

**MICHIGAN STRATEGIC FUND
BOARD MEETING
June 26, 2013
1:30 P.m.**

AGENDA

Call to Order

**A. Adoption of Proposed MSF Meeting Minutes – May 22, 2013 [Action Item]
Public Comment [Please limit public comment to three (3) minutes]
Communication [Information – Elaine Jaworsky]**

B. Industrial Revenue Bond Program [Action Items – Diane Cranmer]

1. United Methodist Retirement Communities, Inc.
2. Resthaven – Non-Profit Refinancing/Financing
3. Detroit Renewable Energy

C. 21st Century Jobs Fund Program

1. Pure Michigan Venture Match Fund Guideline Amendments – Request for Public Hearing [Action Item - Antonio Luck]
2. Early Stage Funding Program – Request for Proposal [Action Item - Paula Sorrel]
3. Continuation of Funding for Business Accelerator Program [Action Item - Paula Sorrel]
4. Michigan Business Development Program – Integrated Manufacturing & Assembly, LLC [Action Item – Marcia Gebarowski]
5. Michigan Community Revitalization Program – URC FJ, LLC [Action Item –Julius Edwards]
6. Michigan Community Revitalization Program/Brownfield – City of Detroit BRA/Cardinal Health, Inc. [Action Item – Dan Wells & Julius Edwards]

D. Brownfields [Action Items – Dan Wells]

1. Riverside Senior Care Project/City of Grand Rapids – Act 381 Work Plan
2. 600 Douglas, LLC/Grand Rapids – Act 381 Work Plan

E. Community Development Block Grant

1. City of Frankenmuth/Kremin Inc. [Action Item – Ken Murdoch]
2. Village of Cassopolis/Postle Operating LLC Project [Action Item – Trevor Friedeberg for Mike Gietzen]

F. Job Creation MBT Credit Amendments

1. Continental Automotive Systems Holding US, Inc. [Action Item – Marcia Gebarowski]
2. Federal-Mogul Corporation [Action Item – Karla Campbell]

G. Administrative

1. MSHDA/MSF Agreement – 2010-2011 MOU Amendment, 2012 MOU, and Authorization for Delegation Approval [Action Item – Deborah Stuart]

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 Elaine Jaworsky at 517.373.2727 one week in advance to request mobility, visual and hearing or other assistance.*

MICHIGAN STRATEGIC FUND BOARD MEETING
May 22, 2013
PROPOSED MEETING MINUTES

A meeting of the Michigan Strategic Fund [MSF] Board was held on Wednesday, May 22, 2013, at the Michigan Economic Development Corporation [MEDC], Lake Michigan Room, 300 N. Washington Square, Lansing, Michigan.

MEMBERS PRESENT: Steve Arwood, Ron Boji, Mike Finney, Mike Jackson, Sabrina Keeley, Andrew Lockwood [acting for and on behalf of Treasurer Dillon, designation attached], Bill Martin, Howard Morris, Richard Rassel and Shaun Wilson

MEMBERS ABSENT: Craig DeNooyer

CALL TO ORDER: Mr. Finney called the meeting to order at 1:30 p.m. Mr. Arwood arrived at the meeting at 1:33 p.m.

ADOPTION OF MSF PROPOSED MEETING MINUTES – April 24, 2013: Mr. Finney asked if there were any questions from the Board. There being none, **Mr. Morris motioned approval for the April 24, 2013 MSF Board Proposed Meeting Minutes. Mr. Rassel seconded the motion.** The motion carried – 10 ayes; 0 nays; 0 recused; 1 absent.

PUBLIC COMMENT: Mr. Finney asked if there was any comment from the public. There was none.

COMMUNICATION: Elaine Jaworsky, Executive Assistant, advised the Board of the following:

1. Changes have been made to the order of the agenda items;
2. A Tool & Die Recovery Zone agenda item has been removed; and
3. A change has been made to the briefing memo for agenda item G, 2, Travel Michigan Fulfillment Request for Proposal.

21ST CENTURY JOBS FUND PROGRAM

Resolution 2013-074 – Michigan Business Development Program – SMR Automotive Systems USA, Inc.

Nell Taylor, Development Finance Manager, provided the Board with information on this action item and introduced Sai Tatineni, Managing Director and John Jesionowski, Director of Finance of SMR Automotive, and Dan Casey, Economic Development Alliance of St. Clair County.

Mr. Tatineni presented background information regarding SMR Automotive stating that the Company was established in 1989, is a Tier 1 automotive supplier to many major Original Equipment Manufacturers (OEMs) of rear vision systems. The Company's products include rear view mirror and camera systems, and serve the North and South American markets, with modest levels of exports of existing products to Canada and South America. Mr. Taylor followed by explaining the Company is expecting significant sales and volume growth over the next five years and the Company will be at capacity in Marysville for all of its core competencies. The Company has been assessing locations to expand to meet its increased demand and plans to expand the Marysville facility. The Applicant also plans to purchase a 100,000 square foot warehouse in Port Huron to support their rear mirror assembly line and store parts for final assembly. The proposed investments and job creation will happen in both Port Huron and Marysville and is consistent with their focus of manufacturing automotive parts.

Recommendation: MEDC Staff recommends approval of the MBDP Proposal as outlined in the term sheet, closing the MBDP Proposal, 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 to a Commitment that will remain valid for 120 days with approval for MSF Fund Manager to extend the commitment an additional 60 days. The requested incentive amount from the MSF is \$4,000,000 in the form of a performance-based grant.

Board Discussion: Mr. Finney asked if there were any questions from the Board. Mr. Rassel asked if Michigan is a better location logistically than their other options. Mr. Tatineni answered yes, due to the majority of their business being in the Midwest and Canada. Mr. Boji asked some background questions relating to the company which were answered by Mr. Tatineni. There being no further questions, **Ms. Keeley motioned approval for Resolution 2013-074. Mr. Lockwood seconded the motion.** The motion carried – 10 ayes; 0 nays; 0 recused; 1 absent.

[Shaun Wilson recused]

Resolution 2013-075 – Capital Conduit Program-Operating Company Initiative-Nomination to Grow Michigan, LLC Investment Subcommittee

Eric Hanna, Director Debt Capital Programs, provided the Board with information on this action item.

Mr. Hanna stated that on January 24, 2012, the MSF selected Grow Michigan, LLC (GMI) to be provided a \$9,500,000 investment and a \$500,000 loan under the Capital Conduit Program-Operating Company Initiative. The initiative is designed to address the failure of private capital markets to meet growth capital needs for small businesses. On September 27, 2012 the MSF appointed three members to the Board of Managers of GMI. On December 31, 2012, GMI officially closed its first fund-raising round. As per section 6.02(a) of the Operating Agreement of Grow Michigan, LLC, the MSF is afforded the right to name one representative to the Investment Subcommittee. After reviewing a number of individuals and understanding that the position requires considerable experience in lending and investing as well as in successful business operation, staff proposes and recommends Peter E. Mogk, a Senior Partner at Huron Capital Partners in Detroit. Mr. Mogk's experience includes corporate mergers and acquisitions, investments and divestitures, financial structuring, recapitalizations, debt and equity underwriting, corporate development and strategic planning. He has a B.S. in Economics from Miami University in Oxford, Ohio; M.B.A. from The University of Chicago with concentrations in finance and economics.

Recommendation: Staff recommends the appointment of Peter E. Mogk to the Investment Subcommittee for Grow Michigan, LLC.

Board Discussion: Mr. Finney asked if there were any questions from the Board. There being none, **Mr. Rassel motioned approval for Resolution 2013-075. Mr. Lockwood seconded the motion.** The motion carried – 9 ayes; 0 nays; 1 recused; 1 absent.

[Shaun Wilson returns]

Resolution 2013-076 – Develop Michigan Revision of Business Terms

Mr. Eric Hanna, Director Debt Capital Programs provided the Board with information regarding this action item.

Mr. Hanna explained that on December 21, 2011 the MSF authorized the Capital Conduit Program (CCP). On January 25, 2012, the MSF approved a CCP award to Develop Michigan, Inc. (“DMI”), a 501c3 non-profit corporation which responded to an open Request for Applications. On April 25, 2012 the MSF approved business terms whereby DMI proposed to create a bond enhancement program to effectuate the Real Estate Initiative (REI). Similar bond enhancement programs have been launched successfully in Ohio and other neighboring states. On a performance basis, these neighboring bond enhancement programs are producing poor leverage numbers; that is they have far more public capital

than private capital, which is not in line with general MEDC Staff recommendations for most MSF investment programs.

MEDC staff and DMI management have concluded that an alternative way to induce the desired private investment is to provide a risk enhanced private equity investment to a fund directed by DMI. After testing the theory with key private sector investors, MEDC Staff and DMI management have developed a set of proposed investment terms and have proceeded to market those terms to investors more broadly.

At this time, soft circles on those terms have been obtained and pending authorization by the MSF, staff contemplates a hard closing on or about June 15th with \$20M in Class A private equity and \$10M in Class B (MSF) capital for a total of a \$30M initial close. MEDC Staff understands that DMI has a pipeline of potentially eligible transactions state wide north of \$350 million dollars, the best of which will be considered for initial transactions.

Recommendation: Staff recommends that, rather than the previously contemplated bond enhancement program, the MSF authorize the REI investment in the form of a loan to DMI as reflected by the general loan terms as attached to the briefing memo to the Board.

Board Discussion: Mr. Finney asked if there were any questions from the Board. Mr. Martin asked about the limit of the fund and if the MSF will be able to remove itself in the future. Mr. Hanna stated that the way the terms are structured pricing is approximately 50% higher than the market and when the market rebounds it will be less attractive. There is no early exit for MSF but there is a fund time limit in place. There being no further questions, **Mr. Arwood motioned approval for Resolution 2013-076. Mr. Lockwood seconded the motion.** Motion carried 10 ayes; 0 nays; 0 recused; 1 absent.

Resolution 2013-077 – Michigan Community Revitalization Program – 1212 Griswold Street, LLC

Mr. Joseph Martin, Manager, Community Revitalization and Brownfield Programs, provided the Board with information regarding this action item and introduced Richard Hosey, of 1212 Griswold Street, LLC. Mr. Hosey presented information regarding plans to renovate the historic 13-story Chamber of Commerce building, also formally known as the Detroit Savings Banks building, originally constructed in 1895 and located at 1212 Griswold Street in the City of Detroit. The building will be renovated into 56 residential apartments and approximately 51,000 square feet of commercial office space on the first floor. Mr. Martin provided the financing details to the Board as noted on the briefing memo. He stated that the project involves \$26,454,400 in eligible investment and total capital investment of up to \$37,619,260 in the City of Detroit. The requested incentive amount from the MSF totals \$6,000,000 in the form of loan participation and servicing agreement under “other economic assistance.”

Recommendation: MEDC Staff recommends the closing the MCRP Proposal, subject to available funding under the MCRP at the time of closing, completion of due diligence, the results of which are satisfactory to the MEDC, finalization of all MCRP transaction documents, and the Commitment will remain valid for 120 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. Arwood asked if leasing has begun and was told that pre-leasing would take place closer to the completion date at full market rates. Ms. Keeley questioned what the role is of Invest Detroit and was told that they worked to provide funds for the acquisition and is a partner in the project.

[Ms. Keeley recuses before the motions and approval]

There being no further questions, **Mr. Arwood motioned approval for Resolution 2013-077. Mr. Wilson seconded the motion.** Motion carried 9 ayes; 0 nays; 1 recused; 1 absent.

[Ms. Keeley returns]

COMMUNITY DEVELOPMENT BLOCK GRANT [CDBG]

Resolution 2013-078 – CDBG Revolving Loan Funds Authorization

Mr. Eric Hanna, Director Debt Capital Programs, provided the Board with information regarding this action item.

Mr. Hanna explained that on August 20, 2011 the MSF authorized the MSF Fund Manager to study the proposed regionalization plan, amend the Consolidated Plan to reflect the creation of nine regions which were in geographic alignment with other economic development initiatives, and to approve the eventual appointment of one Regional Fund Manager per region. On October 24, 2012 the MSF, based on the recommendations of a Joint Evaluation Committee, designated a Regional Fund Manager for each of the nine regions. These non-profit entities have the ability to become a sub-recipient of CDBG funds with which they may make eligible loans and other forms of commercial credit available. Per the Housing and Community Development Act (“HCDA”), section 105(a)(15) and 24 CFR 570.489(e)(2)(ii), the repayment of these funds may be allowed to stay with the non-profit entities free of the federal CDBG restrictions.

The current request is in collaboration with HUD, in Washington and Detroit, with local communities and with a network of the state’s non-profit lenders, to agree on a mechanism to consolidate the funds to then be used on a regional basis. The majority of existing funds will now be partnered with a non-profit lender that has a successful track record of business lending. Local Revolving Loan Funds are given the opportunity to make the decision to remain independent and locally administered, or convert to the Regional Fund model. If a Local Fund does not elect to remain independent and locally administered, it will sub-grant existing Program Income in the Local Revolving Loan Fund to the Regional Fund Manager for the purpose of transacting CDBG compliant projects. Upon the completion of a successful CDBG project, repayments to a Regional Fund Manager shall become free of the federal CDBG restrictions, so long as they remain at the Regional Fund. The MSF will exercise control and direction over those funds.

Recommendation: MEDC Staff recommends that the MSF authorize the MSF Fund Manager to negotiate the final terms and conditions of and enter into Sub-Recipient Agreements, Replacement Agreements, and Repaid Funds Agreements; and establish a compliance date by which each Local Revolving Loan Fund must elect to remain an independent, locally administered revolving loan fund and execute a Replacement Agreement. All Local Revolving Loan Funds which do not elect to remain independent shall execute a Sub-Recipient Agreement. The MSF Fund Manager has the authority to fill Regional Fund Manager Board and Committee appointments as provided in the Request for Applications.

Board Discussion: Mr. Finney asked if there were any questions from the Board. Ms. Keeley asked how the Communities have responded and how much time do they have to make their decision. Mr. Hanna stated it has been somewhat contentious because it limits their capacity and that they will be required to make a decision later this year. The Board further discussed the issues. There being no further questions, **Mr. Martin motioned approval for Resolution 2013-078. Ms. Keeley seconded the motion.** Motion carried 10 ayes; 0 nays; 0 recused; 1 absent.

Resolution 2013-079 – City of Owosso – Façade Improvement Project

Deborah Stuart, Director Community Development Block Grant Program provided the Board with information on this action item.

Ms. Stuart stated that the City of Owosso is requesting \$270,375 in Community Development Block Grant (CDBG) funds for façade improvements for buildings located within their traditional downtown core in Shiawassee County. All improvements will meet the Secretary of Interior’s Standards for

Rehabilitation and the community has also shown the local organizational capacity to successfully complete this project. This project was given priority because all seven, multi-story buildings are located in a highly visible location; the City is a “selected-level” Main Street community and a number of the buildings have completed the Main Street Façade Design Program; all buildings are located in a DDA or other like district; the City will administer the grant and has shown they have the capacity to successfully complete this project; and the community has adopted a downtown development plan.

Recommendation: MEDC staff has concluded that the project meets the minimum program requirements to be eligible under the CDBG program. Therefore, staff recommends that a grant agreement, in the amount of \$270,375, be authorized for the City of Owosso.

Board Discussion: Mr. Finney asked if there were any questions from the Board. Mr. Boji made a general comment relating to façade grants. There being no questions, **Ms. Keeley motioned approval for Resolution 2013-079. Mr. Wilson seconded the motion.** The motion carried – 10 ayes; 0 nays; 0 recused; 1 absent.

Resolution 2013-080 – Application Guide Update

Deborah Stuart, Director Community Development Block Grant Program provided the Board with information on this action item.

Ms. Stuart stated that the U.S. Department of Housing and Urban Development (HUD) allocates CDBG funding to the State of Michigan, through the Michigan Strategic Fund, for further distribution to eligible Units of General Local Government to carry out State approved activities. The State’s responsibilities include ensuring the State’s and their Grantee’s compliance with the statute, HUD regulations, and the Consolidated Plan and on March 27, 2013, the Michigan Strategic Fund approved the 2013 Consolidated Plan for the CDBG Program. The excerpt attached to the briefing memo outlines the selection criteria for the various programs funded with the CDBG allocation. This document is updated at least annually to assure that we are adjusting to the changing needs of the communities that are eligible and the goals of the MEDC. These updates are based on conversations with grantees and internal staff that work with the program.

Recommendation: MEDC Staff recommends MSF approve the Application Guide Excerpt for Program Year 2013.

Board Discussion: Mr. Finney asked if there were any questions from the Board. Ms. Keeley asked if the communities have been provided the excerpt. Ms. Stuart stated that the communities have received the excerpt. There being no further questions, **Mr. Wilson motioned approval for Resolution 2013-080. Mr. Lockwood seconded the motion.** The motion carried – 10 ayes; 0 nays; 0 recused; 1 absent.

INDUSTRIAL DEVELOPMENT REVENUE BOND PROGRAM [IDRB]

Resolution 2013-081 – Resthaven – Private Activity Bond

Diane Cranmer, IDRB Specialist, provided the Board with information regarding this action item and introduced Bev Donahue, Director of Finance, Resthaven and Andrew Schmidt, Vice President, Macatawa Bank.

Ms. Donahue stated that Resthaven is a Michigan non-profit corporation that provides a home for the aged. Resthaven was incorporated in the City of Holland and County of Ottawa and currently consists of: Resthaven Care Center, a 145-bed Skilled Nursing Facility; Maple Woods, a 100-bed Assisted Living Facility licensed as a Home for the Aged; The Warm Friend, 68 independent senior apartments; and Resthaven Home Care, a Medicare-certified Home Health Agency. The project includes refinancing debt utilized for Resthaven Care Center and consisted of an approximately 19,000 square foot building

addition to the existing nursing home facility to house 16 private resident rooms and the required support services. Construction was completed by CL Construction, a local Holland, Michigan company. The current project will also include refinancing a construction loan and other costs related to the project to be refinanced and to refinance two existing HELP loans used in previous financing for the Resthaven Care Center.

Recommendation: MEDC staff recommends the adoption of an Inducement Resolution in the amount of \$5,100,000 for this project.

Board Discussion: Mr. Finney asked if there were any questions from the Board. There being none, **Ms. Keeley motioned approval for Resolution 2013-081. Mr. Rassel seconded the motion.** The motion carried – 10 ayes; 0 nays; 0 recused; 1 absent.

BROWNFIELDS

Resolution 2013-082 – Traverse Bay Area Credit Union – Act 381 Work Plan

Mr. Dan Wells, Brownfield Program Specialist, provided the Board with information regarding this action item.

Mr. Wells stated that this project will redevelop two parcels that contain approximately 1.34 acres located at 626 and 636 East Front Street in the City of Traverse City. The overall redevelopment of this site will include demolition of the existing vacant structures, environmental cleanup activities, and construction of a new 21,266 square foot, three-story financial institution headquarters office building for TBA Credit Union. Both parcels are, and will continue to be, owned by TBA Credit Union. Approximately 17 new permanent full-time jobs are anticipated to be created, and 36 full-time equivalent jobs are anticipated to be retained by the commercial portion of the project at an average hourly wage of \$19.35. The total capital investment will be approximately \$7,285,000. The Grand Traverse County BRA's decision to support the project, under the Brownfield plan the BRA is subtracting five percent (5%) of the eligible activity costs that are subject to reimbursement so that the developer makes a greater equity contribution.

Recommendation: MEDC recommends approval of local and school tax capture for the MSF eligible activities totaling \$1,017,309 described above. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at \$478,644.

Board Discussion: Mr. Finney asked if there were any questions from the Board. There being none, **Mr. Lockwood motioned approval for Resolution 2013-082. Mr. Arwood seconded the motion.** The motion carried – 10 ayes; 0 nays; 0 recused; 1 absent.

Resolution 2013-083 – Gardenview Estates Phases 2C & 3 Project – Large MBT Amendment

Mr. Dan Wells, Brownfield Program Specialist, provided the Board with information regarding this action item.

Mr. Wells explained that the project is a multi-phase redevelopment of the former Herman Gardens Public Housing Complex site in the City of Detroit. Under the original project approval on December 15, 2009, the resolution specified that Phase I of the project would be construction of 48 residential units and Phase II would be for construction of 100 residential units. Phase I is complete and includes construction of 48 residences. Phase II construction has been completed, but consists of 94 residential units. The amendment request is for the required number of units under Phase II be reduced to 94, which is the actual number of units built on the property. Pending approval of the amendment, a request for certificate of completion will be finalized for the entire project. The total capital investment in the project is over \$25 million.

Recommendation: MEDC recommends approval of the amendment request for the reduction in the required number of units under Phase II from 100 to 94.

Board Discussion: Mr. Finney asked if there were any questions from the Board. Mr. Arwood asked if both phases are complete. Mr. Wells stated they are complete. There being no further questions, **Mr. Lockwood motioned approval for Resolution 2013-083. Mr. Boji seconded the motion.** The motion carried – 10 ayes; 0 nays; 0 recused; 1 absent.

JOB CREATION MBT CREDIT AMENDMENT

Resolution 2013-084 – Gemini Group, Inc.

Mr. Jeremy Webb, Program Specialist, provided the Board with information regarding this action item.

Mr. Webb noted that a 75 percent Standard MEGA Credit for five years was awarded to Gemini Group, Inc. on February 15, 2011 (Resolution 2011-028). In addition, a Retention MEGA Credit of up to 100 percent for eight years, of which the annual credit calculation is capped at a value of 75 percent of the maximum credit, was awarded to Gemini Group, Inc. (Resolution 2011-028). Due to a Company restructure, some employees previously paid under the Subsidiary Business Gemini Group Services, Inc. are, as of January 1, 2012, are paid under Pepro Group, Inc. Pepro Group, Inc. has always been a subsidiary of Gemini Group, Inc., but never had employees until the restructure. As a result, Pepro Group, Inc. was not included in the definition of Subsidiary Businesses as stated in the Resolution. The addition of this entity does not change the overall structure of the Project, nor modify any other aspects of the current MEGA.

Recommendation: MEDC recommends that Pepro Group, Inc. be added as Subsidiary Business of Gemini Group, Inc. for the purpose of Base Employment Level, Minimum Employment Level and Qualified New Jobs. All other aspects of the original MEGA remain as is.

Board Discussion: Mr. Finney asked if there were any questions from the Board. There being none, **Mr. Arwood motioned approval for Resolution 2013-084. Mr. Lockwood seconded the motion.** The motion carried – 10 ayes; 0 nays; 0 recused; 1 absent.

[Mr. Rassel and Mr. Wilson recused]

Resolution 2013-085 – Nexteer Automotive Corporation

Mr. Ken Murdoch, Development Finance Manager, provided the Board with information regarding this action item and introduced Julie Malesky, Community Development/Government Relations Manager and JoAnn Crary, President Saginaw Future, Inc.

Ms. Crary stated that Nexteer Automotive Corporation was formed in 2009, when Delphi's global steering operations were sold to GM and renamed Nexteer Automotive Corporation. The Company is a Tier One automotive supplier exclusively focused on advanced steering and driveline systems technology. Globally headquartered in Buena Vista Township, Michigan, the company has 20 manufacturing plants, six engineering centers and 14 customer service centers located in North and South America, Europe and Asia. Currently, the company has an opportunity to locate new electric power steering (EPS) and steering column/intermediate shaft manufacturing programs at the Buena Vista Township facility. The new production will require an estimated \$36 million of investment and will result in 325 jobs by December 31, 2015 and could be manufactured at any of its global locations. In order to make the Buena Vista site feasible/competitive for this work the company is requesting assistance from the MSF.

Mr. Murdoch followed up stating that on November 17, 2009, the Michigan Economic Growth Authority (MEGA) approved a Retention MEGA (Job Retention MBT Tax Credit) to Steering Solutions Services

Corporation (assigned to Nexteer Automotive Corporation in January 2011) for a tax credit that allowed for up to a 100 percent retention employment tax credit for 10 years for 2,400 retained employees at the Buena Vista Township facility, provided that the company maintained a statewide employment threshold of 1,000 employees. In October 2012 the credit was amended in support of new business for the Buena Vista Township facility. The Job Retention MBT Tax Credit was amended to allow for the capture of an additional 325 jobs (for a total of 2,725 retained jobs) for tax years 2012 and 2013 at the Nexteer Automotive facility in Buena Vista Township, Michigan. Following 2013, the number of retained jobs allowed under the credit reverted back to 2,400 for all remaining years of the credit.

Recommendation: MEDC recommends amendments to the Nexteer Automotive Corporation Job Retention MBT tax credit to increase the maximum number of retained jobs by 325, allowing for up to 2,725 retained jobs, to be allowed under this tax credit for tax credit years 2014 through 2017; amend the repayment language for this Retention Agreement to include up to 100% payback of all incremental value derived from the proposed amendment if the Company does not retain 325 employees, above its current employment (3,700) by December 31, 2015, and invest \$36 million between January 1, 2014 and December 31, 2016; and set the effective date for these amendments to January 1, 2014.

Board Discussion: Mr. Finney asked if there were any questions from the Board. There being none, **Mr. Jackson motioned approval for Resolution 2013-085. Mr. Martin seconded the motion.** The motion carried – 8 ayes; 0 nays; 2 recused; 1 absent.

[Mr. Rassel and Mr. Wilson return]

TRAVEL MICHIGAN

Resolution 2013-086 – Brand USA Letter of Agreement

Mr. George Zimmerman, Vice President, provided the Board with information regarding this action item. Mr. Zimmerman explained that Brand USA is the two-year public-private partnership created to market the U.S. as a tourism destination around the world. The purpose of our agreement with Brand USA is to establish a co-branding campaign with them for Ontario, Canada. By including the Brand USA logo on our Pure Michigan television ads running in Ontario, Brand USA will provide funding for 30% of the cost of this advertising. This agreement allows us to establish this co-marketing relationship with Brand USA for Ontario. This campaign will allow a match of federal funds for the advertisements. This campaign is an extension of an existing membership that we have with the Council of Great Lakes and the Great Lakes USA campaign. The additional advertisement will allow Michigan specific advertising in the international market.

