\$0	\$0	\$49,000
Newaygo Stream	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sterling Heights Macomb OUInc	\$707,500	\$0	\$0	\$1,900,000	\$316,250	\$500,000	\$1,579,750	\$112,500	\$5,116,000
Troy Automation Alley	\$1,060,000	\$272,000	\$50,000	\$3,081,400	\$1,050,000	\$1,320,000	\$1,456,984	\$0	\$8,290,384
Ypsilanti Ann Arbor Spark East	\$0	\$0	\$0	\$0	\$0	\$0	\$10,000	\$0	\$10,000
TOTAL Business Incubators	\$4,011,067	\$8,870,579	\$26,636,297	\$8,631,898	\$2,828,266	\$6,729,228	\$15,494,274	\$23,137,740	\$96,339,349

MICHIGAN STRATEGIC FUND

RESOLUTION 2013-

BUSINESS INCUBATOR AND ACCELERATOR AWARDS

WHEREAS, the Michigan General Government Appropriations Act (the “Act”), 2012 PA 200, Section 1034 provides that a portion of the funds appropriated to the Michigan Strategic Fund (“MSF”) for innovation and entrepreneurship be used to fund business incubators and accelerators to one high performance business incubator or accelerator in each of the following governmental units: funding in the amount of at least \$2,000,000 to a high performance regional business incubator or accelerator that provides services in at least 8 counties and received funding as an auto technology business accelerator under section 88j of the MSF Act; funding in the amount of at least \$750,000 to a high performance business incubator or accelerator in a city with a population greater than 650,000; funding in the amount of at least \$500,000 to Houghton County, Isabella County, Kent County, Macomb County, Oakland County, Washtenaw County, Midland County, and a Mason County business incubator that provides services to Lake, Mason, Manistee, and Oceana Counties; and funding in the amount of at least \$275,000 to a high performance business incubator or accelerator in Ingham County;

WHEREAS, Section 1034 of the Act further provides that grants may be used to fund satellite locations, as determined by the MSF;

WHEREAS, Detroit, Michigan qualifies as a city with a population greater than 650,000;

WHEREAS, Automation Alley qualifies as a high performance regional business incubator or accelerator that provides services in at least 8 counties and received funding as an auto technology business accelerator under section 88j of the MSF Act;

WHEREAS, the Lansing Economic Area Partnership (“LEAP”) qualifies as a high performance business incubator or accelerator in Ingham County;

WHEREAS, the Michigan Economic Development Corporation (“MEDC”) provides administrative services for the MSF for the 21st Century Jobs Fund, including for the business incubators and accelerators;

WHEREAS, at its October 24, 2011 meeting, the MSF Board approved issuance of a business incubator and accelerator Request For Proposals (“RFP”);

WHEREAS, under the RFP, the MSF allowed high-performance business incubators and accelerators in addition to those governmental units listed above and that otherwise met the eligibility requirements of the RFP submit proposals for consideration;

WHEREAS, at its October 24, 2012 meeting the MSF Board also appointed a Joint Evaluation Committee (“JEC”) and adopted scoring and evaluation criteria to be used by the JEC in reviewing proposals received in response to the RFP authorized by the Board;

WHEREAS, the JEC received proposals from twelve (12) business incubator and accelerator entities under the RFP;

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

WHEREAS, the JEC determined that ten (10) proposals satisfied the requirements of the RFP, including all statutory requirements, and earned sufficient scores under the scoring and evaluation criteria adopted by the MSF Board; and

WHEREAS, the JEC recommends that the business incubator and accelerator entities identified in Exhibit A to this resolution receive awards in the amounts listed under the RFP, contingent upon the execution of a contract containing terms and conditions agreed to by the MSF and the awardee.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board selects the following business incubator and accelerator entities identified in Exhibit A to receive awards in the amounts listed, contingent upon the execution of a contract containing terms and conditions agreed to by the MSF and awardee; and

BE IT FURTHER RESOLVED, that MSF Fund Manager or the MSF Chairperson, with only one required to act, is authorized to negotiate final contract terms and to execute the business incubator and accelerator agreements on behalf of the MSF, provided that the final terms and conditions are not materially adverse to the interests of the MSF.

Ayes:

Nays:

Recused:

Lansing, Michigan
January 23, 2013

Exhibit A

Incubator/Accelerator	Governmental Unit identified in Legislation	Amount Requested	Score	Recommended Amount
Ann Arbor SPARK	Washtenaw County	\$1,000,000	81	\$1,000,000
Grand Rapids SmartZone Local Development Finance Authority in conjunction with GVSU-Center for Entrepreneurship and Innovation	Kent County	\$840,000	78	\$840,000
Michigan Tech Enterprise Corporation	Houghton County	\$702,000	77	\$702,000
Wayne State University Technology and Research Park (TechTown)	City with a population greater than 650,000	\$1,000,000	74	\$1,000,000
Central Michigan University Research Corporation	Isabella County	\$500,000	71	\$500,000
Automation Alley	High Performance Regional Business Incubator	\$2,000,000	69	\$2,000,000
Automation Alley with Oakland University SmartZone Rochester Hills Incubator/Accelerator (OU INC)	Oakland County	\$750,000	67	\$500,000
Oakland University Macomb-Oakland University INCubator	Macomb County	\$776,959	66	\$500,000
Lansing Economic Area Partnership	Ingham County	\$958,000	62	\$500,000
MidMichigan Innovation Center	Midland County	\$500,000	55	\$500,000
Total		\$9,026,959		\$8,042,000

MEMORANDUM

Date: January 23, 2013
To: MSF Board
From: Dean Wade, Portfolio Manager
Subject: 21st Century Jobs Fund Straight Loan, Limo-Reid Inc., d/b/a NRG Dynamix
Loan Restructure and Subordination

PROCEDURAL BACKGROUND

On January 25, 2012, the Michigan Strategic Fund (“MSF”) Board approved by resolution the delegation of authority with regard to awards under the (i) Company Formation and Growth Fund, (ii) 21st Century Jobs Fund 2006 and 2008 business plan competition rounds, as well as its predecessor programs, Michigan Technology Tri-Corridor Fund program and Michigan Life Sciences Corridor Fund program, and (iii) those loans awarded under the Choose Michigan program, including the authority to approve loan restructure requests (“Delegation of Authority”). Under the Delegation of Authority, awards with an original amount of more than \$3,000,000 must be reviewed by the MSF Investment Subcommittee prior to being presented the MSF Board for final approval.

COMPANY BACKGROUND

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

CURRENT COMPANY STATUS

NRG has leveraged the MSF loan and the \$250,000 MEDC Follow on Fund (FoF) loan with an additional \$7,200,000 over the past three years, including convertible loans from Khosla Ventures and Ridgewood Capital. An anticipated second round of investment led by Khosla Ventures unexpectedly failed to close in February of 2012. In April of 2012, Ridgewood Capital proposed a Senior Bridge Loan in support of scaled down operations, while Ridgewood and Arbor Capital Markets help the Company find a strategic investor or possibly negotiate an acquisition of NRG. Khosla Ventures, Ridgewood, Larry Hiler and the MEDC (with MSF approval) agreed to the Senior Bridge Loan. All previous loans, including the MSF loan, are fully subordinated and forbear any payments prior to full payment of the Senior Bridge Loan.

NRG faced technical hurdles that delayed commercialization as originally planned. The company has overcome many of these issues and continues product development. NRG is very optimistic that the technology will be advanced to a point of marketability in early to mid 2013.

Even with these challenges, the Company continues to garner significant interest from potential strategic partners or acquirers.

At this time, NRG does not have enough cash to continue full operations or move forward on the commercializing of their product. Due to unsuccessful close of the investment led by Khosla Ventures the company recently downsized and is currently running minimal operations and development with a staff of four.

NRG plans to seek an additional bridge loan in 2013 from the same investors as the previous bridge loan (i.e. Khosla Ventures, Ridgewood, Larry Hiler). The terms of the deal include the MEDC invest another \$100,000 only if ALL other investors do likewise. This will result in a total raise of \$400,000. In the case that one or more investors choose not to participate, then the MEDC will also not participate. In either case, staff recommends to the MSF board a total subordination of \$1.6M and the extension of the 2008 loan. Currently, \$1M is subordinated from the previous bridge loan, therefore an additional \$600,000 is requested. A \$200,000 cushion is requested in the subordination (i.e. \$400,000 raise plus an additional \$200,000) to cover additional funds if they are needed in the future. Staff will also recommend to Mike Finney extending the April 2012 Follow on Fund loan.

INVESTMENT SUMMARY

2008 Business Plan Competition

Loan Amount:	\$3,352,704
Disbursed:	\$3,352,704
Type of Loan:	Straight, with warrants valued at \$100,581 (3% of the loan amount)
Interest Rate:	4.5% APY
Loan Issuance Date:	March 19, 2009
End of Grace Period:	January 31, 2013
Maturity Date:	March 19, 2015
Outstanding Balance as of Dec 31, 2012:	\$3,857,337
Daily Accrual	\$419.09
Collateral:	All Tangible Personal Property

2012 Follow on Fund

Loan Amount:	\$250,000
Disbursed:	\$250,000
Type of Loan:	Senior Secured Promissory Note
Interest Rate:	10%
Additional Return:	2X principle (per agreement)
Loan Issuance Date:	April 12, 2012
Maturity Date:	January 31, 2013
Outstanding Balance as of Dec 31, 2012:	\$268,562
Daily Accrual	\$68.49
Collateral:	IP and General Intangibles All Tangible Personal Property

OTHER INCENTIVES

NRG Dynamix

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

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

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

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

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

REQUEST

MSF to extend the subordination of its loan with NRG Dynamix and forbear payments to the MSF loan in favor of the additional notes of up to \$600,000. The Company further requests that MSF extend the

Grace Period of the 2008 MSF loan to July 31, 2013. MEDC staff has reviewed the terms of the senior bridge loan financing and finds the proposed terms acceptable so long as the three other investors, Khosla Ventures, Ridgewood, Larry Hiler also participate at the same level (or greater) and on the same terms.

The MSF is asked to approve the following requests (collectively, "Requests"):

1. Subordination and forbearance of the MSF loan to an additional loan of up to the total of \$1.6 million with the same terms as the original senior bridge loan.
2. Given that the MSF loan will reach the end of the extended grace period on January 31, 2013 it is requested that an extension of the grace period to July 31, 2013 be approved to allow NRG time to explore and close a strategic investment or acquisition.
3. In consideration for subordination of the NRG MSF loan, the MEDC has indicated its willingness to participate in the senior bridge loan financing with an additional \$100,000 of corporate funds from the Follow on Fund. The MEDC, in cooperation with the MSF Fund Manager, will amend the current MOU and per the original agreement, once the MEDC has received a total of \$350,000 (\$250,000 from the April 2012 note and \$100,000 under the current proposal) will share any profits from this round of financing (and the April 2012 round) on a 50/50 basis with the MSF.
4. Staff further recommends that the MSF delegate to the MSF Fund Manager the authority to negotiate any terms and conditions deemed necessary and appropriate to finalize the transaction documents with NRG and its investors, and with the MEDC.

Staff believes that an additional investment of \$100,000 of MEDC funds and these requests to MSF provide the greatest opportunity to maximize the returns on both investments. It also keeps the MEDC in-line with the other Senior Bridge investors. More importantly, it gives the company additional time to 1) complete product development, 2) for potential sale of the company or its assets, and 3) to seek additional financing, if needed.

RECOMMENDATION

MEDC Staff recommends that the MSF approve the Requests. MEDC Staff believes that the subordination and forbearance, grace period extension, and profit sharing proposal present the best opportunity for NRG to repay the MSF all or part of the MSF investment as a result of an acquisition, strategic investment or partnership.

The MSF Investment Subcommittee has indicated its support of the recommendation.

MICHIGAN STRATEGIC FUND

RESOLUTION 2013-

LIMO-REID, INC. d/b/a NRG DYNAMIX LOAN RESTRUCTURE AND SUBORDINATION

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

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

WHEREAS, the MSF and Limo-Reid, Inc. d/b/a NRG Dynamix, a Delaware corporation (“NRG”), entered into a Loan Agreement dated March 19, 2009, whereby the MSF agreed to loan up to \$3,352,704 to NRG under the terms and conditions set forth in the Loan Agreement, Security Agreement, and the Promissory Note, all dated March 19, 2009 (collectively, “Loan Documents”);

WHEREAS, the MEDC and NRG entered into a Financing Agreement, Promissory Note, and Security Agreement, each dated April 4, 2012 (collectively, the “MEDC Loan Documents”) whereby the MEDC agreed to loan up to \$250,000 to NRG under the terms and conditions set forth in the MEDC Loan Documents (the “MEDC Loan”);

WHEREAS, in April 2012, NRG obtained senior bridge financing, including the MEDC Loan from several investors in the aggregate of a minimum amount of \$850,000 and an initial maximum amount of \$1 million toward fostering business growth and opportunities (“2012 Senior Bridge Financing”)

WHEREAS, at its March 28, 2012 meeting, the MSF approved the following with respect to the 2012 Senior Bridge Financing:

1. subordination of the indebtedness owed under the Loan Documents in favor of the investors participating in the 2012 Senior Bridge Financing;
2. extension of the grace period under the Loan Documents until January 31, 2013;
3. forbearance from exercising any rights under the Loan Documents until the investors participating in the 2012 Senior Bridge Financing were paid in accordance with the terms and conditions of the 2012 Senior Bridge Financing;
4. authorization for the potential conversion of the indebtedness owing under the Loan Documents at the same time, and on the same terms and conditions, as the other lenders would convert under the 2012 Senior Bridge Financing;

5. participation by the MSF in a profit sharing arrangement under which the MEDC agreed to share payments on the MEDC Loan on an equal basis with the MSF after the principal of the MEDC Loan is paid back to the MEDC (“MEDC/MSF Profit Sharing Arrangement”).

WHEREAS, under MCL 125.2005(7), the MSF Board may delegate to its president, vice president, staff, or others those functions and authority the MSF Board deems necessary or appropriate;

WHEREAS, NRG now desires to obtain additional senior bridge financing from several investors, including the MEDC, in an amount up to \$600,000 toward fostering business growth and opportunities (“2013 Senior Bridge Financing”);

WHEREAS, NRG has requested that the MSF (the following, collectively, “NRG Requests”):

1. subordinate the indebtedness owed under the Loan Documents in favor of the investors participating in the 2013 Senior Bridge Financing up to the total of \$1,600,000 (to incorporate the subordination of a maximum \$600,000 made part of the 2013 Senior Bridge Financing into the already existing subordination of the \$1 million raised as a result of the 2012 Senior Bridge Financing);
2. extend the grace period under the Loan Documents until July 31, 2013;
3. forbear from exercising any rights under the Loan Documents until the investors participating in the 2012 Senior Bridge Financing and the 2013 Senior Bridge Financing are paid; and
4. extend the authorization for the potential conversion of the indebtedness owing under the Loan Documents at the same time, and on the same terms and conditions, as the other lenders under the 2012 Senior Bridge Financing, to include the other lenders under the 2013 Senior Bridge Financing.

WHEREAS, in the event the MSF approves the NRG Requests, the MEDC has indicated it is willing to invest a total of \$100,000 in corporate dollars (“2013 MEDC Loan”) to participate in the 2013 Senior Bridge Financing and requests that the MSF authorize an amendment of the MEDC/MSF Profit Sharing Arrangement to allow the MSF to share payments on the 2013 MEDC Loan on an equal basis with the MEDC after the principal amount of the 2013 MEDC Loan is paid back to the MEDC, in addition to the existing payment structure under the MEDC/MSF Profit Sharing Arrangement (“MEDC/MSF Profit Sharing Arrangement Amendment”);

WHEREAS, the MEDC recommends approval of the NRG Requests and MEDC/MSF Profit Sharing Arrangement Amendment;

WHEREAS, the MEDC also recommends that the MSF delegate to the MSF Fund Manager the authority to negotiate the terms and conditions deemed necessary and appropriate to finalize all of the transaction documents with NRG and its investors and creditors to accomplish the NRG Requests and the MEDC/MSF Profit Sharing Arrangement Amendment (“Delegation to MSF Fund Manager for the NRG Transactions”);

WHEREAS, the MEDC recommended that the MSF Investment Subcommittee recommend approval of the NRG Requests and the Delegation to the MSF Fund Manager for the NRG Transactions; and

WHEREAS, the MSF Investment Subcommittee recommends that the MSF approve the NRG Requests and the Delegation to the MSF Fund Manager for the NRG Transactions.

NOW, THEREFORE, BE IT RESOLVED, the MSF approves the NRG Requests;

BE IF FURTHER RESOLVED, based on the recommendation of the MEDC and the MSF Investment Subcommittee, the MSF Board deems it necessary and appropriate, and desires, to approve the Delegation to the MSF Fund Manager for the NRG Transactions; and

BE IT FURTHER RESOLVED, the MSF Board approves the Delegation to the MSF Fund Manager for the NRG Transactions.

Ayes:

Nays:

Recused:

Lansing, Michigan
January 23, 2013



MEMORANDUM

DATE: January 23, 2013

TO: Michigan Strategic Fund (“MSF”) Board

FROM: Eric Hanna, MEDC – Director, Debt Capital Programs
Joseph Martin, MEDC – Manager, Community Revitalization and Brownfield Programs
Stacy Esbrook, MEDC – Community Assistance Team Specialist

SUBJECT: Approval of Michigan Community Revitalization Request for \$8,500,000 in Performance-based awards to:

Whitney Partners, LLC (“Applicant” or “Borrower”)
535 Griswold, Suite 2650
Detroit, Michigan 48226

MCRP PROGRAM AND ITS GUIDELINES

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

SOURCE OF INFORMATION

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

HISTORY OF THE APPLICANT

Whitney Partners, LLC is a commercial real estate development company formed for the purpose of redeveloping the David Whitney Building in Detroit. The entity is comprised of the Roxbury Group, LLC and Trans Inns Management. Roxbury Group, LLC is a Detroit-based real estate entity that has previously developed the Auburn, a mixed-use residential development in Detroit’s Midtown neighborhood and is near closing on the Globe Building, an interactive center in conjunction with the Michigan Department of Natural Resources. Trans Inns Management currently owns and/or operates 23 hotel and hospitality properties in 13 states across the United States.

The following individuals are considered owners, officers, directors, and/or managerial employees of the Applicant:

David DaRita, Roxbury Group	James Vosotas, Trans Inns Management
Stacy Fox, Roxbury Group	Daniel Vosotas, Trans Inns Management
James VanDyke, Roxbury Group	

The Applicant previously was awarded Brownfield MBT Credits valued at \$9,795,000 and State Historic Tax Credits valued at \$12,360,000 for the project.

Michigan Economic Development Corporation

PROJECT DESCRIPTION

The Applicant plans to renovate the historic 19-story David Whitney building property located at 1553 Woodward Avenue in the City of Detroit. The building will be renovated into 108 residential apartments, 135 Aloft hotel rooms, 7,000 square feet of retail space on the first floor and will restore access to the Detroit People Mover.

- a) The project is “functionally obsolete” and is “a historic resource” as authorized under the program. The Applicant plans to make an investment of \$82,537,141 to the project for interior demolition, building renovations, machinery and equipment and furniture and fixtures, as authorized under the program. The project will be located in the City of Detroit. The City of Detroit has offered a “staff, financial, or economic commitment to the project” in the form of an Obsolete Property Tax Abatement. The property received approval for an Obsolete Property Rehabilitation Certificate for 12-years.
- b) The project is located in a downtown or traditional commercial center. Preference was given to this project based on the significance of the historic building to Detroit’s Central Business District (“CBD”). The project will complement recent developments and trends within the CBD and the greater downtown area to create an opportunity to establish a densely populated and attractive, residential neighborhood. The attractiveness of this project will be bolstered by the many entertainment facilities within walking distance and other retail and dining amenities. The recent influx of several thousand new employees from Quicken Loans and affiliates, Blue Cross and Blue Shield, and others have seen an increase demand for residential housing that will be filled by the David Whitney Building.

FINANCING OPPORTUNITY – MCRP REQUEST

The Applicant is seeking two separate MCRP facilities from the MSF with a total value of up to \$8.5 million. The two MCRP facilities will coincide with the construction and permanent financing being undertaken by Bank of America. The first facility request is for an MSF Loan for up to \$7,500,000 and will be subordinate in payments and collateral to the senior note by Bank of America. Additionally, during the New Market and Federal Historic Tax Credit compliance periods it is anticipated that the MSF loan facility will be further subordinate to other lien holders and will require forbearance agreements. The MCRP loan is performance based and will not be funded until completion of the project, as defined in the written agreement. The senior note is proposed for \$4,300,000, with a five (5) year term at the conversion of Bank of America’s construction facility with an interest rate of 30 day LIBOR Daily Floating plus 400 basis points, subject to the bank’s final underwriting.

The second facility request is for a performance based MCRP grant of up to \$1,000,000 to Whitney Partners, LLC and is anticipated to come in at the time of closing of the construction loan. The grant will require full repayment upon any liquidation event as defined in the final agreement acceptable to the MSF Fund Manager and Senior Lender.

Whether the project is financially and economically sound:

The Project comes on the momentum of past successful development with the re-opening of the Book Cadillac and Fort Shelby Hotels and the delivery of the Broderick Tower. The Broderick Tower is a residential apartment project directly across Woodward Avenue from the subject property, the David Whitney Building. The Broderick is 98% pre-leased with rents 30% above the underwritten rates. This demonstrates exceptional demand for this type of product.

The project has significant cash flow to meet the debt service requirements of both the Senior Loan and the MSF loan and projects upon stabilization a cumulative Debt Service Coverage Ratio of 2.70x between

the hotel and residential apartment units. The project has an appraised value of over \$32 million, as stabilized.

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

Bank of America's underwriting has indicated that it only has interest in permanent debt to the extent it can be supported by the residential component and have indicated they would not participate with the MSF but would allow the MSF to write a fully subordinated loan. The loan to value of the Senior Lender and MSF note combined is just over 36%. Typical underwriting has loans sized between 70 and 80% of the appraised value of the property. The MCRP awards are needed to close the permanent funding gap that is not accessible in the private market.

MSF LOAN

Borrower: Whitney Partners, LLC

Senior Lender: Bank of America

MSF Loan Amount: Up to \$7,500,000 not to exceed 25% of Eligible Investment when combined with the MCRP Performance Based Grant

Interest Rate: Currently at 7%

Collateral: Real Estate Mortgage on Subject Property, subordinate. The final term and conditions of all collateral to be acceptable to the MSF Fund Manager, the Borrower, and the Senior Lender.

Guarantee: Currently contemplated to match but is subordinate to Senior Lender. The final terms and conditions of the Guarantee to be acceptable to the MSF Fund Manager, the Borrower, and the Senior Lender.

Term: Not to exceed 84 months.

Success Fee: Currently contemplated at 5% of the \$7,500,000 at any sale or refinance. The final term and conditions of the Success Fee to be acceptable to the MSF Fund Manager, the Borrower, and the Senior Lender.

Funding: Certificate of Occupancy and other performance criteria to be contained in final loan documents.

Repayment: Currently anticipated to include monthly payments of principle and interest amortized over a minimum of 20 years. On the maturity date, the entire outstanding balance of the loan is due.

MCRP PERFORMANCE BASED GRANT

Applicant: Whitney Partners, LLC

MSF Grant Amount: Up to \$1,000,000 not to exceed 25% of Eligible Investment when combined with the MSF Loan.

- Funding:** Upon closing of the construction financing and/or other conditions acceptable to the MSF Fund Manager and the Senior Lender.
- Repayment:** Currently proposed at 100% of the MCRP grant amount disbursed to project, plus additional repayment fees acceptable to the MSF Fund Manager and the Senior Lender.
- Guarantee:** The Borrower to provide the MSF will acceptable guarantors to be drawn in an event of default. The final term and conditions of the guarantee to be acceptable to the MSF Fund Manager, the Borrower, and the Senior Lender.

MICHIGAN STRATEGIC FUND CONSIDERATIONS

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

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

Located on the northwest corner of Detroit’s central business district and overlooking Grand Circus Park, the David Whitney building represents a critical component of the West District Redevelopment Initiative. This initiative, which includes the acquisition and repositioning of key assets within the district (the Farwell, Capitol Park and the United Way buildings), is the final and necessary step to the reestablishment of a fully viable downtown. This strategy has already begun to take hold with coordinated investments by stakeholders including Michigan State Housing Development Authority (“MSHDA”), Detroit Economic Growth Corporation (“DEGC”) and Invest Detroit in three Capitol Park buildings in late 2009.

The redevelopment of the district is critical, and the impact will have a meaningful catalytic affect on the neighborhood. The David Whitney building is the anchor development within the Capitol Park redevelopment initiative. At 19 stories, with prominent frontage on three major thoroughfares (Woodward, Park and Washington), the property represents a key gateway to the downtown. Its designation as a linkage point between the planned M-1 Rail Line and the Detroit People Mover makes the re-activation of the building critically important to the ongoing re-birth of the district.

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

The public will benefit from the project by increasing the aesthetic and economic viability of a historic district within the City of Detroit. It is anticipated that the completion of this project will draw attention from new developers and the availability of conventional financing back to Detroit.

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

The property received approval for an Obsolete Property Rehabilitation Certificate for a 12-year tax abatement.

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

The David Whitney building is listed on the State Register of Historic Sites and on the National Register of Historic Places. The building has been vacant for 13 years and the project will fully restore the building to functional use.

E. Creation of jobs:

The project is expected to create 50-75 permanent full time jobs related to the residential property management and the hotel portion of the project.

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

The project will be financed through a number of state and federal tax credits, New Markets Tax Credit (“NMTC”) equity, developer equity and traditional permanent debt. The project has secured the state brownfield credit as well as the state and federal historic tax credits. Bank of America is prepared to provide a bridge loan against those credits as well as participate as the NMTC equity investor. The project has also secured the necessary NMTC allocation of permanent debt funds from Bank of America.

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

The David Whitney is currently a vacant 19-story building. This project will add 108 market-rate residential apartments, 135 Aloft hotel rooms, 7,000 square feet of neighborhood retail and a ground floor connector to the People Mover.

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

The David Whitney project will anchor the northern-end of the Central Business District and will feature first floor retail, a boutique hotel and market-rate residential apartment units, creating a walkable and dense live/work environment.

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

The vacant building that will be rehabilitated as a result of this project is not public.

J. Whether the project promotes sustainable development:

Restoration of a historic building is considered to be a sustainable practice. Improvements to the energy efficiency of the building envelope will be made including wall and ceiling insulation and window restoration.

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

The David Whitney Building is listed on the State Register of Historic Sites and on the National Register of Historic Places.

L. Whether the project addresses area-wide redevelopment:

The David Whitney is located on the northwest corner of Detroit’s central business district and overlooks Grand Circus Park. The building represents a critical component of the West District Redevelopment Initiative. This initiative, which includes the acquisition and repositioning of key assets within the district (the Farwell, Capitol Park and the United Way buildings), is the final and necessary step to the reestablishment of a fully viable downtown. This strategy has already begun to take hold with coordinated investments by stakeholders including MSHDA, DEGC and Invest Detroit in three Capitol Park buildings in late 2009.

M. Whether the project addresses underserved markets of commerce:

Rental housing is in high demand in downtown Detroit, but there is a low stock of quality, market rate housing. This project will add 108 rental units that will fit with the market demand in terms of size and function. Additionally, the hotel portion of the project will add 135 rooms, which will support the entertainment and business traveler markets in downtown.

N. The level and extent of environmental contamination:

Any lead and/or asbestos found within the building and will be properly abated.

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

The David Whitney Building will be rehabilitated in accordance with the federal Secretary of the Interior's Standards.

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

This project will not compete with or affect any existing Michigan businesses.

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

There are no additional criteria for consideration.

