MICHIGAN STRATEGIC FUND BOARD MEETING
February 27, 2013
1:30 p.m.

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

AGENDA

Call to Order

A. Adoption of Proposed MSF Meeting Minutes – January 23, 2013 ***[Action Item]***
Public Comment ***[Please limit public comment to three (3) minutes]***
Communication ***[Information – Elaine Jaworsky]***

B. 21st Century Jobs Fund Program
1. MTRAC Program ***[Action Item – Melda Uzbil]***
2. Michigan Community Revitalization Program [MCRP]
    a. Grand Rapids Downtown Market Holdings, LLC ***[Action Item – Joseph Martin]***
    b. Parkland Muskegon, Inc. ***[Action Item – Joseph Martin]***
    c. Eligible Investment Soft Cost Determination – ***[Action Item – Joseph Martin]***
    d. Delegated Authorization to Assign Rights and Obligation – ***[Action Item – Joseph Martin]***

C. STEP Program ***[Action Items – Deanna Richeson]***
1. Approval of STEP and Council of Great Lakes Governors (CGLG) FY 2013 Subcontract
2. Approval of STEP and Michigan Small Business and Technology Development Center (MI-SBTDC) FY2013 Subcontract

D. Renaissance Zone, Cell Manufacturing Credit, Advanced Lithium Ion Battery Pack Credit – Dow Kokam MI LLC – ***[Action Items – Joshua Hundt]***

E. Renaissance Zone Amendments – ***[Action Items – Amy Lux]***
1. United Solar Ovonic, LLC – Revocation
2. Mobis North America, LLC/Sakthi Automotive Group USA, Inc. – Land Transfer
3. 1208 Woodward LLC – Renaissance Zone Development Agreement Amendment

F. Job Creation MBT Credit Amendment – Dialogue Marketing ***[Action Item – LeTasha Peebles]***

G. Industrial Development Revenue Bond Program [IDRB] - ***[Action Items – Diane Cranmer]***
1. Van Andel Research Institute
2. Erwin Quarder, Inc.

H. Brownfield MBT Amendments - 160 W. Fort Street, LLC – ***[Action Item – Daniel Wells]***

I. Community Development Block Grant
1. City of Gaylord – Façade Improvement – ***[Action Item – Deborah Stuart]***
2. City of Ludington – Façade Amendment – ***[Action Item – Deborah Stuart]***
3. MSHDA/MSF CDBG Allocation and Agreement – ***[Action Item – Deborah Stuart]***

J. Administrative

1. Change in Committee Structure of MSF – ***[Action Item – Karla Campbell]***
2. Designation of Authority for MSF Programs – ***[Action Item – Karla Campbell]***
3. Performance Audit of the Renaissance Zone Program – ***[Information – Karla Campbell]***

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 STRATREGIC FUND BOARD MEETING
January 23, 2013
PROPOSED MEETING MINUTES

A meeting of the Michigan Strategic Fund [MSF] Board was held on Wednesday, January 23, 2013, at the Michigan Economic Development Corporation [MEDC], Lake Michigan Room, 3001 N. Washington Square, Lansing, Michigan

MEMBERS PRESENT: Steve Arwood, Ron Boji, Craig DeNooyer, Mike Finney, Mike Jackson, Sabrina Keeley, Andrew Lockwood [acting for and on behalf of Treasurer Dillon, designation attached], Howard Morris [via phone], Richard Rassel, Shaun Wilson, Steve Hilfinger [acting on behalf of Mike Finney for a portion of the meeting, designation attached]

MEMBERS ABSENT: Bill Martin

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

ADOPTION OF MSF PROPOSED MEETING MINUTES – December 19, 2012: Mr. Finney asked if there were any questions from the Board. There being none, **Mr. Arwood motioned approval for the December 19, 2012 MSF Board Proposed Meeting Minutes. Ms. Keeley 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.
Mr. Peter Berg, from the School of Human Resources & Labor Relations at Michigan State University, offered comment on the recently passed Right-to-Work legislation. Mr. Berg stated that he believed the passage of this legislation would have negative outcomes including lower wages and lower work standards. He urges our legislature to focus on increasing the number college graduates, economic growth and personal income.

Ms. Ashley Forsberg, a registered nurse, stated that she believes the Right-to-Work legislation will mean lower wages, fewer benefits, dangerous work places and feels that corporations have more power than ever. She also said she was offended that the Pure Michigan Logo is being associated with the recently passed legislation. It is her belief the government should focus on positive relationships with the employees and unions.

Ms. Bonnie Haloren, University of Michigan, Dearborn – Anthropology. Ms. Haloren expressed concern that the MEDC is stating Denso is locating in Michigan because of the Right-to-Work legislation, which she feels is untrue. She also remarked that as an educator, she is concerned about the funding cuts to education. Ms. Haloren believes it is the responsibility of the government to prepare citizens for today's economy. She further stated that connecting the Pure Michigan brand to Right-to-Work in advertising might appear that the MEDC was a political puppet. It is the opinion of Ms. Haloren that Right-to-Work legislation is not a solution to Michigan's economy.

Mr. Andre Greer, a business owner in Lansing, stated that he felt the passage of the Right-to-Work legislation is a mirage for cutting out unions. Michigan needs qualified workers that will sustain the middle class.

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

The Agenda had been revised:

1. Item D. Renaissance Zones – United Solar Ovonic, LLC had been removed from the agenda.
2. The projects in Item E.5 – Michigan Business Development Program – had been reordered to accommodate recusals.
3. Trevor Friedeberg presented Item 5.c. – Michigan Business Development Program – Moran Iron Works, on behalf of Ken Murdoch.

ADMINISTRATION

Resolution 2013-001 – Allocation of Funds from the 21st Century Jobs Trust Fund
Karla Campbell, MSF Fund Manager, provided the Board with information regarding this action item.
Ms. Campbell explained that the Michigan Business Development Program [MBDP] and the Michigan Community Revitalization Program [MCRP] were enacted by legislation in 2011 under MCL 125.2088r and MCL 125.2090b, respectively. Under Public Act 200 of 2012, $100 million has been appropriated for use in FY13, of which a minimum of $20 million is to be utilized for the MCRP. Before the funds are available to the Michigan Strategic Fund [MSF] for use, they are placed in a Trust Fund, MCL 12.258, until the MSF requests the funds be disbursed by the State Treasurer.
Recommendation: Staff recommends the Michigan State Treasurer transfer and disburse the FY13 as noted above for the purposes described in chapter 8C of the MSF Act, 1984 PA 270, MCL 125.2090 to 125.2090d.

Board Discussion: Mr. Finney asked if there were any questions from the Board. There being none, **Ms. Keeley motioned approval for Resolution 2013-001. Mr. Arwood seconded the motion.** The motion carried – 10 ayes; 0 nays; 0 recused; 1 absent.

21st CENTURY JOBS FUND PROGRAM

Resolution 2013-002 – Pure Michigan Venture Development Fund - Award Recommendations
Mike Flanagan, Manager, Equity Capital Program, proved the Board with information regarding this action item.
Mr. Flanagan advised the Board that in June 2012, the MSF Board approved the Pure Michigan Venture Development Fund [PMVDF], an initial allocation of $5 million from the MSF Investment Fund, and the opening of the Program application period. The Program is designed to invest in first and second generation venture capital funds in Michigan. The ultimate goals of the Program are to expand the venture industry in the State and increase the number of venture investments in our innovative, early stage companies. The Program received five applications during the first round of which four were eligible for peer review based on the minimum eligibility criteria. Credit Suisse Asset Management, LLC provided an independent peer review of all Applicant funds. Based on the criteria approved by the MSF Fund Manager, Credit Suisse rank-ordered the Applicants and provided detailed analysis of each fund. These materials were subsequently provided to the Program Joint Evaluation Committee [JEC] for final review via MEDC Legal. After evaluating the JEC recommendation and reviewing the results of the independent peer review, MEDC staff recommends the following two funds for awards up to $2.25 million each : (1) Michigan eLab which has an industry focus of information technology and life science/healthcare IT which the fund will concentrate on areas of research excellence through the University of Michigan. (2)Resonant Venture Partners – an Ann Arbor, Michigan-based venture capital firm that makes seed stage investments in companies developing cloud infrastructure, software and services.
Recommendation: Staff recommends the approval of both Michigan eLab and Resonant Venture Partners for awards under the Pure Michigan Venture Development Fund of up to $2.25 million each; and

the delegation of authority to the MSF Fund Manager to negotiate and finalize the terms and conditions of the awards, including approval of any final agreements.