Recommendation: The MEDC recommends that the MSF Board allocate \$325,000 and authorize the Fund Manager to enter into an agreement with Brand USA for the purpose of establishing a co-branding campaign in accordance with the federal Travel Promotion Act of 2009.

Board Discussion: Mr. Finney asked if there were any questions from the Board. Mr. Boji asked about the 30% funding and Mr. Zimmerman stated that the fund was created by Congress to stop the decline in travel to the US. Mr. Arwood asked the impact of Brand USA. Mr. Martin as if Brand USA is federally funded. There being no further, questions, **Ms. Keeley motioned approval for Resolution 2013-086. Mr. Lockwood seconded the motion.** The motion carried – 10 ayes; 0 nays; 0 recused; 1 absent.

Resolution 2013-087 – Travel Michigan Fulfillment Request for Proposal

Mr. George Zimmerman, Vice President, provided the Board with information regarding this action item. Mr. Zimmerman stated that the MEDC is the official state agent responsible for promoting state travel and tourism for the purpose of economic development and jobs creation. MEDC accomplishes this goal

through a multimedia marketing approach that includes television, radio, print, email, social media and web-based marketing. Every marketing effort points potential travelers to our website. Through these and other channels, inquirers can request a standard packet of state information publications which contains the *Pure Michigan Travel Guide* and a state highway map. Launched in 2006 as a regional tourism brand for Michigan, the award-winning Pure Michigan has expanded nationally. Due to the success of the Pure Michigan campaign, the fulfillment needs have ranged from 127,723 packets up to 204,997 packets annually over the last three fiscal years. MEDC is seeking to have MSF initiate a Request for Proposal (RFP) to obtain proposals for information packet fulfillment and inquirer data entry services for all consumer requests for travel information.

Recommendation: The MEDC recommends that the MSF Board approve the release of the RFP to complete a competitive review process for the *Pure Michigan Travel Guide* fulfillment and data entry services.

Board Discussion: Mr. Finney asked if there were any questions from the Board. Ms. Keeley asked why the fulfillment monetary needs have decreased and Mr. Zimmerman said it was due to fewer requests for printed material as the preference moves to electronic delivery of information. There being no further, questions, **Mr. Arwood motioned approval for Resolution 2013-087. Mr. Morris seconded the motion.** The motion carried – 10 ayes; 0 nays; 0 recused; 1 absent.

The meeting adjourned at 2:53 p.m.



MEMORANDUM

DATE: June 26, 2013

TO: Michigan Strategic Fund Board Members

FROM: Diane Cranmer

SUBJECT: Private Activity Bond – Bond Inducement - \$12,000,000
United Methodist Retirement Communities, Inc. - Non-Profit – New

COMPANY BACKGROUND

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

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

PROJECT DESCRIPTION

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

PROJECT EVALUATION

1. JOB CREATION

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

2. EMPLOYMENT INFORMATION

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

Michigan Economic Development Corporation

ADDITIONAL INFORMATION

Bond Counsel:

Miller, Canfield, Paddock and Stone, P.L.C.

Proposed Placement of the Bond Issue:

B. C. Ziegler and Company has indicated it will provide underwriting services for this project to support this project.

RECOMMENDATION

After reviewing the Private Activity Bond Application for United Methodist Retirement Communities, staff recommends the adoption of an Inducement Resolution in the amount of \$12,000,000 for this project.

MEMORANDUM

DATE: June 26, 2013

TO: Michigan Strategic Fund Board Members

FROM: Diane Cranmer

SUBJECT: Private Activity Bond – Bond Authorizing – NTE \$5,100,000 Resthaven – Non-Profit – Refinancing/Financing

COMPANY BACKGROUND

Resthaven is a Michigan non-profit corporation, incorporated on May 7, 1945 to provide a home for the aged. Resthaven was incorporated in the City of Holland and County of Ottawa. Resthaven currently consists of: Resthaven Care Center, a 145-bed Skilled Nursing Facility; Maple Woods, a 100-bed Assisted Living Facility licensed as a Home for the Aged; The Warm Friend, 68 independent senior apartments; and Resthaven Home Care, a Medicare-certified Home Health Agency. Resthaven represents a continuum of care providing services and housing for the elderly, currently serving over 300 residents. Resthaven is governed by a local volunteer Board of Trustees.

Resthaven currently has a total of 385 employees.

PROJECT DESCRIPTION

The project includes refinancing/financing debt utilized for Resthaven Care Center located at 280 W 40th Street, Holland, Allegan County. The project to be refinanced/financed consisted of an approximately 19,000 square foot building addition to the existing nursing home facility to house 16 private resident rooms and required support services; a rehabilitation gym; new entrance, café and multipurpose room for resident activities. The construction was completed by CL Construction a local Holland, Michigan company.

The current project will also include refinancing a construction loan and other costs related to the project to be refinanced and to refinance two existing HELP loans used in previous financing for the Resthaven Care Center.

PROJECT EVALUATION

1. JOB CREATION

Resthaven anticipates creating approximately 4.5 new jobs at project completion.

2. EMPLOYMENT INFORMATION

The average hourly wage of all the jobs being created (hourly and salary) is \$17.76 per hour. The fringe benefits provided to the full-time new hires by the company include health insurance, dental insurance, long-term disability, life insurance, paid-time off hours based on years of service, 403b match (all employees receive).

ADDITIONAL INFORMATION

Bond Counsel:

Warner Norcross & Judd LLP

Proposed Placement of the Bond Issue:

Macatawa Bank will directly purchase the bonds.

RECOMMENDATION

Based upon a determination by Warner Norcross & Judd LLP and the State of Michigan Attorney General's Office that the project complies with state and federal law requirements, for tax exempt financing, staff recommends the adoption of a Bond Authorizing Resolution in the amount of NTE \$5,100,000.



MEMORANDUM

DATE: June 26, 2013

TO: Michigan Strategic Fund Board Members

FROM: Diane Cranmer

SUBJECT: Private Activity Bond – Bond Authorizing – NTE \$75,000,000 - Detroit Renewable Energy LLC; Detroit Renewable Power LLC; Detroit Thermal LLC; Resource Recovery Business Trust 1991-A; and Resource Recovery Business Trust 1991-B- Solid Waste and Local District Heating and Cooling – New –Tax-Exempt and Taxable

COMPANY BACKGROUND

Detroit Renewable Energy LLC (“DRE”) is an affiliate of Atlas Holdings, LLC, and is a privately held Delaware limited liability company. DRE indicates that it was formed to acquire and operate Greater Detroit Resource Recovery Facility (“GDRRF”), Detroit Thermal, LLC (“DT”), an Ohio limited liability company, and Hamtramck Energy Services, an Ohio limited liability company. The acquisition is reported to have been completed in November 2010. DRE indicates that since the Company’s acquisition in 2010, GDRRF has disposed of nearly 1.9 million tons of municipal solid waste and provided approximately 500,000 kWh of electricity to the greater Detroit electricity markets and is one of the largest energy-from-waste facilities in the U.S. DRE reports that GDRRF operates under several long term contracts, including a long-term disposal agreement with the Greater Detroit Resource Recovery Authority through a minimum of year 2021 which requires the City of Detroit to dispose of its municipal solid waste at the GDRRF; a long-term power purchase agreement with DTE Energy for 100% of the GDRRF’s electric power production; and a long-term steam sales agreement with DT. The proceeds of the bonds will be loaned to DRE, Detroit Renewable Power LLC (“DRP”), a Delaware limited liability company; DT, Resource Recovery Business Trust 1991-A, (“RRA”), a Delaware business trust, and Resource Recovery Business Trust 1991-B, (“RRB”), a Delaware business trust.

PROJECT DESCRIPTION

The project involves (i) assisting in financing of the costs associated with (a) renovating, improving and equipping an approximately 3,300 ton per day waste-to-energy plant and related facilities, and acquiring related equipment and rolling stock, located at 5700 Russell Street, Detroit, Wayne County; (b) constructing, reconstructing, renovating, improving, expanding and equipping an existing approximately 39-mile steam distribution pipeline and related facilities, and acquiring related equipment located within an area bordered by the Detroit River on the south, the John C. Lodge freeway (MI-10) on the west, the Davison freeway (MI-8) on the north and Conant Street and Mount Elliot Street (to the Detroit River) on the east, including buildings located in Detroit, Wayne County at 541 Madison Avenue; 475 Baltimore Street; 42 Willis West; 2401 Fourth Street; and 3575 East Palmer, to supply thermal energy for heating or cooling mainly to buildings in downtown and midtown Detroit, Wayne County.

The Project inducement was amended on November 1, 2012. The induced Project has changed in that DRE’s ownership and operation of the Project is through its wholly-owned and consolidated subsidiaries, DRP, DT, RRA and RRB, rather than just DRE. DRE, DRP, DT, RRA and RRB will all be obligors for payment on the borrowing.

Michigan Economic Development Corporation

PROJECT EVALUATION

1. JOB RETENTION

DRE reports:

When DRE acquired the GDRRF facility in November 2010, the facility was reopened and 131 workers were rehired. Since that time, DRE has increased the employment at the facility to 169 employees and anticipates adding approximately four new jobs at DT upon project completion.

2. EMPLOYMENT INFORMATION

DRE indicates:

The average hourly wage of all the jobs (hourly and salary) at the GDRRF facility is approximately \$21.00 per hour.

The fringe benefits provided to the full-time new hires by the company include health insurance, dental insurance, long-term disability, life insurance, paid-time off hours based on years of service, and 403b pension contribution match.

ADDITIONAL INFORMATION

Bond Counsel:

Foster Swift Collins & Smith PC

Proposed Underwriter of the Bond Issue:

Westhoff, Cone & Holmstedt will provide underwriting services for the bonds. .

RECOMMENDATION

Based upon a determination by Foster Swift Collins & Smith PC and the State of Michigan Attorney General's Office that the project complies with state and federal law requirements, for tax exempt financing, staff recommends the adoption of a Bond Authorizing Resolution in the amount of NTE \$75,000,000.



MEMORANDUM

Date: June 12, 2013

To: MSF Board

From: Antonio Luck, Director Business Acceleration

Subject: Pure Michigan Venture Match Fund Guideline Amendments – Request for Public Hearing

BACKGROUND

The investment environment continues to be extremely challenging for Michigan based companies. This is especially true for venture backed investments in earlier stage technology companies.

The lack of venture capital investment in Michigan is evident as most venture capital firms that consider Michigan opportunities often require companies to have fairly significant revenues prior to considering an investment. Many Michigan based venture capital funds do not have sufficient capital or the risk profile to make earlier stage investments that typically have a longer timeframe to exit, and are often difficult to syndicate with other venture capital firms.

The Pure Michigan Venture Match Fund (“PMVMF”), the Michigan Strategic Fund (“MSF”) provides a match of up to \$500,000 for eligible venture investments in Michigan based technology companies.

The program addresses four issues in Michigan regarding early stage venture investing:

1. Attract venture funds, within and outside of Michigan, to consider investments in early stage and pre revenue Michigan based technology companies.
2. Mitigate some risk for venture fund investments at this stage by participating with MSF Funds in early rounds, allowing the venture fund to retain dry powder for future investment rounds.
3. Give Michigan based companies a program that they can immediately point to as a syndication possibility when they approach venture firms.
4. Create an investment program that is primarily market driven.

The PMVMF has invested in six Companies since its inception in April 2012 for a total of \$2.76 million and has leveraged over \$8.2 million in private capital. The PMVMF is currently evaluating its seventh application.

CURRENT OUTLINE OF THE PURE MICHIGAN VENTURE MATCH FUND PROGRAM

A minimum of \$10,000,000 is targeted for the PMVMF over a three to four year period. \$2.76 million out of the initial funding of \$5,000,000 million from the Jobs for Michigan Investment Fund (the “Investment Fund”) has already been invested. The balance of \$2,200,000 is expected to last another approximately six to twelve months given the historic deal flow of venture investments in Michigan. MEDC Staff expects to bring additional funding requests to the MSF Board in the future.

The PMVMF may provide a 50% match, up to \$500,000, for venture investments in Michigan based companies of no less than \$700,000 and no more than \$1 million. A venture investment that exceeds \$1 million but is no more than \$3 million in total could be matched with \$500,000. Venture investments that are, or expected to be, greater than \$3 million will not be eligible to apply for a PMVMF investment.

Companies that have historically raised more than \$3 million in venture capital will not be eligible to apply for a PMVMF investment.

Applicant companies are required to present a signed term sheet showing a venture investment commitment of at least \$700,000 to be eligible to apply for an investment from the PMVMF. This creates a market-driven selection process and ensures that the MSF is making investments in companies with a higher likelihood of success.

PROCESS AND PROGRAM REQUIREMENTS

Pursuant to Section 88k of the MSF Act, the MSF must establish a competitive process to make awards under the PMVMF. Applicant companies must be engaged in competitive edge technologies, including life sciences technology; advanced automotive manufacturing and materials, information, and agricultural processing technology; homeland security and defense technology; alternative energy technology; and any other innovative technology as determined by the MSF Board.

Applications submitted in response to this funding opportunity underwent evaluation by independent peer review experts based on the following four, equally weighted criteria: scientific and technical merit, personnel expertise, commercial merit, and the ability to leverage additional funding. Under the MCL 125.2088k(3)(a), which was effective May 30, 2012, all evaluations must be performed by a Joint Evaluation Committee (“JEC”). The current Peer Review Agreement with Trillium Ventures expired on May 31, 2013 and MEDC staff in collaboration with Trillium extended the current agreement at no cost through Sept 30, 2013. MEDC Staff is now proposing for public hearing comments establishing a JEC in replacement of the independent peer review as the JEC is less costly, it’s performed by volunteers, the process will most likely be expedited, and the redundancy of a third party evaluation will be eliminated; the PMVMF is a matching program which means applicants are already vetted by external private third party funders as an eligibility requirement for applying companies.

The MSF Act requires that a public hearing be held to provide the opportunity for the general public to comment on the proposed PMVMF Program Guidelines Changes and the proposed PMVMF Resolution. After consideration of the comments and information received at the public hearing, the final PMVMF Program Guidelines will be presented to the MSF Board for approval and implementation.

PUBLIC HEARING AND ADDITIONAL PUBLIC COMMENTARY

The public hearing is expected to be held from 9:00-11:00AM on July 16, 2013 at the Michigan Economic Development Corporation (“MEDC”) for the purpose of receiving public comment on recommended changes to the PMVMF Program Guidelines.

Ask for comments on proposed changes below:

The PMVMF Program has been in effect for over a year, during which time the MEDC Staff has been able to test some of the assumptions in the guidelines. The investment community and companies have also provided significant feedback, all of which are incorporated in the topics to be discussed in at the public hearing.

- JEC: Under the MCL 125.2088k(3)(a), which was effective May 30, 2012, all evaluations must be performed by a JEC. Staff recommends receiving public comments for changing the current evaluation requirement from independent third party peer review to JEC.

- Eligible round size: Currently companies are eligible to apply for PMVMF only if they have raised \$3 million or less in investments prior to the PMVMF application and are raising no more than \$3 million in the round in which the PMVMF is asked to participate. Staff proposes increasing the current prior investment ceiling and current round maximum investment amount eligibility.
- Catch-Up Awards: Staff proposes allowing a catch-up award for those companies that did not receive the maximum award amount under the PMVMF. If a company is awarded with less than \$500,000, the company will have the opportunity to apply for the remaining balance by providing a supplemental term sheet to the initial term sheet. The “Catch-Up” will match the same terms as the investors as provided in the supplemental term sheet, including equity and convertible bridge loans. The Catch-Up Awards will not be reviewed by the JEC and may be approved by the MSF Fund Manager.
- Follow-on-Fund Awards: Companies will have the opportunity to submit multiple applications for a Follow-On investment out of the PMVMF so as long as the combined investment amount does not exceed \$500,000. The Follow-on investment will follow the same participation guidelines as the initial investment and will match the same terms as the investors, including equity and convertible bridge loans. Follow-on-Fund Awards will follow the standard process as initial awards approved under the PMVMF Guidelines.

REQUEST

MEDC Staff requests the approval of the MSF Board of Directors to take the suggested alterations to the PMVMF Guidelines for Public Hearing on July 16, 2013. MEDC Staff will then present to the MSF Advisory Committee and the MSF Board the comments from the public hearing as well as the recommendations for the New Guideline for the PMVMF. MEDC Staff expects to implement the revised guidelines starting September 1, 2013.

MICHIGAN STRATEGIC FUND

RESOLUTION

2013-

PURE MICHIGAN VENTURE MATCH FUND NOTICE OF PUBLIC HEARING

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

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

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

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

WHEREAS, at its March 28, 2012 meeting, the MSF Board approved 1) the creation and operation of the Pure Michigan Venture Match Fund (“PMVMF”) and 2) the program guidelines for the PMVMF (the “PMVMF Guidelines”);

WHEREAS, the MEDC recommends that the MSF Board make certain revisions to the PMVMF Guidelines in order to make the program more efficient and responsive. The revised PMVMF Guidelines and proposed approval resolution are attached to this resolution (the “Proposed Resolution and Guidelines”);

WHEREAS, pursuant to MCL 125.2088k(8), prior to approving any substantial changes to the PMVMF Guidelines the MSF Board must hold a public hearing to offer persons an opportunity to present data, views, questions and arguments;

WHEREAS, the MSF desires to hold a public hearing with respect to the Proposed Resolution and Guidelines on July 16, 2013 to offer persons an opportunity to present data, views, questions and arguments; and

WHEREAS, the MSF desires to approve the Notice of Public Hearing and to authorize the MSF Fund Manager to be present at the hearing and participate in the public discussion regarding the Proposed Resolution and Guidelines.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Fund Manager is authorized to publish the attached Notice implementing the requirements of MCL 125.2088k(8);

BE IT FURTHER RESOLVED, that the MSF designates the MSF Fund Manager to be present at the public hearing and participate in the public discussion of the Proposed Resolution and Guidelines; and

BE IT FURTHER RESOLVED, pursuant to MCL 125.2088k(8), the MSF intends to adopt a final resolution implementing changes to the 21st Century Jobs Fund program by approving the PMVMF program.

Ayes:

Nays:

Recused:

Lansing, Michigan
June 26, 2013

NOTICE OF PUBLIC HEARING

On July 16, 2013, the Michigan Strategic Fund Board ("MSF Board") will hold a public hearing with respect to the attached proposed resolution of the MSF Board approving changes to the 21st Century Jobs Fund program. The proposed resolution seeks to make substantial revisions to the guidelines for the Pure Michigan Venture Match Fund (the "Proposed Resolution").

The hearing will commence at 9:00 a.m. and will be held in the Lake Superior Conference Room of the Michigan Economic Development Corporation ("MEDC") located at 300 North Washington Square, Lansing, Michigan 48913. Interested persons wishing to express any data, views or arguments regarding the Proposed Resolution will be given an opportunity to do so at the public hearing. Written comments will be accepted by the MSF Board at Michigan Strategic Fund Board, c/o Antonio Luck, 300 North Washington Square, Lansing, MI 48913, or electronically to PMVMF@michigan.org, but must be mailed or electronically transmitted on or before the date and time of the hearing.

This hearing will provide a reasonable opportunity for interested persons to express their views, both orally and in writing, on the Proposed Resolution.

The MEDC will provide necessary reasonable accommodation upon seven (7) days' notice to the MEDC. Individuals with disabilities needing a reasonable accommodation to effectively participate in this public hearing should contact MEDC by writing or calling the person listed below.

Dated: June 26, 2013

Elaine Jaworsky
Michigan Strategic Fund Board
300 North Washington Square
Lansing, Michigan 48913
(517) 241-2244

MICHIGAN STRATEGIC FUND

**PROPOSED RESOLUTION
2013-**

**APPROVAL OF PURE MICHIGAN VENTURE MATCH FUND
GUIDELINE AMENDMENTS**

WHEREAS, Public Acts 215 and 225 of 2005 established the 21st Century Jobs Trust Fund initiative;

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

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

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

WHEREAS, at its March 28, 2012 meeting, the MSF Board approved 1) the creation and operation of the Pure Michigan Venture Match Fund (“PMVMF”) and 2) the program guidelines for the PMVMF (the “PMVMF Guidelines”);

WHEREAS, on July 16, 2013 a public hearing was held and public comments were received on amendments to the PMVMF Guidelines (the “PMVMF Amended Guidelines”);

WHEREAS, the MSF Board has reviewed, and desires to approve, the PMVMF Amended Guidelines contained in Exhibit A to this resolution;

NOW, THEREFORE, BE IT RESOLVED, that the MSF approves the attached PMVMF Amended Guidelines; and

BE IT FURTHER RESOLVED, that the MSF authorizes the MSF Fund Manager to modify the PMVMF Amended Guidelines as may be necessary or appropriate, so long as the modifications are not substantial or materially adverse to the interests of the MSF; and

BE IT FURTHER RESOLVED, the MSF delegates to the MSF President, the MSF Fund Manager, and the State Treasurer Director, with only one required to act, the authority to approve awards under the PMVMF Amended Guidelines upon the recommendation of the joint evaluation committee, and to negotiate and execute all necessary documents on behalf of the MSF.

Ayes:

Nays:

Recused:

Lansing, Michigan
July 24, 2013

|

Michigan Strategic Fund Board

21st Century Jobs Fund

Pure Michigan Venture Match Fund

Program Process & Guidelines

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Revised Release Date: September 2, 2013

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I. IMPORTANT DATES and REMINDERS

- Applications will be accepted starting April 2, 2012
- Questions from potential applicants regarding the Pure Michigan Venture Match Fund (“PMVM Fund”) will only be accepted via email sent to PMVMF@Michigan.org. **Please note:** The Michigan Strategic Fund Board (“MSF Board”) or the Michigan Economic Development Corporation (“MEDC”) staff will respond to questions on an ongoing basis submitted to the above email address only. Questions that are phoned, faxed, sent through regular mail, or emailed directly to MEDC staff will not be accepted or responded to. Responses to all qualifying questions will be posted on the MEDC’s website, <http://www.michiganadvantage.org/Pure-Michigan-Venture-Match-Fund/> periodically. Potential applicants are encouraged to check <http://www.michiganadvantage.org/Pure-Michigan-Venture-Match-Fund/> frequently for responses to qualifying questions.
- Proposals, including the application fee of \$1,000, must be received by the MEDC prior to the application undergoing ~~review by a Joint Evaluation Committee (JEC) peer review.~~ Proposals must be submitted to the MEDC via email sent to PMVMF@Michigan.org. Once the MEDC has received the application you will be contacted on how to pay the application fee.
- **Companies should submit their applications without the \$1,000 fee.** Once the application has been screened for compliance with the RFP the Company will be provided with instructions on how the application fee should be paid.
- ~~The JEC. An independent peer will review of the application once all eligibility criteria have been met. will be conducted upon receipt of all qualified applications. Applicant~~ Companies should plan to be available for face to face interviews with the ~~JEC peer reviewers if requested.~~
- Award decisions will be announced on an ongoing basis until the funding is fully committed.
- Applications will not be accepted once available funding has been fully committed. If additional funding designated for the PMVM Fund or previous investments have liquidity events that are returned to the PMVM Fund the application process will be reopened and announced on <http://www.michiganadvantage.org/Pure-Michigan-Venture-Match-Fund/>

Applicants must submit a proposal, in the form of a business plan, that does not exceed 35 pages, utilizing ten (10) point font or greater, submitted as a single Portable Document Format (.pdf) file. Proposals in excess of 35 pages will be disqualified. The 35 page limit does not include the cover sheet, the required attached appendices for collaborator letters of support, venture fund term sheets, venture fund investment and valuation justification, venture fund description, history and current status update and resumes of key people. Please refer to Business Plan Format on page 12.

Prior to final submission, please verify all of the specifications as described for PMVM Fund as defined in this document are included.

II. INTRODUCTION

Public Act 215 of 2005, Section 88k(2) (“MSF Act”) allows the Strategic Economic Investment Commercialization (“SEIC”) Board to award grants, loans and investments from the 21st Century Jobs Fund 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 in the State.**” Under 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”).

Through this program for the Pure Michigan Venture Match Fund, the MSF Board desires to allocate up to \$5 million (“Award Amount”) as matching investments, which is expected to be disbursed over 1 to 2 years, to for profit companies as a match against venture lead investments in the companies.

A. Program Overview

Under the umbrella of the 21st Century Jobs Fund Initiative, the MSF Board has been given the opportunity to foster the growth of innovative companies with the potential for high growth in Michigan by investing in the most promising, nationally competitive, commercialization opportunities. The program objective is to oversee a competitive process to award funds that encourages economic diversification in innovative, competitive edge technology sectors as defined in the MSF Act.

Early stage, innovative companies often require venture capital to help bridge critical stages of development and commercialization. The MSF Board seeks to bridge this capital gap and help early stage companies develop technologies, grow innovative companies, diversify Michigan’s economy and create economic wealth in the state.

A funding opportunity has been designed in the area of innovative venture capital. The Pure Michigan Venture Match Fund is soliciting applications from Michigan companies that have received an equity investment commitment lead by a qualified Venture Fund (defined on page 5) for commercialization and growth purposes to provide a match of the investment as follows:

- Qualified and approved investments from \$700,000 to \$1,000,000 will be matched by a 50% (\$350,000 to \$500,000) investment from the PMVF Fund.
- Qualified and approved investments from \$1,000,000.01 to \$~~35~~5,000,000 will be matched by a \$500,000 investment from the PMVM Fund.