INCENTIVE OPPORTUNITY

This project involves \$64,984,631 in eligible investment and total capital investment of up to \$82,537,141 in the City of Detroit. The requested incentive amount from the MSF totals \$8,500,000 in the form of performance based grant of \$1,000,000 and a performance-based loan of \$7,500,000

Please see below for more information on the recommended action.

RECOMMENDATIONS

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

- a) Approval of the MCRP Proposal as outlined above (collectively, "MCRP Proposal");
- b) Closing the MCRP Proposal, subject to available funding under the MCRP at the time of closing ("Available Funding"), completion of due diligence, the results of which are satisfactory to the MEDC (collectively, "Due Diligence"), finalization of all MCRP transaction documents, and further subject to the following terms and conditions:
 - a. Commitment will remain valid for 120 days with approval for MSF Fund Manager to extend the commitment an additional 30 days.

The MSF Incentive Subcommittee has indicated its support of the recommendation.

MICHIGAN STRATEGIC FUND

RESOLUTION 2013-

**APPROVAL OF A MICHIGAN COMMUNITY REVITALIZATION PROGRAM LOAN
AWARD TO WHITNEY PARTNERS, 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, as amended) to enable the Michigan Strategic Fund (“MSF”), to create and operate the Michigan Community Revitalization Program (“MCRP”) to provide incentives in the form of grants, loans and other economic assistance for redevelopment of communities in Michigan;

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

WHEREAS, on December 21, 2011, by Resolution 2011-185, the MSF (i) created the MCRP, (ii) adopted the guidelines for the MCRP, as later amended (“Guidelines”), and (iii) approved the MSF Fund Manager to negotiate the final terms and conditions of the written agreements to be used to memorialize MCRP awards on the MSF’S behalf in accordance with the Guidelines (“Transaction Documents”);

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

WHEREAS, Whitney Partners, LLC (“Company”) has requested a performance based loan of up to \$7.5 million (“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 has recommended to the MSF Incentive Subcommittee that the MSF approve the Company’s Award Request in accordance with the Term Sheet, subject to: (i) available funding, (ii) final due diligence performed to the satisfaction of the MEDC; and (iii) execution of the Transaction Documents within 120 days of the date of this Resolution (“Time Period”), or this Resolution shall have no effect; provided however, at the sole discretion of the MSF Fund Manager, the Time Period may be extended for up to an additional 30 days (“MCRP Award Recommendation”); and

WHEREAS, the MSF Incentive Subcommittee has indicated its support of the MCRP Award Recommendation.

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan
January 23, 2013

EXHIBIT A

MSF LOAN

- Borrower:** Whitney Partners, LLC
- Senior Lender:** Bank of America
- MSF Loan Amount:** Up to \$7,500,000 not to exceed 25% of Eligible Investment when combined with the MCRP Performance Based Grant
- Interest Rate:** Currently at 7%
- Collateral:** Real Estate Mortgage on Subject Property, subordinate. The final term and conditions of all collateral to be acceptable to the MSF Fund Manager, the Borrower, and the Senior Lender.
- Guarantee:** Currently contemplated to match but is subordinate to Senior Lender. The final terms and conditions of the Guarantee to be acceptable to the MSF Fund Manager, the Borrower, and the Senior Lender.
- Term:** Not to exceed 84 months.
- Success Fee:** Currently contemplated at 5% of the \$7,500,000 at any sale or refinance. The final term and conditions of the Success Fee to be acceptable to the MSF Fund Manager, the Borrower, and the Senior Lender.
- Funding:** Certificate of Occupancy and other performance criteria to be contained in final loan documents.
- Repayment:** Currently anticipated to include monthly payments of principle and interest amortized over a minimum of 20 years. On the maturity date, the entire outstanding balance of the loan is due.

MICHIGAN STRATEGIC FUND

RESOLUTION 2013-

**APPROVAL OF A MICHIGAN COMMUNITY REVITALIZATION PROGRAM GRANT
AWARD TO WHITNEY PARTNERS, 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, as amended) to enable the Michigan Strategic Fund (“MSF”), to create and operate the Michigan Community Revitalization Program (“MCRP”) to provide incentives in the form of grants, loans and other economic assistance for redevelopment of communities in Michigan;

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

WHEREAS, on December 21, 2011, by Resolution 2011-185, the MSF (i) created the MCRP, (ii) adopted the guidelines for the MCRP, as later amended (“Guidelines”), and (iii) approved the MSF Fund Manager to negotiate the final terms and conditions of the written agreements to be used to memorialize MCRP awards on the MSF’S behalf in accordance with the Guidelines (“Transaction Documents”);

WHEREAS, Whitney Partners, LLC (“Company”) has requested a performance based grant of up to \$1 million (“Grant Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”);

WHEREAS, coincident with the Grant Request, the Company is also requesting a loan award of up to \$7.5 million (“CRP Loan Award”) under the MCRP from the MSF;

WHEREAS, any approval of the CRP Loan Award shall be addressed by a separate resolution of the MSF;

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

WHEREAS, the MEDC has recommended to the MSF Incentive Subcommittee 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 (“MCRP Award Recommendation”); and

WHEREAS, the MSF Incentive Subcommittee has indicated its support of the MCRP Award Recommendation.

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan
January 23, 2013

EXHIBIT A

MCRP PERFORMANCE BASED GRANT

Applicant:	Whitney Partners, LLC
MSF Grant Amount:	Up to \$1,000,000 not to exceed 25% of Eligible Investment when combined with the MSF Loan.
Funding:	Upon closing of the construction financing and/or other conditions acceptable to the MSF Fund Manager and the Senior Lender.
Repayment:	Currently proposed at 100% of the MCRP grant amount disbursed to project, plus additional repayment fees acceptable to the MSF Fund Manager and the Senior Lender.
Guarantee:	The Borrower to provide the MSF will acceptable guarantors to be drawn in an event of default. The final term and conditions of the guarantee to be acceptable to the MSF Fund Manager, the Borrower, and the Senior Lender.



MEMORANDUM

DATE: January 23, 2012

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

FROM: Joshua Hundt, Manager – Development Finance

SUBJECT: Approval of Michigan Business Development Request for \$2,000,000
Performance-based Grant to:

Norplas Industries, Inc. (“Applicant” or “Company”)
7825 Caple Boulevard
Northwood, Ohio 43619
www.magna.com

MBDP PROGRAM AND ITS GUIDELINES

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

SOURCE OF INFORMATION

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

HISTORY OF THE APPLICANT

Norplas Industries, Inc. (“Norplas”) is a subsidiary Magna International, Inc. which represents itself as the world’s most diversified automotive supplier. Magna International, Inc. designs, develops, and manufactures automotive systems, assemblies, modules and components, and engineers and assembles complete vehicles, primarily for sale to the car and light truck OEMs.

Magna International, Inc. and its subsidiaries currently have approximately 8,000 employees in Michigan. Norplas doesn’t have any employees in Michigan.

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

PROJECT DESCRIPTION

The Applicant plans to open a new operation in Michigan, make investments and create jobs related to growing its manufacturing capacity. In Delta Township the company plans to establish a new state of the art robotic paint line and injection molding process. In Brownstown Township the company intends to establish a new operation for light assembly and sequencing for Ford Fusion front end modules.

- a) The Applicant is a “Qualified Business”, as defined in MCL 125.2088r(9)(b), that will locate and operate in Michigan.
- b) The project will be located in Delta Township and Brownstown Township. The municipalities have offered a “staff, financial, or economic commitment to the project” in the form of property tax abatements.
- c) The Applicant has demonstrated a need for the funding based on competitive economic development packages from sites in Northwood, Ohio; Nashville, Illinois; and Toledo, Ohio.
- d) The Applicant plans to create 620 Qualified New Jobs above a statewide base employment level of 0.
- e) The project meets the program guidelines as follows: the proposed project involves the prospect of near-term job creation with support from the MSF and a significant level of capital investment. Additionally, this project involves out-of-state competition and is projected to result in a net positive return on investment for the State of Michigan.

INCENTIVE OPPORTUNITY

This project involves the creation of 620 Qualified New Jobs, with the potential for total job creation of 658, and a capital investment of up to \$81,750,900 in Delta Township and Brownstown Township. The requested incentive amount from the MSF is \$2,000,000 in the form of a performance-based grant. Please see below for more information on the recommended action.

RECOMMENDATIONS

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

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

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

MICHIGAN STRATEGIC FUND

RESOLUTION 2013-

**APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT TO
NORPLAS INDUSTRIES INC.**

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

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

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

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

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

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

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

WHEREAS, the MSF Incentive Subcommittee has indicated its support of the MBDP Award Recommendation.

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan
January 23, 2013



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").

Date: 12/26/2012

- 1. Company Name: Norplas Industries, Inc. ("Company" or "Applicant")
2. Company Address: 7825 Caple Boulevard Northwood, Ohio 43619
3. Project Address ("Project"): Mt. Hope Highway Delta Township, Michigan
And
17800 Dix-Toledo Highway Brownstown, Michigan 48193
4. MBDP Incentive Type: Performance Based Grant
5. Maximum Amount of MBDP Incentive: Up to \$2,000,000 ("MBDP Incentive Award")
6. 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.
7. Total Qualified New Job Creation: 620 The minimum number of total Qualified New Jobs the Company shall be required to create in Michigan (above the Base Employment Level), in addition to satisfying other milestones if

applicable, to be minimally eligible to receive the full amount of the MBDP Incentive Award. Each Qualified New Job must be performed for consideration by a Michigan resident (whose Michigan income taxes are withheld as required), and each Qualified New Job must be in excess of the Base Employment Level. The final terms and conditions of the requirements for the minimum number of Qualified New Jobs that must be created, including provisions addressing disbursements of portions of the MBDP Incentive Award, shall be included in the final Agreement.

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

8. Company Investment: *Up to \$81,750,485 in land costs, new construction, lease costs, leasehold improvements, machinery & equipment, furniture & fixtures, computers, pollution control equipment, special tooling, or any combination thereof, for the Project.*

9. Municipality supporting the Project: Delta Township and Brownstown Township

a. Municipality Support. One of the conditions of execution of the final Agreement is the requirement that both the municipalities shall have committed to provide a property tax abatement in support of the project. The final terms and conditions demonstrating this support shall be included in the final Agreement.

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

a. Disbursement Milestone 1: Up to \$630,000 Upon demonstrated creation of 210 Qualified New Jobs above the Base Employment Level and verification of final approval of municipality support by no later than December 31, 2013.

b. Disbursement Milestone 2: Up to \$870,000 Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 290 additional Qualified New Jobs above the Base Employment Level, by no later than December 31, 2014.

c. **Disbursement Milestone 3:** Up to \$500,000 Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, and upon demonstrated creation of 120 additional Qualified New Jobs above the Base Employment Level, by no later than December 31, 2015.

11. Term of Agreement: Execution of Agreement to December 31, 2017

12. Repayment Provisions:

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

13. Reporting Requirements:

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

14. Public Announcements:

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

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

If the Company is interested in the MEDC pursuing a recommendation to the MSF for a possible MBDP Incentive Award for the Company along the above parameters, please sign and date this Term Sheet. If the MEDC does not receive the signed Term Sheet from the Company by December 28, 2012, the MEDC may not be able to proceed with any recommendation to the MSF.

Norplas Industries, Inc.

By: G. Burrow
Its: GENERAL MANAGER
Dated: 01/03/13

Printed Name: GRAHAM BURROW

Acknowledged as received by:

Michigan Economic Development Corporation

By: J. S. Hunt
Its: Manager - Development Finance
Dated: 1/9/13

Printed Name: Joshua Hunt



MEMORANDUM

DATE: January 23, 2013

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

FROM: Joshua Hundt, Manager – Development Finance

SUBJECT: Approval of Michigan Business Development Request for \$1,600,000 Performance-based Grant to:

Dieomatic Incorporated DBA Cosma Casting Michigan (“Applicant” or “Company”)
10 Clark Road North
Battle Creek, Michigan 49037
www.magna.com

MBDP PROGRAM AND ITS GUIDELINES

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

SOURCE OF INFORMATION

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

HISTORY OF THE APPLICANT

Dieomatic Incorporated DBA Cosma Casting Michigan (“Cosma Casting”) is a subsidiary Magna International, Inc. which represents that it is the world’s most diversified automotive supplier. Magna International, Inc. designs, develops, and manufactures automotive systems, assemblies, modules and components, and engineers and assembles complete vehicles, primarily for sale to the car and light truck OEMs.

Magna International, Inc. and its subsidiaries currently have approximately 8,000 employees in Michigan. Cosma Casting doesn’t have any employees in Michigan.

Dieomatic Inc. DBA P&F Systems was awarded a \$690,000 Michigan Business Development Program Grant by the Michigan Strategic Fund on September 28, 2012.

PROJECT DESCRIPTION

The Applicant plans to open a new operation in Michigan, make investments and create jobs related to a new major sourcing contract to supply components and systems to a major automotive OEM.

- a) The Applicant is a “Qualified Business”, as defined in MCL 125.2088r(9)(b), that is located and operates in Michigan.
- b) The project will be located in City of Battle Creek. The City of Battle Creek has offered a “staff, financial, or economic commitment to the project” in the form of property tax abatements under PA 198 of 1974 and PA 328 of 1998.
- c) The Applicant has demonstrated a need for the funding based on competitive economic development incentive packages from sites in Ontario, Canada; Louisville, Kentucky; Toledo, Ohio; and Greenville, South Carolina.
- d) The Applicant plans to create 500 Qualified New Jobs above a statewide base employment level of 0.
- e) The project meets the program guidelines as follows: the proposed project involves the project will result in the re-use of an existing facility and is expected to involve significant investment and near-term job creation. The project involves out of state competition and is projected to result in a net positive return for the State of Michigan.

INCENTIVE OPPORTUNITY

This project involves the creation of 500 Qualified New Jobs, with the potential to create up 527 total jobs, and a capital investment of up to \$162,072,542 in the City of Battle Creek. The requested incentive amount from the MSF is \$1,600,000 in the form of a performance-based grant. Please see below for more information on the recommended action.

RECOMMENDATIONS

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

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

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

MICHIGAN STRATEGIC FUND

RESOLUTION 2013-

**APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT TO
DIEOMATIC INCORPORATED DBA COSMA CASTING MICHIGAN**

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

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

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

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

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

WHEREAS, Dieomatic Incorporated DBA Cosma Casting Michigan (“Company”) has requested a performance based MBDP grant of up to \$1,600,000 (“Grant Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”);

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

WHEREAS, the MSF Incentive Subcommittee has indicated its support of the MBDP Award Recommendation.

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan
January 23, 2013



**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: 12/18/2012

- 1. Company Name:** Dieomatic Incorporated DBA Cosma Casting Michigan ("Company" or "Applicant")
- 2. Company Address:** 10 Clark Road North ("Project")
Battle Creek, Michigan 49037
- 3. MBDP Incentive Type:** Performance Based Grant
- 4. Maximum Amount of MBDP Incentive:** Up to \$1,600,000 ("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 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:** 500 The minimum number of total Qualified New Jobs the Company shall be required to create in at the Project (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
(*above Base Employment Level*)

number of Qualified New Jobs that must be created, including provisions addressing disbursements of portions of the MBDP Incentive Award, shall be included in the final Agreement.

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

7. **Company Investment:** *Up to \$162,072,542 in purchase of an existing building, building renovations, machinery & equipment, furniture & fixtures, computer, or any combination thereof, for the Project.*

8. **Municipality supporting the Project:** City of Battle Creek

a. **Municipality Support.** One of the conditions of execution of the final Agreement is the requirement that the municipality shall have committed to provide a property tax abatement in support of the Project. The final terms and conditions demonstrating this support shall be included in the final Agreement.

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

a. **Disbursement Milestone 1:** Up to \$200,000 Upon demonstrated creation of 55 Qualified New Jobs above the Base Employment Level and verification of final approval of municipality support by no later than December 31, 2013.

b. **Disbursement Milestone 2:** Up to \$600,000 Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 195 additional Qualified New Jobs above the Base Employment Level, by no later than December 31, 2014.

c. **Disbursement Milestone 3:** Up to \$800,000 Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, and upon demonstrated creation of 250 additional Qualified New Jobs above the Base Employment Level, by no later than December 31, 2015.

10. **Term of Agreement:** Execution of Agreement to December 31, 2017

11. Repayment Provisions:

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

12. Reporting Requirements:

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

13. Public Announcements:

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

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

If the Company is interested in the MEDC pursuing a recommendation to the MSF for a possible MBDP Incentive Award for the Company along the above parameters, please sign and date this Term Sheet. If the MEDC does not receive the signed Term Sheet from the Company by December 21, 2012, the MEDC may not be able to proceed with any recommendation to the MSF.

Dieomatic Incorporated DBA Cosma Casting Michigan

By: Maufred Moser

Printed Name: MAUFRED MOSER

Its: Vice President

Dated: December 21, 2012

Acknowledged as received by:

Michigan Economic Development Corporation

By: Joe E. Hunt

Printed Name: Joshua E. Hunt

Its: manager- Development Finance

Dated: 12/26 / 12



MEMORANDUM

DATE: January 23, 2013

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

FROM: Kenneth Murdoch, Development Finance Manager

SUBJECT: Approval of Michigan Business Development Request for \$2,000,000
Performance-based grant to:

Moran Iron Works, Inc. (“Applicant” or “Company”)
11739 M68
Onaway, Michigan
www.moraniron.com

MBDP PROGRAM AND ITS GUIDELINES

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

SOURCE OF INFORMATION

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

HISTORY OF THE APPLICANT

Moran Iron Works, Inc. is a custom fabrication facility that has been designing, developing and manufacturing custom large metal modular components since 1978. The company’s customers include Mining, Marine Steel, Cement, Power Generation, Green House Gas Reduction and Pollution Control industries.

The Applicant previously benefitted from a High Wire Corridor project which was funded with \$580,000 of Community Development Block Grant funds. This project was completed in 2003 and has been successfully closed out.

PROJECT DESCRIPTION

The Applicant has the opportunity to produce larger modules and components. For them to produce these larger products they need to expand their facility in the City of Onaway, Michigan and make dock and facility improvements at the Port of Calcite in Rogers City, Michigan. The

Michigan Economic Development Corporation

company plans to invest over \$16 million in building and port improvements and create 75 jobs related to fabrication of custom metal products.

- a) The Applicant is a “Qualified Business”, as defined in MCL 125.2088r(9)(b), that is located and operates in Michigan.
- b) The project will be located in City of Onaway and Rogers City, Michigan. The County has offered a financial commitment to the project in the form of a purchase of a boom crawler crane to be used at the Port of Calcite. The County will agree to lease the crane to Moran Iron Works and other Port of Calcite businesses for 10 years. At the end of 10 years Moran Iron Works will have the option to purchase the crane for the sum of \$1. The estimated value of the crane is \$4 million.
- c) The Applicant has demonstrated a need for the funding based on the need for the Port of Calcite to be improved and the company to have access to a larger crane which will allow them to load the large modules and components onto ships. Without these improvements the company will be unable to meet customer demand.
- d) The Applicant plans to create 75 Qualified New Jobs above a statewide base employment level of 89.
- e) The project meets the program guidelines as follows: the proposed project is expected to create job creation and investment to begin immediately has a net positive return to Michigan and the project is located in a distressed area.

INCENTIVE OPPORTUNITY

This project involves the creation of 75 Qualified New Jobs and a capital investment of up to \$16 million in the village of Onaway and Rogers City. The requested incentive amount from the MSF is \$2 million in the form of a performance-based grant. Please see below for more information on the recommended action.

RECOMMENDATIONS

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

- a) Approval of the MBDP Proposal as outlined in the term sheet attached to the proposed Resolution (collectively, “MBDP Proposal”);
- b) Closing the MBDP Proposal, subject to available funding under the MBDP at the time of closing (“Available Funding”), satisfactory completion of due diligence, (collectively, “Due Diligence”), finalization of all MBDP transaction documents, and further subject to the following terms and conditions:
 - a. Commitment will remain valid for 90 days with approval for MSF Fund Manager to extend the commitment an additional 30 days.

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

MICHIGAN STRATEGIC FUND

RESOLUTION 2012-

**APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT TO
MORAN IRON WORKS, 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, (ii) adopted the guidelines for the MBDP (“Guidelines”), and (iii) approved the MSF Fund Manager to negotiate the final terms and conditions of the written agreements to be used to memorialize MBDP awards on the MSF’S behalf in accordance with the Guidelines (“Transaction Documents”);

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

WHEREAS, Moran Iron Works, Inc. (“Company”) has requested a performance based MBDP grant of up to \$2 million , along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”);

WHEREAS, the MEDC has recommended to the MSF Incentive Subcommittee 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 90 days of the date of this Resolution (“Time Period”), or this Resolution shall have no effect; provided however, at the sole discretion of the MSF Fund Manager, the Time Period may be extended for up to an additional 30 days (“MBDP Award Recommendation”); and

WHEREAS, the MSF Incentive Subcommittee has indicated its support of the MBDP Award Recommendation.

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan
January 23, 2013



**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: 12/21/2012

1. **Company Name:** Moran Iron Works, Inc. ("Company" or "Applicant")

2. **Company Address:** 11739 M68
Onaway, Michigan 49765

3. **Project Address ("Project");** 1035 Calcite Road
if different than above Rogers City, Michigan 49779

11739 M68
Onaway, Michigan 49765

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

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

6. **Base Employment Level** 89 The number of jobs currently maintained in Michigan by the Company based on data submitted by the Company to the MEDC reflecting the Company's statewide employment level in Michigan prior to the proposed project. The Base Employment Level, including identification of the Company data used to establish this level, shall be included in the final MBDP Incentive Award agreement ("Agreement") between the MSF and the Company.

7. **Total Qualified New Job Creation:** 75 The minimum number of total Qualified New
(above Base Employment Level) Jobs the Company shall be required to create in Michigan (above the Base Employment Level), in addition to satisfying other milestones if applicable, to be minimally eligible to receive the full amount of the MBDP Incentive Award. Each

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

a. **Start Date for Measurement of Creation of Qualified New Jobs:** Signed Terms Sheet (12-21-12)

8. **Company Investment:** \$16,224,911, consisting of building construction, building renovations, leasehold improvements, workforce development, machinery and equipment.

9. **Municipality supporting the Project:** Presque Isle County

a. **Municipality Support.** One of the conditions of execution of the final Agreement is the requirement that the municipality shall have purchased a crane to be used at the Port of Calcite. The final terms and conditions demonstrating this support shall be included in the final Agreement.

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

a. **Disbursement Milestone 1:** Up to \$1,000,000 Upon demonstrated creation of 34 Qualified New Jobs above the Base Employment Level and verification of final approval of municipality support by no later than December 31, 2013.

b. **Disbursement Milestone 2:** Up to \$1,000,000 Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 41 additional Qualified New Jobs above the Base Employment Level, by no later than December 31, 2014.

11. **Term of Agreement:** Execution of Agreement to December 31, 2016.

12. Repayment Provisions:

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

13. Reporting Requirements:

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

14. Public Announcements:

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

Any final MBDP Incentive Award is contingent upon several factors, including: (i) submission by the Company of a completed application and all other documentation required under the MBDP (ii) satisfactory municipality support (iii) available MSF funding (iv) completion of financial review, business integrity review, required background checks, and other business and legal review and due diligence as required, and the results of which must be satisfactory 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 December 26, 2012, the MEDC may not be able to proceed with any recommendation to the MSF.

COMPANY NAME

By:



Printed Name:

THOMAS MORAN

Its:

Founder/CEO/PRESIDENT

Dated:

12.21.12

Acknowledged as received by:

Michigan Economic Development Corporation

By: Kenneth Murdoch

Printed Name: Kenneth Murdoch

Its: Development Finance Manager

Dated: 12-21-12



MEMORANDUM

DATE: January 23, 2013

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

FROM: Trevor Friedeberg, Development Finance Analyst

SUBJECT: Approval of Michigan Business Development Request for \$5.3 million Performance-based Grant to:

Lenawee Stamping Corporation (“Applicant” or “Company”)
1200 East Chicago Boulevard
Tecumseh, Michigan 49286

MBDP PROGRAM AND ITS GUIDELINES

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

SOURCE OF INFORMATION

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

HISTORY OF THE APPLICANT

Lenawee Stamping Corporation (LSC) was incorporated on August 20, 1987 in the State of Michigan. The company produces metal stamping and welded fabrications and assemblies for automobile bodies and substructures. LSC’s major customers include Auto Alliance International located in Flat Rock, MI and Navistar with operations in Ohio, Indiana and Ontario. LSC is a 100% wholly owned subsidiary of VRL Inc., a Michigan corporation.

This project has two separate aspects to it. The first aspect will cover multiple programs to Lenawee Stamping, in Tecumseh, Michigan, over the period of 2013-2014, which include underbody parts for GM plants in Michigan and Indiana as well as welded assemblies for shipment to Faurecia and AAI in Michigan. The total job creation from this aspect of the project is projected to be 272.

The second aspect to this Project (location to be determined) will be the creation by VRL of a new subsidiary within the State of Michigan that will produce similar metal stampings and

Michigan Economic Development Corporation

welded assemblies as LSC. The total job creation from this aspect of the project is projected to be 258. This portion of the project is more in flux as it relates to who will actually be hiring the jobs. There is a chance jobs will be partially or wholly created under the Applicant name versus the new subsidiary.

INCENTIVE HISTORY

The Company has received two MEGA tax credits in the past. On December 13, 2011, the MEGA Board agreed to amend the company's MEGA Tax Credit (Resolution 2011-143) to increase the jobs number and consolidate the previously awarded tax credits into the 80% seven year Standard jobs tax credit. This amendment allowed the company to increase the number of qualified new jobs from 81 to 287, which captured the 78 jobs associated with the MEGA credit approved on April 20, 2010 and an additional 128 qualified new jobs expected as a result of the project under consideration at that time.

The company has agreed to forego the remainder of their existing MEGA credit, valued at \$2,106,000, if awarded the MBDP Grant.

PROJECT DESCRIPTION

The Applicant plans to expand in Michigan, make investments and create jobs related to the manufacturing of automotive parts and metal stampings.

- a) The Applicant is a "Qualified Business", as defined in MCL 125.2088r(9)(b), that is located and operates in Michigan.
- b) The project will be located in the City of Tecumseh and a location yet to be determined. The City of Tecumseh has offered a "staff, financial, or economic commitment to the project" in the form of a tax abatement under PA 328 for 7 years, with an estimated value of \$1,316,000.
- c) The Applicant has demonstrated a need for the funding based on higher labor costs as well as competitive economic development incentive packages being offered by other states and municipalities.
- d) The Applicant plans to create 250 Qualified New Jobs above a statewide base employment level of 541. Additionally, the newly formed entity plans to create 200 new jobs at a location yet to be determined.
- e) The Applicant plans to invest \$18 million in machinery & equipment and building renovations as the Qualified Investment. The Qualified Investment is a portion of the \$31 million capital investment the Company plans to undertake as part of this project.
- f) The project meets the program guidelines as follows: the proposed project involves out-of-state competition; has a net positive return to Michigan; has the prospect of near-term job creation; and has strong links to Michigan suppliers.

INCENTIVE OPPORTUNITY

This project involves the creation of 250 Qualified New Jobs by the Applicant and an additional 200 new jobs to be created by either the new subsidiary or the Applicant, depending on the final decision by VRL. The total capital investment for the project is \$30,682,381, of which \$18 million will be required as a Qualified Investment. The requested incentive amount from the MSF is \$5.3 million in the form of a performance-based grant. Please see below for more information on the recommended action.

RECOMMENDATIONS

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

- a) Approval of the MBDP Proposal as outlined in the term sheet attached to the proposed Resolution (collectively, "MBDP Proposal");
- b) Closing the MBDP Proposal, subject to available funding under the MBDP at the time of closing ("Available Funding"), satisfactory completion of due diligence, (collectively, "Due Diligence"), finalization of all MBDP transaction documents, and further subject to the following terms and conditions:
 - a. Commitment will remain valid for 120 days with approval for MSF Fund Manager to extend the commitment an additional 60 days.
- c) The Company sets aside the MEGA Tax Credit approved under Resolution 2011-143.