Board Discussion: Mr. Finney asked if there were any questions from the Board. There being none, **Mr. Rassel motioned approval for Resolution 2013-02. Mr. Jackson seconded the motio**n. The motion carried – 10 ayes; 0 nays; 0 recused; 1 absent.

Resolution 2013-002 – Pure Michigan Venture Development Fund Program Second Round and Funding Allocation

Resolution 2013-003 – Pure Michigan Venture Development Fund Program Delegation of Authority Joint Evaluation Committee, Application & Evaluation Process and Scoring Criteria

Mr. Flanagan provided the Board with information regarding this action item.

Mr. Flanagan explained that the MSF Board approved the Pure Michigan Venture Development Fund Guidelines and allocated funding of $5 million to the Program. This allocation was limited, from its original target of $9 million, due to FY 2012 budget constraints. Staff is now requesting an addition $4 million allocation from the Jobs for Michigan investment fund which has already been projected in the FY 2013 budget, to reach this target. Staff also requests a new application period be opened to receive second round submissions. All applications will be accepted from January 24, 2013 – February 28, 2013. All applications will undergo a two-step evaluation process involving external review by Credit Suisse Asset Management, LLC and internal review by a JEC appointed by the MSF Fund Manager.

Recommendation: Staff recommends approval of allocation of $4,000,000 from the Investment Fund to the Pure Michigan Venture Development Funds; pursuant to prior agreement, continued selection of Credit Suisse for no compensation as a peer reviewer to evaluate the proposals submitted in response to the program; delegation to the MSF Fund Manager of the authority to develop and approve the scoring and evaluation criteria and process to be used by the independent peer reviewer and the JEC in evaluation proposals received under the program; the MSF authorize the Fund Manager to appoint members of a JEC for the purpose of reviewing the results of the peer review and making final recommendation for award to the MSF; and authorization to open a second application and review period for the Program.

Board Discussion: Mr. Finney asked if there were any questions from the Board. There being none, Mr. Finney advised the Board would be approving two resolutions. **Mr. Rassel motioned approval for Resolution 2013-003. Mr. Wilson seconded the motion**. Motion carried 10 ayes; 0 nays; 0 recused; 1 absent. **Mr. Arwood motioned approval for Resolution 2013-004. Ms. Keeley seconded the motion**. The motion carried – 10 ayes; 0 nays; 0 recused; 1 absent.

Resolution 2013-005 – Business Incubator Program Recommendations and Business Incubator Metrics

Paula Sorrel, Managing Director, Entrepreneurship, provided the Board with information on this action item.

Ms. Sorrel explained to the Board since 2009 the MSF has provided funding to business incubators to stimulate the creation and continued growth of technology-based businesses and jobs by capitalizing on the State of Michigan's growing base of high technology industry, its skilled labor force, its nationally recognized university system, its SmartZones and its business incubators. Pursuant to Section 1034 of Public Act 200 of 2012, the MSF has been directed to award grants that total not more than $8.5 million for business incubators and accelerators as follows:

> A high performance regional business incubator or accelerator that provides services in at least 8 counties and received funding as an auto technology business accelerator under section 88j of the

Michigan Strategic Fund Act, 1984 PA 270, MCL 125.2088j, shall receive a grant of not less than $2 million; funding of not less than $750,000 and not greater than $1 million shall be awarded to 1 high performance business incubator or accelerator in a city with a population greater than 650,000; funding of not less than $500,000 and not greater than $1 million shall be awarded to 1 high performance business incubator or accelerator in each of the following governmental units: Houghton County, Isabella County, Kent County, Macomb County, Oakland County, Washtenaw County, Midland County, Mason County; further of not less than $275,000 and not greater than $1 million awarded to 1 high performance business incubator in Ingham County

On October 24, 2012, MSF Board approved:

1) Allocation of $8.5 million from funds appropriated to the MSF for innovation and entrepreneurship by 2012 PA 200 to the 201 Business Incubator Program;
2) 2013 Business Incubator RFP
3) JEC to review the submissions to the RFP; and
4) Scoring and evaluation criteria for the review of the business incubator proposals.

Recommendation: Staff recommends that the MSF Board approves funding of the proposals identified in Exhibit B, and the right for MEDC to return to the MSF Board with additional opportunities for funding under this program.

Board Discussion: Mr. Finney asked if there were any questions from the Board. Mr. DeNooyer asked if this was an annual allocation. Ms. Sorrel replied this was the third round of allocations. Mr. Arwood asked the total number of applications. Ms. Sorrel responded they had received 12. Mr. Boji asked for clarification of the scoring criteria. Ms. Sorrel explained the Joint Evaluation Committee both inside and outside of the MEDC made recommendations for approval. Mr. Rassel pointed to an inconsistency and requested a mid-year report. Mr. Finney agreed. There being no further questions, **Mr. Wilson motioned approval for Resolution 2013-005. Mr. Arwood seconded the motion.** The motion carried – 10 ayes; 0 nays; 0 recused; 1 absent.

Resolution 2013-006 – Limo Reid, Inc. d/b/a NRG Dynamix
Dean Wade, Portfolio Manager, provided the Board with information regarding this action item.
Mr. Wade advised the Board that Limo Reid Inc., d/b/a NRG Dynamix received a 2008 21st Century Jobs Fund loan in the amount of $3,352,704 for the development, commercialization and sale of novel Hydraulic Hybrid Power Train [HHPT] targeting the light and medium truck markets. The NRG HHPT is an energy management system that develops the demand for power from the generation of power, thereby providing the vehicle designer the opportunity to optimize overall vehicle performance. In so doing, it becomes possible to deliver a truck that improves fuel economy by upwards of 60% and reduces emissions by upwards of 90% while maintaining a platform that costs approximately the same, weighs approximately the same, and has the same cargo capacity as existing trucks. NRG has faced technical hurdles that delayed commercialization as originally planned. The Company has overcome many of these issues and continues product development. Even with these challenges, the Company continues to garner significant interest from potential strategic partners or acquirers. NRG does not have enough cash to continue full operations or move forward on the commercialization of their product. Due to the unsuccessful close of the investments led by Khosla Ventures, the Company recently downsized and is currently running minimal operations and development with a staff of four. NRG plans to seek an additional bridge loan in 2013 from the same investors as the previous bridge loan. The terms of the deal include the MEDC invest another $100,000 only if ALL other investors do likewise. This will result in a

total raise of $400,000. Staff recommends to the MSF Board total subordination of $1.6 Million and the extension of the 2008 loan.

Recommendations: Staff recommends the following:

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

Board Discussion: Mr. Finney asked if there were any questions from the Board. There being none, **Mr. Boji motioned approval for Resolution 2013-006. Mr. Lockwood seconded the motion**. The motion carried – 10 ayes; 0 nays; 0 recused; 1 absent.

Resolution 2013-007 – Approval of Michigan Community Revitalization Program Loan Award to Whitney Partners LLC

Resolution 2013-008 – Approval of Michigan Community Revitalization Program Grant Award to Whitney Partners LLC

Joe Martin, Manager, Community Revitalization Program and Brownfields, and Eric Hanna, Manager, Debt Capital Program, provided the Board with information on this action item and introduced guest David DaRita, Roxbury Group.