Only **for-profit** companies are eligible for funding through the PMVM Fund. Additionally, to be eligible, the applicant Company must:

- Be a Michigan based Company; **AND**

- The Company must be involved in one of the following competitive edge technologies as defined in Section 88a of the MSF Act:
 1. Life Sciences Technology
 2. Advanced Automotive Manufacturing and Materials
 3. Homeland Security and Defense
 4. Alternative Energy
 5. Information Technology
 6. Agricultural Processing Technology
 7. and/or any other innovative technology as determined by the MSF Board; **AND**
- Have a signed investment term sheet(s) lead by a qualified Venture Fund(s) of no less than \$700,000 and no more than \$~~35~~,000,000 **AND**
- Demonstrate that the funding lead by a qualified Venture Fund(s) combined with the funding from the Pure Michigan Venture Match Fund program will cover commercialization, operational and growth costs of the Company for a minimum period of 12 months; **AND**
- Demonstrate that the qualified Venture Fund(s) meet the following criteria:
 1. Qualified Venture Fund(s) must have a minimum of \$7 million under management; **AND**
 2. Qualified Venture Fund(s) must have at least five unrelated limited partners as investors in the current fund that will be used for the investment in the applicant Company; ~~OR AND a Qualified Venture Fund may be Corporate Venture Fund department from the most recent published Fortune 1000 list, if so the five limited partner requirement is waived;~~ **AND**
 - ~~2-3.~~ Qualified Venture Fund(s) must have a minimum of two managing partners/directors; **AND**
 - ~~3-4.~~ Qualified Venture Fund(s) must be a member of the Michigan Venture Capital Association (MVCA) and/or the National Venture Capital Association (NVCA); **AND**
 - ~~4-5.~~ Qualified Venture Fund(s) may be located in any state or country that can legally conduct business in the United States; **AND**
 - ~~5-6.~~ No single qualified Venture Fund investment or commitment to invest in an applicant Company for this program may be more than 15% of the investment source fund under management; **AND**
 - ~~6-7.~~ ~~All~~ Venture Funds that have received a limited partner investment from Venture Michigan I, Venture Michigan Fund II or the 21st Century Investment Fund may qualify as Venture Funds for are qualified Venture Funds for PMVM Fund applications, so long as they comply with item 5 regarding MVCA OR NVCA membership; the other criteria.

- Investments made in the applicant Company by non-qualified Venture Funds, managed angel funds, family investment offices, foundations, other investment entities or individual investors will be allowed to count towards the total application investment amount, as indicated in the submitted application term sheet(s), so long as funding from a qualified Venture Fund(s) makes up at least 50% or \$500,000 of the total application amount, whichever amount is less; AND
- The term sheet included with the Company application is from and written by the lead qualified Venture Fund(s); AND
- The PMVM Fund initial investment will only match equity investments in the applicant Company; AND
- At the time of the first investment from the PMVM Fund, a business must have its principal business operations in the State of Michigan; AND
- Agree to use the PMVM Fund investment primarily to establish or support business operations in Michigan; AND
- The Company may not have more than 200 employees; AND
- The Company may not be primarily engaged in real estate development; the business of insurance, banking, gaming, or lending; or professional services by accountants, attorneys, or physicians; AND
- As a condition of receiving an investment from the PMVM Fund, a Company must agree to maintain its principal operations in Michigan for the legislatively mandated three years from the execution of the PMVM Fund investment agreement. The Company must provide a repurchase agreement to the MSF that provides for the Company to repurchase the PMVM Fund equity interest in the Company at the current market value at the time the Company relocates outside of Michigan, if the move out of Michigan is prior to the third anniversary of the execution of the PMVM Fund investment agreement. The option to exercise the repurchase of shares in the case where a Company leaves Michigan prior to the third anniversary of the execution of the PMVM Fund investment agreement is at the sole option of the MSF. The repurchase agreement will expire upon the third anniversary of the execution of the PMVM Fund investment agreement.
- A Company may apply to the PMVM Fund a maximum of two times.
- No Company may receive more than \$500,000 in total from the PMVM Fund initial investment. However, companies that have received a PMVM Fund investment may apply for follow-on investment(s).
- Companies that have secured more than \$35,000,000 in venture investments prior to applying to the PMVM Fund will be disqualified.
- Companies that are seeking more than \$35,000,000 in the current funding round will be disqualified.

Funding (in the form of an equity investment) will be awarded to Michigan based for-profit companies through a competitive process in which all submitted proposals will first be screened to ensure all eligibility criteria have been met. If it is confirmed that all eligibility criteria have been met, the company will be asked to pay the \$1,000 application fee. Once the fee has been paid, the application will be sent for review by a JEC based on certain criteria, including but not limited to, the following: scientific and technical merit, personnel expertise, commercial merit, and the ability to leverage additional funding. ~~team of independent peer review experts.~~

Results from the ~~independent peer JEC~~ review will be in the form of a recommendation in support or against an investment. The recommendation will be submitted to the MSF Fund Manager. The MSF Chairperson, the MSF State Treasurer Director and the MSF Fund Manager, with only one required to act, have the final approval authority regarding PMVM Fund investments. The MSF Chairperson, the MSF State Treasurer Director and the MSF Fund Manager are not obligated to follow the ~~peer review JEC's~~ recommendation.

Applications should demonstrate a significant potential investment opportunity that targets a substantial market and growth opportunity, job creation, ability to leverage additional capital as needed and have an experienced management team in place and/or how any management team gaps will be addressed with this round of funding.

All returns earned on investments made by the PMVM Fund shall be returned to the PMVM Fund for future investment rounds.

~~Proposals will be scored and ranked by a team of independent peer review experts based on the following four, equally weighted legislatively mandated criteria:~~

- ~~• Commercialization Merit~~
- ~~• Personnel Expertise~~
- ~~• Ability to Leverage Additional Funds~~
- ~~• Scientific and Technical Merit~~

~~Upon consideration of the independent peer review recommendation, the MSF Chairperson, the MSF State Treasurer Director and the MSF Fund Manager, with only one required to act, will make the final award decisions. Companies that have been awarded with the PMVM Fund will have the opportunity to subsequently apply for:~~

- ~~• Catch-Up Award: for those companies that did not receive the maximum investment amount under the initial PMVM Fund investment. If a company receives less than \$500,000 in initial investment from the PMVM Fund, the company will have the opportunity to apply for the remaining balance by providing a supplemental term sheet to the initial term sheet. The "catch-up" will match the same terms as the investors as provided in the supplemental term sheet, including equity and convertible bridge loans. The "catch-up" award may be approved by the MSF Chairperson, the MSF State Treasurer Director or the MSF Fund Manager, with only one required to act. Application for catch-up awards will not require an application fee.~~
- ~~• Follow-On Award: Companies will have the opportunity to submit multiple applications for follow-on investment out of the PMVM Fund so as long as the combined follow-on investment amount does not exceed \$500,000 above and beyond the initial investment. The follow-on investment will match the same terms as the investors, including equity and convertible bridge loans. The MSF Chairperson, the MSF State Treasurer Director or the MSF Fund Manager, with only one required to act, will make the final award decisions. Application for follow-on investments will not require an application fee.~~

B. Confidentiality of Submitted Materials

All proposal materials and materials generated throughout the competition, including, but not limited to, ~~JEC peer review~~ materials, letters of commitment, biographical information, and due diligence information, submitted to the MEDC and State of Michigan through the MSF Board may be subject to public disclosure under Michigan's Freedom of Information Act ("FOIA"). For further details on confidentiality requirements refer to the *Legal and Policy Section, Appendix A*.

*As provided in the Michigan Strategic Fund Act ("MSF ACT"), the applicants may request that "financial or proprietary information," as defined in the MSF Act, contained within proposal submission materials be protected from disclosure under the Michigan FOIA. Such information **MUST** be identified directly within the material submitted by applicants and comply with the following requirements:*

*Identify each component and portion of the narrative for which you are requesting confidentiality. **Text, tables or graphics MUST be bolded and marked with asterisks and brackets (*[bold if text]*) within the narrative.***

*Identify the attachment and the portion of the document for which you are requesting confidentiality. **Text, tables or graphics MUST be bolded and marked with asterisks and for portions of a multi-page document, such as the Business Plan, you MUST also list the page numbers of all pages that contain information marked by asterisks and bold brackets.***

Applicants understand that by failing to properly identify information that the applicant desires to be designated as confidential by the MSF Fund Manager, the applicant waives all rights and actions against the MEDC, the MSF Board, and the State of Michigan and its participants, officers, agents and employees regarding the release of information that could have otherwise been acknowledged as confidential but for the applicant's failure to properly designate the information as provided in this section or take other necessary action to have information acknowledged as confidential. It is the applicant's sole responsibility to identify information that it desires to be designated as confidential. Neither the MSF Board nor MEDC shall be liable for any inadvertent disclosure of any of the applicant's information designated as confidential by the applicant.

The MSF Fund Manager will determine and acknowledge information requested to be kept confidential on a case by case basis.

C. Governing Board and Administration

The MSF Board is comprised of 11 members, including the Director of the Department of Licensing and Regulatory Affairs, the State Treasurer, the Chief Executive Officer of the MEDC and 8 additional members appointed by the Governor. A current list of MSF Board members can be found at the following internet link, www.michiganadvantage.org.

Under the 21st Century Jobs Fund initiative, the MSF Board sets the strategic direction for funding commercialization activity and authorizes funding decisions. The MSF Board has designated the MEDC staff to provide administrative services for the programs that fall under the Board's responsibilities, including administration of support service activities such as early stage funding programs.

This program is subject to Michigan law. In the event of any conflicts that proceed to court, jurisdiction will be in a Michigan court of law. Nothing in this document shall be construed to

limit the rights and remedies of the State of Michigan, the MSF Board, or the MEDC. As provided by Michigan law, the MSF Board retains complete discretion to accept or reject any proposal. In accordance with PA 215 and in concert with the Chief Compliance Officer of the 21st Century Jobs Fund, the MSF Board has established a comprehensive conflict of interest policy.

Any award is subject to the availability of funds. Applicants acknowledge that the MSF Board's performance of its payment obligation is contingent upon the State Legislature's continued approval of funding for the 21st Century Jobs Fund initiative.

D. Estimated Timeline

August 28, 2013 MSF Board final review and approval of the PMVM Fund and PMVM Fund Guidelines

September 2, 2013 Publication of the PMVM Fund Guidelines at <http://www.michiganadvantage.org/Pure-Michigan-Venture-Match-Fund/> and opening of the PMVM Fund program to accept applications

Ongoing No Deadline Applicant questions due via e-mail

Ongoing No Deadline Responses to questions posted on MEDC Website at <http://www.michiganadvantage.org/Pure-Michigan-Venture-Match-Fund/>

Ongoing No Deadline Proposals in the form of a business plan must be received by the MEDC via email sent to PMVMF@Michigan.org

Estimated 30 to 60 days from date of the application Review Period; a ~~JEC~~ independent peer review will be conducted. Applicants should plan to be available for face to face interviews with the ~~JEC~~ peer review panel during this period.

Awards will be announced on a rolling basis. The MEDC will continue to accept applications until funding for the PMVM Fund is fully committed.

All questions from applicants must be submitted via email to PMVMF@Michigan.org. Questions that are phoned, faxed, sent through regular mail, or emailed directly to MEDC staff or the MSF Board will not be accepted. Answers to qualifying questions will be posted periodically at <http://www.michiganadvantage.org/Pure-Michigan-Venture-Match-Fund/>; applicants are encouraged to check this website frequently.

Proposals will be time stamped by the MEDC Staff. It is the sole responsibility of the applicants to submit proposals and application fees in a timely fashion.

- Applications must be sent by email to PMVMF@Michigan.org. Companies will be notified by the MEDC with instructions on how to pay the \$1,000 application fee after receipt of the Company application and verification that it meets the guidelines for submittal.

Incomplete proposals will not be accepted or reviewed. **Any change or update to the acceptance of proposals will be posted on the MEDC website.** Such postings shall constitute constructive notice to the general public and to all applicants of any modifications or alterations of the deadline for proposals. Therefore, applicants are strongly encouraged to continuously check ELIGIBILITY, REQUIREMENTS AND OBLIGATIONS at the MEDC website at <http://www.michiganadvantage.org/Pure-Michigan-Venture-Match-Fund/>.

E. Technology Sectors

Proposals, in the form of a business plan, **MUST** include documentation (signed term sheets) of an investment match lead by a qualified Venture Fund(s) in a Michigan business, to create jobs and commercialize product(s) within one or more of the competitive edge technology sectors defined in Section 125.2088a of the MSF Act, as amended, and as determined by the MSF Board, including:

1. Life Sciences Technology
2. Advanced Automotive Manufacturing and Materials
3. Homeland Security and Defense
4. Alternative Energy
5. Information Technology
6. Agricultural Processing Technology
7. and/or any other innovative technology as determined by the MSF Board

F. For-Profit Entity

Only for-profit companies are eligible to receive funding through the PMVM Fund.

Eligible for-profit organizations must be authorized to conduct business in the State of Michigan. For further details on eligibility requirements refer to *Legal Requirements, Appendix A*.

G. Application Fee

A non-refundable application fee of \$1,000, payable to the MEDC, will be due upon notification from the MEDC. **The fee is not due at the time of application.** In cases where an application is disqualified prior to undergoing a JEC peer review no fee will be required.

H. Financial Contributions

The MSF Board requires applicants secure a qualified Venture Fund lead investment of at least \$700,000 and no more than \$35,000,000. Each proposal must include a signed term sheet(s) from a qualified Venture Fund and any other investors that make up the applicant Company's total funding amount.

Applicant Company funding must be from a source other than public programs administered by the State of Michigan, and must meet the following tests:

- In order to qualify for a PMVM Fund investment, previously committed funds cannot have been expended at the time of the Company's PMVM Fund application.
- This matching investment must be lead by a qualified Venture Fund (see page 5).
- Signed Term sheets and/or letters of financial commitment are required from those who will provide the qualified matching investment. If the financial commitment has already been funded, evidence must be provided. In each case, the letter must indicate the source of funds, the amount of the investment, the date the investment was or is to be provided, and the terms of the investment.

The MSF requires applicants to leverage a qualified Venture Fund investment as a condition of the award. Each proposal must provide a specific financial contribution committed to, or available for, the direct

support of the proposed plan. This leverage or “matching money” must be lead by a qualified Venture Fund, and must meet the following tests:

- The lead Venture Fund has performed financial due diligence on the applicant Company
- Preference will be given to investments that are either in-hand or committed at the time of application. If an applicant does not yet have cash in-hand or committed dollars, applicants may submit a term sheet that is only conditioned on receiving an investment from the PMVM Fund
- In order to qualify as matching money, previously committed funds cannot have been expended at the time of the application and the commitment can be no older than 90 days prior to Company application to the PMVM Fund. Proof of available funds should be included in the PMVM Fund application as an exhibit-
- Preference will be given if the source of the matching money is capable of adding value to the applicant beyond the financial match itself
- Preference will be given if the source of the matching money is capable of providing follow on funding

Applicants, entities and/or collaborators that have received a previous award from the 21st Century Jobs Fund or the former MTTC/MLSC programs are eligible for an award. Applicants, entities, and/or collaborators must identify if they have received previous awards under these programs. Progress of previously funded proposals, including the status of any outstanding grants, investments or loans, will be evaluated as part of the review process.

I. Awards, Agreements and Required Terms

Awards will be distributed ~~in the form of equity investments~~ at the discretion of the MSF Fund Manager after the peerJEC review has been completed. ~~Agreement boilerplate language, when available, will be distributed to applicants.~~ A draft of the Joinder Agreement can be found at the MEDC website at <http://www.michiganadvantage.org/Pure-Michigan-Venture-Match-Fund/>.

The total amount available for all investments made pursuant to the PMVM Fund is \$5 million. ~~Generally, it is expected that the initial \$5 million of PMVM Fund investments will be disbursed over a one to two year period.~~ After investment awards have been officially announced, MEDC staff will contact each award recipient to set up a date and time to negotiate the contractual terms for the investment agreement and to structure a monitoring program. Successful applicants will also be informed of the requirements for progress reports.

All contracts approved by the MSF Fund Manager will contain a provision that the Auditor General has access to the books and records, including financial records and all other information and data relevant to the terms of the contract related to the use of the investment.

The Company will provide unrestricted board observer rights to the designated MEDC portfolio manager for all Company Board of Director meetings. Companies that receive investments from the PMVM Fund are required to have a minimum of two Board of Director meetings per year. On a case by case basis the MSF Fund manager may require a voting board of directors seat as a condition of the PMVM Fund investment.

As a condition of receiving an investment from the PMVM Fund, a business must agree to maintain its principal operations in Michigan for a minimum of three years and execute a repurchase agreement with the MSF that provides for the repurchase of a qualified investment if the business voluntarily relocates out of Michigan prior to the third anniversary of the execution of the PMVM Fund investment agreement.

Successful proposals approved for funding by the MSF Fund Manager are subject to the final execution of a legal agreement and successful completion of a due diligence review including, among other things, criminal and civil background checks of the applicant. Background checks will include, without limitation, affiliates, subsidiaries, officers, directors, managerial employees, and any person or entity which directly or indirectly holds a pecuniary interest in that business entity of 20% or more. Further details concerning this process are included in *Legal Requirements, Appendix A*.

III. JOINT EVALUATION COMMITTEE INDEPENDENT PEER REVIEW PROCESS

Proposals will be evaluated by ~~a Joint Evaluation Committee (JEC) independent peer review experts~~ with business expertise and experience in areas such as venture capital, business creation and business growth scenarios, and technology commercialization.

All proposals must demonstrate a matching investment lead by a qualified Venture Fund and will be scored and ranked based on the four equally weighted legislatively mandated criteria as referenced below.

- Commercialization Merit
- Personnel Expertise
- Ability to Leverage Additional Funds
- Scientific and Technical Merit

DECISIONS BY THE MSF ARE FINAL AND NOT SUBJECT TO APPEAL

IV. BUSINESS PLAN FORMAT

Proposals must be in the form of a business plan, not to exceed 35 pages, utilizing ten (10) point font or greater, submitted as a single Portable Document Format (.pdf) file attachment. Proposals in excess of 35 pages will be disqualified. This page limit does not include the cover page, required appendices for letters of collaboration and/or financial commitment, policy on conflict management, venture firm evaluation and valuation justification, venture firm description and history and biographical information as noted below.

Proposals may only be submitted electronically via email to the MEDC at PMVMF@Michigan.org. **Proposals will not be accepted via U.S. mail or any other delivery method.** A non refundable application fee of \$1,000 will be due upon notification from the MEDC.

Applicants should keep in mind the following four, equally weighted legislatively mandated criteria by which all proposals will be evaluated:

- Commercialization Merit
- Personnel Expertise
- Ability to Leverage Additional Funds
- Scientific and Technical Merit

Applicants are asked to submit a business plan that should contain, at a minimum, the following items:

A. Executive Summary

- Overview of Company and business plan
- Significance to Michigan

B. Management

- Key people – experience and background
- People needed and plans for recruitment
- Organization chart – current and projected 3 years out
- Board of Directors – experience and background
- Scientific Advisory Board, if applicable – experience and background

C. Job Creation

- Current staffing – type (category/range) and number
- Direct jobs to be created (employees that receive W2's as well as those receiving 1099 statements) – type (category/range), number, salary levels, and projected timeline for hire

D. Product or Service

- Description – scientific merit of technology and/or product
- Development – current state
- Development plan – timeline, costs, pending activities
- Intellectual property plan – existing, in development, to be acquired, timeline

E. Market Opportunity

- Size of addressable market
- Projected and historic growth rate of market
- Competitive analysis and assessment

F. Sales and Marketing Plan

- Marketing strategy – distribution, pricing, positioning, promotion
- Detailed sales plan – direct or leveraged thru value added channels
- Sales personnel – experience and background of personnel

G. Financing

- Past and current funding sources
- Sources and amounts of funds leveraged to match potential 21st Century Jobs Fund award
- Plan for meeting additional funding needs until entity is self-sustaining (follow-on funding)

H. Milestones and Timing

- Job Creation
- Product Development – Technical
- Commercialization – Marketing
- Financial Objectives

I. Appendix - Financial Documents. This information will not be counted toward the thirty-five (35) page limit.

- One-page presentation of current capitalization table showing shares owned (individual shareholder names may be omitted and replaced with generic identifiers), date purchased, and prices paid and forecasted capitalization table for next three (3) years, additional equity financing needs/expectation
- Summary minimum three (3) year and no more than five (5) year forecast: balance sheet, income statement, cash flow

J. Appendix of Historical Financials. This information will not be counted toward the thirty-five (35) page limit.

- Balance sheet, income statement, cash flow (audited or certified by CEO or CFO) for previous three (3) years
- Most recent period-to-date actual financials compared to budget-to-date for same period as well as annual budget

K. Appendix of Bios of Key People, Board Members and Venture Fund managers. This information will not be counted toward the thirty-five (35) page limit.

L. Appendix of Venture Firm Company analysis that includes investment and valuation justification as regarding venture fund investment in the applicant Company. This information will not be counted toward the thirty-five (35) page limit.

M. Appendix of Venture Firm overview that includes the Venture Fund's target sector market(s) strategy, total capital under management, amount of available capital at the time of the PMVM Fund application, historic return performance of current or previous funds and industry comparison. This information will not be counted toward the thirty-five (35) page limit.

N. A policy on conflict management

Note: Providing financial documents in the PMVM Fund application is for Review and Evaluation purposes and shall not be construed as a substitution, if awarded, for the information required to be submitted as part of the due diligence phase of the award agreement process. Separate and additional documentation may be required. These documents may be subject to disclosure under Michigan FOIA.

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Appendix A

V. LEGAL REQUIREMENTS

A. Eligibility and Obligations

To receive funding under this program, the applicant organization must be a Michigan based for-profit at the time of the award. To be eligible to apply for funding, out-of-state, for-profit companies must establish a significant portion of their business in Michigan, or have substantially all of its employees in Michigan at or before the time an award agreement is entered into. The Michigan based for-profit Company must use a substantial amount of the award received from the MSF in Michigan based activities. Use of more than 10% of the award for activities outside the State of Michigan at one time or over the life of the PMVM Fund investment must be approved in writing by the MEDC Portfolio Manager and the Vice President, Business Acceleration or the MSF Fund Manager.

Overall, the majority of economic benefits resulting from this project must occur within the State of Michigan. In addition, the Primary Contact must be located in Michigan for the duration of the project at the principal site at which, or from which, project activities will be performed. If a Primary Contact relocates outside of Michigan during the award period, the recipient organization must identify an alternate Primary Contact who is located in Michigan or a Michigan-based collaborator to take over the direction of the award. An alternate Primary Contact is subject to the final written approval of the Portfolio Manager. If such arrangements are not feasible, the award will be rescinded.

The award cannot be assigned or transferred without written authorization of both the MEDC Portfolio Manager and the MSF Fund Manager

Applicants, entities and/or collaborators that have received a previous award from the 21st Century Jobs Fund or the former MTTC/MLSC programs are eligible for an award. Applicants, entities, and/or collaborators must identify if they have received previous awards under these programs. Progress of previously funded proposals, including the status of any outstanding grants, investments or loans, will be evaluated as part of the review process.

B. Collaboration

The 21st Century Jobs Fund sets high standards for collaboration and requires evidence of genuine, productive collaboration. Collaboration is encouraged and will be given preference, but is not required. All collaborators shall be identified in the designated area of the application. In general, collaborating entities should be Michigan-based, as one of the goals of the 21st Century Jobs Fund is to increase collaboration between or among Michigan for-profit companies and Michigan institutions of higher education, Michigan non-profit research institutions, and Michigan non-profit corporations. Collaboration with non-Michigan-based entities may be permitted **if** the applicant can demonstrate that the collaborator: (i) provides access to specialized resources, scientific, technical, and commercial expertise that are not readily available in Michigan; and (ii) ultimately benefits Michigan in a manner consistent with the intent of the 21st Century Jobs Fund.

C. Award Agreement

The MSF Fund Manager, or MEDC staff on behalf of the MSF Fund Manager (provided that there are no material changes to the budget approved by the MSF Fund Manager), may adjust the proposed budget or term of the award based on input from the [JEC peer review process](#). The MSF Fund Manager may also choose to partially fund a project based upon the availability of funds. Post-award contract development, due diligence site visits, and financial and legal document submissions, among other things, may also require adjustments to proposed budgets. PMVM Fund investment agreements will contain further information on the procedure for adjusting proposed budgets and milestones for the term of the award agreement.

MEDC staff will review contractual terms for the award agreement and structure an award-monitoring program. The successful applicant will be informed of the requirements for investment monitoring and progress reports. The investment agreement will contain reporting requirements as stipulated in Public Act 215 of 2005, including, but not limited to, the following:

- Entities that have received funding, the amount received, and the type of funding
- Valuation of the Company
- The number of new patents, copyrights, or trademarks applied for and issued to the Company
- The number of new jobs created and new jobs projected by the Company
- Amounts of other funds leveraged by the Company
- Money or other revenues or property returned to the Company
- The total number of new licensing agreements by institution and the number of new licensing agreements entered into by the Company
- Products commercialized and revenues generated by the Company
- State business taxes paid by the Company

All award agreements approved by the MSF Fund Manager will contain a provision that the MSF, the MEDC, the Auditor General and the Chief Compliance Officer have access to the books and records, including financial records and all other information and data relevant to the terms of the investment agreement, related to the use of the investment.

Prior to an investment being disbursed, the MEDC and the Office of the Chief Compliance Officer will conduct due diligence on the awardee, including, but not limited to, criminal and civil background checks of the applicant, and review of the organizational documentation and financial information of the applicant. The background checks will include, but may not be limited to, affiliates, subsidiaries, officers, directors and managerial employees. To facilitate these background checks, applicants will be required to provide as part of the required due diligence the complete names, addresses, and birthdates of all persons who fall within the above definition.

D. Required Disclosures and Conflicts of Interest

All proposals shall include disclosure statements signed by the Primary Contact of the official proposal and by any other stakeholder(s) or collaborating entity involved in the activities being proposed.

For as long as the application is pending and during the term of the investment agreement, if applicable, the disclosure statement must be updated any time a *significant financial interest*, as defined on the disclosure statement, arises.