MICHIGAN STRATEGIC FUND

RESOLUTION 2013-

**APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT TO
LENAWEE STAMPING 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, (ii) adopted the guidelines for the MBDP (“Guidelines”), and (iii) approved the MSF Fund Manager to negotiate the final terms and conditions of the written agreements to be used to memorialize MBDP awards on the MSF’S behalf in accordance with the Guidelines (“Transaction Documents”);

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

WHEREAS, Lenawee Stamping Corporation (“Company”) has requested a performance based MBDP grant of up to \$5.3 million (“Grant Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”);

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

WHEREAS, the MSF Incentive Subcommittee has indicated its support of the MBDP Award Recommendation.

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan
January 23, 2013



**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: 1/9/2013 (Revised from 1/4/13)

- 1. Company Name:** Lenawee Stamping Corporation ("Company" or "Applicant")

- 2. Company Address:** 1200 East Chicago Boulevard
Tecumseh, Michigan 19286

- 3. Project Address ("Project"):** 1200 East Chicago Boulevard
Tecumseh, Michigan 19286
if different than above

**Project can be amended to include a second facility once that location is determined.*

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

- 5. Maximum Amount of MBDP Incentive:** Up to \$5,300,000 ("MBDP Incentive Award")

- 6. Base Employment Level** 541 The number of jobs currently maintained in Michigan by the Company based on data submitted by the Company to the MEDC reflecting the Company's statewide employment level in Michigan prior to the proposed project. The Base Employment Level, including identification of the Company data used to establish this level, shall be included in the final MBDP Incentive Award agreement ("Agreement") between the MSF and the Company.

- 7. Total Qualified New Job Creation:** 250 The minimum number of total Qualified New Jobs the Company shall be required to create in Michigan (above the Base Employment Level), in addition to satisfying other milestones if applicable, to be minimally eligible to receive the full amount of the MBDP Incentive Award. Each
(above Base Employment Level)

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

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

b. **Total Additional Jobs Required by Company or Related Entity:** 200 ("Related Entity" will be defined upon amendment to Agreement, once the entity is formed and Company requests amendment.) This is the total number of new jobs in addition to what is currently in Michigan or the Qualified New Jobs defined above required by the Company or the Related Entity to be minimally eligible to receive the full amount of the MBDP Incentive Award.

8. **Company Investment:** *\$30,682,381 for building renovations, machinery and equipment, furniture and fixtures, computers, or any combination thereof, for the Project by the Company or Related Entity.*

9. **Qualified Investment:** \$18,000,000 The total minimum amount of the required Investment in Michigan by the Company and/or the Related Entity related to the project, which at a minimum must include the following: Machinery and equipment and building renovations no later than December 31, 2014 as outlined in the Milestones below ("Qualified Investment"). The final terms and conditions of the Qualified Investment shall be included in the final Agreement.

10. **Municipality supporting the Project:** City of Tecumseh

a. **Municipality Support.** One of the conditions of execution of the final Agreement is the requirement that the municipality shall have committed to provide: The City of Tecumseh is willing to provide a 7 year PA 328. The final terms and conditions demonstrating this support shall be included in the final Agreement.

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

- a. **Disbursement Milestone 1:** Up to \$2,300,000 Upon demonstrated creation of 100 Qualified New Jobs above the Base Employment Level, verification of a minimum of \$10 million in Qualified Investment, and verification of final approval of municipality support by no later than December 31, 2014.

- b. **Disbursement Milestone 2:** Up to \$2,000,000 Upon completion of Disbursement Milestone 1, verification of an additional \$8 million (\$18 million cumulative) of Qualified Investment, creation of 150 additional Qualified New Jobs (250 cumulative) above the Base Employment Level, and verification that the Company has created or caused the creation of an additional 50 jobs by the Related Entity, not inclusive of the 150 additional Qualified New Jobs described above, by no later than December 31, 2015.

- c. **Disbursement Milestone 3:** Up to \$1,000,000 Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, and upon verification that the Company has created or caused the creation of an additional 150 new jobs (200 cumulative) by the Related Entity by no later than December 31, 2016.

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

13. Repayment Provisions:

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

14. Reporting Requirements:

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

15. Public Announcements:

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

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

If the Company is interested in the MEDC pursuing a recommendation to the MSF for a possible MBDP Incentive Award for the Company along the above parameters, please sign and date this Term Sheet. If the MEDC does not receive the signed Term Sheet from the Company by January 11, 2013, the MEDC may not be able to proceed with any recommendation to the MSF.

Lenawee Stamping Corporation

By: Christopher L. Johnson

Printed Name: Christopher L. Johnson

Its: Controller

Dated: 1-11-13

Acknowledged as received by:

Michigan Economic Development Corporation

By: Trevor Friedberg

Printed Name: Trevor Friedberg

Its: Development Finance Analyst

Dated: 1-14-2013



MEMORANDUM

DATE: January 23, 2013

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

FROM: Marcia Gebarowski, Senior Development Finance Manager

SUBJECT: Approval of Michigan Business Development Request for \$1,540,000
Performance-based Grant to:

Denso International America Incorporated (“Applicant” or “Company”)
24777 Denso Drive
Southfield, Michigan 48086
www.densocorp-na.com

MBDP PROGRAM AND ITS GUIDELINES

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

SOURCE OF INFORMATION

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

HISTORY OF THE APPLICANT

Denso International America, Inc. (DIAM) was founded in December 1985 as Nippondenso America, Inc. and is the North American regional headquarters of Denso Corporation. DIAM is responsible for original equipment (OE) sales, product engineering, technical support, finance, and other functions for the North America region. DIAM supports design, engineering and testing for powertrain, climate control, body electronics, driving control and safety automotive products.

Denso Manufacturing Michigan, Inc. (a subsidiary) will be presented to the Michigan Strategic Fund Board on January 23, 2013 for a \$1,460,000 Michigan Business Development Program Grant.

PROJECT DESCRIPTION

The Applicant plans to expand its new product research and development operations in Michigan, make investments and create jobs related to motor vehicle parts manufacturing.

- a) The Applicant is a “Qualified Business”, as defined in MCL 125.2088r(9)(b), that is located and operates in Michigan.
- b) The project will be located in City of Southfield. The City of Southfield has offered a “staff, financial, or economic commitment to the project” in the form of property tax abatements under PA 328 of 1998 for five years. The estimated value of this abatement is \$1.5 million.
- c) The Applicant has demonstrated a need for the funding based on Denso having a majority of its new product R&D conducted in Japan where this new work would typically be placed, as well as competitive incentive packages offered from existing Denso facilities in Tennessee.
- d) The Applicant plans to create 176 Qualified New Jobs above a project site (2477 Denso Drive, Southfield MI) base employment level of 851.
- e) The project meets the program guidelines as follows: the proposed project involves the project will result in the re-use of an existing facility and is expected to involve significant investment and near-term job creation. The project involves out of state competition and is projected to result in a net positive return for the State of Michigan.

INCENTIVE OPPORTUNITY

This project involves the creation of 176 Qualified New Jobs and a capital investment of up to \$45,700,000 in the City of Southfield. The requested incentive amount from the MSF is \$1,540,000 in the form of a performance-based grant. Please see below for more information on the recommended action.

RECOMMENDATIONS

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

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

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

MICHIGAN STRATEGIC FUND

RESOLUTION 2013-

**APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT TO
DENSO INTERNATIONAL AMERICA INCORPORATED**

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

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

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

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

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

WHEREAS, Denso International America Incorporated (“Company”) has requested a performance based MBDP grant of up to \$1,540,000 (“Grant Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”);

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

WHEREAS, the MSF Incentive Subcommittee has indicated its support of the MBDP Award Recommendation.

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan
January 23, 2013

EXHIBIT A



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: 12/20/2012

1. **Company Name:** Denso International America, Inc. ("Company" or "Applicant")
2. **Company Address ("Project"):** 24777 Denso Drive
Southfield, MI 48086
3. **MBDP Incentive Type:** Performance Based Grant
4. **Maximum Amount of MBDP Incentive:** Up to \$1,540,000 ("MBDP Incentive Award")
5. **Base Employment Level** 851 The number of jobs currently maintained at the Project (2477 Denso Drive, Southfield, MI) by the Company based on data submitted by the Company to the MEDC reflecting the Company's employment level at the Project prior to the proposed project. The Base Employment Level, including identification of the Company data used to establish this level, shall be included in the final MBDP Incentive Award agreement ("Agreement") between the MSF and the Company.
6. **Total Qualified New Job Creation:** 176 The minimum number of total Qualified New Jobs the Company shall be required to create in Michigan (above the Base Employment Level), in addition to satisfying other milestones if applicable, to be minimally eligible to receive the full amount of the MBDP Incentive Award. Each Qualified New Job must be performed for consideration by a Michigan resident (whose Michigan income taxes are withheld as required), and each Qualified New Job must be in excess of the Base Employment Level. The final terms and
(above Base Employment Level)

conditions of the requirements for the minimum number of Qualified New Jobs that must be created, including provisions addressing disbursements of portions of the MBDP Incentive Award, shall be included in the final Agreement.

- a. **Start Date for Measurement of Creation of Qualified New Jobs:** Date of Fully Executed Terms

7. **Company Investment:** \$45,700,000 in building renovations, machinery and equipment and other personal property, or any combination thereof, for the Project.

8. **Municipality supporting the Project:** City of Southfield

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

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

- a. **Disbursement Milestone 1:** Up to \$500,000 Upon demonstrated creation of 60 Qualified New Jobs above the Base Employment Level and verification of final approval of municipality support by no later than December 31, 2013.
- b. **Disbursement Milestone 2:** Up to \$540,000 Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 63 additional Qualified New Jobs above the Base Employment Level, by no later than December 31, 2014.
- c. **Disbursement Milestone 3:** Up to \$500,000 Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, and upon demonstrated creation of 53 additional Qualified New Jobs above the Base Employment Level, by no later than December 31, 2015.

10. Term of Agreement:

Execution of Agreement to December 31, 2017

11. Repayment Provisions:

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

12. Reporting Requirements:

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

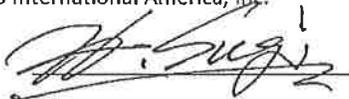
13. Public Announcements:

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

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

If the Company is interested in the MEDC pursuing a recommendation to the MSF for a possible MBDP Incentive Award for the Company along the above parameters, please sign and date this Term Sheet. If the MEDC does not receive the signed Term Sheet from the Company by December 21, 2012, the MEDC may not be able to proceed with any recommendation to the MSF.

Denso International America, Inc.

By: 

Printed Name: HIKARU SUGI

Its: PRESIDENT + CEO

Dated: 12.21.12

Acknowledged as received by:

Michigan Economic Development Corporation

By:



Printed Name:

Marcia Gebarewski

Its:

Suviden. Fin Mgr

Dated:

12/21/12



MEMORANDUM

DATE: January 23, 2013

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

FROM: Marcia Gebarowski, Senior Development Finance Manager

SUBJECT: Approval of Michigan Business Development Request for \$1,460,000
Performance-based Grant to:

Denso Manufacturing Michigan Incorporated (“Applicant” or “Company”)
One Denso Road
Battle Creek, Michigan 49037
www.densocorp-na.com

MBDP PROGRAM AND ITS GUIDELINES

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

SOURCE OF INFORMATION

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

HISTORY OF THE APPLICANT

DENSO Manufacturing Michigan, Inc. (DMMI) was founded November 1, 1984 and started production more than 25 years ago. DMMI was Denso Corporations’ first manufacturing facility in North America and is a subsidiary of Denso International America, Inc. The company occupies 1.29 million square feet of manufacturing and administrative space in the Fort Custer Industrial Park in Battle Creek. DMMI produces automotive air conditioning and engine cooling components and systems, including condensers, radiators, CRFMs (condenser, radiator, fan modules), heater cores, evaporators and HVAC units. DMMI supplies the global automotive industry including Toyota, Honda, General Motors, Chrysler, Ford, Fiat, Subaru, and Mitsubishi.

Denso International America, Inc. (parent company) will be presented to the Michigan Strategic Fund Board on January 23, 2013 for a \$1,540,000 Michigan Business Development Program Grant.

Michigan Economic Development Corporation

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

PROJECT DESCRIPTION

The Applicant plans to expand its new product research and development operations in Michigan, make investments and create jobs related to motor vehicle parts manufacturing.

- a) The Applicant is a “Qualified Business”, as defined in MCL 125.2088r(9)(b), that is located and operates in Michigan.
- b) The project will be located in City of Battle Creek. The City of Battle Creek has offered a “staff, financial, or economic commitment to the project” in the form of property tax abatements under PA 198 of 1974 for twelve years. The estimated value of this abatement is \$1.5 million.
- c) The Applicant has demonstrated a need for the funding. The Company operates thermal products manufacturing facilities in Osceola, Arkansas and Guelph, Ontario, and is constructing a new facility in Silao, Guanajuato, Mexico. Each of these facilities has significant expertise in product areas that are part of the project and each facility has the floor space to add new work.
- d) The Applicant plans to create 266 Qualified New Jobs above a project site (One Denso Road, Battle Creek MI) base employment level of 2,044.
- e) The project meets the program guidelines as follows: the proposed project involves the project will result in the re-use of an existing facility and is expected to involve significant investment and near-term job creation. The project involves out of state competition and is projected to result in a net positive return for the State of Michigan.

INCENTIVE OPPORTUNITY

This project involves the creation of 266 Qualified New Jobs and a capital investment of up to \$105,440,764 in the City of Battle Creek. The requested incentive amount from the MSF is \$1,460,000 in the form of a performance-based grant. Please see below for more information on the recommended action.

RECOMMENDATIONS

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

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

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

MICHIGAN STRATEGIC FUND

RESOLUTION 2013-

**APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT TO
DENSO MANUFACTURING MICHIGAN INCORPORATED**

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

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

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

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

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

WHEREAS, Denso Manufacturing Michigan Incorporated (“Company”) has requested a performance based MBDP grant of up to \$1,460,000 (“Grant Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”);

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

WHEREAS, the MSF Incentive Subcommittee has indicated its support of the MBDP Award Recommendation.

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan
January 23, 2013

EXHIBIT A



**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: 12/20/2012

1. **Company Name:** Denso Manufacturing Michigan, Inc.
("Company" or "Applicant")
2. **Company Address ("Project"):** One Denso Road
Battle Creek, MI 49037
3. **MBDP Incentive Type:** Performance Based Grant
4. **Maximum Amount of MBDP Incentive:** Up to \$1,460,000 ("MBDP Incentive Award")
5. **Base Employment Level** 2044 The number of jobs currently maintained at the Project (One Denso Road, Battle Creek, MI) by the Company based on data submitted by the Company to the MEDC reflecting the Company's employment level at the Project prior to the proposed project. The Base Employment Level, including identification of the Company data used to establish this level, shall be included in the final MBDP Incentive Award agreement ("Agreement") between the MSF and the Company.
6. **Total Qualified New Job Creation:** 266 The minimum number of total Qualified New Jobs the Company shall be required to create in Michigan (above the Base Employment Level), in addition to satisfying other milestones if applicable, to be minimally eligible to receive the full amount of the MBDP Incentive Award. Each Qualified New Job must be performed for consideration by a Michigan resident (whose Michigan income taxes are withheld as required), and each Qualified New Job must be in excess of the Base Employment Level. The final terms and
(above Base Employment Level)

conditions of the requirements for the minimum number of Qualified New Jobs that must be created, including provisions addressing disbursements of portions of the MBDP Incentive Award, shall be included in the final Agreement.

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

7. **Company Investment:** \$105,440,764 in building renovations, machinery and equipment, furniture and fixtures, computers, pollution control equipment, other personal property, or any combination thereof, for the Project.

8. **Municipality supporting the Project:** City of Battle Creek

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

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

- a. **Disbursement Milestone 1:** Up to \$460,000 Upon demonstrated creation of 70 Qualified New Jobs above the Base Employment Level and verification of final approval of municipality support by no later than June 30, 2014.
- b. **Disbursement Milestone 2:** Up to \$500,000 Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 100 additional Qualified New Jobs above the Base Employment Level, by no later than June 30, 2015.
- c. **Disbursement Milestone 3:** Up to \$500,000 Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, and upon demonstrated creation of 96 additional Qualified New Jobs above the Base Employment Level, by no later than June 30, 2016.

10. Term of Agreement:

Execution of Agreement to June 30, 2018

11. Repayment Provisions:

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

12. Reporting Requirements:

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

13. Public Announcements:

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

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

If the Company is interested in the MEDC pursuing a recommendation to the MSF for a possible MBDP Incentive Award for the Company along the above parameters, please sign and date this Term Sheet. If the MEDC does not receive the signed Term Sheet from the Company by December 21, 2012, the MEDC may not be able to proceed with any recommendation to the MSF.

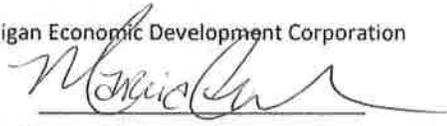
Denso Manufacturing Michigan, Inc.

By: Akeshi Kumagai
Its: President
Dated: Dec 21 '12

Printed Name: Akeshi Kumagai

Acknowledged as received by:

Michigan Economic Development Corporation

By: 

Printed Name: Marcia Gebrowski

Its: SME DFM

Dated: 12/27/12



MEMORANDUM

DATE: January 23, 2013

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

FROM: Marcia Gebarowski, Senior Development Finance Manager

SUBJECT: Approval of Michigan Business Development Request for \$2,000,000 Performance-based Grant to:

Rigaku Innovative Technologies, Inc. (“Applicant” or “Company”)
1900 Taylor Road
Auburn Hills, Michigan 48326
www.rigaku.com

MBDP PROGRAM AND ITS GUIDELINES

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

SOURCE OF INFORMATION

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

HISTORY OF THE APPLICANT

Rigaku Innovative Technologies, Inc. (“RIT”), a subsidiary of Rigaku Corporation, is a high-tech manufacturer of optical products. Founded in 2000, the company operates a 50,000 square foot manufacturing facility in Auburn Hills. RIT's traditional business is in optical products that are critical in global high-tech manufacturing. Tens of thousands of RIT's multilayer optics are used in X-ray spectrometers and diffractometers. RIT also develops pharmaceutical products to enable better understanding of protein and virus structures, leading to new medicines for treating diabetes, cancer and AIDS. In materials, RIT offers products used in automobiles, computers, construction, farming, and many other areas.

PROJECT DESCRIPTION

The Applicant plans to expand into new markets including the semiconductor industry and grow its R&D and production operations in Michigan, make investments and create jobs related to motor vehicle parts manufacturing.

Michigan Economic Development Corporation

- a) The Applicant is a “Qualified Business”, as defined in MCL 125.2088r(9)(b), that is located and operates in Michigan.
- b) The project will be located in City of Auburn Hills. The City of Auburn Hills has offered a “staff, financial, or economic commitment to the project” in the form of property tax abatements under PA 198 of 1974 for 8 years. The estimated value of this abatement is \$1.4 million.
- c) The Applicant has demonstrated a need for the funding based on competing economic packages and larger semiconductor industry presence in the State of California where the Company has a facility with capacity for new growth.
- d) The Applicant plans to create 25 Qualified New Jobs above a statewide base employment level of 53.
- e) The project meets the program guidelines as follows: the proposed project involves the project will result in a diversification of a Michigan company with potential to attract its supply chain to Michigan and is expected to involve significant investment and highly paid new jobs. The project involves out of state competition and is projected to result in a net positive return for the State of Michigan.

INCENTIVE OPPORTUNITY

This project involves the creation of 25 Qualified New Jobs, and up to 27 total new jobs, and a capital investment of up to \$55,700,000 in the City of Auburn Hills. The requested incentive amount from the MSF is \$2,000,000 in the form of a performance-based grant of which \$1,000,000 will be repaid back to the MSF beginning in 2018. Please see below for more information on the recommended action.

RECOMMENDATIONS

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

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

MICHIGAN STRATEGIC FUND

RESOLUTION 2013-

**APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT TO
RIGAKU INNOVATIVE TECHNOLOGIES, 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, (ii) adopted the guidelines for the MBDP (“Guidelines”), and (iii) approved the MSF Fund Manager to negotiate the final terms and conditions of the written agreements to be used to memorialize MBDP awards on the MSF’S behalf in accordance with the Guidelines (“Transaction Documents”);

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

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

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

WHEREAS, the MSF Incentive Subcommittee has indicated its support of the MBDP Award Recommendation.

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan
January 23, 2013



**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: 1/9/2013

- | | |
|---|---|
| 1. Company Name: | Rigaku Innovative Technologies, Inc. ("Company" or "Applicant") |
| 2. Company Address ("Project"): | 1900 Taylor Road
Auburn Hills, Michigan 48326 |
| 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 | 53 The number of jobs currently maintained in Michigan by the Company based on data submitted by the Company to the MEDC reflecting the Company's statewide employment level in Michigan prior to the proposed project. The Base Employment Level, including identification of the Company data used to establish this level, shall be included in the final MBDP Incentive Award agreement ("Agreement") between the MSF and the Company. |
| 6. Total Qualified New Job Creation:
(above Base Employment Level) | 25 The minimum number of total Qualified <u>New</u> Jobs the Company shall be required to create in Michigan (above the Base Employment Level), in addition to satisfying other milestones if applicable, to be minimally eligible to receive the full amount of the MBDP Incentive Award. Each Qualified New Job must be performed for consideration by a Michigan resident (whose Michigan income taxes are withheld as required), and each Qualified New Job must be in excess of the Base Employment Level. The final terms and conditions of the requirements for the minimum |

number of Qualified New Jobs that must be created, including provisions addressing disbursements of portions of the MBDP Incentive Award, shall be included in the final Agreement.

- a. **Start Date for Measurement of Creation of Qualified New Jobs:** MSF Board Approval
- 7. **Company Investment:** \$55,700,000 in building renovations, machinery and equipment or any combination thereof, for the Project.
- 8. **Municipality supporting the Project:** City of Auburn Hills
 - a. **Municipality Support.** One of the conditions of execution of the final Agreement is the requirement that the municipality shall have committed to provide: a property tax abatement. The final terms and conditions demonstrating this support shall be included in the final Agreement.
- 9. **Disbursement Milestones:** The final terms and conditions of each of the disbursements of any portion of the MBDP Incentive Award shall be included in the final Agreement, including that before any disbursement is made to the Company, the Company must have maintained: (i) the Base Employment Level (exclusive of the number of Qualified New Jobs then created) and (ii) any Qualified New Jobs created for which disbursements by the MSF have been made, and otherwise be in compliance with all terms and conditions of the final Agreement, and further shall include:
 - a. **Disbursement Milestone 1:** Up to \$2,000,000 Upon demonstrated support that the Company has maintained the Base Employment Level and verification of a purchase order issued for machinery and equipment for at least \$5 million by no later than March 30, 2013. JMM
1/14/13
 - b. **Milestone 2:** No Disbursement Upon completion of Disbursement Milestone 1, demonstrated support that the Company has maintained the Base Employment Level, verification of machinery and equipment listed in the purchase order (verified in Milestone 1) is installed at the Project site, and verification of final approval of municipality support by no later than September 30, 2013.
 - c. **Milestone 3:** No Disbursement Upon completion of Disbursement Milestone 1, Disbursement Milestone 2, and upon demonstrated creation of 25 Qualified New Jobs over the Base Employment Level, by no later than 12/31/2017.

10. Term of Agreement:

Execution of Agreement to December 31, 2019

11. Repayment Provisions:

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

a. **Annual Payment.** The final agreement will include annual repayment terms and conditions which will require the company to repay 50% of the total grant in the amount of \$1,000,000, beginning December 31, 2018 and continuing each December 31st until December 31, 2022. A payment of \$200,000 will be due by no later than the due date of December 31st each year as outlined above.

Repayments required by any other repayment or default condition of the agreement would be in addition to the repayment of \$1,000,000 as stated above, but will not exceed, in principal, an amount of \$2,000,000.

12. Reporting Requirements:

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

13. Public Announcements:

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

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

If the Company is interested in the MEDC pursuing a recommendation to the MSF for a possible MBDP Incentive Award for the Company along the above parameters, please sign and date this Term Sheet. If the MEDC does not receive the signed Term Sheet from the Company by January 14, 2013, the MEDC may not be able to proceed with any recommendation to the MSF.

Rigaku Innovative Technologies, Inc.

By: *J McGill*

Printed Name: John McGill

Its: President & COO

Dated: 1/14/13

Acknowledged as received by:

Michigan Economic Development Corporation

By: *Marcia Gebarowski*

Printed Name: Marcia Gebarowski

Its: Snr. Development Finance Manager

Dated: January 14, 2013



MEMORANDUM

DATE: January 23, 2013

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

FROM: Marcia Gebarowski, Senior Development Finance Manager

SUBJECT: Approval of Michigan Business Development Request for \$1,600,000
Performance-based Grant to:

Lear Corporation (“Applicant” or “Company”)
21557 Telegraph Road
Southfield, Michigan 48033
www.lear.com

MBDP PROGRAM AND ITS GUIDELINES

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

SOURCE OF INFORMATION

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

HISTORY OF THE APPLICANT

Lear was founded in 1917 in Detroit, Michigan as American Metals Products, a manufacturer of tubular, welded and stamped assemblies for the automotive and aircraft industries. The Company went public in 1994 and today, they provide complete seating and electrical power management systems worldwide. Lear Corporation ranks #189 among the Fortune 500. With headquarters located in Southfield, Michigan, Lear continues to operate 207 facilities in 35 countries around the globe. Lear is traded on the New York Stock Exchange under the symbol (LEA).

Lear Corporation was awarded a five year Standard/Retention MBT jobs credit on November 17, 2009. On January 23, 2013, Integrated Manufacturing & Assembly, LLC (a Lear subsidiary) will be before the MSF Board for consideration of an MBDP performance based grant.

PROJECT DESCRIPTION

The Applicant plans to expand its operations by leasing an additional facility to accommodate new work in Michigan, make investments and create jobs related to motor vehicle parts manufacturing.

- a) The Applicant is a “Qualified Business”, as defined in MCL 125.2088r(9)(b), that is located and operates in Michigan.
- b) The project will be located in City of Highland Park. The City of Highland Park has offered a “staff, financial, or economic commitment to the project” in the form of property tax abatements under PA 328 for 12 years. The estimated value of this abatement is \$3.4 million.
- c) The Applicant has demonstrated a need for the funding based on competitive economic incentive packages from Ohio and Indiana.
- d) The Applicant plans to create 230 Qualified New Jobs above a statewide base employment level of 2575.
- e) The project meets the program guidelines as follows: the proposed project involves the project will result in the re-use of an existing facility located in a distressed city and is expected to involve significant investment and near-term job creation. The project involves out of state competition and is projected to result in a net positive return for the State of Michigan.

INCENTIVE OPPORTUNITY

This project involves the creation of 230 Qualified New Jobs, with the potential to create up to 334 total jobs and a capital investment of up to \$18,751,279 in the City of Highland Park. The requested incentive amount from the MSF is \$1,600,000 in the form of a performance-based grant. Please see below for more information on the recommended action.

RECOMMENDATIONS

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

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

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

MICHIGAN STRATEGIC FUND

RESOLUTION 2013-

**APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT TO
LEAR 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, (ii) adopted the guidelines for the MBDP (“Guidelines”), and (iii) approved the MSF Fund Manager to negotiate the final terms and conditions of the written agreements to be used to memorialize MBDP awards on the MSF’S behalf in accordance with the Guidelines (“Transaction Documents”);

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

WHEREAS, Lear Corporation (“Company”) has requested a performance based MBDP grant of up to \$1,600,000 (“Grant Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”);

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

WHEREAS, the MSF Incentive Subcommittee has indicated its support of the MBDP Award Recommendation.