Mr. Martin explained to the Board Whitney Partners, LLC is a commercial real estate development Company formed for the purpose of redeveloping the David Whitney Building in Detroit. The entity is comprised of the Roxbury Group, LLC and Trans Inns Management. Roxbury Group, LLC is a Detroit based real estate entity that has previously developed the Auburn, a mixed-use residential development in Detroit's Midtown neighborhood and is near closing on the Globe Building, an interactive center in conjunction with the Michigan Department of Natural Resources. Trans Inns Management currently owns and/or operates 23 hotel and hospitality properties in 13 states across the United States. The Applicant plans to renovate the historic 19-story David Whitney building property. The building will be renovated into 108 residential apartments, 135 Aloft hotel rooms, 7,000 square feet of retail space on the first floor and will restore access to the Detroit People Mover. Mr. Hanna further explained the Applicant is seeking two separate MCRG facilities from the MSF with a total value of up to $8.5 million. The two facilities will coincide with the construction and permanent financing being undertaken by Bank of America. The first facility request is for an MSF Loan for up to $7,500,000 and will be subordinate in payments and collateral to the senior note by Bank of America. During the New Market and Federal Historic Tax Credit compliance period it is anticipated that the MSF loan facility will be further subordinated to other lien holders and will require forbearance agreements. The loan is performance based and will not be funded until completion of the project. The second facility request is for a performance based grant of up to $1 million to Whitney Partners, LLC and is anticipated to come in at the

time of closing of the construction loan. The grant will require full repayment upon any liquidation event as defined in the final agreement acceptable to the MSF Fund Manager and Senior Lender.
Recommendation: Staff recommends the approval of the MCRP Proposal and closing the MCRP proposal is 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 a commitment will remain valid for 120 days with the 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. DeNooyer asked the duration of the Bank of America loan. Mr. DaRita responded it was seven years. Mr. Rassel inquired about the occupancy rate in Detroit. Mr. DaRita answered it was steadily on the rise and the most improved in the country. Mr. Finney congratulated Mr. DaRita on their efforts at revitalizing the urban core. There being no further questions, Mr. Finney advised two resolutions would be voted on for approval for this project. **Mr. Arwood motioned approval for Resolution 2013-007. Mr. Lockwood seconded the motion**. The motion carried- 10 ayes; 0 nays; 0 recused; 1 absent. **Ms. Keeley motioned approval for Resolution 2013-008. Mr. Arwood seconded the motion.** The motion carried – 10 ayes; 0 nays; 0 recused; 1 absent.

Resolution 2013-009 – Norplas Industries, Inc.
Joshua Hundt, Manager, Development Finance, provided the Board with information regarding this action item and introduced guests: Frank Ervin, Director, Government Affairs, Magna International; Ed Reed, Economic Development Coordinator, Delta Township; Ken Fletcher, Supervisor, Delta Township; Bob Tresize, President & CEO, LEAP; Kathleen White, MEDC Industry Business Development Manager; Paul Krepps, Industry Business Development Manager.
Mr. Ervin advised the Board Norplas Industries, Inc. is a subsidiary of Magna International, Inc., which represents itself as the world's most diversified automotive supplier. Magna International, Inc. designs, develops and manufactures automotive systems, assemblies, modules and components, and engineers and assembles complete vehicles, primarily for sale to the car and light truck OEMs. Mr. Hundt further explained the Applicant plans to open a new operation in Michigan, and make investments and create jobs related to growing its manufacturing capacity. In Delta Township, the Company plans to establish a new state of the art robotic paint line and injection molding process. In Brownstown Township, the Company intends to establish a new operation for light assembly and sequencing for Ford Fusion front end modules.
Recommendation: Staff recommends approval of the MBDP with closing subject to available funding under the MBDP at the time of closing, satisfactory completion of due diligence, finalization of all MBDP transaction documents and a commitment will remain valid for 120 days with approval for the MSF Fund Manager to extend the commitment an additional 60 days.

Board Discussion: Mr. Finney asked if there were any questions from the Board. Mr. Arwood inquired if there would be a new building. Mr. Ervin responded yes. Mr. Boji asked the number of employees which would be based in Michigan. Mr. Ervin answered 90-95%. It is the Company's intent to focus on local talent. There being no further questions, **Mr. Boji motioned approval for Resolution 2013-009. Mr. Lockwood seconded the motion.** The motion carried – 10 ayes; 0 nays; 0 recused; 1 absent.

Resolution 2013-010 – Dieomatic Incorporated d/b/a Cosma
Mr. Hundt provided the Board with information on this action item and introduced guest Frank Ervin, Director, Government Affairs, Magna International; Doug Voshell, Marketing Director, Battle Creek Unlimited; Karl Dehn, President & CEO, Battle Creek Unlimited; Ken Tsuchiyama, City Manager, City of Battle Creek.

Mr. Ervin advised the Board Dieomatic Incorporated, d/b/a Cosma Casting Michigan is a subsidiary of Magna International, Inc. which represents that it is the world's most diversified automotive supplier. Magna International, Inc. designs, develops, and manufactures automotive systems, assemblies, modules and components, and engineers and assembles complete vehicles, primarily for sale to the car and light truck OEMs. Mr. Hundt further explained the Applicant plans to open a new operation in Michigan, make investments and create jobs related to a new major sourcing contract to supply components and systems to a major automotive OEM.
Recommendation: Staff recommends approval of the MBDP with closing subject to available funding under the MBDP at the time of closing, satisfactory completion of due diligence, finalization of all MBDP transaction documents, with the commitment to remain valid for 120 days with the approval for the MSF Fund Manager to extend the commitment an additional 60 days.

Board Discussion: Mr. Finney asked if there were any questions from the Board. Mr. Boji asked if they would be receiving an abatement. Mr. Ervin responded they would be receiving a P.A. 198 and PA 228. There being no further questions, **Ms. Keeley motioned approval for Resolution 2013-010. Mr. Rassel seconded the motion.** The motion carried – 10 ayes; 0 nays; 0 recused; 1 absent.

Resolution 2013-011 – Moran Iron Works, Inc.
Trevor Friedeberg, Development Finance Manager, provided the Board with information regarding this action item and introduced guest Gerald Ganske, CCO/General Manager, Moran Iron Works, Inc.; Victor Ruppert, CFP/Financial Administrator; Charlie Nyhus, General Manager of Moran Iron Works North; Marilyn Kapp, Business Development/Public Relations; Joe Libby, Executive Director of the Presque Isle County Development Commission/County Administrator; Andy Hayes, President, Northernn Lakes Economic Alliance; Mike Meagher, Crane Specialist, Payton Power Equipment, LLC; Lydia Murray, MEDC, Business Development Manager.
Mr. Ganske provided the Board with an overview of the project. Moran Iron Works, Inc. is a custom fabrication facility that has been designing, developing and manufacturing custom large metal modular components since 1978. The Company's customers include mining, marine steel, cement, power generation, greenhouse gas reduction and pollution control industries. Mr. Friedeberg further explained the Applicant has the opportunity to produce larger modules and components. For them to produce these larger products they need to expand their facility in the City of Onaway and make dock and facility improvements at the Port of Calcite in Rogers City. The Company plans to invest over $16 million in building and port improvements and create 75 jobs related to fabrication of custom metal products.
Recommendation: Staff recommends approval of the MBDP subject to availability of funding at the time of closing, satisfactory completion of due diligence, finalization of all MBDP transaction documents with a commitment to remain valid for 90 days with approval for the MSF Fund Manager to extend the commitment an additional 30 days.

Board Discussion: Mr. Finney asked if there were any questions from the Board. Mr. DeNooyer asked about growth within the industry. There being no other questions, **Mr. Arwood motioned approval for Resolution 2013-011. Mr. Lockwood seconded the motion**. The motion carried – 10 ayes; 0 nays; 0 recused; 1 absent.

Resolution 2013-012 - Lenawee Stamping Corporation
Mr. Freideberg provided the Board with information on this action item and introduced guests: Chris Johnson, Controller; Chris Daskas, Vice President Sales and Marketing; Kevin Welch, City Manager, City of Tecumseh; Paula Holtz, Economic Development Directors, Lenawee Economic Development Corporation; Brandon Podolski, Partner, Plante Moran.