E. Breach of Contract

A violation of any provision of the award agreement is grounds for any or all of the following, among other possible remedies: (i) rescission of the award; (ii) termination of all related underlying contractual agreements in which the MSF Board or MEDC is a party; or (iii) repayment by the recipient (s) of the award or any portion thereof, actually disbursed, either directly or indirectly, to the recipient.

If the MSF Board and/or the MSF Fund Manager has a reasonable belief that a breach of award agreement has occurred, the MSF Board or the MSF Fund Manager has the right to have the award recipient's annual financial statements separately audited by an independent certified public accountant. If the audit reveals that a breach has occurred, the award recipient shall reimburse the MSF for the fees and expenses incurred to perform the audit in addition to other remedies available to the MSF Board at law or equity.

Naming a figurehead from Michigan as Primary Contact while the project work is conducted by a non-Michigan-based organization or is substantially performed in another state is **not sufficient** for eligibility and, if discovered after an award has been made, will result in the termination or rescission of the award and subject the award recipient to any other remedies available to the MSF Board at law or equity. In addition to the requirements contained in this document and as provided by law, the contracts and policies of the MSF Board may provide for additional rights and remedies.

F. Notice of Proprietary Information Michigan Freedom of Information Act

Except as otherwise provided in these guidelines, all information in an applicant's proposal is subject to disclosure under Public Act No. 442 of 1976, known as the "Freedom of Information Act". This act also provides for complete disclosure of contracts, their attachments, due diligence materials, progress reports submitted throughout the term of the award agreement and financial documents submitted as required under the award agreements. Proposal information is furnished to the MEDC, ~~the JEC independent peer review experts~~ and the State of Michigan, through the MSF Board.

Proposal materials submitted by applicants may contain "financial or proprietary information", which is defined as "information that has not been publicly disseminated or which is unavailable from other sources, the release of which might cause competitive harm". Applicants are provided an opportunity to specifically designate such proprietary or financial information.

Applicants must be aware that, pursuant to MCL 125.2005(9), information the applicant deems confidential must be acknowledged by the Michigan Strategic Fund (MSF) Board or delegated authority as confidential to protect such information from disclosure under the Michigan Freedom of Information Act, MCL 15.243(1)(d). Information that is not acknowledged as confidential by the MSF Board or delegated authority may be subject to disclosure under the Michigan Freedom of Information Act. Unless considered proprietary in nature, routine financial information cannot be acknowledged as confidential. The MSF Fund Manager will make the final decision on whether information designated as confidential by the applicant will be acknowledged as confidential.

Applicants agree that by failing to properly identify information that the applicant desires to be designated as confidential by the MSF Board or delegated authority, the applicant waives all rights and actions against the MEDC, the MSF Board, and the State of Michigan and its participants, officers, agents and employees regarding the release of information that could have otherwise been acknowledged as confidential but for the applicant's failure to properly designate the information as provided in this section or take other necessary action to have information acknowledged as confidential. It is the applicant's sole responsibility to identify information that it desires to be designated as confidential.

Neither the MSF Board nor the MEDC shall be liable for any inadvertent disclosure of any of the applicant's information designated as confidential by the applicant.

G. Submission Materials

Applicants may request confidential treatment for “financial or proprietary information” contained within proposal submission materials that meets the definition of “financial or proprietary information contained in the MSF Act. Such information **MUST** be identified directly within the material submitted by applicants by the following requirements:

*Identify each component and portion of the narrative for which you are requesting confidentiality. **Text, tables, or graphics MUST be bolded and marked with asterisks and brackets (*[bold if text]*) within the narrative.***

*Identify the attachment and the portion of the document for which you are requesting confidentiality. **Text, tables or graphics MUST be bolded and marked with asterisks and brackets (*[bold if text]*) on the attachment. If you are requesting confidentiality for portions of a multi-page document, such as the Business Plan, you MUST also list the page numbers on all pages that contain information marked by asterisks and bold brackets.***

Proposals that fail to differentiate truly proprietary information from public information by indiscriminately labeling large sections or entire proposals as proprietary cannot be properly protected and will be returned to the applicant without review and **may result in disqualification. Watermarks, footers and headers that state “Confidential” or similar general indications will be construed to be an indiscriminate labeling of confidential information and will not be acknowledged.**

Abstract/Executive Summary

The abstract or executive summary section required should not contain any confidential information. Applicants are advised that all information contained within the abstract or executive summary is subject to disclosure under the Michigan FOIA. By inserting confidential information in the abstract, applicants waive any and all rights and/or actions against the MEDC, the MSF Board and the State of Michigan for the release of information that otherwise would have been confidential information but for the applicant’s inclusion of the confidential information in the abstract.

H. ~~Joint Evaluation Committee~~ **Independent Peer** Review Process

Names of review or interview panel members will not be available to applicants. Applicants and their representatives are **NOT** permitted to contact the ~~JEC members~~ **peer review agency, reviewers**, MSF Board members or the MSF Fund Manager regarding the applicant’s proposal. All communications regarding the proposal or review process should be conducted via the following email address: PMVMF@Michigan.org. Any attempt by an applicant to contact the above mentioned parties may result in proposal disqualification.

By submitting a proposal, the applicant acknowledges that the decision to award an investment is subject to the sole discretion of the MSF Fund Manager. The MSF Fund Manager’s decision is final and is not subject to appeal. Any attempt by an applicant, collaborating entity, or other party of interest to the proposed project to appeal and/or take any action, including, but not limited to, legal action, regarding the proposal or awards process in general may result in the applicant’s proposal being eliminated from award consideration. If the applicant has already received an award, the award(s) may be revoked at the discretion of the MSF Board or MSF Fund Manager. However, this paragraph should not be construed in a manner that would prevent an applicant from taking action, including legal, to protect any rights bestowed on the applicant in the actual award agreement negotiated with successful applicants.

I. Due Diligence

Prior to the disbursement of a the PMVM Fund investment, the MEDC and the Office of the Chief Compliance Officer will conduct due diligence on the awardee, including, but not limited to, criminal and civil background checks of the applicant, and review of the applicant's organizational documentation and financial information. The background checks will include, but not be limited to, affiliates, subsidiaries, officers, directors and managerial employees. To facilitate these background checks, applicants will be required to provide the complete names, addresses, and birthdates of all persons for whom a background check will be conducted prior to the execution of an award agreement. All items must be submitted by **within two weeks of announcement of awards by the MSF Fund Manager**. If due diligence items are not submitted **within two weeks of announcement of awards**, the MSF Fund Manager reserves the right to rescind the award.

The following information will be required of the awardee. All items must be timely submitted and deemed satisfactory prior to the release of any award funds.

Individuals and Entities

Please immediately provide us the following information regarding your project and business entity.

Individuals: First, Middle, and Last Name for:

- Primary Contact
- Each Company Officer
- Each Company Director
- Each Management Employee

Entities (in addition to information on Individuals noted above):

- Legal Entity Name, Entity Location, and State and/or Country of Incorporation for:
- Applicant Business
- Each Affiliate of Applicant Business
- Each Subsidiary of Applicant Business
- If the Applicant Business conducts business with foreign countries, please list such countries.

Organization Registration:

To receive payment from the State of Michigan, Public Act 533 of 2004 requires that awardees be registered in the State of Michigan Vendor/Payee System, **and must** authorize payments to be made via electronic funds transfer (EFT). No awards will be finalized nor payments authorized until the required registration and authorization is complete.

If you have not registered with the State of Michigan, please initiate the process to do so. If you have already registered with the State of Michigan, please verify and update your information. If you have not authorized EFT payment, please initiate the process to do so.

Access the Vendor/Payee System, Contracts and Payment Express at www.michigan.gov/cpexpress. To speak with Vendor/Payee System staff for assistance, call (517) 373-6222. **REGISTRATION MUST BE COMPLETE AND UPDATED IN ORDER TO RECEIVE PAYMENT.**

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Due Diligence Financial and Legal Documents:

Corporate Records, including but not limited to:

- Articles of Incorporation/Organization and Bylaws/Operating Agreement of the Company, as amended to date
- Certificate of Good Standing
- A copy of the most current organizational chart available for the Company, including all entities or investments in which the Company owns less than a 100% interest

Other Documents:

Copies of tax liens

Description of all pending or threatened litigation and unsatisfied judgments

Documents relating to any injunctions, consent decrees, or settlements to which the Company is a party

Submit a Disclosure and Conflict of Interest Statement. The Statement may be viewed by visiting

<http://www.michiganadvantage.org/Pure-Michigan-Venture-Match-Fund/>

List of all State of Michigan awards

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Appendix B

VI. APPLICATION CHECKLIST

(not exhaustive and not intended to substitute the review of the entire application guidelines)

- At least \$700,000 in matching funds but no more than \$5,000,000 of which 50% or \$500,000, whichever is less, must come from a qualified venture fund;
- For profit company;
- Company has 200 or less employees and has Michigan address or provided statement that they will move to Michigan if they receive funding from PMVM Fund;
- Technology Sector – mark all that apply;
 - a. Life Sciences Technology
 - b. Advanced Automotive Manufacturing and Materials
 - c. Homeland Security and Defense
 - d. Alternative Energy
 - e. Information Technology
 - f. Agricultural Processing Technology
 - g. and/or any other innovative technology
 - : _____
- Business Plan - should be no more than 35 pages, excluding the cover page and exhibits;
- Financial Documents – exhibit or included in business plan;
- Historical Financials – exhibit or included in business plan;
- Key people bios (Management, Board Members, Venture Fund) – as exhibit or included in business plan;
- Lead Venture firm evaluation and valuation justification /investment thesis – as attachment or exhibit;
- Signed Term sheet written by the lead qualified Venture Fund(s) – as attach. or exhibit;
- Policy on conflict management – as attachment or exhibit;
- Qualified venture fund;
 - 1. Qualified Venture Fund(s) must have a minimum of \$7 million under management; **AND**
 - 2. Qualified Venture Fund(s) meet one of the following:
 - a. Qualified Venture Fund(s) must have at least five unrelated limited partners as investors in the current fund that will be used for the investment in the applicant Company; **OR**
 - b. Qualified Venture Fund may be Corporate Venture Fund department from the most recent published Fortune 1000 list, if so the five limited partner requirement is waived; **AND**
 - 3. Qualified Venture Fund(s) must have a minimum of two managing partners/directors; **AND**
 - 4. Qualified Venture Fund(s) must be a member of the Michigan Venture Capital Association (MVCA) and/or the National Venture Capital Association (NVCA); **AND**
 - 5. Qualified Venture Fund(s) may be located in any state or country that can legally conduct business in the United States; **AND**
 - 6. No single qualified Venture Fund investment or commitment to invest in an applicant Company for this program may be more than 15% of the investment source fund under management; **AND**
 - 7. Venture Funds that have received a limited partner investment from Venture Michigan I, Venture Michigan Fund II or the 21st Century Investment Fund may qualify for as Venture Funds for PMVM Fund applications, so long as they comply with the other criteria.



MEMORANDUM

Date: June 26, 2013
To: MSF Board
From: Paula Sorrell, Managing Director, Entrepreneurial Services
Subject: FY 2013 Early Stage Funding (ESF) Program

BACKGROUND

Through the 21st Century Jobs Fund program, the Michigan Strategic Fund (“MSF”) provides funding for entrepreneurship and innovation projects. Pursuant to Section 88k(2) of the MSF Act, the MSF shall award grants and loans from the 21st century jobs fund trust 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 in this state.

Since 2009, the MSF has approved over \$22 million in grants to support early stage investment and university technology commercialization programs. The proposed 2013 Early Stage Funding (ESF) Request for Proposals (“RFP”), included as Exhibit A to this memo, would solicit applications to continue funding early stage investment and university commercialization programs.

REQUEST

The MEDC requests that the MSF release the 2013 Early Stage Funding Request for Proposals in the amount of \$8,958,000. The purpose of the ESF RFP is to award grants to non-profit organizations that operate fund programs to provide financial support to university research or pre-seed and start-up stage competitive edge technologies that require capital to transition from the earliest stages of the commercialization process.

The MEDC anticipates the following proposed timeline for the execution of this RFP:

Issue RFP to the public: July 1, 2013
Applications deadline: July 31, 2013
JEC Application Reviews completed: August 15, 2013
Applicant Oral Presentations (as necessary): August 19 and 20, 2013
JEC Review Process completed: August 23, 2013
Results of the JEC Review presented to MSF Board: September 25, 2013

The MEDC requests delegated authority for the Michigan Strategic Fund Manager to approve a Joint Evaluation Committee (“JEC”) comprised of MEDC Staff and external partners to review the proposals submitted and make award recommendations to the MSF Board.

RECOMMENDATION

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

- 1) Allocation of \$8.958 million for the program;
- 2) Approval of the RFP attached as Exhibit A to the resolution;
- 3) Delegation of authority for the MSF Fund Manager to approve the JEC members; and
- 4) Approval of the scoring and evaluation criteria as Exhibit B to the resolution for the review of the proposals.

**MICHIGAN STRATEGIC FUND
RESOLUTION
2013-**

**EARLY STAGE FUNDING REQUEST FOR PROPOSALS AND
ALLOCATION OF FUNDING**

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

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

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

WHEREAS, on April 11, 2011 a public hearing was held and public comments were received on a Request for Proposals (“RFP”) to make awards to non-profit organizations that invest in pre-seed and early stage companies that require capital to transition from research to early stages of the commercialization process in the competitive edge technology sectors (“Early Stage Funding RFP”);

WHEREAS, on April 27, 2012, the MSF Board approved the issuance of the Early Stage Funding RFP;

WHEREAS, the MEDC recommends, and the MSF Board desires, to issue a second Early Stage Funding RFP with substantially similar guidelines as previously approved;

WHEREAS, the MSF has reviewed a RFP form, which includes provisions required by the Act and establishes a competitive proposal process for awarding grants to non-profit organizations related to Early Stage Funding. A copy of this RFP form is attached to this Resolution;

WHEREAS, the MSF desires to initiate the competitive proposal process to award grants to non-profit organizations and authorize the issuance of the Early Stage Funding RFP; and

WHEREAS, the MSF further desires to allocate \$8.958 million to the Early Stage Funding RFP.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board approves the attached Early Stage Funding RFP and authorizes its issuance;

BE IT FURTHER RESOLVED, that the MSF Board allocates \$8.958 million to the Early Stage Funding RFP and requests the State Treasurer to transfer \$8.958 million from the 21st Century Jobs Trust Fund to the MSF; and

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

Ayes:

Nays:

Recused:

EXHIBIT A

REQUEST FOR PROPOSALS

Michigan Strategic Fund

EARLY STAGE FUNDING PROGRAMS

RFP-CASE-00051891

DRAFT

REMINDER

Please check your proposal to make sure you have included all of the specifications and required documents listed in the Request for Proposals.

APPLICANTS ARE RESPONSIBLE FOR ASSURING THAT THE FOLLOWING IDENTIFYING INFORMATION APPEARS IN THE SUBJECT LINE OF YOUR EMAIL: “RFP-CASE-00051891 Proposal” with Company Name, and “message 1 of 3” as appropriate if the proposal consists of multiple emails.

The MSF will not respond to telephone inquiries, or visitation by Applicants or their representatives. Applicant’s sole point of contact concerning the RFP is below and any communication outside of this process may result in disqualification.

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

IMPORTANT DUE DATES

- **July 17, 2013, at 3:00 p.m.:** Questions from potential Applicants are due via email to contractsandgrants@michigan.org. Please note: The Michigan Strategic Fund (“MSF”) will not respond to questions that are not received by the above date and time. In addition, questions that are phoned, faxed or sent through regular mail will not be accepted.
- **July 24, 2013, by close of business:** Responses to all qualifying questions will be posted on the MSF’s website, www.michiganadvantage.org/2013-Early-State-Funding-Program/
- **July 31, 2013, at 3:00 p.m.:** Electronic versions of your Proposal due to the MSF via email to contractsandgrants@michigan.org. **Proposals will not be accepted via U.S. mail or any other delivery method.**

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REQUEST FOR PROPOSAL
EARLY STAGE FUNDING PROGRAMS
RFP-CASE-00051891

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

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

SECTION I
WORK STATEMENT

A) PURPOSE

Public Act 215 of 2005, Section 88k(2) allows the Strategic Economic Investment and Commercialization (“SEIC”) Board to award grants and loans from the 21st Century Jobs Fund 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 in the state.” Under 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”).

Through this Early Stage Funding Request for Proposals, the MSF Board desires to allocate up to \$8.958 million (“Award Amount”), disbursed over 1 to 2 years, to non-profit organizations that operate fund programs to 1) provide financial support to university research that requires capital to transition from research to the earliest stages of the commercialization process and/or 2) invest in pre-seed and start-up stage competitive edge technologies that require capital to transition from research to the earliest stages of the commercialization process (the “Fund(s)”).

B) BACKGROUND STATEMENT AND OBJECTIVES

Under the umbrella of the 21st Century Jobs Fund, the MSF Board has been given the opportunity to foster the growth of innovative companies with the potential for high growth in Michigan by investing in the most promising, nationally competitive, commercialization opportunities. The program objective is to oversee a

competitive process to award funds to encourage economic diversification in competitive edge technology sectors and create jobs in Michigan.

Funding (in the form of a grant) will be awarded to one or more non-profit organizations through a competitive process in which all submitted proposals will be reviewed by a Joint Evaluation Committee (“JEC”). Results from the JEC review will be provided, in the form of numerical scores and award recommendation(s), to the MSF Board.

C) QUALIFICATIONS

Only non-profit organizations are eligible for funding under this Request for Proposals, and preference will be given to organizations without a geographic domain AND those who would not be a recipient of the funds. Additionally, to be eligible, the Applicant must:

- Propose an Early Stage Funding program that focuses on one or more of the following program categories:
 - **Pre-Seed Investment Fund:** Invest in pre-seed and start-up stage competitive edge technology companies in the form of equity investments or loans
 - **Microloan Fund:** Invest in pre-seed and start-up stage competitive edge technology companies in the form of loans
 - **University Commercialization:** Partnership between a university (or universities) and a private sector company (or companies) for the commercialization of competitive edge technology, with a specific plan to spin-out start-up companies from the universities and/or a specific plan to partner with companies to engage the resources of the of the universities (including students, grad students, faculty, and technology); **AND**
- Have a statewide reach and focus; **AND**
- Actively engage the Michigan SmartZone network and Michigan institutions of higher education; **AND**
- Have the capacity to originate, process, and monitor loans, equity investments, and/or other funding instruments to companies; **AND**
- Demonstrate a proven ability of providing business acceleration services to competitive edge technology companies; **AND**
- Provide financing that serves as a complement, rather than replacement for, other funding vehicles in their market areas which creates a blended suite of available capital; **AND**
- Have an articulated strategy for identification of opportunities for investment; **AND**
- Have a working knowledge of Michigan’s entrepreneurial ecosystem, strong relationships within the ecosystem, and a platform for collaboration that demonstrates the ability to market the programs and to promote these investment opportunities in order to expand the investment base of Michigan; **AND**
- Have the administrative ability and desire to provide efficient, transparent operations and funding detail on a systematic basis; **AND**

- Have experience leveraging a qualified volunteer network to deliver a screening and due diligence process from the investment community with successful experience in venture financing or growing companies based on competitive edge technologies; **AND**
- Require recipients to provide, at a minimum, the performance metrics required by PA 215 of 2005, and other metrics that may be specified by the MEDC or MSF.

D) DELIVERABLES

Proposals must demonstrate an ability and willingness to invest in the earliest stages of a company's development:

- The investigation stage – At this stage, the Fund(s) should be assisting companies or university technology commercialization projects with activities including, but not limited to, technology and market assessment, intellectual property protection, proof of concept development, business plan development, and company formation. Note, per legislation, the Fund(s) must be able to leverage additional resources to assist in these acceleration activities.
- The pre-seed/start-up stage – At this stage, the Fund(s) should be assisting companies or university technology commercialization projects with activities including, but not limited to, prototype development and testing, customer and partnership sourcing, continued pre-clinical data compilation, meeting staffing requirements, and securing follow-on financing. Investments at this stage must leverage matching financial contributions, and preference will be given to proposals based on their ability to secure matching funds.

For proposed investment or loan fund programs, return of principal invested must be reinvested by the Fund(s) for the same purposes as outlined in this Request for Proposals. If the Fund(s) are unable or unwilling to continue this investment activity, the principal shall be returned to the Jobs for Michigan Investment Fund (the “Permanent Fund”).

- The Fund(s) shall pay a return to the Jobs for Michigan Investment Fund (the “Permanent Fund”) from any royalties, license fees, interest, dividends, distributions above basis, capital gains, or other return on investment actually received net of any applicable taxes, including but not limited to unrelated business income taxes (collectively, “ROI”) until such time as an amount equal to the entire award given to the Fund has been paid to the Permanent Fund.

Once the Award Amount has been repaid in its entirety, the Fund(s) shall pay further returns to the Permanent Fund in perpetuity.

SECTION II PROPOSAL FORMAT

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

A) PROPOSAL

- 1) Contact Page - State the Organization's full name, address, and phone and facsimile number. Also included should be contact information, including phone number, email, cell phone number, and fax numbers. Also include signature as reference in II-B.
- 2) Check List Page – Include a checklist of the required sections of the proposal, as listed in this Section III-A) 3 a-g and an indication that the section is included in the proposal.
- 3) Proposal (up to 10 pages) – Provide a proposal and include the required elements a-g, as described here. **In the Proposal clearly identify the following sections as headers.**

a) **Executive Summary**

The Executive Summary should summarize the information provided in response to paragraphs (b) through (f), below. And specifically indicate:

- **THE NAME OF THE APPLICANT ORGANIZATION**
- **THE AMOUNT OF FUNDS REQUESTED**
- **THE AMOUNT OF MATCHING FUNDS**
- **THE TERM (Number of years)**
- **THE PROPOSED EARLY STAGE FUNDING PROGRAM (See list on Page 2)**
- **TARGETED NUMBERS FOR:**
 - **Number of investments**
 - **Companies Created**
 - **Jobs Created**
 - **Jobs Retained**
 - **Increase Investment/Revenue**
 - **Federal grant funds leveraged**
 - **Private investment leveraged**

b) **Proposed Early Stage Funding Program**

The Applicant should clearly describe how the proposed Early Stage Funding program(s) will promote job creation and start-up company formation in Michigan. Applicants proposing a University Commercialization funding program must also include a description of how the program will promote the technology transfer and commercialization of university research.

c) **Proposed Services**

The following must be identified in the proposal:

- The services proposing to deliver
- The competition or others that provide similar services
- The Applicant's expertise, experience, and value added that provides the ability to deliver services
- Identify collaborative partners and their value.
- Summarize key personnel and their value

d) **Past Experience**

The Applicant should indicate past experience in university technology commercialization, in pre-seed investing and/or investment/loan portfolio management, including successes, metrics and the source of past funding for these services, for example were they supported by state programs, federal programs, other sources, paid for by clients, etc. Also indicate if Applicant is currently receiving funds from state programs and how if the Applicant receives an award from

this RFP, all state funds will be used in the most effective manner.

e) Milestones/Deliverables

Identify semi-annual milestones/deliverables that the Applicant will commit to as a result of providing the proposed services. If Applicant is awarded funding, Progress Reports are due April 15 and October 15 every year throughout the award, therefore provide milestones/deliverables that will be completed in April and October over the course of the proposal. Identify how milestone completion will result in specific Economic Impact identified in (f).

Additionally, Applicants selected for funding will be required to submit monthly performance metrics to measure the effectiveness of the Early Stage Funding program(s); these metrics include, but are not limited to: dollars leveraged, new companies created, companies expanded, companies served, jobs created, jobs retained, new sales, and funding obtained by client companies, including amount and source of such funding (sources including state funds, federal funds, venture capital, angel funds, bank/loan, owner investment, other), as well as the names and amounts of companies funded by the Early Stage Funding program(s).

f) Economic Impact

Identify the targeted number of investments, number of companies created, jobs created, retained, increases in investment/revenue, federal grant funds leveraged, and private investment leveraged resulting from the services. Include justification and assumptions related to these expectations. You will be held responsible for delivering these specific numbers in your semi-annual Progress Reports.

- 4) Budget/Request for Funding – Attach a schedule of all expenses covering each of the services and activities identified in your proposal. Specifically identify THE AMOUNT OF FUNDS REQUESTED, the TERM REQUESTED, PUBLIC AND/OR PRIVATE LEVERAGED FUNDS, and what the Applicant proposes to do with FUNDS APPLIED THROUGH THIS RFP and the TIMING OF THE FUNDS. Progress Reports are due in April and October so proposals should include 6-month budgets of relevant line items that align with these dates. Include the budget in a table format with column headings, Start of grant-11/1/2013 - 3/31/2013, 4/1/2014-9/30/2014, etc. and rows should include the expense line-items.

B) PROPOSAL SUBMITTAL

Submit an electronic version of your proposal to the MSF via email to contractsandgrants@michigan.org not later than **3:00 p.m. on July 31, 2013**. The MSF has no obligation to consider any proposal that is not timely received. **Proposals will not be accepted via U.S. mail or any other delivery method.**

APPLICANTS ARE RESPONSIBLE FOR ASSURING THAT THE FOLLOWING IDENTIFYING INFORMATION APPEARS IN THE SUBJECT LINE OF YOUR EMAIL: *“RFP-CASE-00051891” with Company Name, and “message 1 of 3” as appropriate if the proposal consists of multiple emails.*

**SECTION III
RFP PROCESS AND TERMS AND CONDITIONS**

A) QUESTIONS

Questions from Applicants concerning the specifications in this RFP must be received via e-mail no later than **3:00 pm on July 17, 2013**. Questions must be submitted to:

Contracts and Grants
contractsandgrants@michigan.org

B) PROPOSALS

To be considered, Applicants must submit a complete response to this RFP, using the format provided in Section II of this RFP, by **3:00 p.m. on July 31, 2013**. No other distribution of proposals is to be made by the Applicant.

C) ECONOMY OF PREPARATION

Each proposal should be prepared simply and economically, providing a straightforward, concise description of the Applicant's ability to meet the requirements of the RFP. Emphasis should be on completeness and clarity of content.