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan
January 23, 2013

EXHIBIT A



**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: 12/20/2012

- 1. Company Name:** Lear Corporation ("Company" or "Applicant")
- 2. Company Address:** 21557 Telegraph Road
Southfield, MI 48033
- 3. Project Address:** 13000 Oakland Park Boulevard
Highland Park, MI
- 4. MBDP Incentive Type:** Performance Based Grant
- 5. Maximum Amount of MBDP Incentive:** Up to \$1,600,000 ("MBDP Incentive Award")
- 6. Base Employment Level** 2575 The number of jobs currently maintained in Michigan by the Company based on data submitted by the Company to the MEDC reflecting the Company's statewide employment level in Michigan prior to the proposed project. The Base Employment Level, including identification of the Company data used to establish this level, shall be included in the final MBDP Incentive Award agreement ("Agreement") between the MSF and the Company.
- 7. Total Qualified New Job Creation:** 230 The minimum number of total Qualified New Jobs the Company shall be required to create in Michigan (above the Base Employment Level), in addition to satisfying other milestones if applicable, to be minimally eligible to receive the full amount of the MBDP Incentive Award. Each Qualified New Job must be performed for consideration by a Michigan resident (whose Michigan income taxes are withheld as required),
(above Base Employment Level)

and each Qualified New Job must be in excess of the Base Employment Level. The final terms and conditions of the requirements for the minimum number of Qualified New Jobs that must be created, including provisions addressing disbursements of portions of the MBDP Incentive Award, shall be included in the final Agreement.

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

8. **Company Investment:** Approximately \$18,751,279 million on annual lease costs, building renovations, machinery and equipment, FFE, computers, pollution control equipment, *or any combination thereof, for the Project.*

9. **Municipality supporting the Project:** City of Highland Park

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

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

a. **Disbursement Milestone 1:** Up to \$400,000 Upon demonstrated creation of 50 Qualified New Jobs above the Base Employment Level, verification of an executed lease for 13000 Oakland Park Blvd, Highland Park for a minimum of seven years, and verification of final approval of municipality support by no later than March 30, 2014.

b. **Disbursement Milestone 2:** Up to \$1,000,000 Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 150 additional Qualified New Jobs above the Base Employment Level, by no later than March 30, 2015.

c. **Disbursement Milestone 3:** Up to \$200,000 Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, and upon demonstrated creation of 30 additional Qualified New Jobs above the Base Employment Level, by no later than

December 31, 2015.

11. Term of Agreement: Execution of Agreement to December 31, 2017

12. Repayment Provisions:

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

13. Reporting Requirements:

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

14. Public Announcements:

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

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

If the Company is interested in the MEDC pursuing a recommendation to the MSF for a possible MBDP Incentive Award for the Company along the above parameters, please sign and date this Term Sheet. If the MEDC does not receive the signed Term Sheet from the Company by December 28, 2012, the MEDC may not be able to proceed with any recommendation to the MSF.

Lear Corporation

By: William P. McLaughlin

Printed Name: William P. McLaughlin

Its: Vice President - Global Tax & Trade

Dated: 12/21/12

Acknowledged as received by:

Michigan Economic Development Corporation

By: Marcin Gebarewski

Printed Name: Marcin Gebarewski

Its: Sr. DFM

Dated: 12/27/12

MEMORANDUM

DATE: January 23, 2013

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

FROM: Marcia Gebarowski, Senior Development Finance Manager

SUBJECT: Approval of Michigan Business Development Request for \$3,000,000
Performance-based Grant to:

Integrated Manufacturing & Assembly, LLC (“Applicant” or “Company”)
21557 Telegraph Road
Southfield, Michigan 48033
www.comorholdings.com

MBDP PROGRAM AND ITS GUIDELINES

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

SOURCE OF INFORMATION

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

HISTORY OF THE APPLICANT

Integrated Manufacturing & Assembly, LLC (“IMA”), is a Tier 2 supplier that has been in existence for over 15 years and its business manufactures and assembles automotive seating components. In 1996, IMA teamed up as a joint venture with Comor Holdings, Inc. and Lear Corporation, a Tier 1 supplier of complete seating and electrical power management systems to offer superior automotive systems worldwide. IMA currently has three facilities in Michigan, a facility in Kentucky as well as one in Texas, all 5 operations are manufacturing automotive sub-assembly systems for seating.

The Company has not been awarded incentives previously by the MSF.

PROJECT DESCRIPTION

The Applicant plans to do the following in the City of Detroit: expand operations at an existing leased facility, enter into a lease at a new facility that will house machinery and equipment and workforce transferred from another facility, and install new machinery and equipment at an existing facility owned by the Company to accommodate new work in Michigan, make investments and create jobs related to motor vehicle parts manufacturing.

- a) The Applicant is a “Qualified Business”, as defined in MCL 125.2088r(9)(b), that is located and operates in Michigan.
- b) The project will be located in City of Detroit. The City of Detroit has offered a “staff, financial, or economic commitment to the project” in the form of property tax abatements under PA 328 of 1998 for 12 years at the existing leased facility on Nevada Street. The estimated value of this abatement is \$942,479.
- c) The Applicant has demonstrated a need for the funding based on competitive economic incentive packages from Ohio and Indiana.
- d) The Applicant plans to create 621 Qualified New Jobs above a statewide base employment level of 453.
- e) The project meets the program guidelines as follows: the proposed project involves the project will result in the re-use of an existing facility located in a distressed city and is expected to involve significant investment and near-term job creation. The project involves out of state competition and is projected to result in a net positive return for the State of Michigan.

INCENTIVE OPPORTUNITY

This project involves the creation of 621 Qualified New Jobs, with the potential to create up to 755 total jobs and a capital investment of up to \$13,853,530 in the City of Detroit. The requested incentive amount from the MSF is \$3,000,000 in the form of a performance-based grant. Please see below for more information on the recommended action.

RECOMMENDATIONS

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

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

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

MICHIGAN STRATEGIC FUND

RESOLUTION 2013-

**APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT TO
INTEGRATED MANUFACTURING & ASSEMBLY, 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, (ii) adopted the guidelines for the MBDP (“Guidelines”), and (iii) approved the MSF Fund Manager to negotiate the final terms and conditions of the written agreements to be used to memorialize MBDP awards on the MSF’S behalf in accordance with the Guidelines (“Transaction Documents”);

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

WHEREAS, Integrated Manufacturing & Assembly, LLC (“Company”) has requested a performance based MBDP grant of up to \$3,000,000 (“Grant Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”);

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

WHEREAS, the MSF Incentive Subcommittee has indicated its support of the MBDP Award Recommendation.

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan
January 23, 2013

EXHIBIT A



**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: 12/20/2012

1. **Company Name:** Integrated Manufacturing & Assembly, LLC ("Company" or "Applicant")
2. **Company Address:** 21557 Telegraph Road
Southfield, MI 48033
3. **Project Address:** 6501 Nevada
Detroit, MI 48234

6555 E. Davison
Detroit, MI 48212
4. **MBDP Incentive Type:** Performance Based Grant
5. **Maximum Amount of MBDP Incentive:** Up to \$3,000,000 ("MBDP Incentive Award")
6. **Base Employment Level** 453 The number of jobs currently maintained in Michigan by the Company based on data submitted by the Company to the MEDC reflecting the Company's statewide employment level in Michigan prior to the proposed project. The Base Employment Level, including identification of the Company data used to establish this level, shall be included in the final MBDP Incentive Award agreement ("Agreement") between the MSF and the Company.
7. **Total Qualified New Job Creation:** 621 The minimum number of total Qualified New Jobs the Company shall be required to create in Michigan (above the Base Employment Level), in addition to satisfying other milestones if applicable, to be minimally eligible to receive the full amount of the MBDP Incentive Award. Each
(above Base Employment Level)

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

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

8. **Company Investment:** Approximately \$13,853,530 million on annual lease costs, building renovations, machinery and equipment, FFE, computers, pollution control equipment, or any combination thereof, for the Project.

9. **Municipality supporting the Project:** City of Detroit

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

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

a. **Disbursement Milestone 1:** Up to \$400,000 Upon demonstrated creation of 100 Qualified New Jobs above the Base Employment Level, verification of an executed lease for 12601 Southfield Road, Detroit for a minimum of five years, and verification of final approval of municipality support by no later than March 30, 2014.

b. **Disbursement Milestone 2:** Up to \$1,600,000 Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 266 additional Qualified New Jobs above the Base Employment Level, by no later than March 30, 2015.

c. **Disbursement Milestone 3:** Up to \$1,000,000 Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, and upon demonstrated creation of 255 additional Qualified New Jobs above the Base Employment Level, by no later than December 31, 2015.

11. Term of Agreement: Execution of Agreement to December 31, 2017

12. Repayment Provisions:

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

13. Reporting Requirements:

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

14. Public Announcements:

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

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

If the Company is interested in the MEDC pursuing a recommendation to the MSF for a possible MBDP Incentive Award for the Company along the above parameters, please sign and date this Term Sheet. If the MEDC does not receive the signed Term Sheet from the Company by January 2, 2013, the MEDC may not be able to proceed with any recommendation to the MSF.

Integrated Manufacturing & Assembly, LLC

By: Jimmie E. Comer
Its: PRESIDENT & CEO

Printed Name: JIMMIE E. COMER

Dated: 12/21/2012

Acknowledged as received by:

Michigan Economic Development Corporation

By: Marcia Gebrowski
Its: Snr Development Finance mgr

Printed Name: Marcia Gebrowski

Dated: 12/27/12

MEMORANDUM

DATE: January 23, 2013

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

FROM: Marcia Gebarowski, Senior Development Finance Manager

SUBJECT: Approval of Michigan Business Development Request for \$2,400,000 Performance-based Grant to:

Whirlpool Corporation (“Applicant” or “Company”)
2000 North M-63
Benton Harbor, Michigan 49022
www.whirlpoolcorp.com

MBDP PROGRAM AND ITS GUIDELINES

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

SOURCE OF INFORMATION

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

HISTORY OF THE APPLICANT

Whirlpool Corporation was founded in Benton Harbor Michigan in November 1911. After more than a century of operations, Whirlpool Corporation today is one of the world’s largest and most innovative home appliance companies. Today, with sales approaching \$20 billion globally, and with the company doing business in over 200 countries, Whirlpool Corporation continues to be a major force in the U.S. industrial area.

In 2010, the Company was awarded a seven year Retention MBT jobs credit that consolidated their existing MBT jobs credits. This credit is expected to be activated in 2014. Additionally, the Company will be requesting a modification to the development agreement for their existing Renaissance Zone located in the City of Benton Harbor at the January 23, 2013 MSF Board meeting.

PROJECT DESCRIPTION

The Applicant plans to renovate a former Whirlpool manufacturing facility and place refrigeration research and development operations which will be relocated from Evansville Indiana into Michigan, make investments and create jobs related to home appliance engineering and development.

- a) The Applicant is a “Qualified Business”, as defined in MCL 125.2088r(9)(b), that is located and operates in Michigan.

- b) The project will be located in City of Benton Harbor. The City of Benton Harbor has offered a “staff, financial, or economic commitment to the project” in the form of property tax abatements under PA 198 for 12 years. The estimated value of this abatement is \$1.85 million.
- c) The Applicant has demonstrated a need for the funding based on competitive economic incentive packages from Iowa and competing site in Mexico.
- d) The Applicant plans to create 180 Qualified New Jobs above a statewide base employment level of 3101.
- e) The project meets the program guidelines as follows: the proposed project involves the project will result in the re-use of an existing facility located in a distressed city and is expected to involve significant investment and highly paid jobs. The project involves out of state competition and is projected to result in a net positive return for the State of Michigan.

INCENTIVE OPPORTUNITY

This project involves the creation of 180 Qualified New Jobs, \$10,000,000 in Qualified Investment and a total capital investment of up to \$18,945,000 in the City of Benton Harbor. The requested incentive amount from the MSF is \$2,400,000 in the form of a performance-based grant. Please see below for more information on the recommended action.

RECOMMENDATIONS

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

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

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

MICHIGAN STRATEGIC FUND

RESOLUTION 2013-

**APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT TO
WHIRLPOOL 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, (ii) adopted the guidelines for the MBDP (“Guidelines”), and (iii) approved the MSF Fund Manager to negotiate the final terms and conditions of the written agreements to be used to memorialize MBDP awards on the MSF’S behalf in accordance with the Guidelines (“Transaction Documents”);

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

WHEREAS, Whirlpool Corporation (“Company”) has requested a performance based MBDP grant of up to \$2,400,000 (“Grant Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”);

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

WHEREAS, the MSF Incentive Subcommittee has indicated its support of the MBDP Award Recommendation.

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan
January 23, 2013



**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: 12/27/2012

1. **Company Name:** Whirlpool Corporation ("Company" or "Applicant")
2. **Company Address:** 2000 North M-63
Benton Harbor, MI 49022
3. **Project Address:** 151 Riverview
Benton Harbor, MI 48234
4. **MBDP Incentive Type:** Performance Based Grant
5. **Maximum Amount of MBDP Incentive:** Up to \$2,400,000 ("MBDP Incentive Award")
6. **Base Employment Level** 3,101 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 at the prior to the proposed project. The Base Employment Level, including identification of the Company data used to establish this level, shall be included in the final MBDP Incentive Award agreement ("Agreement") between the MSF and the Company.
7. **Total Qualified New Job Creation:** 180 The minimum number of total Qualified New Jobs the Company shall be required to create in Michigan (above the Base Employment Level), in addition to satisfying other milestones if applicable, to be minimally eligible to receive the full amount of the MBDP Incentive Award. Each Qualified New Job must be performed for consideration by a Michigan resident (whose Michigan income taxes are withheld as required), and each Qualified New Job must be in excess of
(above Base Employment Level)

the Base Employment Level. The final terms and conditions of the requirements for the minimum number of Qualified New Jobs that must be created, including provisions addressing disbursements of portions of the MBDP Incentive Award, shall be included in the final Agreement.

- a. **Start Date for Measurement of Creation of Qualified New Jobs:** July 24, 2012

8. **Company Investment:** Approximately \$18,945,000 on building renovations, machinery and equipment, furniture fixtures and equipment, *or any combination thereof, for the Project.*

9. **Qualified Company Investment:** \$10,000,000 The total minimum amount of the required Company Investment in Michigan related to the project, which at a minimum must include the following: **construction contract and paid invoices related to the renovation of the Project Site** ("Qualified Investment"). The final terms and conditions of the Qualified Investment shall be included in the final Agreement.

10. **Municipality supporting the Project:** City of Benton Harbor

- a. **Municipality Support.** One of the conditions of execution of the final Agreement is the requirement that the municipality shall have committed to provide: **approval of a property tax abatement.** The final terms and conditions demonstrating this support shall be included in the final Agreement.

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

- a. **Disbursement Milestone 1:** Up to \$950,000 Upon demonstrated creation of 25 Qualified New Jobs above the Base Employment Level, verification of at least \$5 Million of the Qualified Investment, and verification of final approval of municipality support by no later than July 30, 2013.
- b. **Disbursement Milestone 2:** Up to \$950,000 Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 65 additional Qualified New Jobs above the Base Employment Level and verification of at least an additional \$5 million of Qualified Investment, by no later

than December 31, 2013.

c. Disbursement Milestone 3:	Up to \$500,000	Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, and upon demonstrated creation of 90 additional Qualified New Jobs above the Base Employment Level, by no later than December 31, 2014.
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12. Term of Agreement: Execution of Agreement to December 31, 2016

13. Repayment Provisions:

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

14. Reporting Requirements:

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

15. Public Announcements:

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

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

If the Company is interested in the MEDC pursuing a recommendation to the MSF for a possible MBDP Incentive Award for the Company along the above parameters, please sign and date this Term Sheet. If the MEDC does not receive the signed Term Sheet from the Company by January 2, 2013, the MEDC may not be able to proceed with any recommendation to the MSF.

Whirlpool Corporation

By: W. J. M.

Its: J.P.

Dated: 01/04/2013.

Acknowledged as received by:

Michigan Economic Development Corporation

By: [Signature]

Its: Sec. JPM

Dated: 1/4/13



MEMORANDUM

Date: January 23, 2013
To: Michigan Strategic Fund Board Members
From: Amy Lux, Renaissance Zone Program Specialist
Subject: Renaissance Zone: Development Agreement Amendment
Whirlpool Corporation
City of Benton Harbor, Berrien County

BACKGROUND

Whirlpool Corporation (the “Company”) is a global leader in the business of manufacturing appliances across all major categories. In November 2010, the Company received three separate Renaissance Zone time extensions within the existing Berrien County/Benton Harbor/Benton Township Renaissance Zone, all located within the Benton Harbor community. The purpose of the designations is to support the Company’s effort to consolidate their headquarter offices and, in turn, contribute significant capital investment and job retention to the community. One of the Renaissance Zone time extension designations, the Miller’s Pond Subzone (the “Subzone”), is the site of the Company’s construction of a new office complex in downtown Benton Harbor. In exchange for the Renaissance Zone designation, the Company entered into a Development Agreement (the “Agreement”) with the MSF outlining specific terms, capital investment commitments and a transfer of ownership condition.

EXPLANATION AND REQUEST

The Michigan Economic Development Corporation (“MEDC”) received an amendment application from the Company requesting several amendments to their development agreement. The project continues to be successful in achieving the job retention and community investment goals originally intended, but some minor issues have developed.

Since receiving the Miller’s Pond Subzone designation, the Company has completed the first of three phases of their project, which consisted of the construction of two buildings requiring \$29.9 million in capital investment. By the end of 2012, the Company had invested more than \$31 million into the site as it begins its second phase. However, since designation, the Company has taken on several other development projects in the Berrien County area, diverting funds from their project in the Subzone. For this reason, the Company has requested that the current December 31, 2015 due date to achieve the \$65,325,843 capital investment commitment in the Agreement be amended to give the Company more time.

Another condition in the Agreement required the transfer of the land associated with the Subzone from the original owners, Renaissance Land Development Company, LLC to the Company by December 31, 2011. Instead, the land was transferred to Cornerstone Alliance, a non-profit economic development organization focused on Southwest Michigan, who leases the land to the Company. To keep the Company in compliance with their Agreement, the Company has requested that this condition be deleted. The Agreement also contains limitations on transfers of the ownership of the land associated with the Subzone, and consent by the Michigan Strategic Fund (“MSF”) Board is necessary for any benefits to be reassigned; in order to meet this term, the Company is also requesting approval of the transfer of land to Cornerstone Alliance. In addition, due to a statutory requirement, Cornerstone Alliance, as the land owner, must be a party to the Agreement.

RECOMMENDATION

The MEDC recommends the MSF Board approve the transfer of the land associated with the Miller's Pond Subzone to Cornerstone Alliance. Also, the MEDC recommends the MSF Board authorize the Fund Manager to enter into an amended and restated development agreement with Whirlpool Corporation reflecting the following changes:

1. Delete Section 3(c)(iii) of the Agreement, concerning the condition requiring the Subzone land to be transferred to the Company, in its entirety;
2. Add the current land owner, Cornerstone Alliance, as a party to the development agreement and add appropriate references to the Owner; and
3. Amend Section 3(b) of the Agreement to read:

b) Capital investment: invest at least \$54,300,000 in the construction of the new office complex and improvements to the Property by December 31, 2013 and invest at least an additional \$11,025,843 in the construction of the new office complex and improvements to the Property by December 31, 2018, for a total of \$65,325,843 of capital investments by December 31, 2018;

MICHIGAN STRATEGIC FUND

RESOLUTION 2013-

AMENDMENT TO DEVELOPMENT AGREEMENT: MILLER'S POND SUBZONE Whirlpool Corporation

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

WHEREAS, on November 17, 2010, via Resolution 2010-222, the MSF Board approved the City of Benton Harbor's Application on behalf of Whirlpool Corporation (the "Company") for a time extension to the renaissance zone designation for certain parcels located within the Miller's Pond Subzone (the "Subzone") in the Berrien County/Benton Harbor/Benton Township Renaissance Zone (the "Property"), with the consent of Berrien County (the "County"), subject to the execution of a development agreement between the MSF and Whirlpool Corporation;

WHEREAS, the Agreement outlined various conditions to Company receiving the benefits of a Renaissance Zone, including a capital investment milestone and the condition that the Company acquire ownership of the Property from Renaissance Land Development Company, LLC., the owner of the Property at designation;

WHEREAS, since designation, the Company has taken on several other development projects in the County which diverted funds from the Company's project in the Subzone, extending the timeline necessary to reach their capital investment commitment in the Property, and ownership of the Property was transferred to a different entity, Cornerstone Alliance (the "Owner");

WHEREAS, the Michigan Economic Development Corporation ("MEDC") provides administrative services for the renaissance zone program and has reviewed the Amendment Application (the "Application") submitted by the Company to propose amendments to the Agreement and to gain approval for the transfer of land ownership as required in Section 15 of the development agreement;

WHEREAS, the MEDC recommends the MSF Board approve transfer of ownership of the Property to Cornerstone Alliance; and

WHEREAS, the MEDC recommends MSF Board authorize the Fund Manager to enter in to an amended and restated Agreement with Whirlpool Corporation reflecting the following changes:

1. Delete Section 3(c)(iii) of the Agreement in its entirety;
2. Add the current land owner, Cornerstone Alliance, as a party to the development agreement and add appropriate references to the Owner; and
3. Amend Section 3(b) of the Agreement to read:

b) Capital investment: invest at least \$54,300,000 in the construction of the new office complex and improvements to the Property by December 31, 2013 and invest at least an additional \$11,025,843 in the construction of the new office complex and improvements to the Property by December 31, 2018, for a total of \$65,325,843 of capital investments by December 31, 2018;

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board approves the transfer of ownership of the Property to Cornerstone Alliance;

BE IT FURTHER RESOLVED, that the MSF Board authorizes the Fund Manager to enter in to an amended and restated development agreement reflecting the following changes:

1. Delete Section 3(c)(iii) of the Agreement in its entirety;
2. Add the current land owner, Cornerstone Alliance, as a party to the development agreement and add appropriate references to the Owner; and
3. Amend Section 3(b) of the Agreement to read:

b) *Capital investment:* invest at least \$54,300,000 in the construction of the new office complex and improvements to the Property by December 31, 2013 and invest at least an additional \$11,025,843 in the construction of the new office complex and improvements to the Property by December 31, 2018, for a total of \$65,325,843 of capital investments by December 31, 2018;

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

BE IT FURTHER RESOLVED, that, except as provided in this Resolution, the terms of the Agreement shall remain unchanged and in full effect.

Ayes:

Nays:

Recused:

Lansing, Michigan
January 23, 2013



MEMORANDUM

Date: January 23, 2013

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

From: Stacy Bowerman, Development Finance Manager

Subject: Briefing Memo – Perrigo Company
Amendment to Standard MEGA Tax Credit

COMPANY NAME

Perrigo Company (“Company”)
515 Eastern Avenue
Allegan, Michigan 49010
www.perrigo.com

BACKGROUND

The Company, established in 1887, is a leading global supplier, developer, and manufacturer of Over-the-Counter (“OTC”) and generic prescription pharmaceuticals, infant formulas, nutritional products, active pharmaceutical ingredients, and dietary supplements. The Company is the largest manufacturer of OTC pharmaceuticals for the store brand market. The Company’s primary markets and locations of logistics operations are the United States, Israel, Mexico, and the United Kingdom, India, China, and Australia.

On July 15, 2008, the MEGA Board approved a 12-year, 100 percent Standard MEGA Tax Credit (Resolution 2008-73) for the Company’s headquarter expansion in the City of Allegan. The MEGA Tax Credit is for a maximum of 400 Qualified New Jobs with an Average Weekly Wage of \$881. On October 19, 2011 (Resolution 2011-122) the Base Employment Level was amended to 2,466 to accurately reflect the Company’s eligible full-time employees it maintained in Michigan prior to the project. To date, the Company has created over 400 new jobs as a result of this expansion.

The Company is currently assessing locations for a tablet expansion for its OTC business. The expansion would support the Company’s OTC capacity needs for new product opportunities over the next five to seven years. One alternative to meeting the capacity needs of the OTC business is to add infrastructure and equipment of approximately \$50 million at its Allegan site and an additional \$192 million of new construction and equipment in Holland Charter Township, Ottawa County. This project would result in 650 new jobs paying an average weekly wage of \$678 and approximately \$243 million in total capital investment.

The Company is also considering opportunities outside the United States as well as New Jersey, New York, Indiana, Missouri, Tennessee, Ohio and California for the expansion. Many of these locations have existing facilities which would require significantly less capital investment. In addition, an existing facility would permit the Company to begin manufacturing much more quickly than constructing a new facility.

AMENDMENT DESCRIPTION

The Company would like to increase the maximum number of Qualified New Jobs on its current MEGA Tax Credit by 650 for up to 1,050 Qualified New Jobs for tax years ending June 30, 2013 through June 30, 2018, amend the Average Weekly Wage to \$755, as well as add the expansion of manufacturing operations in Martin Township, Allegan County and Holland Charter Township, Ottawa County to the project description in consideration of the OTC expansion. In order to accurately reflect how the Company hires its employees the Company would also like to amend the definition of Company to include Perrigo Sales Company, Perrigo Company of South Carolina and Perrigo Holland Company. As a result the Base Employment Level should be amended to 2,873 to include existing employees under Perrigo Holland Company.

OTHER STATE AND LOCAL ASSISTANCE

Holland Charter Township and the City of Allegan propose to approve a property tax abatements under Public Act 198 of 1974 for real property and Public Act 328 of 1998 for personal property. In addition, the Michigan Economic Development Corporation approved a 3-mill State Education Tax Abatement estimated to be worth approximately \$2.5 million in support of the project.

RECOMMENDATION

Based on the factors described above, the Michigan Economic Development Corporation recommends the following amendments to the Standard MEGA Tax Credit (Resolution 2008-73):

- Increase the maximum number of Qualified New Jobs that the Company can request credit for in any given year from 400 to 1,050 for tax years ending June 30, 2013 through June 30, 2018. The maximum number of Qualified New Jobs that the Company can request credit for would return to 400 for tax years ending June 30, 2019 through June 30, 2021.
- Amend the Project Description to include the expansion of manufacturing operations in Martin Township, Allegan County and Holland Charter Township, Ottawa County.
- Amend the Average Weekly Wage from \$881 to \$755.
- Amend the definition of Company to include Perrigo Sales Company, Perrigo Company of South Carolina and Perrigo Holland Company for purposes of base employment and qualified new jobs.
- Amend the Base Employment Level from 2,466 to 2,873 to include existing employees at the Holland Charter Township facility.
- All other terms and conditions will remain the same.

MICHIGAN STRATEGIC FUND

Resolution 2013-

Perrigo Company Standard Credit (Amendment #3)

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

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

WHEREAS, in Resolution 2008-73, adopted on July 15, 2008, the MEGA Board authorized a Tax Credit for Perrigo Company (the “Company”) of 100 percent for a period of twelve consecutive years, beginning no later than the Company’s tax year ending June 30, 2010 to expand its headquarters operations and create jobs in the City of Allegan, Allegan County (the “Project”);

WHEREAS, in Resolution 2011-122, adopted on October 18, 2011, the MEGA Board amended the Tax Credit to reduce the base employment level to 2,466 full-time jobs it maintained in Michigan prior to the Project, effective July 15, 2008;

WHEREAS, the Company is expanding the project scope in the City of Allegan and Martin Township, Allegan County and Holland Charter Township, Ottawa County, by expanding its manufacturing operations and creating additional jobs;

WHEREAS, the maximum number of Qualified New Jobs the Company can collect the Tax Credit on will increase from 400 to 1,050 for six consecutive years beginning with the Company’s fiscal year of July 1, 2012 through June 30, 2018, with the remaining years of the Tax Credit at 400;

WHEREAS, the Average Weekly Wage will decrease from \$881 to \$755 to reflect the Average Weekly Wage of the newly created positions;

WHEREAS, the Company will be defined as Perrigo Company, L. Perrigo Company, Perrigo Research & Development Company, and Perrigo Pharmaceuticals, Perrigo Sales Company, Perrigo Company of South Carolina and Perrigo Holland Company for purposes of Base Employment Level and Qualified New Jobs;

WHEREAS, the Base Employment Level will increase to a minimum of 2,873 full-time jobs;
and

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

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board authorizes an amendment to increase the maximum Qualified New Jobs from 400 to 1,050 for six consecutive years, beginning July 1, 2012 through June 30, 2018, add the expansion of manufacturing operations in Allegan and Ottawa Counties to the Project Description, reduce the Average Weekly Wage from \$881 to \$755, include Perrigo Sales Company, Perrigo Company of South Carolina and Perrigo Holland Company for Base

Employment Level and Qualified New Job purposes, and increase the Base Employment Level from 2,466 to 2,873; and

BE IT FURTHER RESOLVED, that all other provisions of Resolution 2008-73, as amended, are reaffirmed and the MSF authorizes the MSF Fund Manager to implement the terms of this resolution.