Mr. Johnson provided the Board with an overview of the project. Lenawee Stamping Corporation [LSC] was incorporated on August 20, 1987 in the State of Michigan. The Company produces metal stamping and welded fabrications and assemblies for automobile bodies and substructures. LSC's major customers include Auto Alliance International located in Flat Rock, and Navistar with operations in Ohio, Indiana and Ontario. LSC is a 100% wholly owned subsidiary of VRL Inc., a Michigan corporation. The project has two separate aspects. The first will cover multiple programs to Lenawee Stamping in Tecumseh over the period of 2013-2014, which include underbody parts for GM plants in Michigan and Indiana as well as welded assemblies for shipment to Faurecia and AAI in Michigan. The second will be the creation of a new subsidiary by VRL within the State of Michigan that will produce similar metal stampings and welded assemblies at LSC. Mr. Hundt further stated the Applicant plans to expand in Michigan, make investments and create jobs related to the manufacturing of automotive parts and metal stampings.
Recommendation: Staff recommends the approval of the MBDP, closing of the MBDP will be subject to available funding under the MBDP at the time of closing, satisfactory completion of due diligence, finalization of all MBDP transaction documents, and the commitment will remain valid for 120 days with approval for the MSF Fund Manager to extend the commitment an additional 60 days.

Board Discussion: Mr. Finney asked if Lenawee is one of the larger employers in the area. Mr. Johnson stated that they were. Mr. Finney then asked if there were any questions from the Board. There being none, **Ms. Keeley motioned approval for Resolution 2013-012. Mr. Arwood seconded the motion**. The motion carried – 10 ayes; 0 nays; 0 recused; 1 absent.

Resolution 2013-013 – Denso International America Incorporated
Marcia Gebarowski, Development Finance Manager, provided the Board with information on this action item and introduced guests: Bob Townsend, Director External Affairs; Terry Helgesen, senior VP Industry & Government Relations; Mark Poll, Senior Specialist Governmental Affairs; Rochelle Freeman, Business Development, City of Southfield.
Mr. Helgesen advised the Board that Denso International America, Inc. [DIAM] was founded in December 1985 as Nippodenso America, Inc. and is the North American regional headquarters of Denso Corporation. DIAM is responsible for original equipment sales, product engineering, technical support, finance, and other functions for the North America region. DIAM supports design, engineering and testing for powertrain, climate control, body electronics, driving control and safety automotive products. The Company plans on investing $45 million in the City of Southfield and hiring 110 engineers. Ms. Gebarowski further explained the Applicant plans to expand its new product research and development operations in Michigan, make investments and create jobs related to motor vehicle parts manufacturing.
Recommendation: Staff recommends approval of the MBDP, closing subject to available funding under the MBDP, satisfactory completion of due diligence, finalization of all MBDP transaction documents and the commitment will remain valid for 120 days with approval for the MSF Fund Manager to extend the commitment an additional 60 days.

Board Discussion: Mr. Finney asked if there were any questions from the Board. Mr. DeNooyer inquired if the engineering positions would be entry level. Mr. Helgesen stated it would be a combination of both entry level and experienced engineers. Mr. Rassel asked if the Company had looked at other locations. Mr. Helgesen stated they had considered Tennessee and Mexico. There being no further questions, **Mr. DeNooyer motioned approval for Resolution 2013-013. Ms. Keeley seconded the motion**. The motion carried – 10 ayes; 0 nays; 0 recused; 1 absent.

Resolution 2013-014 – Denso Manufacturing Michigan Incorporated

Ms. Gebarowski provided the Board with information on this action item and introduced guests: Karen Boyer, Vice President Human Resources, Denso Manufacturing Michigan; Karl Dehn, Battle Creek Unlimited; Doug Voshell, Battle Creek Unlimited; Ken Tsuchiyama, City of Battle Creek.
Ms. Boyer provided the Board with an overview of the project. Denso Manufacturing Michigan, Inc. [DMMI] was founded November 1, 1984 and started production more than 25 years ago. DMMI was Denso Corporation's first manufacturing facility in North America and is a subsidiary of Denso International America, Inc. The Company occupies 1.29 million square feet of manufacturing and administrative space in the Fort Custer Industrial Park in Battle Creek. DMMI produces automotive air conditioning and engine cooling components and systems, including condensers, radiators, etc. DMMI supplies the global automotive industry including Toyota, Honda, General Motors, Chrysler, Ford, Fiat, Subaru and Mitsubishi. Ms. Gebarowski further stated the Applicant plans to expand its new product research and development operations in Michigan, make investments and create jobs related to motor vehicle parts manufacturing.
Recommendation: Staff recommends approval of the MBDP, closing the MBDP will be subject to available funding at the time of closing, satisfactory completion of due diligence, finalization of all MBDP transaction documents and the commitment will remain valid for 120 days with approval for the MSF Manager to extend the commitment an additional 60 days.

Board Discussion: Mr. Finney asked if there were any questions from the Board. Mr. Boji asked why the company picked Michigan. The response indicated there was a good workforce in Battle Creek. There being no other questions, **Ms. Keeley motioned approval for Resolutions 013-014. Mr. Arwood seconded the motion.** The motion carried – 10 ayes; 0 nays; 0 recused; 1 absent.

[Mr. Wilson recused.]

Resolution 2013-015 – Rigaku Innovative Technologies, Inc.
Ms. Gebarowski provided the Board with information on this action item and introduced guests John McGill, President Rigaku Innovative Technologies and Laurie Renaud, City of Auburn Hills.
Mr. McGill explained to the Board Rigaku Innovative Technologies, Inc. [RIT], a subsidiary of Rigaku Corporation, is a high-tech manufacturer of optical products. Founded in 2000, the Company operates a 50,000 square foot manufacturing facility in Auburn Hills. RIT's traditional business is in optical products that are critical in global high-tech manufacturing. Tens of thousands of RIT's multilayer optics are used in X-ray spectrometers and diffractometers. RIT also develops pharmaceutical products to enable better understanding of protein and virus structures, leading to new medicines for treating diabetes, cancer and AIDS. In materials, RIT offers products used in automobiles, computers, construction, farming and many other areas. Ms. Gebarowski further explained the Applicant plans to expand into new markets including the semiconductor industry and grow its R&D and production operations in Michigan, make investments and create jobs related to motor vehicle parts manufacturing.
Recommendation: Staff recommends approval of the MBDP and closing subject to available funding under the MBDP at the time of closing, satisfactory completion of due diligence, finalization of all MBDP transaction documents with the commitment valid for 120 days with approval for the MSF Fund Manager to extend the commitment an additional 60 days.

Board Discussion: Mr. Finney asked if there were any questions from the Board. Mr. DeNooyer referenced the company's representation regarding the market share for their product and asked who are their competitors. Mr. McGill responded there is one in the US and another in Germany. There being no other questions**, Mr. Arwood motioned approval for Resolution 2013-015. Mr. Boji seconded the motion.** The motion carried – 9 ayes; 0 nays; 1 recused; 2 absent.

[Ms. Keeley recused.]

Resolution 2013-016 0 Lear Corporation
Ms. Gebarowski provided the Board with information regarding this action item and introduced guests: Jason Cardew, VP, Lear Corporation; William McLaughlin, VP, Global Trade, Lear Corporation; Jimmie Comer; President & CEO, Integrated Manufacturing & Assembly, LLC; Patrick Gray, Director, Domestic Taxes, Lear Corporation; Kirk Fisher, Tax Manager-Valuations/Incentives, Lear Corporation; Sandy McDonald, Director of Economic Development, City of Highland Park.
Mr. Cardew provided the Board with an overview of the project. Lear was founded in 1917 in Detroit, Michigan as American Metal Products, a manufacturer of tubular, welded and stamped assemblies for the automotive and aircraft industries. The Company went public in 1994 and today, they provide complete seating and electrical power management systems worldwide. Lear Corporation ranks 189 among the Fortune 500. With headquarters located in Southfield, Michigan, Lear continues to operate 207 facilities in 35 countries around the globe. Ms. Gebarowski further explained the Applicant plans to expand its operations by leasing an additional facility to accommodate new work in Michigan, make investments and create jobs related to motor vehicle parts manufacturing. Highland Park will provide a property abatement under PA 328 for 12 years.
Recommendation: Staff recommends approval of the MBDP, closing the MBDP subject to available funds at the time of closing, satisfactory completion of due diligence, finalization of all MBDP transaction documents with the commitment remaining valid for 120 days with approval for the MSF Fund Manager to extend the commitment for an additional 60 days.