D) SELECTION CRITERIA

Responses to this RFP will be evaluated based upon a two-step review process. The proposal must address the requirements described in Section II of this RFP.

The first step is an evaluation of which proposals satisfactorily meet the requirements of this RFP as stated in Section II. Incomplete proposals will not be accepted or reviewed.

1) Step I – Initial evaluation for compliance

a) *Proposal Content* – Contracts and Grants will screen the proposals for technical compliance to include but not limited to:

- Timely submission of the proposal
- Proposal clearly identified and sent separately
- Executive Summary
- Proposed Early Stage Funding program(s) from the list on Page 2
- Past Experience
- Team, Facilities, Partners, Vision
- Milestones/deliverables
- Economic impact – Expected number of investments, businesses created, jobs created, jobs retained, federal funds leveraged, and private investment leveraged
- Proposal signed physically or electronically by an official of the Applicant authorized to bind the Applicant to its provisions.
- Proposals satisfy the form and content requirements of this RFP.

2) Step II – Criteria for Satisfactory Proposals

- a.) During the second step of the selection process, proposals will be considered by a Joint Evaluation Committee (“JEC”) comprised of individuals selected by the MSF. Only those proposals that satisfy the technical requirements described in this RFP, as determined in the sole discretion of the JEC, will be considered for evaluation in Step II. The JEC reserves the right to request additional information from any Applicant.
- b.) *Competence, Experience and Staffing Capacity* – The proposal should indicate the ability of the Applicant to meet the requirements of this RFP, especially the time constraints, quality, and recent projects similar to that described in this RFP. The proposal should indicate the competence of the personnel whom the Applicant intends to assign to the project, including education and experience, with particular reference to experience on projects similar to that described in this RFP and qualifications of Applicant’s Project Manager and the Project Manager’s dedicated management time, as well as that of other key personnel working on this project.

		Weight
1.	Executive Summary	5
2.	Proposed Services	20
3.	Past Experience	15
4.	Team, Facilities, Partners, Vision	20
5.	Milestones / Deliverables	10
	Budget	15
	Economic Impact	15
	TOTAL	100

- c.) During the JEC’s review, Applicants may be required to make oral presentations of their proposals to the JEC. These presentations provide an opportunity for the Applicants to clarify the proposals. The MEDC will schedule these presentations, if required by the JEC.

E) TAXES

The MSF may refuse to award a contract to any Applicant who has failed to pay any applicable taxes or if the Applicant has an outstanding debt to the State or the MSF.

Except as otherwise disclosed in an exhibit to the Proposal, Applicant certifies that all applicable taxes are paid as of the date the Applicant’s Proposal was submitted to the MSF and the Applicant owes no outstanding debt to the State or the MSF.

F) CONFLICT OF INTEREST

The Applicant must disclose, in an exhibit to the proposal, any possible conflicts of interest that may result from an award under this RFP.

Except as otherwise disclosed in the proposal, the Applicant affirms that to the best of its knowledge there exists no actual or potential conflict between the Applicant, the Applicant’s project manager(s) or its family’s business or financial interests (“Interests”) and the MSF or MEDC. In the event of any change in the RFP, the Applicant will inform the MSF and the MEDC regarding possible conflicts of interest which may arise as a result of such change and agrees that all conflicts shall be resolved to the MSF’s satisfaction or the Applicant may be disqualified from consideration under this RFP. As used in

this Section, “conflict of interest” shall include, but not be limited to, the following:

1. Giving or offering a gratuity, kickback, money, gift, or anything of value to an official, officer, or employee of the MSF or the MEDC with the intent of receiving an award from the MSF or favorable treatment under a contract;

2. Having or acquiring at any point during the RFP process or during the term of the award, any contractual, financial, business or other interest, direct or indirect, that would conflict in any manner or degree with Applicant’s performance of its duties and responsibilities to the MSF under the award or otherwise create the appearance of impropriety with respect to the award or performance of the award; or

3. Currently in possession of or accepting during the RFP process or the term of the award anything of value based on an understanding that the actions of the Applicant or its affiliates or Interests on behalf of the MSF will be influenced.

G) BREACH OF CONTRACT

Except as otherwise disclosed in an exhibit to Applicant’s proposal, Applicant is not in material default or breach of any contract or agreement that it may have with the State of Michigan or any of its departments, commissions, boards or agencies, or any other public body in the State of Michigan. Further, Applicant represents and warrants that it has not been a party to any contract with the State or any public body that was terminated within the previous five (5) years because the Applicant failed to perform or otherwise breached an obligation of such contract.

H) FALSE INFORMATION

If the MSF determines that a Applicant purposefully or willfully submitted false information in response to this RFP, the Applicant will not be considered for an award and any resulting Contract that may have been executed may be terminated.

I) DISCLOSURE

All Applicants should be aware that proposals submitted to the MSF in response to this RFP may be subject to disclosure under the provisions of Public Act 442 of 1976, as amended, known as the Freedom of Information Act (“FOIA”). Accordingly, confidential information should be excluded from Applicant’s proposals. Applicants, however, are encouraged to provide sufficient information to enable the MSF to determine the Applicant’s qualifications and to understand or identify areas where confidential information exists and could be provided. The FOIA also provides for the complete disclosure of the contract and any attachments or exhibits thereto.

J) CLARIFICATION/CHANGES IN THE RFP

Any change or update to the acceptance of proposals will be posted on the MEDC website. Such postings shall constitute constructive notice to the general public and to all Applicants of any modifications or alterations of the deadline for proposals. Therefore, Applicants are strongly encouraged to continuously check the MEDC website at <http://www.michiganadvantage.org/Public-Notices-Requests-for-Proposals/>.

K) ELECTRONIC RECEIPT OF PROPOSALS

AN ELECTRONIC VERSION OF YOUR PROPOSAL MUST BE RECEIVED AND TIME-STAMPED BY THE MSF TO contractsandgrants@michigan.org, ON OR BEFORE **3:00 p.m. on July 31, 2013**. Applicants are responsible for timely submission of their proposal. THE MSF HAS NO OBLIGATION TO CONSIDER ANY PROPOSAL THAT IS NOT RECEIVED BY THE APPOINTED TIME.

L) RESERVATION OF MSF DISCRETION

Notwithstanding any other statement in this RFP, the MSF reserves the right to:

- 1) reject any and all proposals;
- 2) waive any errors or irregularities in the application process or in any proposal;
- 3) reissue the RFP;
- 4) negotiate with any Applicant for a different award amount;
- 5) reduce the scope of the project, and reissue the RFP or negotiate with any Applicant regarding the revised project
- 6) extend the term of the project and add additional funding as necessary or appropriate; or
- 7) defer or abandon the project.

Decisions by the MSF are final and not subject to appeal.

Any attempt by an Applicant, collaborating entity, or other party of interest to the project to influence the awards process, to appeal, and/or take any action, including, but not limited to, legal action, regarding the proposal or awards process in general may result in the Applicant's disqualification and elimination from the award process.

M) PROTEST PERIOD

If an Applicant wishes to initiate a protest of the award recommendation, the Applicant must submit a protest in writing by 5:00 p.m. within (10) ten calendar days from the date of the notice of award sent by the MSF. The written protest should include the RFP number, clearly state the facts believed to constitute an error in the award recommendation, and describe the desired remedy. Only the information provided within the protest period will be considered in arriving at a decision. The MSF is not required to take into consideration any material filed by any party after the protest deadline. The MSF Fund Manager or MSF Chairperson will provide a written decision to the protesting party after investigating the matter or, if more information is needed, will schedule an informal meeting before issuing a decision. This decision is final.

To maintain the integrity of the procurement process and to ensure that procurements are received without undue delay, protests requesting a waiver of the following omissions and requirements cannot be granted:

1. Failure of an Applicant to properly complete proposal return envelope instructions;
2. Failure of a Applicant to submit the proposal by the due date and time;
3. Failure of a Applicant to provide samples, descriptive literature or other required documents by the date and time specified;

4. Failure of a Applicant to submit a protest within the time stipulated in the notice to award or as determined by the MSF.

In fairness to Applicants who meet the RFP specifications and to prevent delays in program implementation, the MSF will not withdraw an award or re-evaluate proposals when a protest maintains that the RFP specifications were faulty.

N) JURISDICTION

In the event that there are conflicts concerning this RFP that proceed to court, jurisdiction will be in a Michigan court of law. Nothing in this RFP shall be construed to limit the rights and remedies of the MSF or the MEDC that are otherwise available.

O) ADDITIONAL CERTIFICATION

Pursuant to Public Act 517 of 2012, an Iran linked business is not eligible to submit an application or proposal to a request for proposal issued by a public entity.

Applicants must include the following certification in the proposal:

“Applicant certifies that it is not an Iran-linked business as defined in MCL 129.312.”

Failure to submit this certification will result in disqualification from consideration.

**MICHIGAN STRATEGIC FUND
RESOLUTION
2013-**

**APPROVAL OF JOINT EVALUATION COMMITTEE AND SCORING FOR
EARLY STAGE FUNDING REQUEST FOR PROPOSALS**

WHEREAS, Public Acts 215 and 225 of 2005 established the 21st Century Jobs Trust Fund initiative;

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

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, 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;

WHEREAS, on June 26, 2013, the MSF issued a Request for Proposals (“RFP”) to make awards to non-profit organizations that invest in pre-seed and early stage companies that require capital to transition from research to early stages of the commercialization process in the competitive edge technology sectors (the “Early Stage Funding RFP”);

WHEREAS, the Act requires that proposals received in response to the Early Stage Funding RFP be reviewed by a joint evaluation committee (“JEC”);

WHEREAS, the MEDC recommends and the MSF desires to delegate the authority to the MSF Fund Manager to appoint a JEC comprised of MEDC Staff and external partners to review the proposals submitted under the Early Stage Funding RFP and to make award recommendations to the MSF Board (the “Delegation of Authority”); and

WHEREAS, the MEDC also recommends and the MSF desires to approve the scoring and evaluation criteria contained in Attachment A for use by the JEC in its review of proposals (the “Early Stage Funding RFP Scoring Criteria”).

NOW, THEREFORE, BE IT RESOLVED, the MSF Board approves the Delegation of Authority and the Early Stage Funding RFP Scoring Criteria.

Ayes:

Nays:

Recused:

Lansing, Michigan
June 26, 2013

EXHIBIT B

Proposal Evaluation Form 2013 Early Stage Funding RFP

Name of Applicant: _____

Name of Reviewer: _____

Criteria	Reviewer's Comments	Points
<p>Executive Summary: Overview</p> <ul style="list-style-type: none"> • NAME OF THE APPLICANT ORGANIZATION • AMOUNT OF FUNDS REQUESTED • AMOUNT OF MATCHING FUNDS • TERM (Years) • CATEGORY • SUMMARY • The TARGETED NUMBERS FOR: <ul style="list-style-type: none"> ○ Companies Created ○ Jobs Created ○ Jobs Retained ○ Increased Investment/Revenues 		<p>Max. Possible Points: 5</p> <p>Score: _____</p>
<p>Proposed Services: The following must be identified in the proposal:</p> <ul style="list-style-type: none"> • A plan that demonstrates the sustainability of the organization. • A plan that demonstrates the organization takes a <u>leadership</u> role to <u>coordinate</u> with local/regional partners including the local university, local economic development agency, statewide service providers. • A plan that shows appropriate feedback to entrepreneurs to encourage future success. • A plan that demonstrates an ability to leverage funding programs to attract additional funding to Michigan's tech companies • A plan that projects future outcomes (for example companies created, jobs created, increased investment, etc.) • A plan that demonstrates coherent and aggressive program marketing 		<p>Max. Possible Points: 20</p> <p>Score: _____</p>
<p>Past Experience:</p> <ul style="list-style-type: none"> • Prior participation in state entrepreneurial funded programs • Proven record of past performance as a past contractor with MEDC (including reliable, timely, accurate progress and monthly reporting, quarterly meeting participation) • Clearly explained that no redundancy/duplication will occur • Strength of investment background and networks • Strength of proposed review committee 		<p>Max. Possible Points: 15</p> <p>Score: _____</p>
<p>Team, Facilities, Partners, Vision:</p> <ul style="list-style-type: none"> • Summarized operations • Identified key players • Identified complementary services • Covers all necessary areas of expertise • Ability to distribute funds as an impartial, unconflicted entity 		<p>Max. Possible Points: 20</p> <p>Score: _____</p>
<p>Milestones/Deliverables:</p> <ul style="list-style-type: none"> • Identified meaningful milestones/deliverables • Achievable and leading to economic impact • Transparency in reporting 		<p>Max. Possible Points: 10</p> <p>Score: _____</p>
<p>Budget:</p> <ul style="list-style-type: none"> • Identified meaningful budget for proposal • Included organization's financial schedules • Cost of administration fees/efficiency of services delivered 		<p>Max. Possible Points: 15</p> <p>Score: _____</p>

<p>Economic Impact:</p> <ul style="list-style-type: none"> • Completed table • Realistic assumptions and expectations based on industry knowledge and incubator's past reported performance • Identified targeted metrics: <ul style="list-style-type: none"> ○ Companies Created ○ Jobs Created ○ Jobs Retained ○ Increase Investment/Revenue • Returns to MEDC permanent fund 		<p>Max. Possible Points: 15</p> <p>Score: _____</p>
<p>Total Score:</p>		<p>Max. Possible Points: 100</p> <p>Score: _____</p>



MEMORANDUM

Date: June 26, 2013
To: MSF Board
From: Paula Sorrell, Managing Director, Entrepreneurship
Subject: Grant Amendment One to DOC-3882

BACKGROUND

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

First launched in 2011, the Business Accelerator Fund (“BAF”) provides specialized business acceleration services to Michigan companies commercializing advanced technologies. Through a maximum grant award of \$50,000, high potential companies are selected through a competitive review process, and can utilize the grant funds to pay for specialized services (i.e.: engagements with business consultants including market studies, financial modeling, and market plans or engagements with manufacturers, software developers, or engineers for product development).

In 2011 the MSF approved a grant in the amount of \$3,532,957 (Resolution No. 2011-096) to the Michigan Small Business & Technology Development Center (MI-SBTDC) for operation of the BAF over a two year term.

PROGRAM SUCCESS

Since the beginning of the program in 2011, the BAF has approved 96 grants to companies, for a total investment of 21st Century Jobs Funds in the amount of \$2,513,377. As of April 15, 2013, this \$2.5 million has created 69 new full-time jobs, brought to the state a total of \$2,297,600 in federal funds and has leveraged a total of \$19,769,350 in private capital, for a total leverage of over 8:1. As a result of the BAF awards, recipient companies have grown by \$3,940,000 in increased sales.

CURRENT SITUATION

The MI-SBTDC is requesting an additional \$750,000 to continue program operations and support further BAF awards to high potential companies.

RECOMMENDATION

MEDC Staff recommends the MSF Board approve this grant amendment for the amount of \$750,000, using funds allocated for the Fiscal Year 2013 21st Century Jobs Fund to support Entrepreneurship and Innovation. The grant would be administered under an amended grant agreement with the MI-SBTDC.

**MICHIGAN STRATEGIC FUND
RESOLUTION
2013-**

**ENTREPRENEURIAL SUPPORT SERVICE AWARD
ALLOCATION TO THE SBTDC BUSINESS ACCELERATOR FUND**

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

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

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

WHEREAS, at its April 27, 2011 meeting, the MSF Board issued a request for proposals soliciting proposals from non-profit entities in the State of Michigan to provide entrepreneurial support services (“Entrepreneurial Support RFP”);

WHEREAS, proposals received under the Entrepreneurial Support RFP underwent an independent peer review pursuant to MCL 125.2088k;

WHEREAS, upon the recommendation of an independent peer review expert, the MSF Board made an award to the Small Business & Technology Development Center for the Business Accelerator Fund in the amount of \$3,532,957 (the “SBTDC-BAF Grant”);

WHEREAS, the MEDC recommends that the MSF Board allocate an additional \$750,000 to the SBTDC-BAF Grant (the “SBTDC-BAF Grant Amendment”); and

WHEREAS, the MSF Board desires to approve the SBTDC-BAF Grant Amendment.

NOW, THEREFORE, BE IT RESOLVED, the MSF Board approves the SBTDC-BAF Grant Amendment; and

BE IT FURTHER RESOLVED, the MSF Board authorizes the MSF Fund Manager to negotiate and execute all documents necessary to effectuate the SBTDC-BAF Grant Amendment.

Ayes:

Nays:

Recused:

Lansing, Michigan
June 26, 2013



MEMORANDUM

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

FROM: Marcia Gebarowski, Development Finance Manager

DATE: June 26, 2013

SUBJECT: Approval of Michigan Business Development Request for \$4,600,000 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.

On January 23, 2013, the company was awarded a \$3 million BDP performance based grant based on a proposed expansion in the City of Detroit and creation of 621 new jobs. At that same meeting, Lear Corporation was awarded a \$1.6 million performance based grant for a proposed new facility in the City of Highland Park and the creation of 230 new jobs. After the agreement for each project was executed, Lear’s customer wanted the supplier for the products produced in Highland Park to be a diversity company. As a result, Lear will subcontract the Highland Park project to IMA where IMA will assume all capital costs and new job creation related to both projects exactly as they were presented to the Board in January as one consolidated project. Both companies will voluntarily release their previously executed individual awards. The combined approval holds all requirements of the previous deals; including base, jobs and investment.

Lear Corporation was awarded a five year Standard/Retention MBT jobs credit on November 17, 2009 to support new and existing work at its facilities in Village of Roscommon/Higgins Township, City of

Michigan Economic Development Corporation

Southfield, and the City of Taylor. The project was anticipated to result in \$14 million in total capital investment as well as the creation of 224 new jobs and retention of 521 existing employees. In 2011, the company received credit for 201 new jobs under its Standard Credit and 521 jobs and reported over \$14 million in capital investment under its Retention Credit. The Company is currently applying for its 2012 tax year.

PROJECT DESCRIPTION

The Applicant plans to do the following in the City of Detroit and in the City of Highland Park: expand operations at two existing leased facilities in Detroit and Highland Park, enter into a lease at a new facility in Detroit 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 also in Detroit 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 and City of Highland Park. The City of Detroit and Highland Park 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 at 6501 Nevada Street, Detroit and 13000 Oakland Blvd, Highland Park . The estimated value of these two abatements is roughly \$4.3 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 851 Qualified New Jobs above a statewide base employment level of 3028.
- 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 851 Qualified New Jobs and a capital investment of up to \$32.4 million in the City of Detroit and City of Highland Park. The requested incentive amount from the MSF is \$4.6 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) The Company and Lear Corporation both agree to execute a termination agreement with the MSF terminating their individual BDP incentive agreement approved for each company at the January 22, 2013 Board meeting;
- c) 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
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 \$4.6 million (“Grant Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”);

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

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

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

BE IT FURTHER RESOLVED, this resolution becomes effective after the Company and Lear Corporation each execute a termination agreement with the MSF to terminate their individual MBDP incentive grant agreement (Case-29427 and Case-29431 respectively), currently executed with the MSF;

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
June 26, 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: May 24, 2013

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

6555 E. Davison
Detroit, Michigan 48212

13000 Oakland Boulevard
Highland Park, Michigan 48203
4. **MBDP Incentive Type:** Performance Based Grant
5. **Maximum Amount of MBDP Incentive:** Up to \$4.6 million ("MBDP Incentive Award")
6. **Base Employment Level** 3028 The number of jobs currently maintained in Michigan by the Company and related entities including Lear Corporation, Lear Corporation EEDS & Interiors, and Comor Holdings, LLC based on data submitted by the Company to the MEDC reflecting the Company's and related entities statewide employment level in Michigan prior to the proposed project. The Base Employment Level, including identification of the Company data used to establish this level, shall be included in the final MBDP Incentive Award agreement ("Agreement") between the MSF and the Company.

7. **Total Qualified New Job Creation:** 851 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.
- (above Base Employment Level)
- a. **Start Date for Measurement of Creation of Qualified New Jobs:** January 23, 2013
8. **Company Investment:** Approximately \$32,454,809 in building renovations, annual lease costs, leasehold improvements, machinery & equipment, furniture and fixtures, computers, pollution control equipment, or any combination thereof, for the Project.
9. **Municipality supporting the Project:** City of Detroit and 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: a property tax abatement by each municipality. 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 \$800,000 Upon demonstrated creation of 150 Qualified New Jobs above the Base Employment Level, and verification of final approval of municipality support by no later than March 30, 2014.

- | | | |
|-------------------------------------|-------------------|---|
| b. Disbursement Milestone 2: | Up to \$2,600,000 | Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 416 additional Qualified New Jobs above the Base Employment Level, by no later than March 30, 2015. |
| c. Disbursement Milestone 3: | Up to \$1,200,000 | Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, and upon demonstrated creation of 285 additional Qualified New Jobs above the Base Employment Level, by no later than March 30, 2016. |

11. Term of Agreement: Execution of Agreement to March 30, 2018.

12. Repayment Provisions:

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

13. Reporting Requirements:

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

14. Public Announcements:

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

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

If the Company is interested in the MEDC pursuing a recommendation to the MSF for a possible MBDP Incentive Award for the Company along the above parameters, please sign and date this Term Sheet. If the MEDC does not receive the signed Term Sheet from the Company by May 29, 2013, the MEDC may not be able to proceed with any recommendation to the MSF.

Integrated Manufacturing & Assembly, LLC

By: *Jimmie E. Comek*
Its: PRESIDENT & CEO
Dated: 5/28/2013

Printed Name: JIMMIE E. COMEK

Acknowledged as received by:

Michigan Economic Development Corporation

By: *Marcia Gebarowski*
Its: Development Finance Manager, MEDC
Dated: May 28, 2013

Printed Name: Marcia Gebarowski



MEMORANDUM

DATE: June 26, 2013

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

FROM: Joseph Martin, MEDC – Manager, Community Revitalization and Brownfield Programs
Julius Edwards, MEDC – Development Finance Manager
Nate Scramlin, MEDC – Community Assistance Team Specialist

SUBJECT: Approval of Michigan Community Revitalization Request for \$5,649,071
Performance-based Loan and Grant to:

URC FJ, LLC
503 South Saginaw St.
Flint, Michigan 48502

Uptown Reinvestment Corporation Inc. (“URC”)
503 South Saginaw St.
Flint, Michigan 48502
<http://www.uptownreinvestment.org/>

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(s) 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(s), and, as applicable, from other relevant third party sources utilized by staff.

HISTORY OF THE APPLICANT(S)

URC FJ, LLC is a subsidiary of the Uptown Reinvestment Corporation, Inc. (together “Co-applicants”) and are both located in Flint, Michigan. Uptown Reinvestment Corporation (URC) has been expressly responsible for the revitalization of Downtown Flint and oversees the management of the Flint Farmer’s Market. To date, the URC has completed seven projects totaling over 600,000 square feet of mixed-use space totaling \$65 million in investment. URC currently controls nearly one million square feet of commercial and residential space. Notable projects include the RiverFront Center, a 550-bed student housing complex, as well as the Rowe, Wade Trim, and First Street Loft buildings.

Neither the URC or URC FJ, LLC have received any incentives from the MSF previously. However, other subsidiaries of the URC have received brownfield and historic tax credits on past projects, and one subsidiary, Uptown RDA, LLC, received a MCRP award for \$625,000 for a neighboring health and wellness center. The previous incentives were not related to this project. Key personnel include Ridgway

Michigan Economic Development Corporation

White, serving as the project manager, from the Charles Stewart Mott Foundation and Timothy Herman as President of the Uptown Reinvestment Corporation.

PROJECT DESCRIPTION

URC FJ, LLC plans to redevelop four city blocks in Downtown Flint to create an emerging health and wellness district. The redevelopment rests on three pillars: the renovation of the former Flint Journal Headquarters to make way for Michigan State University’s Flint Public Health & Medical Campus project; the relocation of the 70-plus vendor Flint Farmer’s Market to the vacant Flint Journal printing facility; and the demolition of the Genesee Towers property to make way for an engaging urban plaza. The renovation of the Former Flint Journal Headquarters will also include 16 loft-style apartments, and 10,000 square feet of renovated office space, to be marketed for future use. In addition to relocating the Flint Farmer’s Market, the renovation of the vacant Flint Journal printing facility will include a community commercial kitchen to be used by local entrepreneurs. The proposed project takes place on approximately 7.2 acres of property located on and adjacent to 200 E. First Street in the City of Flint. The project includes a mix of uses including commercial, residential, public and farmer’s market spaces.

- a) The project is “functionally obsolete” and a “historic resource” as authorized under the program. The Applicant(s) plans to make an investment of \$29,760,335 to the project for demolition, building renovations, and the purchase of furniture and fixtures as authorized under the program. The project will be located in the City of Flint. The City of Flint has offered a “staff, financial, or economic commitment to the project” in the form of a Community Development Block Grant totaling \$880,000 and the approval of an Obsolete Property Rehabilitation Certificate (OPRA).
- b) The project is located in a downtown or traditional commercial center. Preference was given to project based on the project’s considerable impact on the redevelopment of downtown Flint and the projects ability to act as a catalyst to further development in the downtown area.

DEAL STRUCTURE

URC FJ, LLC will be the property owner and is the entity responsible for the redevelopment of the properties, including making the investment on the property and servicing all debt payments arising from the transaction. As Co-applicants, it is anticipated that the grant and loan funds will be required to flow through the non-profit, Uptown Reinvestment Corporation, for tax credit purposes, although the investment into the property will be made by the URC FJ, LLC. Additionally, as the structure contemplates the use of New Market Tax Credits, it is possible the loan will need to pass through a separate entity, created specifically for aggregating resources and flowing them through to URC FJ, LLC. If this structure occurs, the MSF will not have a direct mortgage on the property, but rather interest in the property as an assignment or other similar structure.