Ayes:

Nays:

Recused:

January 23, 2013
Lansing, Michigan



MEMORANDUM

Date: January 23, 2013

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

From: Nell Taylor, Development Finance Manager

Subject: Briefing Memo – Barracuda Networks, Inc.
Amendment to High Technology MEGA Tax Credit

COMPANY NAME

Barracuda Networks, Inc.
3175 Winchester Boulevard
Campbell, California 95008
www.barracudanetworks.com

BACKGROUND

Barracuda Networks, Inc. is the worldwide leader in email and Web security appliances. The Company also provides world-class IM protection, application server load balancing and message archiving appliances. Established in 2004, the Company is a privately held corporation with its international headquarters and manufacturing facility based in Campbell, California. Barracuda Networks has offices in eight international locations and distributors in more than 80 countries worldwide.

The Company was approved for a 7 year MEGA High Technology tax credit in 2008, for which they have collected for two years. Earlier this year in June, the Company was awarded a Michigan Business Development Program grant in the amount of \$1.2 million for the project outlined below. During execution of the MBDP Agreement, the Company realized that the MEGA was more beneficial and wished to set-aside the grant award in favor of an amendment to the MEGA tax credit.

The High Technology MEGA was approved September 23, 2008 and amended July 29, 2011. The tax credit was for 7 years and allowed for a 160% credit for three years, and a 80% credit for the remaining four years. The Company was allowed to create up to 185 jobs over a statewide employment base of 23. The average weekly wage for the project was \$680.

Barracuda Networks, Inc. plans to invest \$6 million to expand software development operations in the City of Ann Arbor. This expanded footprint will capture future growth in Michigan versus the headquarters in California. The company plans to create up to 174 new jobs in addition to the 185 job associated with the original project.

AMENDMENT DESCRIPTION

To allow for the growth in Michigan, the Company would like to increase their allowable job creation ceiling on their current HT MEGA by 151 to allow for up to 336 qualified new jobs; and increase the allowable percentage of the personal income tax from 80% to 100% for the final four years of the credit. All other terms and conditions of the HT MEGA tax credit will remain the same.

OTHER STATE AND LOCAL ASSISTANCE

The City of Ann Arbor proposes to approve a property tax abatement (PA 198) for five years with an estimated value of \$85,000.

RECOMMENDATION

Based on the factors described above, the Michigan Economic Development Corporation recommends the following amendments to the High Technology MEGA tax credit, for 7 years:
(472)

- Increase the allowed percentage of the personal income tax from 80% to 100% for the tax years 2013 through 2016 to be covered under this tax credit;
- Increase the maximum Qualified New Jobs by 151, allowing for up to 336 Qualified New Jobs for the tax years 2013 through 2016 to be covered under this tax credit; and
- All other terms and conditions of the tax credit remain the same.

MICHIGAN STRATEGIC FUND

Resolution 2013-

Barracuda Networks, Incorporated High Technology Credit (Amendment #2)

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

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

WHEREAS, in Resolution 2008-114, adopted on September 23, 2008, the MEGA Board authorized a Tax Credit for Barracuda Networks, Incorporated (the “Company”) of 160 percent for three consecutive tax years, beginning no later than the Company’s tax year ending February 28, 2010, and a Tax Credit of 80 percent for four consecutive tax years, beginning no later than the Company’s tax year ending February 28, 2012 to locate office operations in the City of Ann Arbor, Washtenaw County (the “Project”);

WHEREAS, the Company is expanding the project scope in the City of Ann Arbor, by expanding software engineering operations and creating additional jobs;

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

- (i) Increase the number of Qualified New Jobs from 185 to 336 over the Company’s Base Employment Level of 23 for three consecutive years beginning no later than the Company’s tax year ending February 28, 2012;
- (ii) Increase the percentage for the High-Technology Pull-Ahead MEGA tax credit for Barracuda Networks, Inc. from 80% to 100% for beginning no later than the Company’s tax year ending February 28, 2012;

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

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

BE IT FURTHER RESOLVED, that all other provisions of Resolution 2008-114, are reaffirmed and the MSF authorizes the MSF Fund Manager to implement the terms of this resolution.

Ayes:

Nays:

Recused:

January 23, 2013
Lansing, Michigan



MEMORANDUM

Date: January 23, 2013
To: Michigan Strategic Fund (“MSF”) Board Members
From: Marcia Gebarowski, Senior Development Finance Manager
Subject: Briefing Memo – Axle Alliance Company, LLC
Amendment to Standard MEGA Tax Credit

COMPANY NAME

Axle Alliance Company, LLC
13400 West Outer Drive
Detroit, MI 48236
www.daimler.com

BACKGROUND

Axle Alliance Company, LLC (the “Company”) is a subsidiary of Detroit Diesel Corporation whose parent is Daimler Trucks North America, LLC. The Company develops and manufactures axles for commercial vehicles as well as provides engineering consultancy services to other axle plants.

In 2012, Daimler AG internally awarded the Company new work for automated manual transmissions and proprietary asymmetric turbochargers to be produced at the Detroit brand manufacturing headquarters in Redford Township.

The Standard MBT jobs creation was approved May 7, 2002. The 100% tax credit was for 15 years. The Company was allowed to create up to 215 jobs over a statewide employment base of 1. The average weekly wage for the project was \$649.

Axle Alliance Company, LLC and its parent company Detroit Diesel plan to invest over \$100 million over eight years to expand its production capability to include transmissions in Redford Township. This expanded footprint will capture future growth in Michigan versus a competing transmission facility in North Carolina and Mexico. The company plans to create up to 204 new jobs in addition to the 215 job associated with the original project.

AMENDMENT DESCRIPTION

To allow for the growth in Michigan, the Company would like to increase their allowable job creation ceiling on their current Standard MBT Jobs Creation tax credit by 204 to allow for up to 419 qualified new jobs; revise the Project Description to include, “the assembly of truck transmissions and manufacture and assembly of other truck engine parts”; and add Detroit Diesel Corporation as an Associated Entity whose employees will count as Qualified New Jobs beginning Effective Date January 1, 2013, provided that those employees work on the Project and are not otherwise claimed pursuant to Detroit Diesel Corporation’s Retention MBT Jobs tax credit or any other agreement with the Michigan Strategic Fund.

OTHER STATE AND LOCAL ASSISTANCE

Redford Township proposes to approve a property tax abatement (PA 198) for twelve years with an estimated value of \$6.6 million.

RECOMMENDATION

Based on the factors described above, the Michigan Economic Development Corporation recommends the following amendments to the Standard MBT Jobs Creation tax credit, for 15 years: (#173)

- Increase the number of Qualified New Jobs from 215 to 419 over the Company’s Base Employment Level of 1 for six consecutive years beginning fiscal year January 1, 2013;
- Revise the Project Description to include, “the assembly of truck transmissions and manufacture and assembly of other truck engine parts”;
- Add Detroit Diesel Corporation as an Associated Entity whose employees will count as Qualified New Jobs beginning Effective Date January 1, 2013, provided that those employees work on the Project and are not otherwise claimed pursuant to Detroit Diesel Corporation’s MEGA retention credit or any other agreement with the Michigan Strategic Fund.
- All other terms and conditions of the tax credit remain the same.

MICHIGAN STRATEGIC FUND

Resolution 2013-

**Axle Alliance Company, LLC
Standard Credit (Amendment #1)**

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

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

WHEREAS, in Resolution 2002-09, adopted on May 7, 2002, the MEGA Board authorized a Tax Credit for Axle Alliance Company, LLC (the “Company”) of 100 percent for a period of fifteen consecutive years, beginning no later than the Company’s tax year ending December 31, 2004 to expand its headquarters operations and create jobs in the Redford Township, Wayne County (the “Project”);

WHEREAS, the Company is expanding the project scope in Redford Township, by adding new assembly and manufacturing operations and creating additional jobs;

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

- (i) Increase the number of Qualified New Jobs from 215 to 419 over the Company’s Base Employment Level of 1 for six consecutive years beginning fiscal year January 1, 2013;
- (ii) Revise the Project Description to include, “the assembly of truck transmissions and manufacture and assembly of other truck engine parts”;
- (iii) Add Detroit Diesel Corporation as an Associated Entity whose employees will count as Qualified New Jobs beginning Effective Date January 1, 2013, provided that those employees work on the Project and are not otherwise claimed pursuant to Detroit Diesel Corporation’s MEGA retention credit or any other agreement with the Michigan Strategic Fund; and

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

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

BE IT FURTHER RESOLVED, that all other provisions of Resolution 2002-09, are reaffirmed and the MSF authorizes the MSF Fund Manager to implement the terms of this resolution.

Ayes:

Nays:

Recused:

January 23, 2013
Lansing, Michigan



MEMORANDUM

DATE: January 23, 2013

TO: MSF Board Members

FROM: Diane Cranmer, Private Activity Bond Specialist

SUBJECT: Canton Renewables, LLC – Solid Waste - Amend Inducement to Extend Expiration Date & Increase Project Size

The Michigan Strategic Fund induced a \$12,000,000 project on behalf of Canton Renewables, LLC at its June 22, 2011 meeting. Canton Renewables, LLC is asking for a two year extension to Resolution 2011-081 until January 23, 2015. Canton Renewables, LLC is also requesting the amount induced be increased from \$12,000,000 to \$15,200,000. The project costs are higher than presented in 2011 due to higher construction and materials costs than budgeted.

Clean Energy Renewable Fuels, LLC, through its subsidiary Canton Renewables, LLC has substantially completed construction of a High BTU Landfill Gas Plant (LFG Plant), which is a gas collection and processing facility located at the Sauk Trail Hills Landfill in Canton Township, Wayne County. Construction of the LFG Plant began in mid-2012. The scope of the LFG Plant is to accept up to 3,200 standard cubic feet per minute (SCFM) of landfill gas from the Sauk Trail Hills landfill gas (LFG) collection system at the designated transfer point and process the gas to remove contaminants and non-usable gases to produce a high BTU natural gas product that can be injected into the local pipeline. The LFG Plant uses compressors to increase the pressure of the product gas output to approximately 325 psi and transfer the pressurized gas to the gas transportation line.

Staff recommends the approval of the amending resolution to extend the expiration date for the inducement resolution to January 23, 2015, and to increase the project size from \$12,000,000 to \$15,200,000.

MEMORANDUM

DATE: January 23, 2013
TO: MSF Board Members
FROM: Diane Cranmer
SUBJECT: Private Activity Bond – Bond Authorizing
Evangelical Homes of Michigan –NTE \$28,000,000 – Refinancing and New
Financing/Non-profit—Locations in Saline and Sterling Heights, Michigan

BACKGROUND

Evangelical Homes of Michigan (EHM) is a non-profit 501(c)(3) organization founded in 1879. Its primary purpose is to provide housing and health care services to seniors living in Southeastern Michigan. It is a faith-based organization related to the United Church of Christ. EMH serves individuals of all faiths and opens their doors to those in need of quality health care, housing and community based services. The organization currently operates skilled nursing facilities in Saline and Sterling Heights, Michigan, and an independent living and assisted living facility in Saline, Michigan. EHM employs approximately 783 individuals and approximately an additional 75 contract employees to assist in serving their elderly clients.

PROJECT DESCRIPTION

The MSF previously issued its \$14,800,000 Variable Rate Demand Limited Obligation Revenue Bonds (Evangelical Homes of Michigan Project), Series 2008 to finance the following capital expenditures at facilities owned and operated by EHM:

- (i) Acquisition of land and the construction of an approximately 33,000 sq. ft. memory support facility located in the City of Saline, Washtenaw County;
- (ii) Renovations to a skilled nursing facility located in the City of Sterling Heights, Macomb County; and
- (iii) Refinancing an outstanding term loan used to make facility renovations at a skilled nursing facility located in the City of Saline.

EHM has requested assistance of MSF in the issuance of bonds to refund the Series 2008 Bonds and to finance the following additional expenditures:

- (i) Costs of renovating, furnishing and equipping the renovation or expansion of various facilities owned and/or operated by EHM, including its Saline skilled nursing facility to provide rehabilitation services in space leased from Trinity Health-Michigan to be known as the Redies Center;
- (ii) Refinancing certain bank debt that was incurred to finance the costs of acquiring certain home health service providers and certain other capital expenditures at EHM's facilities located in Saline and Sterling Heights and financing future capital expenditures at such facilities;
- (iii) Refinancing a portion of certain Series 2008 Bonds issued by the Economic Development Corporation of the City of Saline to finance the construction and furnishing of certain non-housing assisted living facility units located within EHM's Brecon Village facility in Saline; and
- (iv) Costs of a debt service reserve fund for the bonds and costs of issuance.

ADDITIONAL INFORMATION

1. Job Creation:

Over the next three years, EHM projects a total staffing increase of 24 full-time employees resulting from the placing in service of the Redies Center facility.

2. Bond Counsel:

Dickinson Wright PLLC

3. Proposed Underwriting of the Bond Issue:

Cain Brothers & Company, LLC will be acting as underwriter and/or placement agent for the bonds. The bonds may be sold in one or more series. The bonds may be sold as unrated fixed rate bonds or they may be sold directly to a commercial bank or a combination of both.

RECOMMENDATION

After reviewing the Private Activity Bond Authorizing Resolution for Evangelical Homes of Michigan, and based upon a determination by Dickinson Wright PLLC and the State of Michigan Attorney General's office that the Project meets state and federal law requirements for tax exempt financing, staff recommends the adoption of a Bond Authorizing Resolution for the bonds in the amount of NTE \$28,000,000.

MEMORANDUM

DATE: January 23, 2013

TO: MSF Board

FROM: Capital Markets Team

RE: SSBCI Small Business Mezzanine Program – Investment Recommendation
Arctaris Michigan Growth & Income Fund, L.P.

SSBCI Small Business Mezzanine Program

On May 25, 2011, the MSF Board approved the Small Business Mezzanine Program (“SBMP”) and its guidelines. The SBMP was created under, and funded by, the federal government’s State Small Business Credit Initiative (“SSBCI”). The primary objective of the SBMP is to provide long term operating companies with growth capital which is higher risk than a senior lender would be willing to provide. The SBMP can achieve this objective by either investing into or alongside a risk capital fund. Under the SBMP guidelines, the MSF Board must approve SBMP requests over \$2.5 million.

Background

The Capital Markets team has been evaluating opportunities to invest in a risk capital fund(s) under the SBMP for over twelve months. In conducting due diligence, several key factors were evaluated, including a fund’s management team, track record, investment focus, and investment process. We were also interested in identifying funds that will:

- Invest in lower middle market companies with capital needs of \$500,000 to \$5 million range, which are currently underserved or ignored by the traditional senior debt and mezzanine markets; and
- Invest exclusively in companies headquartered in Michigan or with a significant presence in the State.
- Have the ability to raise additional money from outside investors in order to achieve at least 5:1 leverage on state dollars.

Opportunity

Arctaris Capital Partners, LLC, a risk capital fund with offices in Detroit and Boston, has passed the due diligence criteria of MEDC staff. Arctaris has proposed to launch a new fund – the Arctaris Michigan Growth & Income Fund I (“Fund”) – that will meet the goals of the SBMP and the criteria listed above.

Arctaris Capital Partners, LLC formed the Arctaris Income Fund and the Arctaris Co-Investment Fund in 2010 to invest in lower middle market companies throughout the United States (with a primary focus on underserved markets), through security structures designed to provide investors with current income, high liquidity, and above-market returns on investment. Both funds attempt to address the capital void in the lower and middle markets by issuing subordinated debt with royalty-based enhancements or equity components such as warrants or restricted stock. The expected result is a diversified portfolio of income-generating securities in companies with sufficient cash flows to pay attractive returns to the Fund. As of July 2012, between the two funds, Arctaris manages \$25 million in LP assets, and since inception the two funds have closed on five separate transactions. Arctaris Income Fund and the Arctaris Co-Investment Fund have achieved a 1.86x return on their investment portfolio to date. To date, the cash based returns of Arctaris Income Fund, LP are at 22.5% which exceeds the funds original target of 18%. Net with investments and fees, the fund’s monthly distribution yield has averaged 2.55%.

The funds are managed by Andrew Clapp, Jonathan Tower and Richard Waldo. Collectively, the fund partners have 53 years of venture capital and private equity experience and have closed 58 investments in the aggregate of \$151 million since 1997. The team has achieved a 1.64x return on this aggregate portfolio of investments to date. The team has a strong finance and legal background with significant entrepreneurial experience.

- Jonathan Tower, Founder and Partner of Arctaris, has a background in private equity and was most recently with Dutchess Capital where he was a Managing Director, Operating Partner and member of the firm’s Investment Committee. Prior to joining Dutchess Capital, he was with Fidelity Ventures and IBM. Jonathan’s entrepreneurial experience includes being the co-founder of Vodium.com. Jonathan holds an M.B.A. from Harvard Business School and a B.A. from Georgetown University.
- Andrew Clapp, Founder and Managing Partner of Arctaris, has a private equity background and most recently co-founded Brook Venture Partners, which managed Brook Venture Fund I, Brook Venture Fund II (a \$100 million SBIC Fund), and Brook Co-Investment, LP (collectively the “Brook Funds”). Andy is a graduate of Clarkson University (BS) and Amos Tuck School at Dartmouth College (MBA).
- Richard Waldo, Founder and Partner of Arctaris, brings both private equity and private equity legal experience. Previously, Rick was a Vice President at the Brook Funds. Prior to the Brook Funds, Rick was with the Venture Capital & Emerging Companies practice at the law firm of Nixon Peabody LLP. He is a graduate of Cornell University (AB) and Case Western Reserve University (JD/MBA).

See Attachment 1 for additional information on the Arctaris Michigan Growth & Income Fund I Senior Investment Team.

Arctaris Michigan Growth & Income Fund I

Arctaris will achieve financial and economic development goals by providing growth capital to under-banked small businesses in Michigan. The financial objective of the Fund will be to generate attractive financial returns by making investments in post-revenue companies located in Michigan. Arctaris will invest in both royalty-enhanced loans and traditional term debt securities, which will generate monthly current income, principal amortization, and upside potential tied to the company’s long-term growth. The economic development goals of the Fund will include the creation of jobs and economic opportunity for the residents of Michigan. Based on data from prior investments, Arctaris believes that smaller companies in growth industries (e.g. software) will experience 25% job growth as a result of funding. In addition, Arctaris anticipates every \$1 million of capital invested by the MSF will attract \$4 million of Private LP capital and \$8 million of co-investment by outside investors for a total of \$13 million in benefits to Michigan businesses.

Proposed fund structure:

Total Targeted Capital:	\$25-100 million
Targeted IRR:	12%-15%
Investment Focus:	Strong growth potential lower middle-market companies in Michigan with \$1.5-\$25 million in revenues
Transaction Size:	\$500 thousand - \$2 million
Geography:	Companies With Michigan Headquarters or Significant Presence
Closings:	First Close January 2013; Final Close May 2013
Quarterly Distributions:	Years 1-2: Fund Pays Annual Coupon to All Investors
Recycling Provision:	Years 1-2: Excess Income Above Coupon is Reinvested into New Loans

See Attachment 1 for additional information on the Arctaris Michigan Growth & Income Fund I structure.

Recommendation

MEDC Staff recommends the following to the MSF Board:

- Approval of a commitment up to \$4.5 million in the form of Class B Shares in the Arctaris Michigan Growth & Income Fund I, L.P.
- That the MSF Board delegate to the MSF Fund Manager the authority to negotiate and finalize all terms, conditions, investment agreements and all other related agreements for the Arctaris Michigan Growth & Income Fund I, L.P. in accordance with the provisions of the term sheet attached as Exhibit A to the proposed resolution.

Attachment 1

Arctaris Michigan Growth and Income Fund, L.P.

*A Michigan Economic Development Fund,
Delivering Capital Preservation, Current Income and
Liquidity to Investors*



Arctaris Michigan Partners, LLC

Detroit Office
950 E. Milwaukee Ave.
Detroit, MI 48211-2008

Boston Office
1000 Winter St., Suite 4000
Waltham, MA 02451-1436

Legal Disclaimer

The information contained herein is provided for informational and discussion purposes only and is not, and may not be relied on in any manner as legal, tax or investment advice or as an offer to sell or a solicitation of an offer to buy an interest in the Pure Michigan - Arctaris Income and Growth Fund LP (the "Fund"). A private offering of interests in the Fund will only be made pursuant to a confidential private placement memorandum (the "Memorandum") and the Fund's subscription documents, which will be furnished to qualified investors on a confidential basis at their request for their consideration in connection with such offering. The information contained herein will be qualified in its entirety by reference to the Memorandum, which contains additional information about the investment objective, terms and conditions of an investment in the Fund and also contains tax information and risk disclosures that are important to any investment decision regarding the Fund. No person has been authorized to make any statement concerning the fund other than as set forth in the Memorandum and any such statements, if made, may not be relied upon. The information contained herein must be kept strictly confidential and may not be reproduced or redistributed in any format without the approval of the Fund notwithstanding the foregoing. The Securities and Exchange Commission has not approved or disapproved the offering of securities in the Fund or determined if this overview is accurate or complete. Any representation to the contrary is a criminal offense. Neither Arctaris Capital Partners LLC nor any of its officers, directors, shareholders or affiliates make any representation or warranty, nor assume any responsibility for the accuracy of any information contained herein

Caution Concerning Forward-Looking Statements: Materials included in this presentation may contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that could cause actual results to be materially different from historical results or from any future results expressed or implied by such forward-looking statements. Statements that include the words "may," "will," "would," "could," "should," "believes," "estimates," "projects," "potential," "expects," "plans," "anticipates," "intends," "continues," "forecast," "designed," "goal," or the negative of those words or other comparable words should be considered uncertain and forward-looking.

Economic Development for Michigan Small Businesses

What We Are	Economic Development fund investing in growth-oriented Michigan companies
Who We Are	Detroit & Boston-based partners with successful performance over multiple funds
Objective	Address the void left behind by banks in small business banking
Target Market	\$1-\$5M secured loans to manufacturing, technology and services businesses
Key Differentiator	Use of royalty instrument provides companies an alternative to equity dilution
Why Us?	As a royalty fund, our success is measured in helping companies achieve real growth

MSF and Arctaris Propose to Invest Together as Partners in This Fund and Support a Mandate for Growth and Job Creation in Michigan

Arctaris Michigan: Senior Investment Team



Jonathan Tower

Managing Partner

Private Equity: Arctaris Income Fund; Managing Director, Dutchess Capital; Fidelity Ventures; IBM

Corporate: Interim CEO of 3 PE-Backed

Companies; IBM; Bloomberg

Entrepreneurial: Co-Founder of Vodium.com

MBA Harvard Business School

B.A. Georgetown University



Michael Walsh

Partner, Detroit

Private Equity: Arctaris Income Fund; Quincy Investments

Corporate: Ilitch Holdings; Pro Air

MBA University of Michigan

B.A. Notre Dame



Jim Robinson

Partner, Detroit

Investment: CEO & CIO of Telemus Capital, a \$2B asset management firm in Southfield, MI; Fmr. Chairman & CEO of

Munder Capital Management

MBA Carnegie Mellon

B.B.S. Wayne State University



Andrew Clapp

Partner, Boston

Private Equity: Managing Partner of Arctaris Income Fund, Co-Founder of Brook Venture Partners I & II

Investment Banking: Downer & Co.

Consulting: Arthur D. Little

Entrepreneurial: Cambridge Corp. Publishers

Corporate: GE, Equifax

MBA Tuck School, Dartmouth College

B.S. Clarkson University



Richard Waldo

Partner, Boston

Private Equity: Arctaris Income Fund, Brook Venture Partners II, Overall Capital Partners

Venture Capital: Echelon Ventures

Legal: Nixon Peabody; Mayer Brown

JD/MBA Case Western

B.A. Cornell University

** Complete bios included in Appendix*

Arctaris Team: Leaders in Underserved Markets

- **Background:** Arctaris Income Fund, our fund launched in 2010, provides loans to growing businesses, with a focus on underserved credit markets such as Michigan, Ohio, Northern New England, rural Northwest.
- **Market Strategy:** Our focus on geographies where lenders are scarce provides unique access to high-quality companies through partnerships with economic development agencies, political leaders, and foundations.
- **Michigan Office:** In 2010, Arctaris launched its Detroit office, headed by Michael Walsh, downtown in the New Center district in 2010.
- **Team Expansion:** Adding 2 investment professionals in Detroit to support Michigan investments.
- **Strong Local Presence and Affiliations**
 - Michael Walsh, *Partner and Head of Detroit Office*
 - Greg Smith, *Arctaris Advisory Board*
 - President of New Center Stamping; YPO, DPO
 - Legal: Honigman, Miller, Schwarz & Cohn
 - Accounting/Audit: UHY Advisors



Detroit Headquarters

Arctaris: Double Bottom Line Approach to Investment

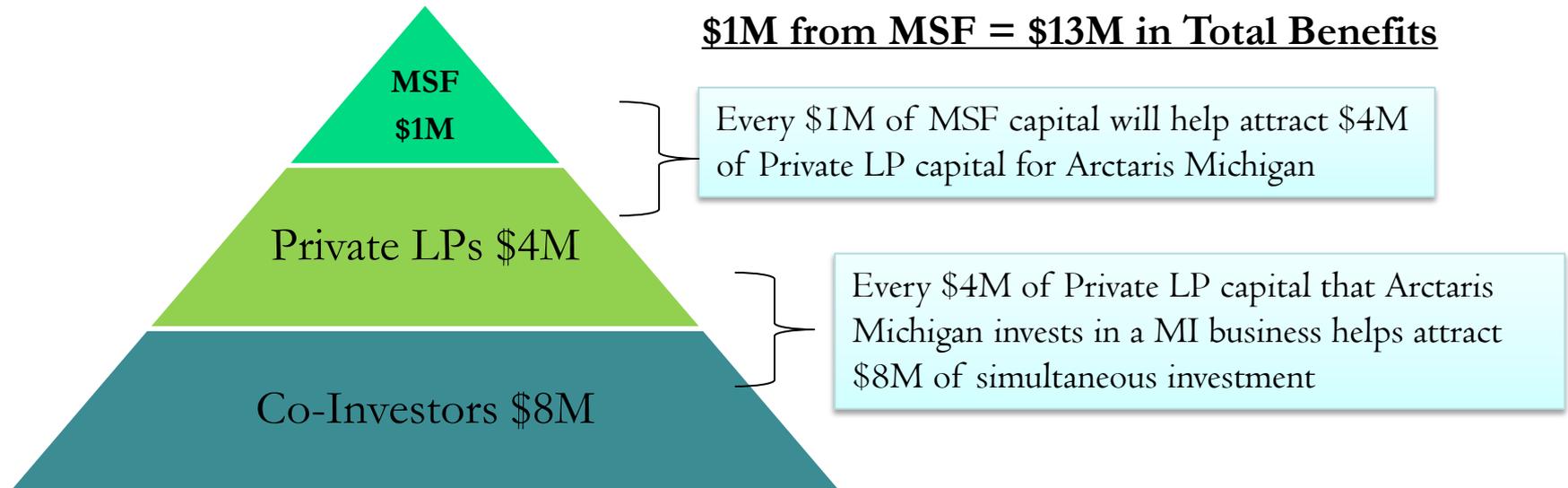
Arctaris generates returns for investors AND catalyzes local economic development with high emphasis on job creation

- **Provide Growth Capital:** Arctaris money must be used to grow the business. Our incentives are aligned with the company's, because the Royalty-based loan structure pays extra dividends when a company achieves real growth.
- **Fill a Capital Void Left Behind By Banks:** Arctaris focuses on under-banked small businesses seeking <\$5M of growth capital. We find higher-quality companies to fund at lower leverage ratios and less competition overall.
- **Promote Local Economic Development:** In addition to jobs, our companies are investing in R&D, their physical plants, or acquisitions.
- **Offer a Consultative Approach:** Our principals have founded and run companies, so we provide not just capital but also valuable business guidance. We use our experience to deliver value-add insights on achieving growth, avoiding pitfalls, and building strong teams.