Board Discussion: Mr. Finney asked if there were any questions from the Board. Mr. Rassel asked where the facility was located. Mr. Cardew replied Oakland Avenue in Highland Park. Mr. Boji asked what the previous use of the building was. Mr. Cardew said it was a former Chrysler site. There being no further questions, **Mr. Arwood motioned approval for Resolution 2013-016. Mr. Lockwood seconded the motion.** The motion carried – 8 ayes; 0 nays; 2 recused; 1 absent.

Resolution 2013-017 – Integrated Manufacturing & Assembly, LLC
Ms. Gebarowski provided the Board with information regarding this action item and introduced guests Jason Cardew, VP, Lear Corporation; William McLaughlin, VP, Global Trade, Lear Corporation; Jimmie Comer; President & CEO, Integrated Manufacturing & Assembly, LLC; Patrick Gray, Director, Domestic Taxes, Lear Corporation; Kirk Fisher, Tax Manager-Valuations/Incentives, Lear Corporation; Sandy McDonald, Director of Economic Development, City of Highland Park.
Mr. Cardew advised the Board, 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 five operations are manufacturing automotive sub-assembly systems for seating. Ms. Gebarowski summarized the Applicants plans in the City of Detroit as follows – expand operations at an existing leased facility; enter into a lease at a new facility that will house machinery and equipment and workforce transferred from another facility; install new machinery and equipment at an existing facility owned by the Company to accommodate new work in Michigan; make investments and create jobs related to motor vehicle parts manufacturing. The City of Detroit has offered abatement under PA 320 for 12 years at the existing leased facility on Nevada Street.

Recommendation: Staff recommends approval of the MBDP, closing the MBDP subject to available funding at the time of closing, satisfactory completion of due diligence, finalization of all MBDP transaction documents with the commitment to remain valid for 120 days with approval for the MSF Fund Manager to extend the commitment an additional 60 days.

Board Discussion: Mr. Finney asked if there were any questions from the Board. There being none, **Mr. Rassel motioned approval for Resolution 2013-017. Mr. Arwood seconded the motion**. The motion carried – 8 ayes; 0 nays; 2 recused; 1 absent.

Resolution 2013-018 – Whirlpool Corporation

Ms. Gebarowski provided the Board with information regarding this action item and introduced Jeff Noel, Vice President, Whirlpool Corporation.

Mr. Noel provided the Board with an overview of the project. Whirlpool Corporation was founded in Benton Harbor, Michigan in November 1911. After more than a century of operations, Whirlpool Corporation today is one of the world's largest and most innovative home appliance companies. Today, with sales approaching $20 billion globally, and with the Company doing business in over 200 countries, Whirlpool Corporation continues to be a major force in the U.S. industrial area. In 2010, the company was awarded a seven year Retention MBT jobs credit that consolidated their existing MBT jobs credits. This credit is expected to be activated in 2014. Additionally, the Company will be requesting a modification to the development agreement for their existing Renaissance Zone located in the City of Benton Harbor. Ms. Gebarowski concluded the Applicant plans to renovate a former Whirlpool manufacturing facility and place refrigeration research and development operations which will be relocated from Evansville, Indiana into Michigan, make investments and create jobs related to home appliance engineering and development.

Recommendation: Staff recommends approval of the MBDP, closing the MBDP subject to available funding at the time of closing, satisfactory completion of due diligence, finalization of all MBDP transaction documents with the commitment remaining valid for 120 days with the approval for the MSF Fund Manager to extend the commitment an additional 60 days.

Board Discussion: Mr. Finney commended Whirlpool Corporation for their commitment to improving the City of Benton Harbor. There being no further questions, **Mr. Arwood motioned approval for Resolution 2013-018. Mr. Lockwood seconded the motion.** The motion carried – 8 ayes; 0 nays; 2 recused; 1 absent.

RENAISSANCE ZONES

Resolution 2013-019 – Whirlpool Corporation

Amy Lux, Renaissance Zone Program Specialist, provided the Board with information regarding this action item.

In 2010 Whirlpool received three separate Renaissance Zone time extensions within the existing Berrien County/Benton Harbor/Benton Township Renaissance Zone with its purpose being to support the Company's effort to consolidate their headquarters. In exchange for the Miller's Pond Subzone Renaissance Zone designation, the Company entered into a Development Agreement with the MSF outlining specific terms, capital investment commitments and a transfer of ownership condition. The Company is now requesting several amendments to their development agreement. Since designation, the Company has taken on several other development projects in the Berrien County area that are diverting funds from their project in the Subzone. For this reason, the Company has requested that the current December 31, 2015 due date to achieve $65,325,843 capital investment commitment in the Agreement be amended to give the company more time. Also the Company is requesting that the condition requiring the transfer of land from the original owners to the Company be deleted and the transfer of land to Cornerstone Alliance, a non-profit economic development organization focused on Southwest Michigan be approved.

Recommendation: Staff recommends approval of the transfer of land associated with the Miller's Pond Subzone to Cornerstone Alliance and that the Fund Manager be authorized to enter into an amended and restated development agreement with Section 3(c)(iii) pertaining to the condition requiring the Subzone land to be transferred to the Company in its entirety be deleted and add the current land owner, Cornerstone Alliance, as a party to the Development Agreement and also amend Section 3(b) of the Agreement to read: ***b) Capital investment:*** invest at least $54,300,000 in the construction of the new office complex and improvements to the Property by December 31, 2013 and invest at least an additional $11,025,843 in the construction of the new office complex and improvements to the Property by December 31, 2018, for a total of $65,325,843 in capital investments by December 31, 2018.

[Governor Snyder joins the meeting to make a brief statement and to thank the Companies in attendance for choosing Michigan. Ms. Keeley and Mr. Wilson rejoin the meeting for the Governor's comments only. Mr. Finney leaves the meeting after the Governor's comments and Mr. Steve Hilfinger, MEDC EVP & COO, Chairs the remainder of the meeting.]

Board Discussion: Mr. Hilfinger asked if there were any questions from the Board. There being none**, Mr. Arwood motioned approval for Resolution 2013-019. Mr. Lockwood seconded the motion.** The motion carried – 8 ayes; 0 nays; 2 recused; 1 absent.

JOB CREATION MBT CREDIT

Resolution 2013-020 – Perrigo Company

Stacy Bowerman, Development Finance Manager, provided the Board with information regarding this action item and introduced Scott R. Rush, Vice President, Perrigo Company.

Perrigo Company is the largest manufacturer of Over-the-Counter ("OTC") pharmaceutical ingredients for the store brand market and in 2008 the MEGA Board approved a 12 year, 100% Standard MEGA Tax Credit for the Company's headquarter expansion in the City of Allegan. The Company is currently assessing locations for a tablet expansion to support the Company's needs for new product opportunities over the next five to seven years which would include adding to infrastructure and equipment resulting in new jobs and capital investment.

Recommendation: Staff recommends the following amendments to the Standard MEGA Tax Credit (Resolution 2008-73):

- Increase the maximum number of Qualified New Jobs that the Company can request credit for in any given year from 400 to 1,050 for tax years ending June 30, 2013 through June 30, 2018. The maximum number of Qualified New Jobs that the Company can request credit for would return to 400 for tax years ending June 30, 2019 through June 30, 2021.
- Amend the Project Description to include the expansion of manufacturing operations in Martin Township, Allegan County and Holland Charter Township, Ottawa County.
- Amend the Average Weekly Wage from $881 to $755.
- Amend the definition of Company to include Perrigo Sales Company, Perrigo Company of South Carolina and Perrigo Holland Company for purposes of base employment and qualified new jobs.

- Amend the Base Employment Level from 2,466 to 2,873 to include existing employees at the Holland Charter Township facility.
- All other terms and conditions will remain the same.

Board Discussion: Mr. Hilfinger asked if there were any questions from the Board. Mr. Rassel asked if other states were considered. Mr. Rush replied yes. There being no further questions**, Mr. Arwood motioned approval for Resolution 2013-020. Mr. Lockwood seconded the motion.** The motion carried – 8 ayes; 0 nays; 2 recused; 1 absent.