GRANT FACILITY

Co-Applicants:	URC FJ, LLC/Uptown Reinvestment Corporation, Inc.
MSF Grant Amount:	\$1,000,000
Funding:	The MSF will fund up to \$1,000,000 to be disbursed upon completion of construction, issuance of a “Certificate of Occupancy” and other performance criteria to be contained in the final grant documents.

LOAN FACILITY

Co-Applicants:	URC FJ, LLC/Uptown Reinvestment Corporation, Inc.
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MSF Loan Amount:	\$4, 649,071
Interest Rate:	1% per annum
Administrative Fee:	N/A
Collateral:	It is anticipated that mortgages, or rents and leases and/or other Project assets will secure repayment and may involve subordination to one or more senior lenders and/or tax creditor investors.
Guarantee:	N/A
Loan Fee:	One-Time 1% Fee
Repayment:	Payments to be made from 33% of available cash flow after payment of senior debt services requirements, and a \$65,000 annual subsidy to the Flint Farmers Market. Entire balance due upon maturity of the loan or sale of the property.
Prepayment:	The loan will be repayable at any time without penalty
Term:	30 year term
Funding:	The MSF will fund up to \$4,649,071 to be disbursed upon completion of construction, issuance of a “Certificate of Occupancy” and other performance criteria to be contained in the final loan documents.

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

The project would be a significantly risky project under traditional financing mechanisms due to the vast amount of speculative space within the project scope and the large portion of the project dedicated to either non-income or low income producing uses. This project is considered a major community revitalization effort for the City of Flint that will transform approximately four city blocks.

Whether the project is financially and economically sound:

Upon completion, it is anticipated that the project will have no more than \$1,000,000 in debt with regularly scheduled debt service requirements arising from the Local Initiatives Support Corporation Loan. The anticipated lease with MSU will be sufficient to cover any required debt service payments related to the fixed principal and interest payments, essentially making the project breakeven from a cash flow perspective. The cash flow payments made to the MSF will arise as the additional office and loft space lease up and rents increase. Additionally, the project will maintain the support of the Uptown Reinvestment Corporation, the Charles Stewart Mott Foundation, MSU as well as the community as a whole.

A summary of the Sources to the project can be found here:

C.S. Mott Grant	\$	9,700,000
State Community Revitalization Program Grant	\$	1,000,000
State CRP Loan	\$	4,649,071
URC Equity	\$	200,000

City of Flint CDBG Grant	\$	880,000
Anonymous Donor	\$	1,500,000
Historic Tax Credits	\$	2,620,663
New Market Tax Credits	\$	5,927,301
Deffered Development Fee	\$	2,283,300
LISC Loan	\$	1,000,000
Total	\$	29,760,335

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:

This project is of great importance for the City of Flint and the residents within. The location of the MSU School of Public Health in downtown Flint will not only provide much needed employment opportunities in the area through 75 new full-time permanent positions, but is also an integral step in providing a sense of hope and revitalization within the City. Further, the relocation of the Flint Farmer’s Market will provide much needed access to fresh local food for area residents due to its close proximity to the Mass Transportation Authority’s downtown Bus Transfer Station.

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

The construction of this development in downtown Flint will create an increase in demand for additional downtown businesses and services. In addition to the number of new folks working in downtown through job creation, the project also promotes downtown living and walkability.

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

The City of Flint is supporting the project through a Community Development Block Grant totaling \$880,000 and the approval of an Obsolete Property Rehabilitation Certificate.

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

This project involves the planned reuse of two vacant downtown buildings totaling approximately 176,000 square feet.

E. Creation of jobs:

This project is expected to create over 75 full-time and 25 part-time jobs.

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

This project includes a number of additional contributions including New Market Tax Credits (estimated \$5.9 million in equity generated), Federal Historic Tax Credits (20% credit generating equity of \$2.6 million), and private foundation funding in the amount of \$9.7 million from the Charles Stewart Mott Foundation.

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

With the inclusion of the 16 loft-style apartments this project is increasing the density of downtown residential space.

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

This project promotes mixed-use development by offering commercial offices, residential, and retail space. The project is located in downtown Flint and greatly promotes walkability by locating the Flint Farmer's Market in the heart of downtown, where downtown residents can walk to obtain fresh locally-grown produce.

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

This project does not include abandoned public buildings.

J. Whether the project promotes sustainable development:

This project promotes sustainable development by utilizing a number of Brownfield sites in downtown Flint. The reuse of Brownfield sites generally utilizes already existing public infrastructure decreasing the need for the development of new infrastructure often at the cost to public entities.

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

This project does include the rehabilitation of a historic resource. The developer is seeking a listing on the National Register of Historic Places for the former Flint Journal Headquarters building.

L. Whether the project addresses area-wide redevelopment:

This project will likely act as a catalyst for other projects in the area in the near future. With the increased traffic in downtown Flint, by new employees, students, and residents, an increased demand will likely spur further redevelopment. By supporting anchor institutions such as the MSU School of Public Health and the Flint Farmer's Market this shows other businesses in the area that downtown Flint is a sustainable place to locate.

M. Whether the project addresses underserved markets of commerce:

This project does not address any underserved markets of commerce.

N. The level and extent of environmental contamination:

Minimal environmental contamination is present at the Genesee Towers site and will be remediated as part of the demolition process.

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 project 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 affect existing Michigan businesses within the same industry.

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 factors that need to be considered for this project.

INCENTIVE OPPORTUNITY

This project involves \$22,596,285 in eligible investment and total capital investment of up to approximately \$29,760,335 in the City of Flint. The requested Incentive Amount from the MSF is \$5,649,071 in the form of a performance based grant and loan combination.

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 60 days.

**MICHIGAN STRATEGIC FUND
RESOLUTION 2013-**

**APPROVAL OF A MICHIGAN COMMUNITY REVITALIZATION PROGRAM GRANT AWARD TO
UPTOWN REINVESTMENT CORPORATION AND URC FJ, 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 later 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, Uptown Reinvestment Corporation and URC FJ, LLC have requested a performance based grant of up to \$1,000,000 million (“Grant Award 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 \$4,649,071 (“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 MEDC has recommended that the MSF approve the Award Request in accordance with the Term Sheet, subject to: (i) available funding, (ii) final due diligence performed to the satisfaction of the MEDC; and (iii) approval of the CRP Loan Award, (iv) execution of Transaction Documents for the CRP Loan Award coincident with the execution of the Transaction Documents for the Grant Award Request; and (v) execution of the Transaction Documents for the Grant Award Request within 120 days of the date of this Resolution (“Time Period”), or this Resolution shall have no effect; provided however, at the sole discretion of the MSF Fund Manager, the Time Period may be extended for up to an additional 60 days (“MCRP Award Recommendation”); and

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

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

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 Award Request.

Ayes:

Nays:

Recused:

Lansing, Michigan
June 26, 2012

EXHIBIT A

MSF GRANT AWARD

Co-Applicants: URC FJ, LLC / Uptown Reinvestment Corporation; grant proceeds to be paid to one or both of the co-applicants

Grant Amount: Up to \$1,000,000

GRANT DETAILS

Funding: The MSF will fund up to \$1,000,000 and is to occur upon completion of construction, issuance of a “Certificate of Occupancy” and other performance criteria to be contained in the final grant documents.

MICHIGAN STRATEGIC FUND

RESOLUTION 2013-

APPROVAL OF A MICHIGAN COMMUNITY REVITALIZATION PROGRAM LOAN AWARD TO UPTOWN REINVESTMENT CORPORATION AND URC FJ, 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 later 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, Uptown Reinvestment Corporation and URC FJ, LLC (“Co-Applicants”) have requested a performance based loan of up to \$4,649,071 (“Loan Award 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 Loan Award Request, the Co-Applicants have requested a performance based grant award of up to \$1 million under the MCRP from the MSF (“Grant Award Request”);

WHEREAS, any approval of the Grant Award Request shall be by separate resolution of the MSF;

WHEREAS, the MEDC has recommended that the MSF approve the Loan 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 for the Loan Award Request within 120 days of the date of this Resolution (“Time Period”), or this Resolution shall have no effect; provided however, at the sole discretion of the MSF Fund Manager, the Time Period may be extended for up to an additional 60 days (“MCRP Award Recommendation”); and

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

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

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 Loan Award Request.

Ayes:

Nays:

Recused:

Lansing, Michigan
June 26, 2012

EXHIBIT A

MSF LOAN AWARD

Co-Applicants: URC FJ, LLC and Uptown Reinvestment Corporation

Borrower: One or more entities derived from the NMTC structure for the Project

Lender: Michigan Strategic Fund (MSF)

Loan Amount: Up to \$4,649,071

LOAN DETAILS

Interest Rate: 1% per annum

Term: 30 year term

Collateral: It is anticipated that mortgages, or rents and leases and/or other Project assets will secure repayment and may involve subordination to one or more senior lenders and/or tax creditor investors.

Funding: The MSF will fund up to \$4, 649,071to occur upon completion of construction, issuance of a “Certificate of Occupancy” and other performance criteria to be contained in the final loan documents.

Repayment: Payments to be made from 33% of available cash flow after payment of senior debt services requirements and a \$65,000 annual subsidy to the Flint Farmers Market, with balloon payment requirements.



MEMORANDUM

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

FROM: Joe Martin, Manager Brownfield and Community Revitalization Programs
Dan Wells, Community Development Specialist
Julius Edwards, Development Finance Manager

DATE: June 26, 2013

SUBJECT: Approval of Act 381 Work Plan and Michigan Community Revitalization Request
Cardinal Health Inc. Redevelopment Project
6000 Rosa Parks Boulevard
City of Detroit, County of Wayne

ACT 381 APPLICANT

City of Detroit Brownfield Redevelopment Authority

Contact: Art Papapanos, Vice President of Board Administration

MCRP APPLICANTS

Henry Ford Health System
1 Ford Place, Suite 5B
Detroit, Michigan

Kirco CH Distribution, LLC
101 West Big Beaver Road, Suite 200
Troy, Michigan

Contact: Dean Kiriluk, Executive Vice President, Kirco

INCENTIVE REQUEST

The project requests to use both the Brownfield Act 381 Program and the Michigan Community Revitalization Program (MCRP) for the project located on over 100 parcels south of Marquette Avenue, between Commonwealth Avenue and Rosa Parks Boulevard, and abuts railroad tracks to the south, in the City of Detroit. The City of Detroit Brownfield Redevelopment Authority has submitted an Act 381 Work Plan (hereinafter Work Plan) request for the approval of local and school tax capture for eligible activities in the amount of \$4,761,155. The MCRP Applicant is requesting a performance-based grant in the amount of \$1,000,000.

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.

Michigan Economic Development Corporation

MCRP Guidelines Waiver

The project is requesting a waiver to the MCRP Guidelines that the project be located within a downtown or traditional commercial center. This waiver is being requested on the grounds that this project is considered a “catalytic project” and part of a major community revitalization effort to be undertaken by Henry Ford Health System. The project itself will reactivate approximately 23 acres of blighted and contaminated property and will be a jumpstart to Henry Ford Health System’s 10 year plan to invest \$500 million in the reactivation and redevelopment of over 300 acres in this area of the City of Detroit. The overall development plan would help to connect the efforts taking place in the Midtown and New Center areas of the City by focusing on the redevelopment of the blocks between I-94, the Lodge Freeway, Rosa Parks Boulevard and Grand Boulevard.

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 MCRP APPLICANTS

Kirco CH Distribution, LLC is headquartered in Troy and is a subsidiary of KIRCO the full service development company that provides project planning, project management, construction, and property management services. The firm has planned and developed in excess of 11 million square feet of high-demand properties of lasting economic value for investors and corporate clients. Under its construction arm, Kirco Manix Construction, they have constructed over \$3 billion worth of projects throughout the country. The executive staff is primarily made up of members of the Kiriluk and Manix families. Dean Kiriluk is the primary contact and project manager for this project.

Henry Ford Health System was founded in 1915 by auto pioneer Henry Ford and is now one of the nation’s leading health care providers. It is comprised of hospitals, medical centers and one of the nation’s largest group practices, the Henry Ford Medical, which includes more than 1,200 physicians in over 40 specialties. The System’s flagship, Henry Ford Hospital in Detroit, a Level 1 Trauma Center. Henry Ford Health System is the fifth largest employer in metro Detroit with more than 23,000 employees.

The Applicants have not received any incentives from the MSF previously.

PROJECT DESCRIPTION

Kirco CH Distribution, LLC plans to demolish all of the existing structures on approximately 23 acres and redevelop the area for a 275,951 square foot medical distribution facility, with the capability to expand up to a total of approximately 345,000 square feet to meet future needs. The proposed project is located south of Marquette Avenue, between Commonwealth Avenue and Rosa Parks Boulevard, and abuts railroad tracks to the south. The property is currently owned by Henry Ford Health System (HFHS), and after unification of the smaller parcels, ownership will be transferred to Kirco CH Distribution, LLC for site development and leasing to Cardinal Health. The MCRP Grant will be provided to Henry Ford Health Systems and will reduce the cost of the property when it is sold to Kirco CH Distribution, LLC. This will also help reduce the tax consequences of a for-profit entity receiving a grant.

The project includes environmental due care and response activities; site and building demolition for abandoned utilities and multiple buildings; asbestos abatement for the building demolitions that must occur; infrastructure improvements in the public right-of-way including reconstructing surrounding roads, sidewalks, sewer lines, water mains, land scraping and signage; and site preparation activities including clearing and grubbing, staking, temporary construction facilities and erosion controls, geotechnical engineering related to urban fill conditions, special foundation work to address unstable soils, excavation of unstable soils and filling voids, and relocation of active utilities.

- a) The project is located within the boundaries of the City of Detroit, which is a Qualified Local Governmental Unit. The eligible property is undergoing a process of consolidation into a single parcel which will qualify as a standalone facility once combined, as verified by Michigan Department of Environmental Quality (DEQ). The property is the subject of a Brownfield Plan, duly approved by the City of Detroit on June 19, 2012.
- b) The Applicant plans to make an investment of \$29,866,172 to the project for the construction of a medical distribution hub, 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 eligible Brownfield activities for reimbursement through Brownfield TIF. The amount of local taxes to be captured under the Brownfield plan is estimated to be \$2,945,727.

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 and overall benefit to the public:

The Cardinal Health Medical Supply Warehouse is a component of a major neighborhood revitalization effort sponsored by HFHS, which will be anchored by a new satellite campus of Henry Ford Hospital. The investment, new workers, and additional traffic will increase urban density and provide new commercial attractions for Detroit residents. In addition, it will boost usage of the City’s public transportation system. Completion of this project will bring additional investment and stabilization to the neighborhood.

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

The project is part of a ten year revitalization program and includes plans for \$500 million of new medical and educational facilities that will promote new residential and commercial development in the surrounding area.. In addition, HFHS is a participant in Detroit’s M-1 Rail project, which dovetails with the new Detroit Future City framework.

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

Wayne County is applying for a \$1 million Brownfield MDEQ Grant and a \$1.5 million Brownfield MDEQ Loan for the Project. In addition, the Developer is seeking approximately \$700,000 in EPA Revolving Loan Fund financing through the Detroit-Wayne County Port Authority and the Michigan Land Bank Fast Track Authority. A Public Act 198 property tax abatement has been approved for the property for the first 12 years of capture, reducing the school taxes by 50%.

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

Originally the project anticipated receiving a \$26 million New Market Tax Credit allocation and signing a lease agreement with Cardinal Health in the amount \$5.55 per square foot (typical lease rates \$1-2 per square foot for warehouse space). Over the past 12 months the project has lost \$20 million in NMTC allocation and it was discovered that environmental conditions on the property were much worse than originally anticipated which significantly pushed up the development cost. The end result was a \$7 million gap in the project. To bridge this financing gap Cardinal Health agreed to absorb a higher rent, and KIRCO has been able to identify investors willing invest in the project for less of an anticipated return and waived a large portion of the original developer fee. To fill the remaining gap MEDC staff is recommending a \$1 million incentive for the project.

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

The property has not been assessed for functional obsolescence or blighted status.

F. Creation of jobs and areas of high unemployment:

This project is expected to create 31 permanent, full-time warehouse related jobs at an average hourly wage of \$15 per hour plus benefits. Additional growth opportunities could bring another 66 new jobs to the location, It is expected that 99 warehouse and 10 management jobs will be retained. The City of Detroit unadjusted jobless rate was 16% in April 2013. This compares to the statewide seasonally adjusted average of 8.2% in April 2013.

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

The total capital investment will be approximately \$29 million.

H. Whether the project is financially and economically sound:

Upon completion, the project will have the full financial support of KIRCO, Cardinal Health, and Henry Ford Health Systems. Additionally, the project will have no regularly scheduled debt payments as a majority of the project will be paid for through equity and grant contributions, with the remaining portion covered by subordinate-like debt financing. All debt service requirements will be covered by Cardinal Health, a Fortune 100 company.

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

The project increases the density from approximately 20,000 square feet of structures, which are mostly abandoned, to 275,951 square feet, before future potential expansion.

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

As an anchor project in Henry Ford's \$500 million master planned mixed use redevelopment of the West Grand Boulevard neighborhood, this project will be a catalyst to future projects of diverse product types. The master plan is for a mixed use, urban walkable community where people live, work, and play.

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

No abandoned public buildings are involved with the project.

L. Whether the project promotes sustainable development:

The project promotes sustainable development by re-using existing urban infrastructure, remediating environment contamination and incorporating design features consistent with LEED Silver certification levels. In addition, the project site is served by the City's municipal bus

system and is within walking distance of the Detroit Amtrak station and the planned Detroit M-1 Rail.

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

No buildings within the project area have been determined to be historic.

N. Whether the project addresses area-wide redevelopment:

This project will act as a catalyst for other projects in the area in the near future. Henry Ford Health System views the Cardinal Health project as an anchor point and catalyst for its planned \$500 million redevelopment of several hundred acres of severely blighted neighborhoods.

O. Whether the project addresses underserved markets of commerce:

This project does not address any underserved markets of commerce.

P. The level and extent of environmental contamination and due care and remediation activities:

At least 194 soil, 37 groundwater, and 10 soil gas samples have been collected on the Property and submitted for laboratory analysis. According to analytical results from subsurface investigations conducted between 1998 and 2012, contaminants including Arsenic, Chromium, Mercury, 2-Methylnaphthalene, Phenanthrene, Benzene, 2-Methylnaphthalene, Naphthalene, Trimethylbenzene and Xylene have been found to exceed residential cleanup criteria in the groundwater and soils. The property will be prepared to make it suitable for development, and appropriate due care activities will be performed to prevent exposure to materials hazardous to human health, safety, and the environment.

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

No buildings within the project area have been determined to be historic.

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

The project is not anticipated to compete with other Michigan businesses because of the lack of other medical distribution facilities in the immediate area.

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

There are no additional factors that need to be considered for this project.

ADDITION STATUTORY CRITERIA UNDER ACT 381:

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

The property has not been assessed for functional obsolescence or blighted status.

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

The Brownfield Tax Increment Financing is needed to remedy a total of \$6.2 million in environmental response activities and \$3.9 million in non-environmental activities have been identified so far across the property, all of which pose a significant barrier to redevelopment.

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

No new Brownfields will be created by this project.

d) Other Factors Considered:

No additional factors need to be considered for this project.

INCENTIVE OPPORTUNITY

MCRP: This project involves \$24,009,388 in eligible investment and total capital investment of up to \$29,866,172 in the City of Detroit. The requested MCRP incentive amount from the MSF is \$1,000,000 in the form of performance based grant.

Act 381 TIF: During the term of the PA 198 from 2012 through 2024, there are 31.2456 non-homestead mills available for capture, with school millage equaling 11.9154 mills (38.13%) and local millage equaling 19.3302 mills (61.87%). There are 62.4913 non-homestead mills available for capture from 2025 onward, with school millage equaling 23.8308 mills (38.13%) and local millage equaling 38.6605 mills (61.87%). The requested tax capture for MSF eligible activities breaks down as follows:

School tax capture (38.13%)	\$1,815,428
Local tax capture (61.87%)	<u>\$2,945,727</u>
TOTAL	\$4,761,155

COST OF MSF ELIGIBLE ACTIVITIES

Demolition	\$1,737,568
Asbestos Abatement	300,000
Infrastructure Improvements	290,000
Site Preparation	<u>+1,653,475</u>
Sub-Total	\$3,981,043
Contingency (15%)	<u>+ 595,062</u>
Sub-Total	\$4,576,105
Interest (3.8%, on 5 years after PA 198 expires)	<u>+ 175,050</u>
Sub-Total	\$4,751,155
Brownfield/Work Plan Preparation	<u>+ 10,000</u>
TOTAL	\$4,761,155

Please see below for more information on the recommended action.

RECOMMENDATIONS

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

- a) Approval of local and school tax capture for the MSF eligible activities totaling \$4,761,155 described above. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at \$1,815,428.
- b) Approval of the MCRP Proposal as outlined above (collectively, "MCRP Proposal");
- c) 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 60 days.

**RESOLUTION 2013-
MICHIGAN STRATEGIC FUND**

**City of Detroit Brownfield Redevelopment Authority
Cardinal Health Inc. Redevelopment Project
City of Detroit**

At the meeting of the Michigan Strategic Fund (“MSF”) held on June 26, 2013 in Lansing, Michigan.

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

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

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

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

WHEREAS, the City of Detroit Brownfield Redevelopment Authority (the “Authority”) has submitted a work plan for property located south of Marquette Avenue, between Commonwealth Avenue and Rosa Parks Boulevard, and abutting railroad tracks on the south within the City of Detroit, known as the Cardinal Health Inc. Redevelopment Project (the “Project”);

WHEREAS, the City of Detroit is a “qualified local governmental unit” and is eligible to provide for a) demolition; b) lead and asbestos abatement; c) public infrastructure improvements; d) site preparation; e) brownfield work plan preparation and review costs and f) interest as provided under 2007 PA 204 and;

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

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

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board authorizes the Authority to capture taxes levied for school operating purposes in substantially the same proportion as the 38.13% to 61.87% ratio currently existing between school and local taxes for non-homestead properties, to reimburse the cost of site preparation, demolition, lead and asbestos abatement and infrastructure improvements as presented in the revised Work Plan dated March 6, 2013. Any change in millage that increases the capture percentage of school operating taxes by

more than 5 percentage points must be approved by the MSF Board. The authorization is based on the Authority capturing all available local operating mills for the term of the capture period. The authorization for the capture of taxes levied for school operating purposes is based on a maximum of \$4,576,105 for the principal activity costs of non-environmental activities and a contingency, a maximum of \$175,050 in interest, and a maximum of \$10,000 for Brownfield/Work Plan preparation, and with the capture of taxes levied for school operating purposes being limited to a maximum of \$1,815,428.

BE IT FURTHER RESOLVED, that the MSF Board authorizes the MSF Fund Manager, to provide written notification to the Authority, in the form of a letter which incorporates the terms set forth in this Resolution and consistent with the limitations of the Act, and that this approval is further conditioned upon the Authority, or the City of Detroit as appropriate, maintaining adequate records regarding: a) all taxes captured for the project; and b) receipts or other appropriate documentation of the cost of eligible activities. The records shall be made available for review upon request by MSF or MEDC staff. Eligible activities authorized by this resolution must be completed within three (3) years.

BE IT FURTHER RESOLVED, that the MSF Board is authorizing that capture of taxes levied for school operating purposes for the payment of interest, up to a maximum of \$175,050 related to the eligible activities for the Project.

BE IT FURTHER RESOLVED, that in order for school tax capture to occur on this project, the applicant shall demonstrate to the MSF Fund Manager's satisfaction that the multiple parcels included in the brownfield plan as the eligible property have been combined into a single parcel.

Ayes:

Nays:

Recused:

June 26, 2013
Lansing, Michigan

MICHIGAN STRATEGIC FUND

RESOLUTION 2013-

**APPROVAL OF A MICHIGAN COMMUNITY REVITALIZATION PROGRAM
PERFORMANCE-BASED GRANT AWARD FOR HENRY FORD HEALTH SYSTEM AND KIRCO CH
DISTRIBUTION, 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 later 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 No. 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 MSF Support shall not include support for projects that are not located in a downtown or traditional commercial center;

WHEREAS, the Guidelines require the MSF Board to make all decisions with respect to any exception to the Guidelines;

WHEREAS, Henry Ford Health System and Kirco CH Distribution, LLC, (“MCRP Applicants”) request an exception to the MCRP Guidelines for the Cardinal Health Inc. Redevelopment Project (“Project”) as the Project is not located in a downtown or traditional commercial center (“Exception”);

WHEREAS, the MCRP Applicants request a performance based grant award from the MSF under the MCRP for the Project in an amount not to exceed up to \$1,000,000 (“Award Request”), along with other general terms and conditions for the Award Request which are outlined in the term sheet attached as Exhibit A (“Term Sheet”);

WHEREAS, the MEDC recommends that the MSF approve the Exception for the Project and approve the Award Request in accordance with the Term Sheet, subject to: (i) available funding, (ii) final due diligence performed to the satisfaction of the MEDC; and (iii) execution of the Transaction Documents 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 Advisory Committee 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 MCRP Award Recommendation.

Ayes:

Nays:

Recused:

Lansing, Michigan
June 26, 2013

EXHIBIT A

MSF GRANT AWARD

Co-Applicants: Henry Ford Health System / Kirco CH Distribution, LLC; the grant proceeds to be paid to one or both of the co-applicants, though the proceeds are currently anticipated to be paid to Henry Ford Health System.

Grant Amount: Up to \$1,000,000

GRANT DETAILS

Funding: The MSF will fund up to \$1,000,000 and is to occur upon completion of construction, issuance of a “Certificate of Occupancy” and other performance criteria to be contained in the final grant documents, including demonstration to the MSF Fund Manager’s satisfaction that the multiple parcels have been combined into a single parcel

MEMORANDUM

Date: June 26, 2013

To: Michigan Strategic Fund

From: Sarah L. Rainero, MEDC – Community Assistance Team
Dan Wells, MEDC – Community Development Specialist

Subject: Act 381 Work Plan Approval
City of Grand Rapids Brownfield Redevelopment Authority
Riverside Senior Care Project
City of Grand Rapids, County of Kent

APPLICANT

City of Grand Rapids Brownfield Redevelopment Authority
Contact: Kara Wood, Economic Development Director

ACT 381 WORK PLAN REQUEST

The City of Grand Rapids Brownfield Redevelopment Authority has submitted an Act 381 Work Plan (hereinafter Work Plan) request for the approval of local and school tax capture for MSF eligible activities in the amount of \$1,058,399.