Arctaris: Partners in Economic Development

- **Creating Jobs:** It is common to see our manufacturing companies add 30+ jobs within one quarter of funding and 100+ jobs within 2-3 years. For smaller companies in growth industries (e.g. software), a goal of 25% job growth is reasonable.
- **Leveraging the Impact of MSF's Dollars and Our Own :** Our brand of capital frequently attracts simultaneous participation by other institutional co-investors, equity investors, banks and equipment lenders. **Much of this capital is being attracted from outside Michigan.**

\$1M from MSF = \$13M in Total Benefits



Fund Structure: First Loss Agreement

Underscoring our focus on capital preservation, the Fund is designed to include a “First Loss” Agreement provided by the MSF

- The Michigan Strategic Fund (MSF) is proposing to provide 20% of the Fund’s LP capital
- In exchange for focusing exclusively on Michigan businesses, the MSF is absorbing a First Loss component of the Fund up to 75% of invested capital
- The First Loss agreement provides credit support to the entire Fund, serving to attract private investors from out-of-state to a Michigan-focused Fund

We Are Addressing an Important Void in Michigan : Growth Capital for Small Business

Fund Structure: Current Coupon + Early Liquidity

Like a bond, the Fund is designed to pay semi-annual coupon to all Investors

- The Fund pays a “bond-like” 6% semi-annual coupon to investors
- Excess income over 6% coupon is recycled into new investments in MI-based businesses during the first 2 years
- After 2 years, investors still receive 6% base coupon, plus 100% of the Fund’s excess income
- Royalty income + principal amortization allow the Fund to make early principal returns to investors, helping the Fund achieve its 15% IRR target

Royalty & Traditional Security Structures

Arctaris invests in both Royalty-Enhanced Loans and Traditional Term Debt Securities, which generate monthly current income, principal amortization, and upside potential tied to the company's long-term growth

Royalty-Enhanced Loan

- 5-year term debt with 8-12% coupon
- Royalty on incremental growth, tied to company's actual sales performance
- Allow deferred principal repayment in some cases to leave cash in business to grow
- Base loans and Royalties are both secured by a perfected lien on assets
- For investors, Royalties eliminate the need for an exit event
- For borrowers, Royalties are a non-dilutive alternative to equity
- Capital must be used to fund growth: job creation, equipment purchase, working capital

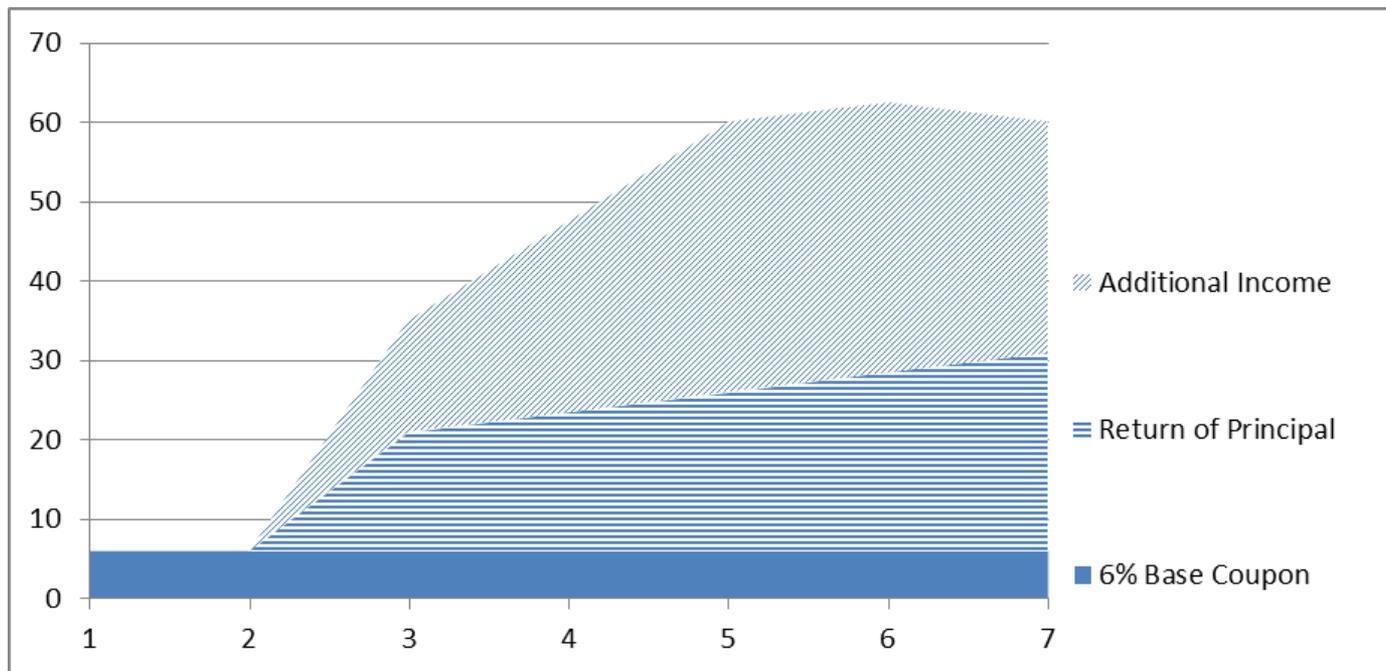
Traditional Term Debt

- Same as above but with IRR enhancements via warrants, equity or accrued PIK

These innovative financing solutions are specifically tailored to meet the company's financial abilities and growth objectives, while also mitigating risk for investors.

Return of Capital: Emphasis on High Liquidity

Fund's innovative structure pays base coupon plus early return of principal plus additional income



Bond-like Fund Structure is Appealing to Fixed-Income Investors, Particularly at a Time When Treasury and Corporate Bond Yields Are Historically Low

Case Example: \$2.0M Loan to Plastic Systems



In April 2012, Arctaris Income Fund, LP, provided a \$2.0M loan to Plastic Systems, a manufacturer of plastic injection moldings based in Romeo, Michigan.

- **Growth Capital:** Plastic Systems experienced a 70% increase in sales from 2008 to 2011, though its bank debt actually *decreased* by 15% in the same time. The company came to Arctaris seeking growth capital in December 2011 after trying first with banks.
 - *Because of a collateral shortfall, commercial banks would not provide the capital required*
- **Economic Development:** Company added 45 jobs in 2012, re-opened its Swartz Creek plant, and bolstered production with 7 plastic injection molding presses.
- **Additional Financing:** Since the initial transaction, Arctaris has provided additional growth financing to Plastic Systems – most recently in a joint funding with the MSF.
- **Leveraged Benefits:** The initial \$2M Arctaris funding helped the company attract more than \$8M of new capital: new equity, a new bank revolver, and new equipment financing.
 - *Half the new capital came in from outside Michigan.*

Case Example: \$2.0M Loan to Plastic Systems

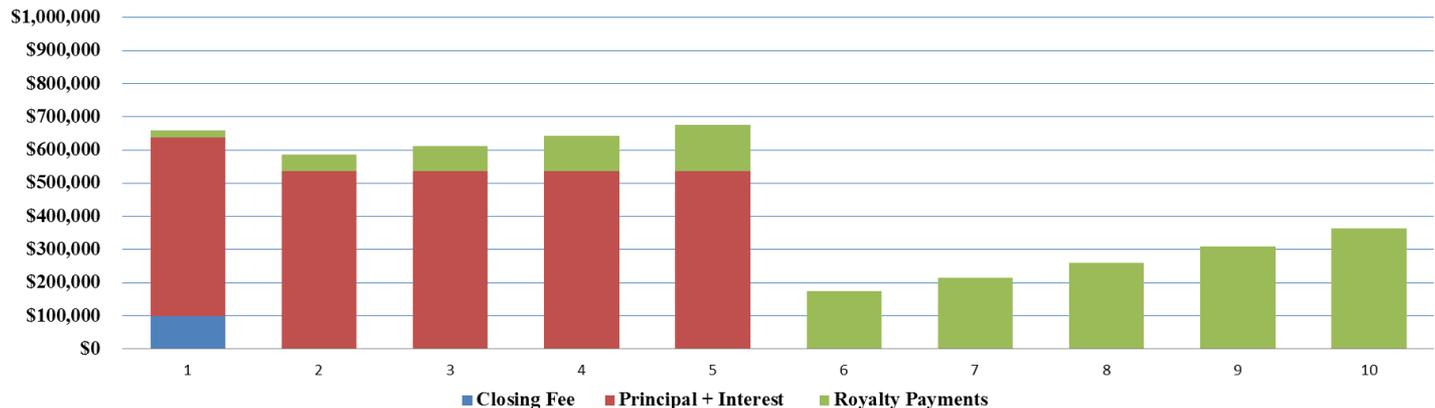
As of November, the Plastic Systems loan has paid eight consecutive months of principal and interest to Arctaris. Underscoring our commitment to delivering high liquidity and early returns of principal to investors, we project that 33% of the loan amount will be repaid in 12 months.

Investment Terms	
2011 Revenue	\$31,645,500
2011 EBITDA	\$1,425,900
Loan Size	\$2,000,000
Interest Rate	12%
Term of Note	5
Royalty Rate	0.69%
Closing Fee	5.0%
Target Return*	28.3%

*Gross IRR before fees



Payment Schedule for a \$2M Loan to Plastic Systems



Year	1	2	3	4	5	6	7	8	9	10
Closing Fee	\$100,000									
Principal + Interest	\$537,512	\$537,512	\$537,512	\$537,512	\$537,512					
Royalty Payments	\$22,754	\$47,783	\$75,315	\$105,600	\$138,914	\$175,559	\$215,869	\$260,210	\$308,984	\$362,637
Total Annual Payments	\$660,266	\$585,295	\$612,827	\$643,113	\$676,426	\$175,559	\$215,869	\$260,210	\$308,984	\$362,637
Percentage Returned*	33.0%	62.3%	92.9%	125.1%	158.9%	167.7%	178.5%	191.5%	206.9%	225.1%

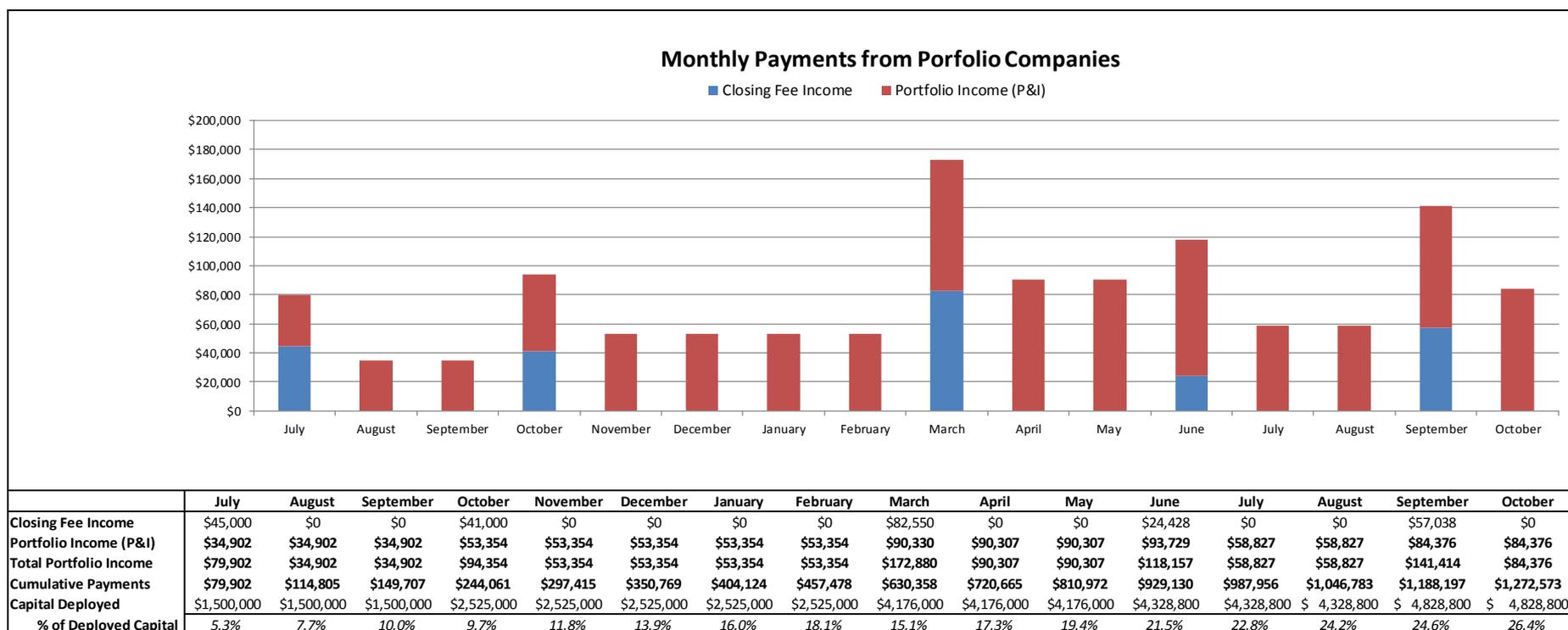
*Including royalty

Pipeline: Investment Opportunities With Michigan Companies

Company Name	City	State	Funding	Description
Company A	Grandville	MI	\$1.5M	Company implements energy-efficient water heating and lighting solutions for large commercial and industrial buildings. Seeking financing to fund inventory purchases to meet rising demand.
Company B	Troy	MI	\$2M	Company is a manufacturer and distributor of scanning probe microscope instruments for the nano-technology industry. Company also manufactures communication devices for hard of hearing communities.
Company C	Lowell	MA	\$3M	40 year old developer and marketer of Product Lifecycle Management (PLM), computer-aided design (CAD), and computer-aided manufacturing (CAM) solutions, mainly ProductCenter and CADRA. The Company manages an active subsidiary in Michigan and plans to increase headcount over time.
Company D	Southfield	MI	\$2M	Company is a provider of comprehensive staffing services focused on the general labor and industrial markets. Opportunity to fund a strategic acquisition of Wisconsin and Michigan-based staffing company.
Company E	Bayonne	NJ	\$6M	Opportunity to finance the acquisition of a NJ-based young women's apparel retailer with 50 stores, led by Don Jones, current CEO of a large retail chain. Upon funding, the Company will relocate HQ's to Michigan.
Company F	Allen Park	MI	\$1.2M	Software company provides engineering and IT for powertrain control systems. Seeking working capital to cover upcoming capex expenses.
Company G	Sebewaing	MI	\$1M	Company designs and builds special machinery and tooling for the Petrochemical (plastics), Automotive and Pipeline (process) industries at its plant located 50 miles northeast of Saginaw. Opportunity to fund the buyout of the founder.
Company H	Ann Arbor	MI	\$3M	Software company provides supply chain design and planning software that helps companies plan their supply networks in real time. Seeking \$3M for R&D and to expand marketing.
Company I	Troy	MI	\$2M	Provider of turn-key automation systems for assembly, welding, material handling, and stamping processes in the automotive and manufacturing industries.
Company J	Detroit	MI	\$3M	22-year-old manufacturer of welded, stainless steel tubing for the automotive industry. Seeking \$3m for vendor LOC and to recap shared senior line.

Portfolio Performance: Arctaris Income Fund 26.4% of Deployed Capital

- Since the Arctaris Income Fund's first loan in July, the Fund has distributed 26.4% of deployed capital.
- The 26.4% distribution rate, over a weighted average portfolio of less than 1 year, underscores the benefits of the royalty security structure.
- In the chart below, the monthly payments of principal and interest from the portfolio show a steady base of inflows for LP distributions, marked by the occasional, incremental bump from closing fees.



Portfolio Performance: High Current Distributions

- Arctaris measures performance based on the portfolio's distribution yield: the income paid to investors divided by the portfolio size at that time.

Monthly Return															
Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
5.33%	2.33%	2.33%	3.74%	2.11%	2.11%	2.11%	2.11%	4.14%	2.16%	2.16%	2.73%	1.36%	1.36%	2.93%	1.75%
Avg. Monthly	2.55%														
Annualized	30.6%														

- Since Arctaris Income Fund originated its first loan in July 2011, the Fund's monthly distribution yield has averaged 2.55%
- For each \$1M in deployed loans in Arctaris Income Fund, our investors received:
 - \$25,500 in average monthly distributions
 - \$306,000 in average annualized distributions

Performance of Arctaris Income Fund shows steady returns of income and principal to our investors, demonstrating the liquidity benefits of our royalty-based strategy.

Summary Terms: Arctaris Michigan Growth & Income Fund

Total Targeted Capital:	\$100M
Quarterly Distributions	Years 1-2: Fund Pays 6% Annual Coupon to All Investors
Recycling Provision	Years 1-2: Excess Income Above Coupon is Reinvested into New Loans
Investor Liquidity	After Year 2: Excess Income Above Coupon is Distributed to LPs
Manager	Arctaris Michigan Partners, LLC
Fees:	2%/20% After Full Return of Invested Capital
Commitment Period:	18 Month Drawdown Period with 10% Initial Draw
Geography	Companies With Michigan Headquarters or Significant Presence
Closings	First Close January 31, 2013; Final Close May 31, 2013

Contact Information

Arctaris Income Fund, LP

Boston Office

1000 Winter St., Suite 4000
Waltham, MA 02451-1436

Detroit Office

950 E. Milwaukee Ave.
Detroit, MI 48211-2008

Jonathan Tower, Managing Partner

617-535-9928, ext. 704

Cell: (646) 831-9455

Email: jonathan@arctaris.com

The logo consists of the word "ARCTARIS" in white, uppercase, sans-serif font. The letters are set against a background of two horizontal bars: a dark green bar on top and a lighter green bar on the bottom. The "A" is positioned on the dark green bar, and the remaining letters "RCTARIS" are on the lighter green bar.

The logo consists of the word "ARCTARIS" in white, uppercase, sans-serif font. The letters are set against a background of two horizontal bars: a dark green bar on top and a lighter green bar on the bottom. The "A" is positioned on the dark green bar, and the remaining letters "RCTARIS" are on the lighter green bar.

Appendix: Arctaris Capital Featured In Wall Street Journal

As appeared in the December 2 edition of the Wall Street Journal, noting Arctaris' royalty-type fund alternative and its recent investing activity in Michigan where it has an investing mandate and has opened an office in Detroit.

THE WALL STREET JOURNAL

THURSDAY, DECEMBER 2, 2010 - VOL. CCLXVI NO. 130

Alternative Financing Option

Entrepreneurs Going the Royalty Route Use a Share of Revenue to Pay Back Loans

By [SCOTT AUSTIN](#)

When first-time entrepreneur Philip Vaughn recently began searching for start-up capital, he traveled down two conventional paths.



Mr. Vaughn, co-founder of travel-review aggregator Raveable.com in Kirkland, Wash., says he wasn't interested in forking over a large chunk of equity to venture capitalists or committing to ambitious investment-return expectations. He also considered a loan, but knew that banks had made it onerous for young companies like his to obtain debt financing.

"We're in a weird spot" but we have "a decent amount of revenue coming in," says Mr. Vaughn who expects Raveable's sales to grow two to three times annually.

So he's considering an alternative called royalty financing, in which a company pays back a loan using a percentage of revenue. Traditionally found in industries such as mining, film production and drug development, royalty financing is being seen more among technology companies and other early-stage firms with growth potential.

In the past year, new firms such as Arctaris Capital Partners LP in Waltham, Mass., Cypress Growth Capital LLC in Dallas, and Revenue Loan LLC in Seattle have sprung up to provide royalty financing.

The exact financing structure varies between investment firms. Arctaris, which is raising \$200 million from institutional investors, is coupling the royalty financing with a five-year amortized loan. Cypress, which is putting together a \$30 million fund, and Revenue Loan, backed by \$6 million in venture capital, are attaching a small stock warrant as a safeguard in case the company becomes the next Google, Inc.

He's now in discussions with Arctaris about a funding deal to help Leonard & Co. expand its client base.

Arctaris Managing Partner Andy Clapp says his firm is targeting growing companies in a mix of industries with at least \$5 million in annual sales and profitable or nearing profitability.

The firm, which recently opened an office in a Detroit manufacturing plant, is investing up to \$7 million per company, offering a five-year amortizing loan at up to 14% interest, plus a royalty loan payable over 10 years.

About Arctaris Income Fund, LP

Arctaris Capital Partners, based in Waltham, MA, and with an office in Detroit, MI, provides funding to private as well as small publicly held companies seeking \$1-7 million, utilizing a unique royalty-type instrument that does not dilute ownership and is repayable over 5-10 years. For further information about financing as well as the Arctaris Income Fund, email info@arctaris.com or call 617-535-9928, ext. 703.

Appendix: Arctaris Team Biographies

Jonathan Tower, *Managing Partner*

Founder and Partner of the Fund, brings over 13 years of relevant industry experience, investing in private equity, and also serving in leadership roles in portfolio companies. Most recently with Dutchess Capital Management, he was a Managing Director, Operating Partner and member of the firm's Investment Committee. Dutchess Capital specializes in direct loans and private equity investments to lower-middle market and microcap companies. At Dutchess Capital, Jonathan held responsibilities both in deal execution and portfolio company operations. He was tasked with maximizing value in portfolio companies from early diligence through to exit, working closely with management teams to develop growth or turnaround strategies and milestone-driven operating plans. Jonathan also currently serves as a General Partner and member of the investment committee of a state-sponsored certified capital company (CAPCO) fund in Alabama which makes loans to technology companies and other small businesses to promote economic development. Additionally, together with Rick Waldo, Jonathan serves as a Director and Co-Investor in Coughlan Products, LLC, a 100-year-old manufacturer of private label cosmetics and bath products, which the principals acquired in the middle of a bank workout and restored to profitability.

Prior to joining Dutchess Capital, Jonathan was with Fidelity Ventures, where he invested in late-stage venture capital and private equity opportunities. He focused on business services, technology and telecom. Prior to that he worked at IBM in Venture Capital, Mergers & Acquisitions and Debt Capital Market, where he was involved with the issuance of more than \$2 billion in term debt, managed \$250 million of A/R factoring transactions, led investments in five early-stage technology businesses, and two sales that generated over \$300 million in profit. He also co-founded Vodium, a multimedia software company, which was acquired by Vcall.com. Jonathan has also published numerous articles on corporate finance, derivatives and risk management in Bloomberg News, Bloomberg Magazine, International Herald Tribune, and the New York Times.

Jonathan holds an M.B.A. from Harvard Business School and a B.A. from Georgetown University. He is an active volunteer and fund raising chair both for Harvard and for his high school, Phillips Academy Andover.

Appendix: Arctaris Team Biographies

Andrew Clapp, *Partner*

Founder and Managing Partner of Arctaris, Andy brings 30 years of experience within private equity. Andy previously co-founded Brook Venture Partners, which managed Brook Venture Fund I, Brook Venture Fund II (a \$100 million SBIC Fund), and Brook Co-Investment, LP (collectively, the “Brook Funds”), where he was a partner for 13 years until January 2009 when he left to launch Arctaris. He has been engaged in all facets of fund management and additionally was responsible for the administration and finance activities at the Brook Funds. The Brook SBIC Fund was examined annually by the SBA and was consistently found to be in compliance and rated positively for its financial management. Andy was also President of Federal Street Capital, Inc., a broker-dealer firm, where he also served as its Compliance Officer, and oversaw the funding of more than 20 companies.

His prior experience includes his own entrepreneurial publishing venture which he managed for 11 years and sold to a division of Thompson Group; management consulting; corporate management with a Fortune 1000 company; and trans-Atlantic investment banking.

Andy is a graduate of Clarkson University (BS) and Amos Tuck School at Dartmouth College (MBA).

Appendix: Arctaris Team Biographies

Jim Robinson, *Partner*

In his capacity as CEO & CIO of Telemus Capital – as well as its wholly owned proprietary asset management subsidiary, Beacon Asset Management – Jim oversees the day-to-day operations and activities of the firm. His responsibilities include investment strategies and processes, risk management, trading, regulatory compliance, asset allocation modeling, external manager due diligence and selection, and personnel recruitment and retention.

Prior to joining Telemus, he served for five years as the Chairman & CEO of Munder Capital Management and President of the Munder Funds, where he was responsible for an investment complex with approximately \$38 billion in assets under management. At Munder, he is credited with increasing the Morningstar rating of the firm's investment funds to well above the industry average, from 21% of mutual funds receiving 4 or 5 STARS to 75%. In addition, Jim served as Executive Vice President and Chief Investment Officer–Fixed Income with Munder Capital Management from 1987–1999, during which time fixed-income assets under management grew from less than \$100 million to more than \$20 billion.

Jim holds an MBA from Carnegie Mellon University and a BBS in finance and economics from Wayne State University. He is the father of three children.

Appendix: Arctaris Team Biographies

Richard Waldo, *Partner*

Founder and Partner of Arctaris, brings 10 years of experience as both a private equity investor and as a lawyer in the industry. Previously, Rick was a Vice President at the Brook Funds where he analyzed, structured, and negotiated various debt and equity financings, including three royalty based transactions. Some of his responsibilities while at the Brook Funds included serving as Board Observer on five portfolio companies, and overseeing the workout and sale of three troubled portfolio companies as well as the structuring and negotiating of follow-on financings by the Brook Funds into existing portfolio companies as well as evaluating prospective investments. Rick also currently serves as an Advisor to Overall Capital Partners, a \$45M family office that makes control and mezzanine debt investments in lower middle market companies. Messrs. Waldo and Tower are members of the Board of Directors of Coughlan Products, LLC, a private label manufacturer of cosmetics and bath products.

Prior to the Brook Funds, Rick was with the Venture Capital & Emerging Companies practice at the law firm of Nixon Peabody LLP in Boston where he advised many private equity-backed portfolio companies and private equity firms. Before that he was an Associate at Echelon Ventures, LLC, an early-stage, high-tech venture capital fund where he was responsible for analyzing, structuring and sourcing investment opportunities for the firm, and supported the firm's fund raising activity. Prior to that he was an Associate in the Corporate & Securities Group at Mayer Brown Rowe & Maw LLP in New York City, where he represented private equity and growth stage company clients in a variety of mergers and acquisitions, leverage buyouts and various financing transactions.

He is a graduate of Cornell University (AB) and Case Western Reserve University (JD/MBA).

Appendix: Arctaris Team Biographies

Michael Walsh, *Partner*

As head of the Detroit Office for Arctaris Capital, Mike is focused on sourcing new investment opportunities for the firm's Funds and developing strong business development relationships with local business partners, intermediaries, economic development officials, and co-investors.

Mr. Walsh brings 25 years of business development, marketing and capital raising expertise to Arctaris. Mike has successfully raised over \$1 billion of capital for companies and funds in the automotive, airline, software, real estate, sports, entertainment and garment industries. He has also successfully produced and launched programs, businesses and marketing initiatives for Sony Corp., Little Caesars Pizza, ProAir Airlines, Olympia Entertainment, the Detroit Red Wings, Detroit Tigers, Detroit Lions and the National Hockey League.