[Ms. Keeley and Mr. Wilson return]

Resolution 2013-021 – Barracuda Networks, Inc.
Nell Taylor, Development Finance Manager, provided the Board with information regarding this action item.
Barracuda Networks, which is a worldwide leader in email and Web security appliances, was approved for a seven year MEGA High Technology tax credit in 2008, for which they have collected for two years. In June 2012 the Company was awarded a Michigan Business Development Program grant. The Company plans to invest $6 million to expand software development operations in the City of Ann Arbor which will capture future growth in Michigan versus California and are therefore requesting several amendments.

Recommendation: Staff recommends the following amendments to the High Technology MEGA Tax Credit, for seven years:

- Increase the allowed percentage of the personal income tax from 80% to 100% for the tax years 2013 through 2016 to be covered under this tax credit;
- Increase the maximum Qualified New Jobs by 151, allowing for up to 336 Qualified New Jobs for the tax years 2013 through 2016 to be covered under this tax credit; and
- All other terms and conditions of the tax credit remain the same.

Board Discussion: Mr. Hilfinger asked if there were any questions from the Board. There being none**, Mr. Arwood motioned approval for Resolution 2013-021. Mr. Rassel seconded the motion.** The motion carried – 10 ayes; 0 nays; 0 recused; 1 absent.

Resolution 2013-022 – Axle Alliance Company, LLC
Marcia Gebarowski, Development Finance Manager, provided the Board with information regarding this action item and introduced David Trebing, State and Location Relations, Daimle;, Janice Manston, Director State and Local Taxes, Daimler; Tracey Kobylarz, Supervisor, Charter Township of Redford; and Richard Barr, Honigman Miller.
Axle Alliance Company, LLC and its parent company, Detroit Diesel, plan to invest over $100 million over eight years to expand its production capability to include transmissions in Redford Township. This expanded footprint will capture future growth creating new jobs in Michigan versus a competing transmission facility in North Carolina and Mexico.

Recommendation: Staff recommends the following amendments to the Standard MBT Jobs Creation tax credit, for 15 years:

- Increase the number of Qualified New Jobs from 215 to 419 over the Company's Base Employment Level of 1 for six consecutive years beginning fiscal year January 1, 2013;
- Revise the Project Description to include, "the assembly of truck transmissions and manufacture and assembly of other truck engine parts";
- Add Detroit Diesel Corporation as an Associated Entity whose employees will count as Qualified New Jobs beginning Effective Date January 1, 2013, provided that those employees work on the Project and are not otherwise claimed pursuant to Detroit Diesel Corporation's MEGA retention credit or any other agreement with the Michigan Strategic Fund.
- All other terms and conditions of the tax credit remain the same.

Board Discussion: Mr. Hilfinger asked if there were any questions from the Board. Mr. Rassel asked if there will be new construction. Mr. Trebing replied that there are no plans for construction at this time. There being no further questions**, Mr. Lockwood motioned approval for Resolution 2013-022. Mr. Arwood seconded the motion.** The motion carried – 10 ayes; 0 nays; 0 recused; 1 absent.

[Mr. Arwood departs for the remainder of the meeting. Mr. Jackson stepped out.]

INDUSTRIAL DEVELOPMENT REVENUE BOND PROGRAM [IDRB]

Resolution 2013-023 – Canton Renewables, LLC
Diane Cranmer, IDRB Specialist, provided the Board with information regarding this action item and introduced Frank Yenchick, Canton Renewables Plant Manager.
The MSF induced at $12,000,000 project on behalf of Canton Renewables, LLC at its June 2011 meeting and the Company is asking for a two year extension as well as requesting the amount induced be increased due to higher construction and material costs than presented in 2011. Clean Energy Renewable Fuels, through its subsidiary, Canton Renewables, LLC, is constructing a High BTU Landfill Gas Plant in Canton Township, Wayne County.

Recommendation: Staff recommends the approval of amending the resolution to extend the expiration date for the inducement resolution to January 23, 2015, and to increase the project size from $12,000,000 to $15,200,000.

Board Discussion: Mr. Hilfinger asked if there were any questions from the Board. There being none, **Ms. Keeley motioned approval for Resolution 2013-023. Mr. Lockwood seconded the motion.** The motion carried – 8 ayes; 0 nays; 0 recused; 3 absent.

[Mr. Jackson returns.]

Resolution 2013-024 – Evangelical Homes of Michigan
Diane Cranmer, IDRB Specialist, provided the Board with information regarding this action item and introduced Craig Hammond, Dickinson Wright PLLC.
Evangelical Homes of Michigan (EHM) is a non-profit 501(c)(3) organization whose primary purpose is to provide housing and health care services to seniors living in Southeastern Michigan. The MSF previously issued its $14,800,000 Variable Rate Demand Limited Obligation Revenue Bonds, Series 2008 to finance capital expenditures at their facilities.
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Recommendation: After reviewing the Private Activity Bond Authorizing Resolution for Evangelical Homes of Michigan, and based upon a determination by Dickinson Wright PLLC and the State of Michigan Attorney General's office that the Project meets state and federal law requirements for tax exempt financing, staff recommends the adoption of a Bond Authorizing Resolution for the bonds in the amount of NTE $28,000,000.

Board Discussion: Mr. Hilfinger asked if there were any questions from the Board. Mr. Hilfinger questioned the change of closing date and Mr. Hammond stated that the absence of a Letter of Credit takes longer to market. Mr. Boji asked the identity of the underwriter. There being no further questions, **Mr. Rassel motioned approval for Resolution 2013-024. Mr. Lockwood seconded the motion.** The motion carried – 9 ayes; 0 nays; 0 recused; 2 absent.

STATE SMALL BUSINESS CREDIT INITIATIVE [SSBCI]

Resolution 2013-025 – Arctaris Michigan Fund, LP

Mike Flanagan, Manager, Equity Capital Programs, provided the Board with information regarding this action item.

In May of 2011, the MSF Board approved the Small Business Mezzanine Program ("SBMP") and its primary objective is to provide long-term operating companies with growth capital which is higher risk than a senior lender would be willing to provide. The Capital Markets team has been evaluating opportunities to invest in a risk capital fund(s) under the SBMP and Arctaris Capital Partners, LLC, a risk capital fund with offices in Detroit and Boston, has passed the due diligence criteria of MEDC staff. Arctaris has proposed to launch a new fund – the Arctaris Michigan Growth & Income Fund I ("Fund"). The financial objective of the Fund will be to generate attractive financial returns by making investments in post-revenue companies located in Michigan.

Recommendation: Staff recommends the following to the MSF Board:

- Approval of a commitment up to $4.5 million in the form of Class B Shares in the Arctaris Michigan Growth & Income Fund I, L.P.
- That the MSF Board delegate to the MSF Fund Manager the authority to negotiate and finalize all terms, conditions, investment agreements and all other related agreements for the Arctaris Michigan Growth & Income Fund I, L.P. in accordance with the provisions of the term sheet.

Board Discussion: Mr. Hilfinger asked if there were any questions from the Board. Mr. Denooyer asked if the money was coming from the State of Michigan. Mr. Flanagan responded that money is coming from the State of Michigan as well as throughout the United States. There being no further questions, **Mr. Rassel motioned approval for Resolution 2013-025. Mr. Lockwood seconded the motion.** The motion carried – 9 ayes; 0 nays; 0 recused; 2 absent.

[Ms. Keeley departs for the remainder of the meeting.]

Resolution 2013-026 – New Center Stamping, Inc.

Christopher Cook, Capital Services Associate, provided the Board with information regarding this action item.

In May of 2011, the MSF Board approved the Michigan Business Growth Fund – Collateral Support Program ("MBGF-CSP") and its primary objective is to enhance the collateral position of commercial borrowers to promote advancement of credit facilities from lenders. New Center Stamping, Inc. ("NCS") is located in Detroit and specializes in low-volume production of services parts. NCS is seeking to expand its operations by acquiring additional stamping equipment.