PROJECT DESCRIPTION

This project is located at 2420 Coit Avenue, N.E. in the City of Grand Rapids, and will partially demolish a functionally obsolete, 36,000 square foot, single story former elementary school, renovate the remaining part of the building, and construct a 15,000 square foot addition. The end use will be the Riverside Senior Care, a licensed senior care facility serving 55 elderly residents, and will include living units, activity areas, secure outside space, a commercial kitchen, laundry facilities, family gathering areas, conference rooms, offices, green space and a new parking area. The development sits upon a 7-acre site and will maintain most all of the existing walking paths and mature landscaping which neighbors have enjoyed over the past decades. The school has been vacant since 2010, and was purchased by G.A. Haan Development, L.L.C. in July of 2012 from the Grand Rapids Public Schools.

Approximately 42 permanent full-time jobs are anticipated to be created by the senior care project ranging from \$16 to \$40 per hour. Approximately 8 part-time jobs are anticipated to be created by the senior care project ranging from \$12 to \$16 per hour. The total capital investment will be approximately \$7 million.

QUALIFYING CRITERIA

The project is located within the boundaries of the City of Grand Rapids, which is a Qualified Local Governmental Unit, and has been deemed a functionally obsolete by a level III assessor. The property is the subject of a Brownfield Plan, duly approved by the City of Grand Rapids, on May 28, 2013.

KEY STATUTORY CRITERIA

a) Overall Benefit to the Public:

In addition to the value of converting formerly non-taxable land and buildings into a taxable business, the area will benefit by the reuse of existing buildings that is fitting for the area. The senior living project will only slightly increase the overall footprint of the building, and will

maintain green space that neighbors value. The project will serve local seniors that need services and allow people from the area to age in place without being forced to relocate to find care facilities.

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

This project is expected to create approximately 42 new, full-time jobs and 8 part-time jobs to care for the senior population at the center. Hourly wages are expected to range from \$12 to \$40 per hour.

c) Area of High Unemployment:

The City of Grand Rapids unadjusted jobless rate was 8.3% in March 2013. This compares to the national unadjusted jobless rate of 7.1% in March 2013.

d) Level and Extent of Contamination Alleviated:

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

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

The project proposes to reuse a portion of the functionally obsolete elementary school. The redevelopment will include retrofitting the old portions of the building with sustainable/green building features such as energy efficient building envelope design, low VOC finishes, high performance glass, water saving features, and will use locally produced construction materials whenever possible.

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

A Greenfield property was not considered for this project since the former school was targeted to serve the local demand for senior housing.

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

No new Brownfields will be created by this project.

h) Whether the Project is Financially and Economically Sound:

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

i) Other Factors Considered:

No additional factors need to be considered for this project.

OTHER STATE AND LOCAL ASSISTANCE

No other City incentives will be applied to the project in addition to the local portion of the tax increment capture.

TAX CAPTURE BREAKDOWN

There are 45.5321 non-homestead mills available for capture, with school millage equaling 24 mills (52.71%) and local millage equaling 21.5321 mills (47.29%). The requested tax capture for MSF eligible activities breaks down as follows:

School tax capture (52.71%)	\$ 557,882
Local tax capture (47.29%)	<u>\$ 500,517</u>
TOTAL	\$1,058,399

COST OF MSF ELIGIBLE ACTIVITIES

Demolition	\$ 315,000
Asbestos Abatement	180,000
Infrastructure Improvements	85,000
Site Preparation	<u>+ 332,173</u>
Sub-Total	\$ 912,173
Contingency (15%)	<u>+ 136,226</u>
Sub-Total	\$1,048,399
Brownfield/Work Plan Preparation	<u>+ 10,000</u>
TOTAL	\$1,058,399

RECOMMENDATION

The MEDC recommends approval of local and school tax capture for the MSF eligible activities totaling \$1,058,399 described above. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at \$557,882.

**RESOLUTION 2013-
MICHIGAN STRATEGIC FUND**

**City of Grand Rapids Brownfield Redevelopment Authority
Riverside Senior Care Project
City of Grand Rapids**

At the meeting of the Michigan Strategic Fund (“MSF”) held on June 26, 2013 in Lansing, Michigan.

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

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

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

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

WHEREAS, the City of Grand Rapids Brownfield Redevelopment Authority (the “Authority”) has submitted a work plan for property located at 2420 Coit Avenue, N.E. within the City of Grand Rapids, known as Riverside Senior Care Project (the “Project”);

WHEREAS, the City of Grand Rapids is a “qualified local governmental unit” and is eligible to provide for a) demolition; b) lead and asbestos abatement; c) public infrastructure improvements; d) site preparation; e) brownfield work plan preparation and review costs and f) interest as provided under 2007 PA 204 and;

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

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

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board authorizes the Authority to capture taxes levied for school operating purposes in substantially the same proportion as the 52.71% to 47.29% ratio currently existing between school and local taxes for non-homestead properties, to reimburse the cost of site preparation, demolition, asbestos abatement and infrastructure improvements as presented in the revised Work Plan dated June 6, 2013. Any change in millage that increases the capture percentage of school operating taxes by more than 5 percentage points must be approved by the MSF Board. The authorization is based on the Authority capturing all available local operating mills for the term of the capture period.

The authorization for the capture of taxes levied for school operating purposes is based on a maximum of \$1,048,399 for the principal activity costs of non-environmental activities and a contingency, and a maximum of \$10,000 for Brownfield/Work Plan preparation, and with the capture of taxes levied for school operating purposes being limited to a maximum of \$557,882.

BE IT FURTHER RESOLVED, that the MSF Board authorizes the MSF Fund Manager, to provide written notification to the Authority, in the form of a letter which incorporates the terms set forth in this Resolution and consistent with the limitations of the Act, and that this approval is further conditioned upon the Authority, or the City of Grand Rapids as appropriate, maintaining adequate records regarding: a) all taxes captured for the project; and b) receipts or other appropriate documentation of the cost of eligible activities. The records shall be made available for review upon request by MSF or MEDC staff. Eligible activities authorized by this resolution must be completed within three (3) years.

BE IT FURTHER RESOLVED, that no taxes levied for school operating purposes shall be used to reimburse interest costs related to the eligible activities for the Project.

Ayes:

Nays:

Recused:

June 26, 2013
Lansing, Michigan

MEMORANDUM

Date: June 26, 2013

To: Michigan Strategic Fund

From: Sarah L. Rainero, MEDC – Community Assistance Team
Dan Wells, MEDC – Community Development Specialist

Subject: Act 381 Work Plan Approval
City of Grand Rapids Brownfield Redevelopment Authority
600 Douglas, LLC Project
City of Grand Rapids, County of Kent

APPLICANT

City of Grand Rapids Brownfield Redevelopment Authority

Contact: Kara Wood, Economic Development Director

ACT 381 WORK PLAN REQUEST

The City of Grand Rapids Brownfield Redevelopment Authority has submitted an Act 381 Work Plan (hereinafter Work Plan) request for the approval of local and school tax capture for MSF eligible activities in the amount of \$432,340.

PROJECT DESCRIPTION

This project will demolish two structures on the property located at 600 Douglas Street in the City of Grand Rapids, and construct four multi-story residential buildings, consisting of 18 units (2 studio, 6 two-bedroom and 10 one-bedroom). The property is located on the City's west side and has formerly housed furniture and fly-paper manufacturers, and currently has a two story building that most recently served as an Veterans of Foreign Wars post, a small building that was used for storage, and a large poorly maintained parking lot. The buildings have been vacant since at least 2007. The property is currently owned by 600 Douglas, LLC. Eligible activities include abating asbestos contamination in the buildings, demolition of the buildings and existing parking lot, relocation of electrical lines that cross the property, and infrastructure improvements in the public right-of-ways including sidewalks, water and sewer lines, drive approaches and landscaping.

No permanent full-time jobs are anticipated to be created, as this is a residential project. The total capital investment will be approximately \$2.4 million.

QUALIFYING CRITERIA

The project is located within the boundaries of the City of Grand Rapids, which is a Qualified Local Governmental Unit, and has been deemed a facility as verified by Michigan Department of Environmental Quality. The property is the subject of a Brownfield Plan, duly approved by the City of Grand Rapids, on May 28, 2013.

KEY STATUTORY CRITERIA

a) Overall Benefit to the Public:

The new buildings will be located in an urban neighborhood located just west of downtown and provide much-needed residential space to support growing demand for urban living. This greater population of urban residents will also drive demand for increased retail and commercial activity in the nearby business district. The redevelopment of the property will significantly increase its taxable value, which will benefit the City by providing increased revenues for current services and other public improvements. Health and safety in the immediate neighborhood will also be improved by removing the dilapidated buildings (which contains asbestos) and contaminated soils on the Property.

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

No permanent jobs will be created as the project is residential.

c) Area of High Unemployment:

The City of Grand Rapids unadjusted jobless rate was 8.3% in March 2013. This compares to the national unadjusted jobless rate of 7.1% in March 2013.

d) Level and Extent of Contamination Alleviated:

The project is a facility due to the presence of the following chemical constituents detected in one or more soil and/or groundwater samples collected from the Property above MDEQ Part 201 Generic Residential Cleanup Criteria: benzo(a)pyrene, benzo(b)fluoranthene, dibenzo(a,h)anthracene, phenanthrene, arsenic, barium, copper, lead, mercury, selenium, and zinc. Lead and asbestos materials are present in the buildings. The health and safety risks associated with the contaminants will be mitigated by the planned abatement and environmental response activities.

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

There is no reuse of functionally obsolete building or blighted property.

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

A Greenfield property was not considered for this project since the local demand for housing was the driving factor in deciding to locate residential units at the property.

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

No new Brownfields will be created by this project.

h) Whether the Project is Financially and Economically Sound:

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

i) Other Factors Considered:

No additional factors need to be considered for this project.

OTHER STATE AND LOCAL ASSISTANCE

No other City incentives will be applied to the project in addition to the local portion of the tax increment capture.

TAX CAPTURE BREAKDOWN

There are 45.4524 non-homestead mills available for capture, with school millage equaling 24 mills (52.80%) and local millage equaling 21.4524 mills (47.20%). The requested tax capture for MSF eligible activities breaks down as follows:

School tax capture (52.80%)	\$ 228,275
Local tax capture (47.20%)	<u>\$ 204,065</u>
TOTAL	\$ 432,340

COST OF MSF ELIGIBLE ACTIVITIES

Demolition	\$ 28,000
Lead or Asbestos Abatement	18,600
Infrastructure Improvements	305,000
Site Preparation	+ 20,000
Sub-Total	<u>\$ 371,600</u>
Contingency (15%)	+ 55,740
Sub-Total	<u>\$ 427,340</u>
Brownfield/Work Plan Preparation	+ 5,000
TOTAL	\$ 432,340

RECOMMENDATION

The MEDC recommends approval of local and school tax capture for the MSF eligible activities totaling \$432,340 described above. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at \$228,275.

**RESOLUTION 2013-
MICHIGAN STRATEGIC FUND**

**City of Grand Rapids Brownfield Redevelopment Authority
The 600 Douglas, LLC Project
City of Grand Rapids**

At the meeting of the Michigan Strategic Fund (“MSF”) held on June 26, 2013 in Lansing, Michigan.

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

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

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

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

WHEREAS, the City of Grand Rapids Brownfield Redevelopment Authority (the “Authority”) has submitted a work plan for property located at 600 Douglas Street, N.W. within the City of Grand Rapids, known as The 600 Douglas, LLC Project (the “Project”);

WHEREAS, the City of Grand Rapids is a “qualified local governmental unit” and is eligible to provide for a) demolition; b) lead and asbestos abatement; c) public infrastructure improvements; d) site preparation; e) brownfield work plan preparation and review costs and f) interest as provided under 2007 PA 204 and;

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

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

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board authorizes the Authority to capture taxes levied for school operating purposes in substantially the same proportion as the 52.80% to 47.20% ratio currently existing between school and local taxes for non-homestead properties, to reimburse the cost of site preparation, demolition, asbestos abatement and infrastructure improvements as presented in the revised Work Plan dated May 29, 2013. Any change in millage that increases the capture percentage of school operating taxes by more than 5 percentage points must be approved by the MSF Board. The authorization is based on the Authority capturing all available local operating mills for the term of the capture period.

The authorization for the capture of taxes levied for school operating purposes is based on a maximum of \$427,340 for the principal activity costs of non-environmental activities and a contingency, and a maximum of \$5,000 for Brownfield/Work Plan preparation, and with the capture of taxes levied for school operating purposes being limited to a maximum of \$228,275.

BE IT FURTHER RESOLVED, that the MSF Board authorizes the MSF Fund Manager, to provide written notification to the Authority, in the form of a letter which incorporates the terms set forth in this Resolution and consistent with the limitations of the Act, and that this approval is further conditioned upon the Authority, or the City of Grand Rapids as appropriate, maintaining adequate records regarding: a) all taxes captured for the project; and b) receipts or other appropriate documentation of the cost of eligible activities. The records shall be made available for review upon request by MSF or MEDC staff. Eligible activities authorized by this resolution must be completed within three (3) years.

BE IT FURTHER RESOLVED, that no taxes levied for school operating purposes shall be used to reimburse interest costs related to the eligible activities for the Project.

Ayes:

Nays:

Recused:

June 26, 2013
Lansing, Michigan



MEMORANDUM

Date: June 26, 2013

To: Michigan Strategic Fund Board Members

From: Kenneth Murdoch, Development Finance Manager
Deborah Stuart, Community Development Incentives Director

Subject: Community Development Block Grant Program
Kremin Inc., Infrastructure Project
City of Frankenmuth of Saginaw County

BACKGROUND

The City of Frankenmuth is requesting \$249,975 in Community Development Block Grant (CDBG) funds for infrastructure improvements for the Kremin Inc., Infrastructure project in Saginaw County.

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

The City of Frankenmuth will extend water and sewer lines and make road improvements to service the 2.31 acre site that will be acquired by Kremin Inc. The company will construct a new manufacturing facility. The new facility will allow the company to add additional machinery and equipment to meet the growing demand for their products. The project is expected to result in the creation of 25 jobs over the next two years.

BUSINESS BACKGROUND

Kremin Inc.
2926 Universal Drive
Saginaw, Michigan 48603

Kremin Inc. was acquired by its existing owners in 2010. The company specializes in contract manufacturing and precision machining. Historically the company was an automotive tool and die shop, the new owners have refocused the company's core capabilities and strategic plan around advanced manufacturing in the Medical Device, Aerospace, Energy, Defense, Automotive and Dimensional Stone industries.

OTHER STATE INCENTIVES

The company is in the process of being approved for an \$175,000 loan from the Saginaw County CDBG Revolving Loan Fund. The loan will be used for working capital expenses at the company's Saginaw Township facility. The project is expected to result in the creation of 5 new jobs over the next two years.

NATIONAL OBJECTIVE

This project qualifies for CDBG funding as the project activities are expected to result in the creation of 25 full time positions over the next two years. The company has agreed that at least 13 of the 25 positions will be held by low to moderate income persons. The project meets a national objective by providing benefit to at least 51 percent low and moderate income persons. The CDBG cost per job is \$9,999, with an average wage of \$12 per hour.

ELIGIBLE ACTIVITY

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

SCREENING GUIDELINES

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

Economic Impact:

The economic impact of this project was evaluated. It was determined that the project would result in permanent job creation for the area and the increase in advanced manufacturing would assist in the diversification of local economic base.

Minimum Local Participation:

The City of Frankenmuth will be bonding to finance their contribution of \$583,345. This equals \$583,345, which is seventy percent 70% of the total infrastructure cost.

Minimum Leverage Ratio:

The private match contribution is noted in Attachment A and equals \$2,000,000, which results in a leverage ratio of 8:1 of the CDBG grant and will be provided by Kremin Inc.

Financial Viability and Background Check:

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

PROJECT BUDGET

See Attachment A.

RECOMMENDATION

After reviewing the proposal, MEDC staff has concluded that the project meets the minimum program requirements to be eligible under the CDBG program. Therefore, staff, recommends that a grant agreement, in the amount of \$249,975, be authorized for the City of Frankenmuth.

MICHIGAN STRATEGIC FUND

RESOLUTION 2013- _____

APPROVAL OF CITY OF FRANKENMUTH INFRASTRUCTURE PROJECT

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

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

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

WHEREAS, the City of Frankenmuth (the "Community") has submitted a complete application for approval requesting funding to be used to fund the Frankenmuth Kremlin Inc., Infrastructure Project (the "Project");

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

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

NOW, THEREFORE, BE IT RESOLVED, that the MSF authorizes a grant to the Community not to exceed \$249,975 for the payment or reimbursement of costs associated with the Project. The MSF allocates \$249,975 from the Michigan CDBG program for the purpose of funding the Community's proposed Project contingent upon the MSF's continued receipt of CDBG funds and availability of adequate funds;

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

BE IT FURTHER RESOLVED, if the Community fails to execute and return the grant agreement to staff within 180 days of the date this Resolution is adopted, this Resolution shall be of no further force and effect and shall be void.

Ayes:

Nayes:

Recused:

Lansing, Michigan
June 26, 2013



MEMORANDUM

Date: June 26, 2013

To: Michigan Strategic Fund Board Members

From: Mike Gietzen, Development Finance Manager
Deborah Stuart, Community Development Incentives Director

Subject: Community Development Block Grant Program
Postle Operating LLC Expansion Job Training Project
Village of Cassopolis

BACKGROUND

The Village of Cassopolis is requesting \$400,000 in Community Development Block Grant (CDBG) funds for on the job training for the Postle Expansion project in Cass County.

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

Postle Operating LLC produces aluminum products primarily for the recreational vehicle industry. The company will expand its production capabilities by adding a fourth aluminum extrusion press and paint line through a private investment of \$12,615,120 which will create 40 new full time equivalent jobs. This CDBG grant will assistance Postle Operating LLC with supporting on the job training for their 40 new employees.

BUSINESS BACKGROUND

Postle Operating LLC (511 Pine Creek Ct., Elkhart, IN 46516) plans to expand to their new location at: 201 North Edwards Street Cassopolis, MI . Postle Operating LLC is a producer of extruded aluminum products primarily for the recreational vehicle industry along with other similar markets.

NATIONAL OBJECTIVE

This project qualifies for CBDG funding as the project activities are expected to result in the creation of 40 full time equivalent positions over the next two years. The company has agreed that at least 21 of the 40 positions will be held by low to moderate income persons. The project meets a National Objective by providing benefit to at least 51 percent low and moderate income persons. The CDBG cost per job is \$10,000 with an average wage of \$12 per hour.

ELIGIBLE ACTIVITY

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

SCREENING GUIDELINES

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

Economic Impact:

The economic impact of this project was evaluated. It was determined that this project would create added value to the local community by bringing in tax revenue, job creation and additional

business to local and state suppliers. The project is shovel ready and has near term job creation to follow construction of a new facility.

Minimum Local Participation:

The community has committed to a local tax abatement totaling \$850,000 for the project.

Minimum Leverage Ratio:

The private match contribution is noted in Attachment A and equals \$12,615,120 which results in a leverage ratio of 32:1 of the CDBG grant and will be provided by Postle Operating LLC.

Financial Viability and Background Check:

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

PROJECT BUDGET

See Attachment A.

OTHER STATE INCENTIVES

Michigan Works! is making a contribution of \$48,000 for on the job training funds which is 5% of on the job training contributions.

RECOMMENDATION

After reviewing the proposal, MEDC staff has concluded that the project meets the minimum program requirements to be eligible under the CDBG program. Therefore, staff, recommends that a grant agreement, in the amount of \$400,000 be authorized for the Village of Cassopolis.

MICHIGAN STRATEGIC FUND

RESOLUTION 2013- _____

APPROVAL OF VILLAGE OF CASSOPOLIS (JOB TRAINING) PROJECT

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

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

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

WHEREAS, the Village of Cassopolis (the "Community") has submitted a complete application for approval requesting funding to be used to fund job training costs for the Postle Expansion Project (the "Project");

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

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

NOW, THEREFORE, BE IT RESOLVED, that the MSF authorizes a grant to the Community not to exceed \$400,000 for the payment or reimbursement of costs associated with the Project. The MSF allocates \$400,000 from the Michigan CDBG program for the purpose of funding the Community's proposed Project contingent upon the MSF's continued receipt of CDBG funds and availability of adequate funds;

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

BE IT FURTHER RESOLVED, if the Community fails to execute and return the grant agreement to staff within 180 days of the date this Resolution is adopted, this Resolution shall be of no further force and effect and shall be void.

Ayes:

Nayes:

Recused:

Lansing, Michigan
June 26, 2013



MEMORANDUM

Date: June 26, 2013

To: Michigan Strategic Fund Board of Directors

From: Marcia Gebarowski, Senior Development Finance Manager

Subject: Briefing Memo – Continental Automotive Systems Holding US, Inc.
Resolution Amendment

COMPANY NAME

Continental Automotive Systems Holding US, Inc.
2400 Executive Hills Blvd.
Auburn Hills, MI 48326

BACKGROUND

Continental Automotive Systems Holding US, Inc. represents themselves as one of the leading global auto suppliers. Continental provides automotive electronics and mechatronics with products and systems which focus on driving safety, environmental responsibility and cost-efficiency, and manufactures a comprehensive spectrum of products relating to the drivetrain engine management electronics and fuel injection.

On July 21, 2009, the MEGA Board approved a 10-year, 100 percent Standard and Retention MBT Jobs Creation Tax Credit for Continental Automotive Systems Holding US, Inc. (Resolution 2009-124) amended by Resolution 2010-108 to establish an automotive powertrain engineering center through consolidations of the Company's Affiliated powertrain engineering operations, including the creation and retention of jobs in Auburn Hills, Oakland County and the retention of jobs at their facility in the City of Dearborn, Wayne County. The MEGA credit is for a maximum of 230 Qualified New and 225 Retained Jobs with an average weekly wage of \$1,692 above a base employment of 1,227.

In 2012, the company identified another opportunity for Michigan to land an additional 325 new engineering jobs by their sister company Continental Automotive Systems, Inc. at their facilities in Auburn Hills and Dearborn. MEDC staff offered a combined incentive package which included necessary amendments to the Continental Automotive Systems Holding, US, Inc. jobs credit to include these new jobs, as well as a \$1 million BDP incentive.

On July 25, 2012 the Board approved a resolution that allowed for an increase on the maximum amount of Qualified New Jobs the company could collect on for a period of three years between 2015 through 2018 from 230 up to 530 new jobs (an increase of 300 allowable jobs); however, the amendment did not recognize or include the different EIN these jobs would be under.

The current jobs credit agreement identifies Continental Automotive Systems, Inc. as a related entity to Continental Automotive Systems Holding, US, Inc. whose jobs can be counted towards the required base employment only. However, these new jobs are also needed to be defined as Qualified New Jobs.

STATUS OF PROJECT

The MBT Jobs tax credit began with the company's tax year ending December 31, 2010. As of today, the Company has submitted their Annual Certificate Application for the 2011 tax year. On October 22, 2012, the MSF delegation approved a BDP grant for \$1 million towards the new project as well.

RECOMMENDATION

Based on the factors described above, the Michigan Economic Development Corporation recommends amending the MBT Jobs agreement for Continental Automotive Systems Holding US, Inc. to allow new jobs created by Continental Automotive Systems, Inc. to count as a Qualified New Job under the agreement.

**RESOLUTION 2013-
MICHIGAN STRATEGIC FUND**

**Continental Automotive Systems Holding US, Inc.
Addition of Subsidiary Business for Qualified New Jobs**

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

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 (the “MSF”);

WHEREAS, in Resolution 2009-124, as amended (“Resolution”), the MEGA Board authorized a Tax Credit for Continental Automotive Systems Holding US, Inc. (the “Company”) of 100 percent for a period of ten consecutive years, beginning no later than the Company’s tax year ending December 31, 2010;

WHEREAS, the Agreement includes the following Related Entities for the purpose of maintaining the Base Employment Level: Continental Automotive Systems US, Inc., Continental TEVES, Inc., and TEMIC Automotive of North America;

WHEREAS, the Company desires to add Continental Automotive Systems US, Inc. as Subsidiary Businesses, to be counted for Qualified New Jobs; and

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

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

BE IT FURTHER RESOLVED, that all other provisions of Resolution 2009-124, as amended, are reaffirmed and the MSF authorizes the staff of MEGA to implement the terms of this resolution.

ADOPTED

Ayes:

Nays:

Recused:

June 26, 2013
Lansing, Michigan

MEMORANDUM

Date: June 26, 2013

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

From: Karla K. Campbell
MSF Fund Manager and Director, Business Compliance

Subject: Briefing Memo – Federal-Mogul Corporation
Amendment of Retention Credit
Change in Location for Headquarters

COMPANY NAME

Federal-Mogul Corporation
Post Office Box 786
Southfield, Michigan 48037

BACKGROUND

On December 27, 2004 the MEGA Board approved a 20-year, 100 percent Retention MEGA Tax Credit to Federal-Mogul Corporation (Resolution 2004-83). The project would allow the Company to retain operations at each of the Project Facilities, and make New Capital Investment at the Greenville Manufacturing Facility to reduce the lead used in manufacturing various products, and to manufacture a new product. The project would result in the maintenance by the Company and Subsidiary Companies of the statutory minimum of 1,000 Retained Jobs at the Project Facilities, including a minimum of 150 Retained Jobs at the Company’s Southfield World Headquarters. The credit was awarded for up to 1,866 Retained Jobs, with an average weekly wage of \$1,174.