Mike received his B.S. in Accounting from the University of Notre Dame and his M.B.A. from the Ross School of the University of Michigan.

MICHIGAN STRATEGIC FUND

RESOLUTION 2013-

**STATE SMALL BUSINESS CREDIT INITIATIVE
SMALL BUSINESS MEZZANINE PROGRAM AWARD FOR
ARCTARIS MICHIGAN GROWTH & INCOME FUND, L.P.**

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 Small Business Mezzanine Program (the “SBMP”) designed to facilitate financing of projects for commercial borrowers and (ii) the guidelines for the SBMP (“SBMP Guidelines”);

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 SBMP Guidelines require that SBMP requests over \$1 million must be approved by the MSF Board;

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

WHEREAS, Arctaris Michigan Growth & Income Fund, L.P. (“Arctaris”) has requested an award under the SMBP of up to \$4.5 million (“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 has recommended to the MSF Investment Subcommittee that the MSF approve the Award Request in accordance with the Term Sheet, subject to: (i) available funding and (ii) final due diligence performed to the satisfaction of the MEDC, and (iii) execution of transaction documents to memorialize the Award Request in accordance with the SMBP Guidelines (collectively, the “Award Recommendation”); and

WHEREAS, the MSF Investment Subcommittee has indicated its support of the Award Recommendation.

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

BE IT FURTHER RESOLVED, the MSF Board authorizes the MSF Fund Manager to negotiate the final terms and conditions of, and sign, all transaction documents necessary to effectuate the Award Request.

Ayes:

Nays:

Recused:

Lansing, Michigan
January 23, 2013

Arctaris Michigan Growth & Income Fund I

Summary of Terms and Conditions of the Fund

The following is a summary of terms and conditions of the Arctaris Michigan Growth & Income Fund I, L.P. It is not and is not intended to be a complete description thereof.

General Terms

Limited Partnership:	Arctaris Michigan Growth & Income Fund I, L.P.
Type of Securities:	Arctaris Michigan Growth & Income Fund I Class A Shares and Arctaris Michigan Growth & Income Fund I Class B Shares.
Manager/General Partner:	Arctaris Michigan Partners, LLC
Limited Partners:	State Small Business Credit Initiative (SSBCI)/Michigan Strategic Fund (MSF) and such other investors as agreed upon.
Purpose:	<p>The Fund will have both financial and economic development objectives.</p> <p>The financial objective of the Fund will be to generate attractive financial returns by making senior debt, sub debt, equity, and equity-like (warrants, royalties, etc.) investments in post-revenue companies located in Michigan. Such portfolio investments of the Fund will predominantly consist of debt securities with a current pay component. The target annual internal rate of return for the Fund's investments will be 12%-15%.</p> <p>The Fund's investments will primarily focus on strong growth potential (revenue and jobs) lower middle-market companies in Michigan with \$1.5 to \$25 million in revenues. Target transactions and the majority of transactions will range from \$500,000 to \$2 million for terms from generally three to five years. No single transaction shall exceed \$5 million. The Fund will not invest more than 10% of the targeted fund size in any portfolio company. The General Partner must receive written approval by the Class B shareholders for any transactions that may deviate from these parameters.</p> <p>The economic development goals of the Fund will be consistent with the goals and requirements of the State</p>

Exhibit A

Small Business Credit Initiative (SSBCI) and the Michigan Strategic Fund (MSF) and will include the creation of jobs and economic opportunity for the residents of Michigan, as well as increased tax revenue for the state of Michigan and its subdivisions.

Michigan Investments:

The Fund will invest only in Michigan based companies, as defined by the MSF, and only in Michigan based projects.

SSBCI/MSF Requirements:

The Fund will comply with all SSBCI and MSF requirements, which include among others, that the Fund shall not invest in companies with more than 750 employees globally, shall not invest in projects that include passive real estate, shall not participate in loan(s) greater than \$20 million, and shall require the Fund and all portfolio companies to sign all appropriate representations and warranties, including but not limited to all SSBCI warranties.

Fund Formation

Committed Capital:

The Fund will target \$25,000,000 to \$100,000,000 in total capitalization comprising a \$20,500,000 to \$70,500,000 investment in Class A Shares (the "Class A Investor Commitments") and a \$4,500,000 investment from the MSF in Class B Shares.

General Partner Commitment:

The General Partner shall be required to invest in the Fund an amount equal to at least 1% of the size of the Fund, with such investment being on the same terms and conditions as the other Class A investors in the Fund. The General Partner may also be required by the MSF to agree to pay its pro-rata share of the overhead expenses of the Fund.

SSBCI/MSF Commitment:

The SSBCI/MSF has approved a commitment up to \$4,500,000 in the form of Class B Shares (the "Class B Investment Commitment"). The SSBCI/MSF commitment shall not at any time make up more than twenty percent (20%) of the Fund.

Minimum Fund Size:

The Fund and its General Partner must subscribe at least \$22,500,000 in investor commitments in order to conduct a first close, no later than April 30, 2013. Should the Fund fail to meet this minimum, all SSBCI/MSF commitments will be terminated.

Exhibit A

Closing Dates: First Closing is anticipated by January 31, 2013. Final Closing is anticipated by May 31, 2013.

Eligible Class A Investors: Accredited Investors

Eligible Class B Investors: Accredited Investors, including the MSF/SSBCI

Fund Operation

Commitment Period: The commitment of the investors to provide funds will expire at the earlier of (i) the date when all the Class A Investor Commitments and the Class B Investor Commitments (the Class A Investor Commitments and the Class B Investor Commitments are collectively referred to herein as the "Investor Commitments") have been invested, or (ii) the fifth anniversary of the initial closing (the "Commitment Period"). At the end of the Commitments Period, the investors will have no further obligation to provide funds except to (a) cover expenses, liabilities and obligations of the Fund; (b) complete investments by the Fund in transactions that are in process as of the end of the Commitments Period; and (c) follow-on investments in existing portfolio company investments.

Distributions: Fund distributions shall proceed as follows:

1. First, the Fund may distribute coupon payments to investors at its discretion for a period of two years. During this 2 year period, the coupon will be paid to Class A and B shareholders. Any returns in excess of the coupon may be reinvested by the fund. Any coupon received by Class B shareholders and their pro-rata share of excess returns above the coupon distribution during the first two years will be reinvested in the fund in the form on additional investment in Class B shares.
2. Second, at the end of the two year period, the Fund will distribute 100% of all returns in excess of management fees to Class A and B shareholders on a pro-rata basis until all distributions, including coupons, have returned 100% of Class A and B shareholders principal investment.

Exhibit A

3. Third, returns, over and above principal, shall be distributed 80% to the Limited Partners pro-rata, and, 20% to General Partner pro-rata.
4. Lastly, Class B Investors shall bear seventy-five percent (75%) and Class A Investors shall bear twenty-five percent (25%) of any losses incurred by the Fund, until at any point, an amount equal to or greater than the capital contributed by Class B Investors has been exhausted. Thereafter, Class A Investors shall bear 100% of losses. Any shortfall in coupon payments or distributions incurred by Class B Investors as a result of its loss position must be caught up as funds are available.

Reinvestment of Capital:

Excess income above a coupon can be reinvested into new loans.

Management Fees:

A management fee of two percent (2%) of committed capital will be paid by both Class A and Class B Investors to the fund manager pro-rata. The management fee will be based on assets under management if AUM exceeds committed capital.

Investor Reporting:

The Fund will hold an annual meeting of the investors to review and discuss the Fund's portfolio company investment activities. Quarterly reporting will also be provided to the MSF.

The Fund will establish a 6 person advisory board and hold a monthly meeting of this advisory board to review and discuss the Fund portfolio company investment activities. This advisory board shall have 3 members appointed by the Michigan Economic Development Corporation and 3 members of the Fund's management.

The Fund and the General Partner shall be required to require that all Fund portfolio companies provide performance metrics to the Fund and the MSF as required by MSF and SSBCI Acts and guidelines, and to require all portfolio companies to comply with the MSF and SSBCI Acts and guidelines.

The Fund will provide investment level and portfolio level impact reports, relative to the economic development and financial impacts of individual

Exhibit A

portfolio company investments, as well as the Fund's portfolio as a whole.

The Fund shall be required to cause an audit of its annual financial statements to be made by an independent certified public accountant and provided to the MSF.

Removal of Management:

Management may be removed from their respective positions, with Cause, upon the vote of a majority of the Class A and Class B shareholders. As used herein, the term "Cause" shall include malfeasance, fraud, gross negligence, and failure to conform to the investment guidelines and policies of the fund. Management may be removed without Cause only upon a unanimous vote of the Class A and Class B shareholders.

**Conflicts of Interest,
Other Business Activities:**

The Fund's management, staff and consultants will be required to execute standard and customary conflict of interest, non-disclosure and non-compete agreements, prior to their engagement and will be subject to a background check.

MEMORANDUM

Date: January 23, 2013
To: Michigan Strategic Fund Board
From: Chris Cook, Capital Services Associate
Subject: New Center Stamping, Inc. (and related borrowers/guarantors)

MBGF - Collateral Support Program and its Guidelines

On May 25, 2011, the MSF Board approved the Michigan Business Growth Fund – Collateral Support Program (“MBGF-CSP”) and its guidelines, and the MBGF-CSP Cash Collateral Deposit Agreement (“MBGF-CSP Collateral Support Agreement”), for use within the MBGF. The MBGF-CSP was created under, and funded by, the federal government’s State Small Business Credit Initiative (“SSBCI”). Under the MBGF-CSP guidelines, the MSF Board must approve MBGF-CSP requests over \$2.5 million, and requests for collateral support of \$2.5 million or less may be approved by any two of the following: MSF Chairperson, or the MSF Fund Manager, or the MSF State Treasurer Director.

The primary intended objective of the MBGF-CSP is to enhance the collateral position of commercial borrowers to promote advancement of credit facilities from lenders.

Source of Information

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

Background

New Center Stamping, Inc. (“NCS” or “Company”) is a stamping company located in Detroit. NCS specializes in low-volume production of service parts. The Company stamps steel and aluminum bumpers, hoods, doors, lift gates, body sides, fenders, and radiator supports. Based on its capabilities for custom, short-run assemblies, NCS has the capability to efficiently produce aftermarket OEM service parts. The Company also provides factory assist options to OEM and tier 1 suppliers, including sourcing arising from mechanical failure or capacity constraints. NCS is one of only a few stampers that supplies parts in this style and quantity. NCS currently maintains approximately 30% of market share for this segment of the market. The Company’s main competitor, Ohio based Gerstenslager Company, maintains approximately 60% of the market.

NCS is seeking to expand its operations by acquiring additional stamping equipment. The total cost of the project, including all necessary expenses related to its installation, will total \$8,333M. NCS has already contributed \$833M to the project in the form of equipment purchases, and is seeking financing for the remaining \$7,500M. The new equipment is anticipated to improve operational efficiency and profitability. Efficiency will be improved by reducing die changes from 6 or more hours to 30 minutes. The Company will be able to run two shifts and stamp 5 different parts per day, as opposed to one part on 1 shift and have presses sitting idle until the 2nd shift changes to dies. Scrap conveyors will be added to handle the excess materials, rather than operators having to stop stamping in order to manually remove scrap. Based on the increased capacity of the equipment to be acquired, NCS will have the ability to eliminate outsourcing and move all production in-house. These savings are anticipated to reach \$730M to \$1,025M annually, depending on production volume.

NCS was established in 1992 and is owned by Ron Hall Sr. (Chairman/CEO – 51% owner), Greg Smith (COO – 10% owner), the Michelle E. Smith Trust (33.2% owner), and Don Stein (VP Sales & Marketing – 5.1% owner). Michelle Smith is Greg's wife. Mrs. Smith holds no ownership of the Company personally and does not have a role in its operations. On November 1, 2012, NCS hired Rick Monkaba to serve as its President and General Manager. Prior to joining NCS, Mr. Monkaba worked for more than 35 years at General Motors, where he held a wide range positions including Plant Manager of Truck Assembly Centers in Detroit, Pontiac, Flint, and Linden, NJ; Director of Quality & Reliability for both Oldsmobile Division and GM Corporate Staff; and Business Unit Director for the Truck Chassis Products Group. Mr. Monkaba has also served as a Business Coach and Industry Expert for the Urban Entrepreneur Program ("UEP"). The focus of the non-profit UEP is to assist minority owned automotive suppliers in the improvement of their business operations and diversification into non-automotive industries.. Monkaba is a graduate of the General Motors Institute (Bachelors of Science), the University of Michigan (MBA) and the Harvard Graduate School of Business (Program for Executive Development).

NCS currently derives 100% of its revenue through work with the auto industry. The Company has a goal of generating 25% of its revenue through industries other, with a target on the heavy truck and agriculture industries. The new president of NCS has a background in working with companies that are heavily reliant on work with the auto industry to assist in developing diversification strategies.

The MSF has not previously provided support to NCS.

Industry Overview

Worldwide, the auto parts manufacturing industry generates about \$1 trillion in annual revenue. Economic expansion in emerging markets is expected to drive healthy growth in the auto manufacturing sector over the next several years, which should bolster demand for auto parts. The US auto parts manufacturing industry consists of about 4,000 companies with combined annual revenue of about \$180 billion and is expected to grow at a high rate in the next two years.

Demand for auto parts is driven by new car sales, which are strongly affected by interest rates, and by the replacement market. Company profitability depends partly on the difficulty of manufacturing products and partly on demand volume, since many costs are fixed. Small companies can compete successfully by focusing on a small number of products or some highly technical ones.

Demand for auto parts is increasing due to Americans owning more vehicles and keeping vehicles longer. The average light vehicle on the road is nearly eight years old, and requires more maintenance and repairs than newer ones, according to the National Automobile Dealers Association (NADA). Sales of aftermarket replacement parts and products are expected to increase slowly. Used car sales are increasing as the US economy slows and motorists either want to spend less on a vehicle or have difficulty securing new car financing. While better engineering is producing cars that last longer without major overhauls, consumers are shifting to spending more on maintenance to improve fuel efficiency, and as they keep their older cars for longer periods.

Employment

The Company reports having 130 employees, which are 5 more than it had 5 years ago. The Company anticipates adding 5 employees within 6 months of the loan closing, and an additional 40 employees within 5 years. The average annual salary for employees of NCS is \$40,185.

Financing Opportunity

Comerica Bank (“Bank”) has proposed a new \$7,500,000 loan in order to finance the costs associated with the planned equipment acquisition. The note will be structured including a draw period of up to 12 months followed by a term note featuring a five year term and seven year amortization. An alternative structure has also been proposed that would include financing utilizing the SBA 504 program. Utilizing this alternative structure, the Comerica bank would provide short term financing during the draw period. Once the draw period had ended, the Bank would provide a term note in an amount up to \$4,166,667, or 50% of the total project amount. The term of the Bank note would be 7 years with a 10 year amortization. The SBA would provide a note of up to \$3,333,333, or 40% of the total project amount. In order to support the transaction, the Bank is requesting that the MSF provide collateral support in the amount of \$3,742,500. Under the conventional financing option, the MSF would be repaid based on the amortization of the proposed financing. Under the SBA financing option, the MSF would be repaid subsequent to the draw period at such time as the SBA has closed on its proposed financing.

NCS recorded gross revenue of \$22.1MM in FY2012, \$17.9MM in FY 2011, and \$16.4MM in FY2010. The increase in revenue in 2012 is attributed to \$5.9MM in new work that was awarded to NCS from GM after the closing of a GM plant in Indianapolis. Net income for the same period was recorded at \$528M, \$171M, and \$5,937M, respectively. The usually high net income in 2010 was the result of a \$4MM settlement reached between NCS and a former customer. NCS recorded a net loss of (\$5,317M) in FY2009, which was based largely on \$3.86MM in bad debt expense related to the non-payment of obligations by this former customer. Based on historical obligations, NCS recorded a debt service coverage ratio of 1.11:1 for FY2011 and 1.66:1 for

FY2012. Based on a proforma income statement provided by NCS, the Company anticipates recording a debt service coverage ratio of 1.20:1 for FY2013 and 1.36:1 for FY2014. The proforma statement assumes market capture of 35% beginning in FY2014, as compared to the 30% that NCS has historically captured. NCS is confident it can achieve this additional market share based on the increased production capacity to be realized from the new equipment. Proforma further assumes unfunded CAPEX of \$150M annually, which is the anticipated equipment maintenance cost. Actual CAPEX was \$441M in FY2011 and \$129M in FY2010.

For FY2013 the Company is forecasting gross revenue of \$22.6MM and net profit of \$249M. The projections take into account the line installation to occur in 2013 and does not contemplate any margin improvement on existing work. Although the Company does not typically receive signed contracts, NCS is confident in its projections based on the \$9.6MM in worked that has already been released for this year. 2013 volumes will primarily result from work awarded in the three previous years plus any new work awarded in 2013. Typically the volumes that are awarded in a given year carry forward into future years on a declining scale of approximately 20% less per year for the first four years i.e. work awarded in 2010 carries forward 80% in 2011, 60% in 2012, 40% in 2013.

The proposed financing will require the unlimited personal guarantees of Ron Hall Sr., the Ronald E. Hall Trust, Greg Smith, the Gregory C. Smith Trust, and the Michelle E. Smith Trust UAD 7/19/95. The guarantees to be provided to the MSF will be subordinate to those being provided to the Bank, with the subordination limited to the Bank's exposure at the time of closing of the proposed financing. Mr. Hall reports an adjusted net worth of \$1,630M. Reported assets include \$1,045M in cash and marketable securities, \$150M in retirement accounts, and \$1,167.5M in personal real estate. Liabilities include \$855M in mortgage debt and \$1,123,893 in accrued payables. Mr. Smith reports an adjusted net worth of \$1,702M. Reported assets include \$80M in cash and marketable securities, \$590M in retirement accounts, and \$1,565M in personal real estate. Liabilities include \$819M in mortgage debt.

Exit Strategy

The Bank intends to include several covenants as a part of the proposed financing, including a minimum fixed charge coverage ratio covenant, a tangible net worth covenant, a limitation on owner salary and distributions, and a cash flow recapture provision. The thresholds for each of these covenants will be determined by the Bank and will require approval by CST. Each of these covenants is intended to result in investment in the Company balance sheet and accelerated repayment of the proposed financing.

Request

A. Bank Facility and MSF Support

Comerica Bank has proposed to provide the following credit facilities:

Term = Equipment	\$7,500,000
Revolver = Working Capital	<u>\$4,000,000</u>
Total Loans Leveraged	\$11,500,000

In addition, the Company has contributed \$833,000 in cash toward the project. Given the above structure, the proposed MSF exposure is a maximum of:

Term = Equipment	<u>\$3,742,500</u>
Total MSF Contribution	\$3,742,500

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 3.30:1.

B. 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.

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 SSBCI-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 – New Center Stamping, Inc.

Borrower:	New Center Stamping, Inc. (and/or a related borrower(s))
Lender:	Comerica Bank
Loan Amount:	Up to \$7,500,000
MSF Cash Collateral:	Up to \$3,742,500
Loan Type:	Up to 12-month draw note converting to term note featuring a term of up to 7 years and an amortization period of up to 10 years.
Fees:	Tier II: 2.125% at Closing 1.25% annually based on the MSF Share Balance

Other

- Commitment will remain valid for 90 days with approval for MSF Fund Manager to extend the commitment an additional 30 days.

- Unlimited, unsecured personal guarantees of Ron Hall Sr., the Ronald E. Hall Trust, Greg Smith, the Gregory C. Smith Trust, and the Michelle E. Smith Trust UAD 7/19/95. 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 \$11,500,000, along with reasonable interest and fees.
- The proposed financing will include a fixed charge coverage ratio covenant, as calculated by the Bank. Minimum fixed charge coverage ratio will be set based on a level acceptable to Bank and CST.
- The proposed financing will include a minimum tangible net worth covenant, as calculated by the Bank. The minimum tangible net worth thresholds will be set at a level acceptable to Bank and CST.
- The proposed financing will include a limitation of officer salary and owner distributions. Salary will be limited to a level acceptable to Bank and CST.
- The proposed financing will include an excess cash flow recapture provision. The conditions related to the cash flow provision will be established based on guidelines acceptable to Bank and CST.



SUMMARY OF DESIGNATED INFORMATION

MICHIGAN STRATEGIC FUND CONFIDENTIALITY LOG

SSBCI-MBGF-CSP

Per MSF Approval of the Staff Recommendation dated January 23, 2013

Name of Applicant	Summary of Designated Information
New Center Stamping, Inc. and any related borrowers and guarantors; and Comerica 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.

MICHIGAN STRATEGIC FUND

RESOLUTION 2013-

**SSBCI MBGF-CSP
APPROVAL OF COLLATERAL SUPPORT AGREEMENT FOR
NEW CENTER STAMPING, INC.**

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, Comerica Bank (“Bank”) has proposed new credit facilities to New Center Stamping, Inc. and/or related borrowers (“Proposed Borrowers”) of \$7,500,000 for equipment acquisition;

WHEREAS, Proposed Borrowers have requested collateral support from the MSF under the federally funded MBGF-CSP for in the amount not to exceed the lesser of: (i) \$3,742,500 or (ii) up to 49.9% of the total amount of the Bank loan (“MBGF-CSP Support”);

WHEREAS, the MEDC has reviewed the Bank’s current credit documents for the Proposed Borrowers, and recommends that the MSF Board approve the 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
January 23, 2013

MSF Board Meeting
Quarterly Report

Michigan 21st Century Investment Fund,
L.P.

January 23, 2013

The Customized Fund Investment Group

Important Information

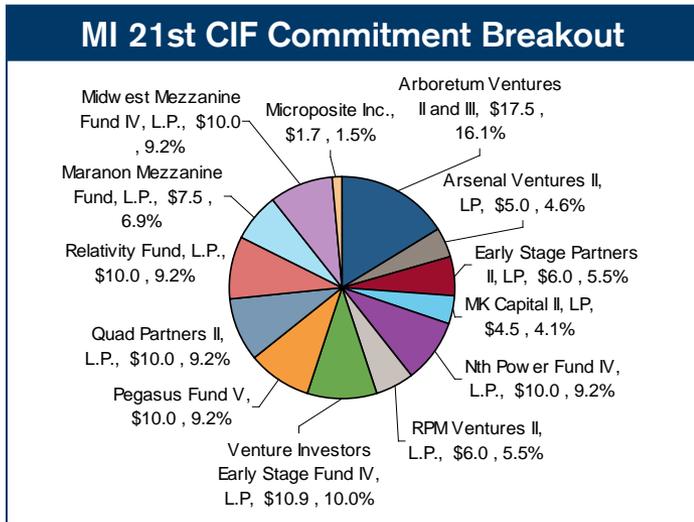
This document has been prepared, at the request of The Michigan 21st Century Investment Fund (“MI 21st CIF”), for its general informational purposes in connection with its investment in a program (the “Program”) with the Customized Fund Investment Group (“CFIG”) of Credit Suisse Asset Management (“CSAM”) and may not be used or reproduced for any other purpose. This document is for informational purposes only and all information contained herein is subject to revision and completion. This document does not constitute or form part of an offer to issue or sell, or of a solicitation of an offer to subscribe or buy, any securities or other financial instruments, nor does it constitute a financial promotion, investment advice or an inducement or incitement to participate in any product, offering or investment. Any such offer will be made only by means of the Program’s confidential private placement memorandum and is subject to the terms and conditions contained therein and in the limited partnership agreement (or other organizational documents) of the Program, as amended, restated or modified. The information set forth herein does not purport to be complete. In addition, this document does not constitute nor shall it or the fact of its distribution form the basis of, or be relied on in connection with, any investment contract.

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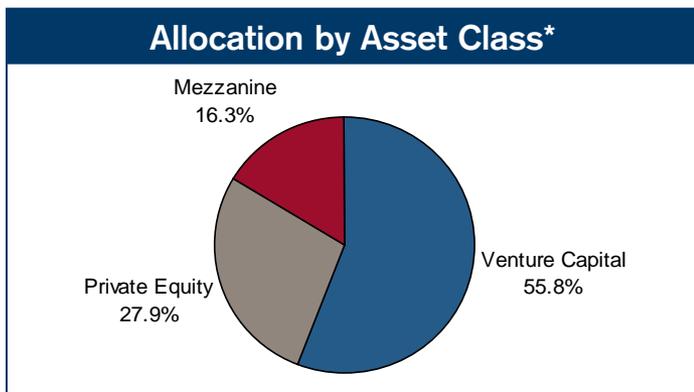
Michigan 21st Century Investment Fund Summary

- Since 2006, the MI 21st CIF has committed **\$109.0 million** to **13 funds** and one company

By U.S. dollars invested



By U.S. dollars invested



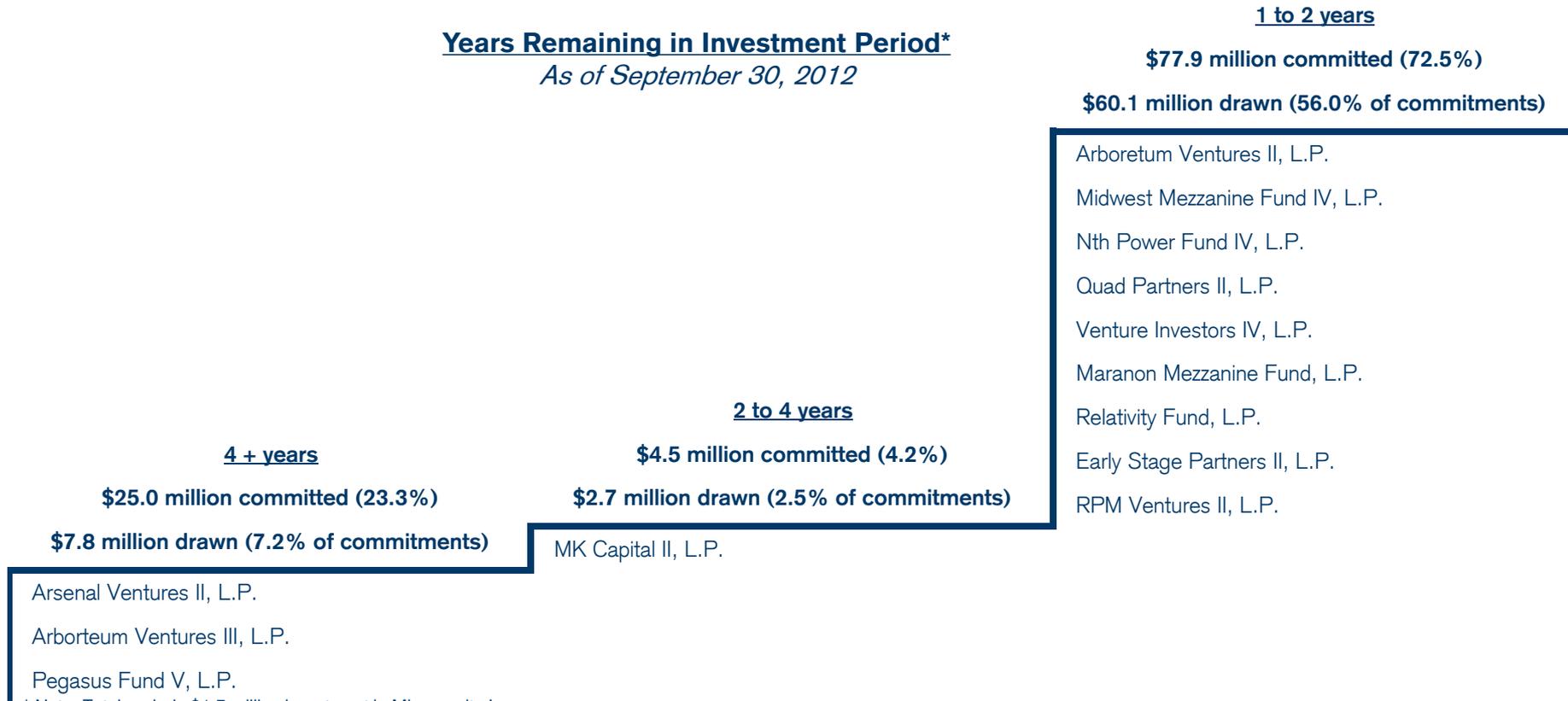
Fund Managers

Arboretum Ventures		Quad Partners	
Early Stage Partners		Relativity Capital	
Maranon Mezzanine		Pegasus Partners	
Midwest Mezzanine		Venture Investors	
Nth Power		Arsenal Ventures	
RPM Ventures		MK Capital	

Michigan 21st Century Investment Fund Summary (Cont'd)

- As of September 30, 2012 the underlying funds have drawn approximately **65.8%** of their capital commitments or **\$70.6** million
- Many funds have multiple years remaining in the investment period
- Credit Suisse is actively assessing Michigan investment plans and activity for all fund managers

Years Remaining in Investment Period*
As of September 30, 2012



* Note: Total exclude \$1.7 million investment in Microposite Inc.