Recommendation: Staff recommends the following to the MSF Board:

a. Acknowledgment by the MSF that the Designated Information set forth on the summary is confidential;
b. Approval of the MBGF-CSP proposal contained herein and:
c. Subject to available funding under the SSBCI-MBGF-CSP at the time of closing ("Available Funding"), completion of due diligence, the results of which are satisfactory to the MEDC (collectively, "Due Diligence"), finalization of a MBGF-CSP Cash Collateral Deposit Agreement, and further subject to the following terms and conditions:

Facility 1 – New Center Stamping, Inc.

Borrower:	New Center Stamping, Inc. (and/or a related borrower(s))	
Lender:	Comerica Bank	
Loan Amount:	Up to $7,500,000	
MSF Cash Collateral:	Up to $3,742,500	
Loan Type:	Up to12-month draw note converting to term note featuring a term of up to 7 years and an amortization period of up to 10 years.	
Fees:	Tier II:	2.125% at Closing 1.25% annually based on the MSF Share Balance

Board Discussion: Mr. Hilfinger asked if there were any questions from the Board. There being none, **Mr. Lockwood motioned approval for Resolution 2013-026. Mr. Wilson seconded the motion.** The motion carried – 8 ayes; 0 nays; 0 recused; 3 absent.

QUARTERLY DELEGATED REPORTS

Mike Flanagan, Manager, Equity Capital Programs, introduced Sean O'Donnell and Michael Kell of Credit Suisse, who provided the Board with Credit Suisse's Quarterly Report.

Due to the considerable length of the meeting, Karla Campbell, Strategic Fund Manager, asked the Board if they were agreeable to receiving the Quarterly Reports for Michigan Business Development Plan, Community Revitalization Program, Michigan Economic Growth Authority Tax Credit Administrative Amendments, MSDF and SSBCI, Pure Michigan Venture Match Fund and 21st Century Jobs Fund Loan/Grant Portfolio via email and the Board unanimously consented.

MEMORANDUM

Date: February 27, 2013

To: MSF Board

From: Melda Uzbil, University Relations Director, Entrepreneurial Services

Subject: FY 2012 Michigan Translational Research and Commercialization (M-TRAC) Program

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BACKGROUND

Through the 21st Century Jobs Fund program, the Michigan Strategic Fund ("MSF") provides funding for entrepreneurship and innovation projects. Pursuant to Section 88o of the MSF Act, the MSF is charged with creating and operating a program to accelerate technology transfer from Michigan's institutions of higher education to the private sector for commercialization of competitive edge and bioeconomy technologies.

On September 27, 2012, the MSF Board approved the following actions:

1) Allocation of $6 million from funds appropriated to the MSF for innovation and entrepreneurship under Section 88o of the MSF Act;
2) FY 2012 Michigan Translational Research and Commercialization Program ("M-TRAC Program") RFP;
3) JEC to review the proposals received in response to the RFP, and
4) Scoring and evaluation criteria for the review of the M-TRAC proposals.

RESULTS

The MEDC received 7 proposals totaling $7,726,385 in response to the RFP. Exhibit A identifies the proposals and applicants. Requests for grant funds in the proposals ranged from $517,500 to $2,415,000 for 3 years.

After reviewing the proposals, the JEC conducted site visits to the below listed institutions of higher education, held two JEC conference calls and recorded a consensus score using the scoring and evaluation criteria approved by the MSF. The JEC recommended the following translational research and commercialization programs to be funded and actions to be taken:

a) Michigan State University receive the requested amount of $1,092,500 for agro-biotechnology and bioprocessing.

b) University of Michigan, receive the requested amount of $2,415,000 for life sciences.

c) University of Michigan receive $150,000 for a pilot project in advanced transportation. In order to succeed with the pilot, the proposal team will have to demonstrate success in implementing the Coulter process and working together as a team, internally and externally, and leveraging other existing resources at the University of Michigan.

d) Michigan Technological University receive the requested amount of $517,500 for advanced applied materials.

e) Wayne State University receive the requested amount of $1,173,000 in the biomedical field contingent upon going through a $100,000 gap assessment (first tranche), addressing any gaps identified by the assessment and submit a revised proposal to reflect these improvements. If these gaps are resolved, WSU to receive the rest of the requested amount of $1,073,000 (second tranche).

f) Western Michigan University receive a partial award of $50,000 for a gap assessment that will help them improve their technology transfer practices. WMU's application is in 3D printing.

g) Eastern Michigan University receive a partial award of $50,000 for a gap assessment that will help them improve their technology transfer practices. EMU's application is in advanced materials.

h) Reserve $552,000 as an incentive fund to reward the early successes coming out of the M-TRAC programs (the "M-TRAC Incentive Fund");

i) The Commercialization Project Director report to the Academic Principle Investigator ("PI") with a dotted line reporting to the head of tech transfer; and

j) The awarded funds reside with the Academic PI whose responsibility is to advocate for and promote the MTRAC program (internally and externally) as well as ensure its sustainability.

The award and funding recommendations are identified in Exhibit A.

RECOMMENDATION

MEDC Staff makes the following recommendations:

1) Approval of the M-TRAC Awards identified on the attached Exhibit A;

2) Approval of the M-TRAC Incentive Fund to award grantees for the successful completion of milestones and objectives;

3) Delegation of authority for the MSF Fund Manager to authorize awards out of the M-TRAC Incentive Fund and to negotiate and execute all final documents to effectuate the awards, including any increases approved out of the M-TRAC Incentive Fund; and

4) Correction of the source of funds for the funding allocation made by Resolution 2012-109.

The MSF Entrepreneurial Subcommittee has indicated its support of these recommendations.

Exhibit A

(Proposals listed in Descending Score order)

Applicant	Amount Requested	Match Funds	Score	Recommended Amount
Michigan State University (Agro-biotechnology and Bioprocessing)	$1,092,500	$1,350,000	87	**$1,092,500**
University of Michigan, Accelerating Life Sciences Discoveries to Market (Life Sciences)	$2,415,000	$5,123,000	86	**$2,415,000**
Michigan Technological University (Advanced Applied Materials)	$517,500	$551,234	79	**$517,500**
University of Michigan, Advanced Transportation Technology Translation Program (Advanced Transportation)	$1,000,000	$1,000,000	66	**$150,000**
Wayne State University (Biomedical)	$1,173,000	$1,260,000	61	First tranche of **$100,000** for gap assessment. Second tranche of **$1,073,000** contingent upon addressing gaps and a revised proposal.
Western Michigan University (3D Printing)	$999,740	$869,339	50	**$50,000** for gap assessment
Eastern Michigan University (Advanced Materials)	$528,645	$528,645	42	**$50,000** for gap assessment
Incentive Fund				**$552,000** for awarding early successes
TOTAL	**$7,726,385**	**$10,682,218**		**$6,000,000**

MICHIGAN STRATEGIC FUND
RESOLUTION

2013-

MTRAC PROGRAM AWARDS

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

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

WHEREAS, at its September 27, 2012 meeting, the MSF Board approved the creation of the Michigan Translational Research and Commercialization Program (the "MTRAC Program" or "Program") under Section 88o of the Act;

WHEREAS, the MSF has allocated $6 million from the 21st Century Jobs Fund to the Program;

WHEREAS, also at its September 27, 2012 meeting, the MSF issued a Request for Proposals ("RFP") under the MTRAC Program, approved an application and scoring process for the RFP, and appointed a Joint Evaluation Committee ("JEC") to review proposals received in response to the RFP;

WHEREAS, the JEC received proposals from seven (7) institutions of higher education under the RFP;

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

WHEREAS, the JEC and the MEDC recommend that the institutions of higher education identified in Exhibit A to this resolution receive awards in the amounts listed on Exhibit A (the "MTRAC Awards");

WHEREAS, the MSF Board has reviewed the recommendation and desires to approve the MTRAC Awards;

WHEREAS, there remains a balance of $552,000 from the funding allocation of $6 million for the Program (the "MTRAC Allocation Balance");

WHEREAS, the MSF desires that the MTRAC Allocation Balance be used to provide follow-on funding to the MTRAC awardees for projects that demonstrate the successful completion of certain milestones and objectives under the MTRAC Awards and that provide at least an equivalent amount of matching funds from private sources (the "MTRAC Incentive Fund");

WHEREAS, the MSF desires to delegate to the MSF Fund Manager to authority to increase the amounts of the MTRAC Awards from the MTRAC Incentive Fund, provided, however, the awards shall not exceed the MTRAC Allocation Balance (the "Delegation of Authority for the MTRAC Incentive Fund").