In 2009, the company’s credit was reduced from a 20-year credit to an 18-year credit due to the request to reduce the Greenville base. The following facilities and their base employment are part of this retention MEGA:

Base at Southfield World Headquarters	540
Base at Ann Arbor/Plymouth R&D	250
Base at Greenville Manufacturing*	220
Base at Sparta Manufacturing	150

STATUS OF PROJECT

The MEGA tax credit began with Federal-Mogul Corporation’s tax year ending December 31, 2005 and the company has collected on all years through 2011 with nine years left on their MEGA credit. Federal-Mogul Corporation also received an Amendment for an Additional Subsidiary (Resolution 2009-126) on March 27, 2013. However, the Company had not determined a county for the new headquarters at the time of their recent request to the MSF was not able to include the request. Currently, Federal-Mogul Corporation reports 1451 employees at the four facilities.

REQUEST

The current request is a new Corporate Headquarters building to replace their existing headquarters located in Southfield, Oakland County. The current headquarters was constructed in the 1960’s and contains 360,000 square feet. The building has since become obsolete and, without significant repairs and upgrades, it will not meet the Company’s needs for the future.

The new headquarters will offer the Company's 650 full-time headquarters employees a more effective work environment, which the Company believes will boost morale and aid in employee retention. The Company indicated that rehabbing their existing space would be a logistical challenge that would disrupt business operations. The Company intends to move to their new facility by March of 2014.

Federal-Mogul Corporation is actively pursuing a location within Oakland County to place their new Corporate Headquarters site. This facility will house over 650 employees and provide the actual needed capacity and functionality that will promote the most efficiency for the Company. As a result, Federal-Mogul Corporation is requesting to have their new headquarters located within the boundaries of Oakland County.

STATUS OF PROJECT

The MEGA tax credit began with Federal-Mogul Corporation's tax year ending December 31, 2005 and the company has collected on all years through 2011 with nine years left on their MEGA credit. Federal-Mogul Corporation also received a Board passed Amendment for an Additional Subsidiary on March 27, 2013. However, the Company had not determined a county for the new headquarters at the time of their recent request to the MSF was not able to include the request.

RECOMMENDATION

Based on the factors described above, the Michigan Economic Development Corporation recommends that Federal-Mogul Corporation be allowed to move their current headquarters in Southfield, Michigan to a new facility located within the boundaries of Oakland County. All other terms and conditions of the original MEGA remain intact.

RESOLUTION 2013-000
MICHIGAN ECONOMIC GROWTH AUTHORITY

Federal-Mogul Corporation
Addition of New Location for Headquarters

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 (a “Tax Credit”);

WHEREAS, 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 (MSF);

WHEREAS, in Resolution 2004-83, adopted on December 27, 2004, as amended, the MEGA Board authorized a Tax Credit for Federal-Mogul Corporation (the “Company”) of 100 percent for a period of twenty consecutive years, beginning no later than the Company’s tax year ending December 31, 2005;

WHEREAS, in Resolution 2009-126, adopted on July 21, 2009, as amended, the MEGA Board reduced the term of the MEGA from 20 years to 18 years;

WHEREAS, the Company has a need for a new facility to house their Corporate Headquarters;

WHEREAS, the Company desires to move their current Southfield World Headquarters to another location within the boundaries of Oakland County; and

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

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board authorizes an amendment to allow Federal-Mogul Corporation to move their headquarters from their current location in Southfield, Michigan to another location within the boundaries of Oakland County; and

BE IT FURTHER RESOLVED, that all other provisions of Resolution 2004-83, as amended, are reaffirmed and the MSF authorizes the staff of MEGA to implement the terms of this resolution.

ADOPTED

Ayes:

Nays:

Recused:

June 26, 2013
Lansing, Michigan

MEMORANDUM

Date: June 26, 2013

To: Michigan Strategic Fund Board Members

From: Deborah Stuart, Community Development Incentives Director

Subject: Authorization for execution of MSHDA CDBG Agreements and Delegation of Authority to the Community Development Pipeline Committee for MSHDA CDBG funds

BACKGROUND

The U.S. Department of Housing and Urban Development (“HUD”) allocates Community Development Block Grant (“CDBG”) funding to the State of Michigan, through the MSF, for further distribution to eligible Units of General Local Government (“UGLG”) to carry out State approved activities.

The State’s responsibilities include ensuring the State’s and their Grantee’s compliance with the statute, HUD regulations, and the Consolidated Plan. On March 28, 2012, the MSF approved the 2012 Consolidated Plan for the CDBG Program that was also approved by HUD for implementation. Within the approved Consolidated Plan, the MSF allowed for approximately 25 percent of the State of Michigan’s CDBG project allocation to be used for approved housing related activities implemented by the Michigan State Housing Development Authority (“MSHDA”), on behalf of the MSF. The MSF approved a similar allocation plan within the 2013 Consolidated Plan on March 27, 2013.

In previous years, this relationship with the MSHDA was documented through a Memorandum of Understanding between the two entities. However, it has been recommended by HUD that it is more appropriate for the MSF and the MSHDA to enter into a Subrecipient Agreement. HUD has also indicated in recent monitoring concerns regarding MSHDA’s administration of their portion of the funding and the MSF’s oversight of their activities.

The MSF approved a 2012 Subrecipient Agreement on February 27, 2013, to address the concerns identified by HUD, but staff was unable to successfully negotiate the final execution of that Agreement with MSHDA. Staff has since determined that the best option to move the program forward, with the least impact to the UGLGs, is to amend the 2010/2011 Program Year Agreement to cover Program 2012.

The attached Amendment specifies appropriate roles between the two entities and outlines responsibilities related to this funding source for Program Year 2012 (July 1, 2012- June 30, 2013). We believe the items outlined in the Amendment will address HUD’s concerns and allow for appropriate oversight of the funding.

To assure we do not have this delay in the future, staff has been negotiating the terms of a Memorandum of Understanding with MSHDA that would be effective July 1, 2013. The attached document incorporates all the compliance concerns referenced by HUD and outlines a new process for funding requests for funds related to MEDC community development projects and MSHDA housing projects. The new process will assure projects are jointly evaluated and utilize the funding in the most effective way.

Since the MSF has approved MSHDA spending 25% of the CDBG allocation in previous agreements, staff is requesting delegated authority to the Community Development Pipeline CDBG Committee (“CDP Committee”) for up to 25% of the CDBG project allocation for housing projects. The CDP Committee consists of two voting staff members from MSHDA designated by the MSHDA Executive Director along with two voting staff members from the MEDC designated by the MSF President. The MSHDA Executive Director and MSF President will resolve those matters referred to them by the designated members where consensus is not achieved.

In summary, the approval of the attached Amendment and Agreement will assure duties of both entities are outlined for 2012 and future years. The delegation is consistent with past agreements, but the 2013 Agreement will assure the additional oversight of the CDP Committee.

RECOMMENDATION

Staff recommends that the MSF do the following:

- Authorize the MSF Fund Manager execute the attached Amendment to the Interagency Subrecipient Agreement between the MSF, the MSHDA, and the Michigan Economic Development Corporation for Program Year 2012;
- Authorize the MSF President to execute the attached Memorandum of Understanding between the MSHDA and the MSF related to CDBG Funds; and
- Delegate approval authority to the Community Development Pipeline CDBG Committee for no more than 25% of the CDBG project allocation to be used for housing projects.

MICHIGAN STRATEGIC FUND

RESOLUTION 2013-

APPROVAL OF CDBG HOUSING ALLOCATION TO THE MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY AND RELATED AMENDMENT TO THE SUBRECIPIENT AGREEMENT

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

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

WHEREAS, the MSF authorized with Resolution 2012-028 the 2012 Consolidated Plan and with Resolution 2013-054 the 2013 Consolidated Plan which identifies that approximately twenty-five (25%) percent of the CDBG allocation for both years will be used to implement approved housing activities;

WHEREAS, it is the desire of the MSF Board that the Michigan State Housing Development Authority (the "MSHDA") administer those approved housing related activities associated with the CDBG program;

WHEREAS, to that end, the MSF Board desires to amend the 2010/2011 CDBG Interagency Subrecipient Agreement (the "Amendment") between the MSF, the Michigan Economic Development Corporation (the "MEDC"), and the MSHDA that describes the respective roles and responsibilities of the MSF, the MEDC, and MSHDA for housing related projects to be provided by the CDBG program for Program Year 2012 (July 1, 2012 – June 30, 2013);

WHEREAS, the MSF Board desires to enter into a Memorandum of Understanding (the "MOU") between the MSF and the MSHDA that describes the respective roles and responsibilities of the MSF and MSHDA for housing related projects to be provided by the CDBG program starting July 1, 2013;

WHEREAS, the MOU establishes a Community Development CDBG Pipeline Committee consisting of two voting staff members from MSHDA designated by the MSHDA Executive Director along with two voting staff members from the MEDC designated by the MSF President that will review and evaluate housing related projects;

WHEREAS, staff recommends that the Community Development CDBG Pipeline Committee be delegated the authority to approve housing projects not to exceed in the aggregate twenty-five (25%) percent of the CDBG Program Year 2012 (July 1, 2013- June 30, 2014) allocation (the "Delegation"); and

WHEREAS, staff recommends that the Amendment and the MOU be authorized and entered into with the MSHDA for funds from the CDBG program for the reasons set forth in this Resolution.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board authorizes the attached Amendment to be entered into with the MSHDA providing for MSHDA's operation and management of the CDBG housing related projects and for the payment or reimbursement of costs associated with

approved housing activities for Program Year 2012. The MSF allocates \$7,805,301 from the Michigan CDBG program for Program Year 2012 for the purpose of funding the proposed housing projects contingent upon the MSF's continued receipt of CDBG funds and the availability of adequate funds;

BE IT FURTHER RESOLVED, that the MSF Board authorizes the attached MOU to be entered into with the MSHDA providing for MSHDA's operation and management of the CDBG housing related projects;

BE IT FURTHER RESOLVED, that the MSF Board approves the Delegation;

BE IT FURTHER RESOLVED, that the MSF Board approves the attached Amendment and MOU; and authorizes the MSF President or Fund Manager to both on its behalf, with only one required to act. The MSF President or Fund Manager, in consultation with the Department of the Attorney General, is authorized to negotiate the terms and conditions of the Amendment or the MOU on the MSF's behalf so long as the final terms and conditions are consistent with this resolution of the MSF Board and not otherwise materially adverse to the interests of the MSF; and

BE IT FURTHER RESOLVED, if the MSHDA fails to execute and return the Amendment or the MOU to staff within 90 days of the date this Resolution is adopted, this Resolution shall be of no further force and effect and shall be void. Based upon a showing of good cause, staff may extend the time period for executing and returning the Agreement for an additional 30 day period.

Ayes:

Nays:

Recused:

Lansing, Michigan
June 26, 2013

FIRST AMENDMENT TO
INTERAGENCY SUBRECIPIENT AGREEMENT
BETWEEN
THE MICHIGAN STRATEGIC FUND,
THE MICHIGAN ECONOMIC DEVELOPMENT CORPORATION
AND
THE MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

This Amendment (“Amendment”) is to the Interagency Agreement between the Michigan Strategic Fund (“MSF”), the Michigan Economic Development Corporation (“MEDC”), and the Michigan State Housing Development Authority (“MSHDA”) (together, the “Parties”) duly executed September 28, 2010 (the “Agreement”), regarding the use of Community Development Block Grant funds awarded to the State of Michigan by the United States Department of Housing and Urban Development (“HUD”). The MSF, MEDC and MSHDA (each a “Party” and together the “Parties”) agree that it is necessary to amend the Agreement and pursuant to Section VI the Parties agree to amend the Agreement as follows:

1. Section I shall be amended by replacing in the first paragraph “2010 and 2011 CDBG program years” with “2010, 2011 and 2012 CDBG program years.”
2. Section II shall be amended by replacing it with:

DURATION OF AGREEMENT

This Agreement takes effect July 1, 2010, and shall remain in effect through June 30, 2015 (the “Term”), unless extended in a writing signed by the parties. In the Agreement, the time period beginning July 1, 2010, and ending June 30, 2011, shall be referred to as the “2010 Program Year.” The time period beginning July 1, 2011, and ending June 30, 2012, shall be referred to as the “2011 Program Year.” The time period beginning July 1, 2012, and ending June 30, 2013, shall be referred to as the “2012 Program Year.”

3. Section III shall be amended by changing the current subsection C to Subsection D and adding the following:
 - C. For the 2012 Program Year, the MSF agrees to:
 1. Provide Michigan CDBG grant funds to MSHDA in sufficient amounts to honor prior CDBG housing awards, and to authorize an estimated 25% of the Michigan CDBG grant funds (the “MSHDA Allocation”) for housing awards; and
 2. Provide Michigan CDBG administrative and technical assistance funds to MSHDA in an amount no greater than 2% of the MSHDA Allocation for eligible costs and activities during the 2012 CDBG Program Year only, less any reduction due to MSHDA ineligible costs (the “Administrative/TA

Funds”). The Administrative/TA Funds must be matched by MSHDA and documentation of such match provided to the MSF as requested.

4. Section IV shall be amended by adding the following subsections:
 - L. On or before September 1, 2013, MSHDA must obligate and announce 100% of their 2012 Program Year funding and provide a written summary to the MSF.
 - M. MSHDA must follow the identified timelines to ensure the MSF can remain in compliance with HUD requirements. These include the following reporting Procedures and Requirements:
 1. MSHDA shall ensure that Small Cities or Sales Force and IDIS are internally reconciled for all committed funds on a monthly basis with timely information and status updates. Data requirements for Sales Force will be the same as required for Small Cities, currently;
 2. MSHDA shall notify the MSF in writing within five (5) business days following the last day of the month of any set ups, increases or decreases in funding for projects that occurred in that month;
 3. All payment requests shall be submitted by MSHDA within ninety (90) days of the end of the month during which they were incurred by MSHDA, including administrative and technical assistance reimbursements, or they shall not be paid. Regardless, all payment requests incurred by MSHDA before September 30, 2013, must be submitted on or before October 31, 2013, due to end of the year reporting, or they shall not be paid;
 4. MSHDA shall close projects within six (6) months of their final draw or the receipt of the program audit that covers the final year of the grant, whichever occurs first. If additional time is needed to close a project, then in advance of the expiration of this six (6) month period MSHDA may request in writing an extension for up to three (3) additional months by submission of the justification for the requested extension. The MSF shall grant or deny the request in writing within five (5) business days; and
 5. On a monthly basis MSHDA shall meet as needed with staff representing the MSF regarding the status of HUD monitoring findings dated July 24, 2012 until they are closed. In addition, five (5) business days prior to the due date or within five (5) business days of the date requested MSHDA shall provide a written status of action required in the monitoring report.

5. Section IV.H shall be amended by adding the following:
1. When HUD flags a MSHDA project in IDIS, MSHDA must complete the project or provide MSF with an explanation within ten (10) business days whenever possible or no later than the standing meeting with MSF representatives that is held in the month following when the flag was entered, for approval and transmittal to HUD. If a project is designated by HUD as at risk for disallowance of funds, then MSHDA must respond timely to and cooperate with MSF requests for status updates or other requested information.

Except as specifically provided above, the Parties agree that all other terms and conditions of the Agreement shall remain unchanged and in effect.

The MSF, MEDC and MSHDA have caused this Amendment to be executed by the respective representatives duly authorized to do so. This Amendment may be executed in one or more counterparts and by facsimile, each of which shall constitute an original, and all of which together constitute the entire Amendment.

Karla K. Campbell, Fund Manager
Michigan Strategic Fund

Date

Scott Woosley, Executive Director
Michigan State Housing Development Authority

Date

Michael A. Finney, President and CEO
Michigan Economic Development Corporation

Date

MEMORANDUM OF UNDERSTANDING COMMUNITY DEVELOPMENT BLOCK GRANT FUNDS

The overall goals of the community development block grant program (“CDBG”) can be achieved in a more efficient and cost effective manner when the entities that allocate CDBG funds collaborate. Below are the parameters by which the Michigan State Housing Development Authority (“MSHDA”) and the Michigan Strategic Fund (“MSF”) will collaborate regarding the use of CDBG funds awarded to the State of Michigan by the United States Department of Housing and Urban Development (“HUD”) consistent with the five-year Michigan Consolidated Plan for Housing and Development and subsequent annual action plans (“Con Plan”). The Michigan Economic Development Corporation (“MEDC”) provides administrative services to the MSF for CDBG activities. The new program structure shall be a collaborative management approach between the agencies.

This Memorandum of Understanding (“Memorandum” or “MOU”) is effective as of the date acknowledged and agreed to by the MSHDA Executive Director (“MSHDA ED”) and the MSF President. The terms of this Memorandum shall be implemented beginning with the 2013 Program Year which starts on July 1, 2013. However, the collaboration may begin meeting immediately to begin creating a collegial environment, developing collaborative community development and place base principles and standardized processes and procedures, and establishing funding priorities and goals consistent with the Con Plan. If the terms of this Memorandum conflict with the Interagency Subrecipient Agreements (“ISAs”) between the MSF and MSHDA for the 2012 Program Year and all prior years the terms of the ISAs shall control.

Community Development Pipeline Meetings

1. The MEDC has Community Development Pipeline (“CDP”) meetings on a scheduled basis to discuss and review community projects, including the use of CDBG funds for projects.
2. The CDP meetings will be expanded to include two staff members from MSHDA designated by the MSHDA ED along with two staff members from the MEDC designated by the MSF President. The four designated members will be referred to as the CDP CDBG Committee. Each staff member designated by the MSHDA ED and MSF President, respectively, shall be identified and participate in the CDP meetings at the pleasure of their respective designating authority. Additional non-voting staff members may participate in the meeting for presentation and discussion of the project(s).
3. All proposed projects with adequate details must be made available on Salesforce at least 24 hours before the CDP meeting. The MEDC will provide a list of required Salesforce fields and the schedule of meetings to MSHDA at least 30 days in advance of the first meeting.
4. The designated members will be selected based on (i) knowledge of the CDBG program; (ii) commitment to creating and operating a collegial environment; and (iii) commitment to increasing efficiencies and sharing of resources and personnel to reduce duplication of efforts in furtherance of CDBG goals. A designated member may be replaced upon notice to the other designating authority.

CDP CDBG Committee (“Committee”) Responsibilities

1. The CDBG funds will only be subgranted to MSHDA if a housing project is recommended and supported by the Committee.

2. CDBG grant funds may only be used for community development and housing projects based on consensus of all four designated members of the Committee.
3. In the event such consensus is not obtained or areas of concern are identified, the Committee will refer the matter to the MSHDA ED and the MSF President for final recommendation and resolution.
4. Housing projects will not be taken to the MSF Board for approval, rather MEDC staff will seek delegated authority to fund an amount not to exceed 25% annually.
5. Once consensus on a community development project is obtained, MEDC staff will recommend approval of the community development project to the MSF Board or its delegated authority.
6. MSHDA agrees to phase out the portion of the CDBG housing funds used for the county allocation in a timeline agreed to by the four designated members.
7. By January 1st of each year, the four designated members will recommend housing and community Con Plan changes applicable to the CDBG program for the following Program Year to the MSHDA ED and MSF President for approval by the MSF.

Subgranting CDBG Funds

1. Upon the approval of the Committee to use CDBG funds for a housing project, the following information will be added to Exhibit A for each housing project: name, location, amount, project description and other items as may be agreed to by the Committee. The parties agree that Exhibit A, which will be updated as projects are approved by the Committee, will serve as the subgrant list for CDBG housing projects.
2. The MSF shall provide a 2% administrative fee to MSHDA to finalize and monitor the housing project. The 2% will be based on the total amount of the CDBG funds approved for the housing project.
3. The CDBG funds subgranted to MSHDA for a housing project shall be documented by a subgrant agreement and shall be monitored according to the requirements listed on Exhibit B.

MSHDA ED and MSF President Responsibilities

1. The MSHDA ED and the MSF President will jointly meet with staff to set CDBG fund priorities and to identify areas for change. Such meetings will occur on an as needed basis but no less often than annually.
2. The MSHDA ED and MSF President will approve the county allocation phase out plan.
3. The MSHDA ED and MSF President will promote a collegial environment and will promptly take appropriate action regarding CDBG designated members and activities as necessary.
4. The MSHDA ED and the MSF President will proceed in a manner consistent with the Con Plan as adopted by the MSF and submitted to HUD and any applicable state and federal laws.
5. The MSHDA ED and MSF President will resolve those matters referred to them by the designated members where consensus is not achieved.

Other

1. This MOU shall continue in effect until the parties mutually agree to terminate. Any modifications or amendments shall be approved by both parties in writing.
2. The parties acknowledge that Exhibit A will be modified on a continuous basis by adding housing projects that are approved by the Committee. This shall not constitute an amendment or modification to the MOU.
3. The parties agree that all communications with HUD related to CDBG funds shall be through the MSF or MEDC. When information is provided by MSHDA to the MSF for communication to HUD, the MSF will advise MSHDA of any changes or omissions to the information before it is provided to HUD.
4. In the event federal laws, statutes, rules, regulations, or HUD require any changes to this MOU, this MOU shall be immediately interpreted, modified, applied and enforced consistent with those changes. Those changes shall be incorporated into this MOU in writing as soon as possible without unreasonable delay by either entity.

Scott Woosley
Executive Director, MSHDA

Michael A. Finney
President, MSF

EXHIBIT A

Grantee Name	Project Location	Grant Amount	Project Description	Approval Date

DRAFT

EXHIBIT B

I. MSF RESPONSIBILITIES

- A. Provide MSHDA, in a timely manner, all pertinent information needed for proper administration of Housing grants as received from HUD or other sources;
- B. Seek proper legislative appropriation of Michigan CDBG funds from the State of Michigan; and
- C. Provide MSHDA all necessary documents, written materials, information, and data required for preparation of the federally-required Consolidated Plan, Annual Action Plan, and the Comprehensive Annual Performance and Evaluation Report within forty-five (45) calendar days of MSHDA's written request.

II. MSHDA RESPONSIBILITIES

- A. MSHDA must follow the identified timelines to ensure the MSF can remain in compliance with HUD requirements. These include the following reporting Procedures and Requirements:
 - 1. MSHDA shall ensure that Small Cities or Sales Force and IDIS are internally reconciled for all committed funds on a monthly basis with timely information and status updates. Data requirements for Sales Force will be the same as required for Small Cities, and will be expanded to payment requests starting December 1, 2013;
 - 2. MSHDA shall notify the MSF in writing within five (5) business days following the last day of the month of any set ups, increases or decreases in funding for projects that occurred in that month;
 - 3. All payment requests shall be submitted by MSHDA within ninety (90) days of the end of the month during which they were incurred by MSHDA, including administrative and technical assistance reimbursements, or they shall not be paid. Regardless, all payment requests incurred before September 30, 2013, must be submitted on or before October 31, 2013, due to end of the year reporting, or they shall not be paid;
 - 4. MSHDA shall close projects within six (6) months of their final draw or the receipt of the program audit that covers the final year of the grant, whichever occurs first. If additional time is needed to close a project, then in advance of the expiration of this six (6) month period MSHDA may request in writing an extension for up to three (3) additional months by submission of the justification for the requested extension. The MSF shall grant or deny the request in writing within five (5) business days; and
 - 5. On a monthly basis MSHDA shall meet as needed with staff representing the MSF regarding the status of approved housing projects, letter of credit ratio and others area of compliance.
 - 6. When HUD flags a MSHDA project in IDIS, MSHDA must complete the project or provide MSF with an explanation within ten (10) business days whenever possible or

no later than the standing meeting with MSF representatives that is held in the month following when the flag was entered, for approval and transmittal to HUD. If a project is designated by HUD as at risk for disallowance of funds, then MSHDA must respond timely to and cooperate with MSF requests for status updates or other requested information.

- B. MSHDA ensure the MSF can remain in compliance with HUD requirements, by doing the following Compliance Requirements:
1. Solicit and receive Housing applications from eligible applicants, in accordance with the then current approved Michigan CDBG Consolidated Plan and Annual Action Plan;
 2. Prepare Michigan CDBG grant agreements for CDP approved Housing grant recipients to be executed by MSHDA's Executive Director or a designee of the Executive Director. MSHDA may determine the cancellation and recapture of such grant agreements, as may be necessary, and may determine the reallocation of funds from such cancellations for other eligible Housing, as identified in the Consolidated Plan;
 3. Properly manage awarded Housing grants and review and monitor all grants for compliance with applicable law, rules, regulations, and program requirements from grant award to project closeout, including, but not limited to, final audits. MSHDA is responsible for repayment, on any MSHDA CDBG grant, of any costs that are disallowed or must be repaid for any reason based upon a HUD determination. If disallowed costs on any MSHDA CDBG grant, are taken out of the annual CDBG allocation, then MSHDA's pass-thru and corresponding technical assistance and administration funds provided under this Agreement will be reduced by an equivalent amount;
 4. Execute all CDP approved amendments to Housing grant agreements, including grant increases and decreases, changes in approved budget items, extensions in the duration of the agreements, changes in project scope including new activities or alterations of existing approved activities that do not increase the grant amount, and due dates for reports and audits; All extensions and grant increases must be approved by the four designated members at a CDP meeting. Authorize the disbursement of Michigan CDBG funds to Housing grant recipients and maintain appropriate financial records and source documents for review by the MSF and HUD;
 5. Review audit reports, as required under the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget (OMB) Circular A-133, from Housing grant recipients, review and take appropriate and timely action associated with audit findings and questioned costs, and take all other appropriate actions to ensure a timely formal close out of Housing grants;
 6. Provide to the MSF, the audit report required under the Single Audit Act Amendments of 1996 and OMB Circular A-133; and
 7. Assure that authorized MSF representatives will have access to all books, accounts, records, reports, files, and other papers, things, or property pertaining to the project in order to make audits, examinations, excerpts and transcripts; each contract or subcontract also shall provide for such access to relevant data and records pertaining to the development and implementation of the housing projects that have been approved.