Michigan-Based Portfolio Companies

As of November 2012, the Michigan 21st Century Investment Fund managers (Fund Managers) have invested **\$112.4 million** into **26** Michigan-based portfolio companies which have **819** Michigan employees. Michigan 21st Century Investment fund managers have invest nearly **1.59x** the amount they have drawn from the Fund.



Ann Arbor, MI

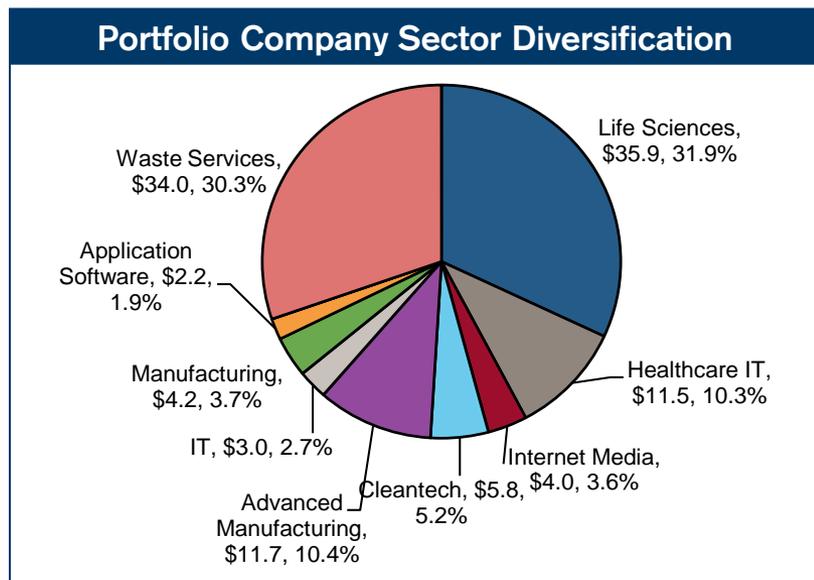
A collection of logos for portfolio companies located in Ann Arbor, MI. The logos are arranged in two rows:

- Row 1: accuri CYTOMETERS, Accord Biomaterials (Delivering Biocompatibility), AMPLIFINITY (we power world of mouth), ArborMetrix, ARBOR PHOTONICS, CytoPherx™, DeepField NETWORKS, Molecular Systems Corporation, Inc.
- Row 2: Esperion Therapeutics (Partnered to better health), HandyLab, HISTOSONICS™, HUMANETICS (IMMORTALITY SOLUTIONS), Incept BioSystems, Life Magnetics, NanoBio, Tangent Medical (Better design through understanding), Tissue Regeneration Systems Inc.™

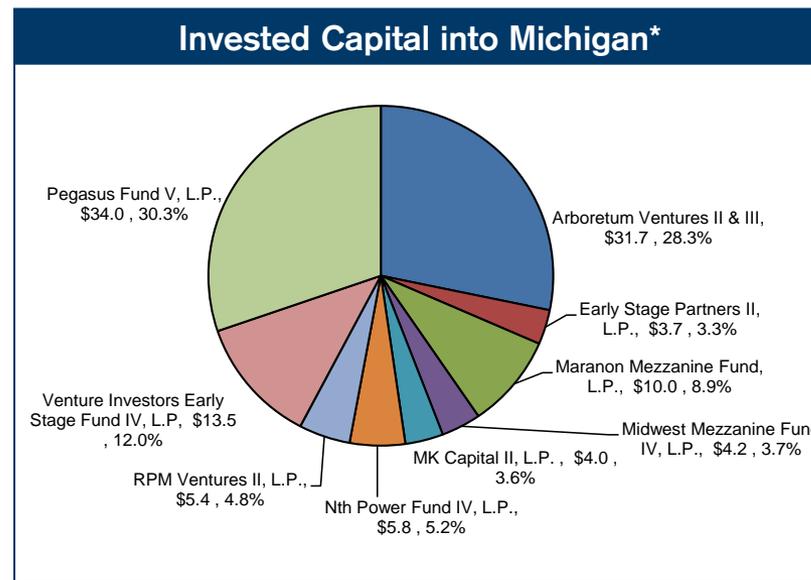
Michigan-Based Portfolio Companies (Cont'd)

- Overall, **\$626.8 million** of equity has been invested into these **26** portfolio companies by all syndicate partners. This represents a **5.58x** leveraging of the MI 21st CIF underlying fund manager investments
- These portfolio companies continue to be diversified across sectors, including life sciences, manufacturing, healthcare, IT, waste services and media
- Arboretum Ventures** has been the most active manager to-date with over **\$31.7 million** invested into **10** unique Michigan-based companies
- Pegasus V** has invested the most dollars in the State with **\$34.0 million** into Re Community Holdings, Inc.

By U.S. dollars invested



By U.S. dollars invested



Michigan Venture Capital and Private Equity Ecosystem

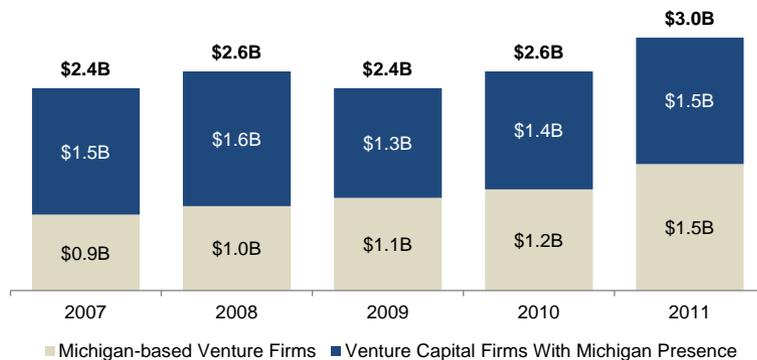
Regionally Targeted Initiatives	Firms with Michigan Presence	Portfolio Companies
<ul style="list-style-type: none"> ■ Michigan 21st Century Investment Fund ■ Venture Michigan Fund I ■ Venture Michigan Fund II ■ Renaissance Venture Capital Fund ■ InvestMichigan! Growth Capital Fund ■ InvestMichigan! Growth Capital Fund II ■ InvestMichigan! Mezzanine Fund 	<ul style="list-style-type: none"> ■ 20 Michigan headquartered venture capital firms ⁽¹⁾ ■ 27 venture capital firms with a Michigan presence ⁽¹⁾ ■ Overall, 75 private equity firms that are headquartered in or have a presence in Michigan⁽²⁾ ■ 100+ investment professionals 	<ul style="list-style-type: none"> ■ 76 active venture capital backed companies ⁽¹⁾ ■ Average investment of over \$600M annually in Michigan-based portfolio companies since 2007 ■ Over 7,000 Michigan jobs supported by Regionally Targeted Initiatives

\$900+ million

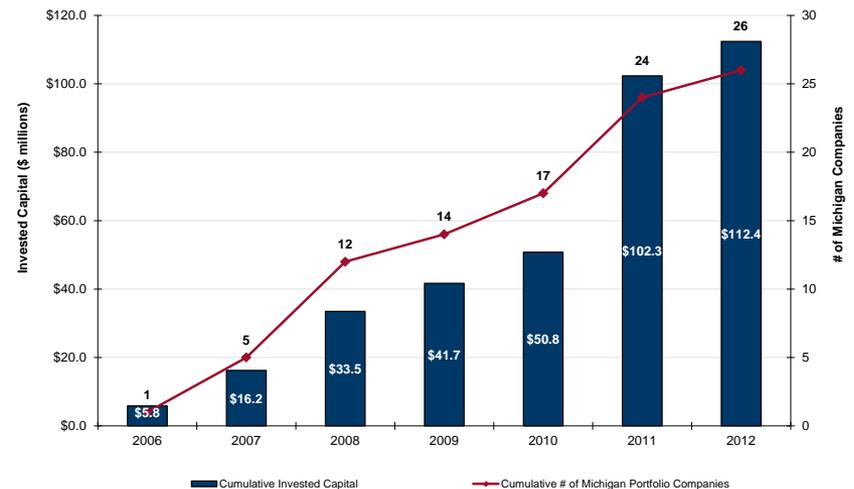
\$4+ billion

\$600+ million annually

Michigan Venture Capital Under Management



Michigan 21st Underlying Michigan Portfolio Companies



(1) Source: Michigan Venture Capital Association 2011 annual report. As of 12/31/2011.

(2) Source: Preqin as of 1/8/2013.



MEMORANDUM

DATE: January 23, 2013

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

FROM: Amy Deprez, Director, Development Finance
Joseph Martin, Manager, Brownfield and MCRP

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

On December 21, 2011, the MSF Board approved the Michigan Business Development Program (“MBDP”) and the Michigan Community Revitalization Program (“MCRP”). Both programs allow for delegated approval of projects that have incentives of \$1 million or less. Listed below is a synopsis of the deals that were approved during the 1st quarter of the 2013 fiscal year.

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

MBDP APPROVALS

Project Name	Approval Date	Location	Incentive Approved	Jobs	Investment
OPS Solutions	12/6/2012	Northville	\$400,000	25	\$268,000
Mueller Plastics Corporation, Inc.	12/6/2012	Portage	\$700,000	78	\$26,116,000
Getman Corporation	12/4/2012	Kalamazoo	\$300,000	150	\$5,538,560
Henrob Corporation	11/20/2012	New Hudson	\$300,000	158	\$68,491,000
Cataphora	11/19/2012	Ann Arbor	\$300,000	30	\$206,200
Summit Polymers, Inc.	11/8/2012	Portage	\$370,000	74	\$9,300,000
Undercar Products Group	11/1/2012	Wyoming	\$475,000	158	\$26,047,023
The Armored Group, LLC	10/31/2012	Dearborn Heights	\$1,000,000	240	\$1,455,000
Continental Automotive Systems	10/22/2012	Auburn Hills	\$1,000,000	300	\$8,605,000
Monadnock Non-Wovens	10/10/2012	Coldwater	\$360,000	66	\$4,518,935

Michigan Economic Development Corporation

MCRP APPROVALS

Project Name	Approval Date	Location	Incentive Approved	Jobs	Investment
Detroit MUTT, LLC	10/23/2012	Detroit	\$38,488.00	2	\$486,414.00
Rebuild Lebowsky, LLC	10/23/2012	Owosso	\$446,000.00	2	\$6,739,000.00
614 First Street Partners, LLC	11/14/2012	Grand Rapids	\$1,000,000.00	0	\$7,935,000.00
Lofts on Monroe, LLC	12/14/2012	Grand Rapids	\$475,000.00	5	\$3,460,723.00
833 Michigan Street, LLC	12/27/2012	Grand Rapids	\$907,000.00	10	\$5,879,420.00



MEMORANDUM

Date: January 23, 2013

To: Michigan Strategic Fund Board

From: Joshua Hundt
Manager – Development Finance

Subject: Quarterly Reports of MEGA Tax Credit Administrative Amendments

As authorized in October 2010, by MEGA Board Resolution 2010-184, and Per Executive Order 2012-9, all the authority, powers, duties, functions and responsibilities of the Michigan Economic Growth Authority, created under 1995 PA 24, MCL 207.801 to 207.810, are now transferred to the Michigan Strategic Fund, the Fund Manager of the Michigan Strategic Fund the has the authority to execute certain MEGA Tax Credit amendments under the following conditions:

- Addition of a related entity for base employment level purposes only that is in existence and operational in Michigan;
- Amendment of the beginning year that a company is eligible to receive a tax credit prospectively for no more than one year and adjusting the remaining years accordingly;
- Amending the project location provided that the new location is within the same taxing jurisdiction as originally approved;
- Transferring the tax credit provided that the transferee submits the appropriate documents and assumes all the duties and responsibilities of the company and that the transferee is a related company to the transferor;
- Company name changes, federal employer identification number changes, or a combination of both.

In the first quarter of 2013, the following amendments have been executed by the Fund Manager of the Michigan Strategic Fund on behalf of the Michigan Strategic Fund Board:

- Styron, LLC; Average Weekly Wage Definition and Quarter End Date Language;
- Century, Inc.; Average Weekly Wage Definition, Quarter End Date Language;
- Magneti Marelli Holding USA, Inc.; Added entity for base purposes only;
- BASF Corporation; added entity for base purposes only;
- Sakti3, Inc.; Average Weekly Wage Definition, Quarter End Date Language, and Schedule-A correction;
- ADCO Products, Inc.; Average Weekly Wage Definition, Quarter End Date Language;
- Siemens Industries, Inc.; company name change assignment
- Emergent Biodefense Operations Lansing, LLC; company name change assignment
- Cobra Motorcycle Manufacturing, Inc.; company name change assignment
- Advanced Photonix, Inc.; modification of first credit year

Michigan Economic Development Corporation

- Martinrea Jonesville, LLC (MEGA #572); addition of related entity for base level purposes only;
- Martinrea Jonesville, LLC (MEGA #722); addition of related entity for base level purposes only.

All documentation related to the changes to the above-mentioned MEGA Credits are on file with the MEDC Program Administration.



**MSF DELEGATED AUTHORITY QUARTERLY UPDATE
MSDF AND SSBCI PROGRAMS
CAPITAL SERVICES TEAM
October 1 – December 31, 2012**

BACKGROUND

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

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

On May 25, 2011, the MSF Board approved the Small Business Mezzanine Program (“SBMP”) and its guidelines. The SBMP was created under, and funded by, the federal government’s State Small Business Credit Initiative (“SSBCI”). The MSF Board must approve SBMP requests for participation in convertible debt or the acquisition of direct equity along side a private sector capital provider of over \$1.0 million, and requests for participation or acquisition of \$1.0 million or less may be approved by any two of the following: MSF Chairperson, or the MSF Fund Manager, or the MSF State Treasurer Director.

APPROVALS BY AUTHORIZED DELEGATES

Between October 1, 2012 and December 31, 2012 the following actions were approved by the MSF Chairperson and MSF Fund Manager, subject to due diligence, and available funding:

MSDF:						
Organization	Request Type	MSF Support	Loan Amount	Action	Date Approved	Closed
Ringside Creative, LLC	MSDF-MCSP	\$ 1,000,000	\$ 3,150,000	Approved by Chair and Fund Manager	November 16, 2012	Y
Royal Engineering International, Inc.	MSDF-MCSP	\$ 147,000	\$ 300,000	Approved by Chair and Fund Manager	December 17, 2012	Y
Royal Engineering International, Inc.	MSDF-MCSP	\$ 100,000	\$ 300,000	Approved by Chair and Fund Manager	December 17, 2012	Y
Total		\$ 1,247,000	\$ 3,750,000			

SSBCI - MBGF:						
Organization	Request Type	MSF Support	Loan Amount	Action	Date Approved	Closed
Enrinity Supplements, Inc.	MBGF-LPP	\$ 124,750	\$ 250,000	Approved by Chair and Fund Manager	October 8, 2012	Y
Specialty Lifting Equipment, Inc.	MBGF-LPP	\$ 280,000	\$ 660,000	Approved by Chair and Fund Manager	November 5, 2012	N
Beaver Creek Wood Products, Inc.	MBGF-CSP	\$ 157,000	\$ 325,000	Approved by Chair and Fund Manager	November 28, 2012	N
Action Wood Technologies, Inc.	MBGF-CSP	\$ 367,500	\$ 750,000	Approved by Chair and Fund Manager	December 17, 2012	N
Total		\$ 929,250	\$ 1,985,000			

SSBCI-SBMP						
Organization	Request Type	MSF Support	Loan Amount	Action	Date Approved	Closed
Plastic Systems, LLC	SSBCI-SBMP	\$ 425,000	\$ 875,000	Approved by Chair and Fund Manager	October 15, 2012	Y
Total		\$ 425,000	\$ 875,000			



**MSF DELEGATED AUTHORITY QUARTERLY UPDATE
FOR 21CJF PURE MICHIGAN VENTURE MATCH**

January 2013

FOR QUARTER ENDED 12/31/12

BACKGROUND

On March 28, 2012, the Michigan Strategic Fund (“MSF”) Board approved the creation and operation of the Pure Michigan Venture Match Fund (“PMVMF”). Pursuant to Section 88k of the MSF Act, the MSF must establish a competitive process to make awards under the PMVMF. All applications are reviewed externally by an independent peer review expert. The MSF Board delegated to the MSF Fund Manager the authority to approve PMVMF awards upon the recommendation of the independent peer review expert.

APPROVALS BY AUTHORIZED DELEGATE

Between October 1, 2012 and December 31, 2012 the following actions were approved by one of the authorized MSF Board members:

Organization	Action(s)	Amount	Leveraged Amount	Date
nanoRETE, Inc.	Award Approval	\$500,000	\$1,500,000	9/13/2012
Tissue Regeneration Systems, Inc.	Award Approval	\$500,000	\$1,000,000	10/25/2012
Amplifinity (uRefer, Inc.)	Award Approval	\$375,000	\$1,500,000	10/30/2012
Livio Radio (Myine Electronics, Inc.)	Award Approval	\$387,500	\$775,000	11/05/2012
Gema Diagnostics, Inc.	Award Approval	\$500,000	\$1,500,000	12/14/2012
Stik (Knew Deal, Inc.)	Award Approval	\$500,000	\$1,000,000	12/14/2012



Summary of Approved PMVMF Companies

nanoRETE

nanoRETE, Inc. is a Lansing, Michigan-based early stage company that is developing technologies to provide real-time detection of pathogens and toxins using customized, proprietary nanoparticle based biosensors. The Company is developing products that can test for single or multiple pathogens/ toxins using a simple-to-use device that can generate rapid screening results in a very cost effective manner. Initial applications of the technology are targeted towards food safety in the food industry, military and homeland security. nanoRETE's technology base is the result of research conducted at Michigan State University and the Company has acquired an exclusive license to an extensive patent portfolio for worldwide commercialization. For more information visit us at www.nanorete.com

Tissue Regeneration Systems (TRS)

Tissue Regeneration Systems (TRS) is a start-up medical device company commercializing a breakthrough skeletal reconstruction and bone regeneration technology platform licensed from the Universities of Michigan and Wisconsin. Our technology has been evaluated in several large animal studies with very promising long term results. We have conceptualized initial product offerings, completed all required bench and animal testing, and filed our first regulatory submissions to the FDA. Approval of these submissions will allow TRS to commercialize products in the United States and we expect to begin generating meaningful revenues in the next two to three years. www.tissuesys.com

Amplifinity

Amplifinity is a pioneer in the development of social marketing platforms. Their Advocacy Management Platform (AMP) is used by enterprise-level companies to generate social behavior by mobilizing customers, employees and third-parties to refer new customers, endorse products, and amplify marketing messages. With AMP, brands are able to acquire customers at a fraction of the cost of traditional channels, thereby increasing revenue, retention, and profitability. www.amplifinity.com

Livio Radio

Metro-Detroit-based Livio was built in the guest bedroom of Livio Radio founder and CEO Jake Sigal's home in 2008 on the foundation of "More Music, Less Work." Today, those words remain more than a catchy slogan. It's a philosophy, a way of life that drives Livio employees and a growing list of breakthrough products. Whether they're creating common-sense solutions for automotive or smartphone application business customers through Livio Connect, a day's work at Livio means everybody hustles. It's about streamlined engineering, fewer headaches for their customers, and putting an end to unnecessary product hassles. Livio collectively fights above its weight class in the pursuit of American innovation, giving their big-name business partners the freedom to do what they do best. More information can be found at www.LivioConnect.com and www.LivioRadio.com



Gema Diagnostics

Gema develops non-invasive solutions to dramatically improve *in vitro* fertilization (IVF) outcomes. The Company's flagship product, the GemARTvia test, will enable clinicians to determine which embryos have the best chance of becoming a baby. Gema technology emerged from pioneering research conducted at the Michigan State University Cellular Reprogramming Laboratory, the Yale University School of Medicine, and the Oxford University Institute of Reproductive Sciences under the leadership of [Dr. Jose Cibelli](#) and [Dr. Dagan Wells](#), two leading scientists in reproductive technologies. For more information regarding Gema, please visit www.gemadx.com

Stik

Stik.com is using Facebook to bring word-of-mouth recommendations for local businesses online. We help small businesses build their reputation and help consumers discover small businesses recommended by their friends.

The co-founders of the Company Nathan Labenz and Jay Gierak are originally from Detroit and met shortly before attending Harvard together. Originally founded in San Francisco and funded by Silicon Valley investors, in 2012 the Company returned home to the Madison Building in downtown Detroit to be a part of the city and state's technical renaissance. www.stik.com



**MSF DELEGATED AUTHORITY QUARTERLY UPDATE
FOR 21CJF LOAN/GRANT PORTFOLIO
Board Meeting January 23, 2013**

FOR QUARTER ENDED 12/31/12

BACKGROUND

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

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

APPROVALS BY AUTHORIZED DELEGATE

Between October 1, 2012 and December 31, 2012 the following actions were approved by one of the authorized MSF Board members:

Organization	Action(s)	Award Amount (full award amount)	Disbursed Amount (actual amount disbursed)	Date
Everist Genomics, Inc.	Restructure	\$1,569,999	\$1,569,999	October 5
ProNAi Therapeutics, Inc.	Conversion	\$400,000	\$400,000	November 13
Pixel Velocity, Inc.	Addendum to Restructure Sept 11, 2012	\$1,808,645	\$1,808,645	November 7
NamesforLife, LLC	Conversion	\$50,000	\$50,000	November 28
Van Andel Institute	Match for Federal Grant	\$500,000	\$500,000	November 28

**MSF DELEGATED AUTHORITY QUARTERLY UPDATE
FOR QUARTER ENDED 09/30/12**

Page 2

Danotek Motion Technologies, Inc.	Disposition of Assets / Write-Off	\$1,828,981	\$1,650,000	November 29
Gema Diagnostic, Inc.	Restructure and Conversion	\$800,000	\$800,000	December 5
Compendia Bioscience, Inc.	Recapture of Funds	\$1,750,000	\$250,000	December 10

ABOUT THE COMPANIES

Everist Genomics

Everist Genomics, Inc., f/k/a Genetics Squared, Inc., (“EGI” or “Company”) is a cancer diagnostic company based in Ann Arbor, Michigan. The Company has developed a colorectal cancer (“CRC”) prognostic test, the OncoDefender™ CRC test, intended to help guide treatment decisions following surgery for Stage I/II colon cancer and Stage I rectal cancer. The CRC test is intended to accurately predict the risk of recurrence of cancer in patients previously treated with surgical resection (i.e. removal) of a Stage I or Stage II colon cancer tumor or a Stage 1 rectal cancer tumor. The CRC test is performed at the Company’s Ann Arbor laboratory. The tumor analysis requires a small sample of the tumor tissue which is typically provided by a treating physician. Results of the CRC assay are available within 7 to 10 days from the date the tumor sample is received by the Company.

Compendia Bioscience

Compendia Bioscience Inc. is a cancer bioinformatics company. Their product is delivered as a software as a service (SaaS) product and is sold to significant pharmaceutical companies and universities involved in the area of cancer research. Within two years of company launch, Compendia rapidly established market leadership position within the oncology therapeutic area with 12 of the top 20 cancer biopharmaceutical companies as customers and more than 12,000 academic users for their product Oncomine.

ProNAI Therapeutics

ProNAi is a venture-backed, clinical stage cancer biotech company based in Plymouth and Kalamazoo, Michigan. Cancer is a major cause of morbidity and mortality with over 1,590,000 newly diagnosed cases and 570,000 deaths annually in the US alone. These facts underscore the need for development of new and more effective anti-cancer therapeutics. Scientists at our Company have developed an unmodified single stranded DNA, delivered via a liposome carrier that creates first-in-class cancer gene silencing drugs that we have named “DNAi”. One such DNAi molecule, the lead compound PNT2258 from our platform of agents, is designed to target the BCL2 gene, a molecular target that is critical to the development and resistance of a broad range of cancers from leukemias and lymphomas to solid tumors.

Pixel Velocity

In 2008, Pixel Velocity was granted an award in the amount of \$1,808,645 in the form of a straight loan with 3% warrants for their creation of a novel video surveillance system. Consisting of synchronized smart cameras that enable each camera to know what the others are doing, the Fusion™ Video System works interactively to extract the meaningful content and develop a relationship between objects to enable more sophisticated automatic analysis. Pixel’s product focus is on homeland security and defense applications.



NamesforLife

NamesforLife, LLC (“NamesforLife” or “Company”) was founded to address a chronic problem in a number of scientific, technical, medical and related fields: complex terms that often undergo a change in meaning as a field advances, leading to an accumulation of ambiguity in the literature and electronic resources for that particular term. NamesforLife, in collaboration with Michigan State University (“MSU”) and the University of Nebraska – Lincoln (“UNL”), provides a solution to this problem. The NamesforLife software helps knowledge workers and information providers meet the need for clean, accurate, unambiguous and up-to-date data by delivering professionally edited (curated), self-updating contextual information directly into routine workflows in targeted markets. The Company offers information abstracting and indexing services that aggregate, cleanse and mediate primary references through semi-automated expert processes designed to extract and maintain Subject Language Terminologies.

Van Andel Institute

VARI conducts biomedical research, with a focus on cancer and Parkinson disease and with an emphasis on translating scientific research results into clinical applications. VAEI strengthens science education and prepares and motivates individuals to pursue science or science-related professions.

Danotek Motion Technologies

Danotek Motion Technologies, Inc (“Danotek” or “Company”), was founded in 2001 in Ann Arbor, Michigan to develop clean, energy efficient, generators, electrical conversion systems, brushless motors and electronics controls for alternative energy and advanced transportation applications.

Gema Diagnostics

Gema Diagnostics is a development stage, molecular diagnostics company that works to serve the Assisted Reproductive Technology (“ART”) market by maximizing the probability of healthy, single, live births while reducing the overall process risks, time and expense related to this market. The Company is developing applications based on proprietary technology to improve the clinical outcomes of in vitro fertilization (“IVF”). The Company has designed an oocyte screening technique it will offer to fertility clinics as a diagnostic service called GemART which uses a genetic “pregnancy signature” to identify oocytes prior to fertilization. GemART promises to dramatically improve IVF outcomes by increasing the probability of healthy pregnancy and viable births, reducing the chances of multiple births, lowering the costs in treatments and hospital stays and reducing physical and emotional burdens on mothers undergoing fertility treatment. Gema currently has 3 employees, several collaborators and is supported with investment from North Coast Technology Partners.

Sonetics Ultrasound

Sonetics Ultrasound Corporation (“Sonetics” or Company) was awarded a 2006 21st Century Jobs Fund (“21CJF”) award in the amount of \$1,214,682 for the development of a revolutionary real-time, high resolution 3D ultrasound in a portable unit. The advantages of this product would enable a significant expansion of the existing \$3 billion dollar medical ultrasound market. Sonetics is on the leading edge of capacitive micro machined ultrasound transducer (“CMUT”) development and its greatest strength is the potential for highly cost effective sensors that enable disposable and ultraportable use in medical monitoring and imaging applications.