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board approves the MTRAC Awards and the Delegation of Authority for the MTRAC Incentive Fund; and

BE IT FURTHER RESOLVED, that MSF Fund Manager or the MSF Chairperson, with only one required to act, is authorized to the negotiate final terms and conditions of the MTRAC Awards and to execute all documents necessary to effectuate the MTRAC Awards and the Delegation of Authority for the MTRAC Incentive Fund.

Ayes:

Nays:

Recused:

Lansing, Michigan
February 27, 2013

Exhibit A

(Proposals listed in Descending Score order)

Applicant	Amount Requested	Match Funds	Score	Recommended Amount
Michigan State University	$1,092,500	$1,350,000	87	**$1,092,500**
University of Michigan, Accelerating Life Sciences Discoveries to Market	$2,415,000	$5,123,000	86	**$2,415,000**
Michigan Technological University	$517,500	$551,234	79	**$517,500**
University of Michigan, Advanced Transportation Technology Translation Program	$1,000,000	$1,000,000	66	**$150,000**
Wayne State University	$1,173,000	$1,260,000	61	First tranche of **$100,000** for gap assessment. Second tranche of **$1,073,000** contingent upon addressing gaps and a revised proposal.
Western Michigan University	$999,740	$869,339	50	**$50,000** for gap assessment
Eastern Michigan University	$528,645	$528,645	42	**$50,000** for gap assessment
TOTAL	**$7,726,385**	**$10,682,218**		**$5,448,000**

MICHIGAN STRATEGIC FUND

RESOLUTION
2013-

Michigan Translational Research and Commercialization Program Funding Allocation

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 for the MSF;

WHEREAS, pursuant to 2012 PA 200, the Legislature appropriated $75 million to the 21st Century Jobs Trust Fund for fiscal year 2011-2012;

WHEREAS, pursuant to MCL 12.258 the Michigan Strategic Fund ("MSF") Board may request the state treasurer to transfer appropriated funds from the 21st Century Jobs Trust Fund to the MSF in the amounts designated by this board to fund disbursements or reserves required for programs or activities under Chapter A of the MSF Act;

WHEREAS, pursuant to Section 88o of the Act, the MSF created the Michigan Translational Research and Commercialization Program (the "MTRAC Program" or "Program") and authorized a Request for Proposals ("RFP") to receive proposals under the MTRAC Program;

WHEREAS, at its September 27, 2012 meeting, the MSF Board allocated $6 million to the MTRAC Program from the 21st Century Jobs Trust Fund;

WHEREAS, Resolution 2012-109 incorrectly referred to the 21st Century Jobs Trust Fund appropriation for FY 2012-2013 as the source of funds for the MTRAC Program allocation;

WHEREAS, it is the desire of the MSF Board to fund the MTRAC Program with $6 million from the 21st Century Jobs Trust Fund FY 2011-2012 appropriation.

NOW, THEREFORE, BE IT RESOLVED, that the MSF allocates $6 million from the 21st Century Jobs Trust Fund FY 2011-2012 appropriation; and

BE IT FURTHER RESOLVED, that the allocation of funding made in Resolution 2012-109 is rescinded.

Ayes:

Nays:

Recused:

Lansing, Michigan
February 27, 2013

MEMORANDUM

DATE: February 27, 2013

TO: Michigan Strategic Fund ("MSF") Incentive Sub-Committee

FROM: Joseph Martin, MEDC – Manager, Community Revitalization and Brownfield Programs
Sarah L. Rainero, MEDC – Community Assistance Team Specialist

SUBJECT: Approval of Michigan Community Revitalization Request for a $3,000,000 in Other Economic Assistance to:

Grand Rapids Downtown Market Holdings, LLC ("Borrower")
120 Lyon, NW
Grand Rapids, Michigan 49503
www.downtownmarketgr.com

Fifth Third Bank ("Lender")
1967 E. Beltline NE
Grand Rapids, Michigan 49525
www.53.com

MCRP PROGRAM AND ITS GUIDELINES

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

SOURCE OF INFORMATION

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

HISTORY OF THE BORROWER

The Borrower is a Limited Liability Corporation (LLC) formed specifically for this project. The Grand Rapids Downtown Market, Inc. is the sole member of the Borrower and is the operator of the market. Grand Rapids Downtown Market, Inc. is the culmination of a public/private partnership that includes the City of Grand Rapids Downtown Development Authority and the Grand Action Committee. The Grand Action Committee has a history of developing several significant downtown projects, including the DeVos Place Convention Center and the VanAndel Arena. The President and CEO of the Grand Rapids Downtown Market, Inc is Mimi Fritzoard.

The Borrower was approved for a Michigan Business Tax Brownfield Credit of $5.2 million at the Michigan Economic Growth Authority (MEGA) Board meeting on January 17, 2012. In addition, state and local tax increment financing was also approved by the MEGA Board on November 15, 2011 in the amount of $4,720,882.

PROJECT DESCRIPTION

The Borrower has demolished the original buildings and is currently constructing a 25,000 square foot year round market on multiple parcels, encompassing a whole block of property, located at 435 Ionia Avenue, SW and 109 Logan Street, SW in the City of Grand Rapids. The project will include multi-vendor space for fresh food markets, with both a year-round, indoor component and space for an outdoor seasonal farmer's market, as well as restaurants and other food services, educational facilities, food processing and production facilities (such as a kitchen incubator), a rooftop greenhouse and other mixed-use components such as crafts, retail shops, residential units, offices,

a) The project is a "facility" as authorized under the program. The Borrower plans to make an investment of more than $30 million to the project for the demolition and construction of the market**,** as authorized under the program. The project will be located in City of Grand Rapids. The City of Grand Rapids has offered a "staff, financial, or economic commitment to the project" in the form of public infrastructure improvements that total $4,725,000 and are funded through bonds issued by the City Brownfield Redevelopment Authority in the amount of $2,325,000 and serviced by TIF revenue of the DDA and Brownfield Authority. The City sanitary and sewer enterprise funds will contribute the additional $2,400,000. Finally, the Grand Rapids City Parking Commission contributed $200,000 to the project.
b) The project is located in a downtown or traditional commercial center. Preference was given to project based on the significant impact this project will have on the City and region by raising awareness of, and providing a vending platform for, local agriculture due to its focus on partnerships with local farmers and food products. The market will also provide nearby residents fresh foods in an area of the city that is considered a food desert. Establishment of the market is considered a necessary aspect of this part of downtowns continuing revitalization and increasing residential density.

FINANCING OPPORTUNITY – MCRP REQUEST

The Lender is proposing to finance a $4,000,000 term loan to the Borrower to finance the Project. The Lender has requested MSF participation support up to $3,000,000 of the note ("MSF Share"). The MSF will enter into a written agreement with the Lender to purchase their share with all principal and interest payments and other collections under the loan in proportion to their respective percentage interests in the Loan. In addition to a first position real estate mortgage, the Lender has requested $1,000,000 in collateral from the foundation community. This support is anticipated to include; the Grand Rapids Community Foundation, the Frey Foundation, and the Dick and Betsy DeVos Foundation each pledging one-third of the $1,000,000.

Both the Lender and the Borrower anticipate that this initial $4 million loan may need to be replaced with a loan that conforms to the New Market Tax Credit ("NMTC") structure pending the amount of allocation received by the Project. The Project is attempting to maximize the amount of federal funds it will receive under the NMTC program and is currently seeking $30 million in allocation. The program seeks authorization under this approval to replace the original facility and enter into a NMTC structure with Fifth Third to facilitate the completion of the Grand Rapids Urban Market. The authorization to enter into the NMTC will extend no later than December 31, 2013, with the final terms and conditions of the participation to be acceptable to the MSF Fund Manager, the Borrower, and the Senior Lender. The Term of the participation with Fifth Third under the NMTC Facility shall not exceed 84 months from the funding of the loan.

If the original facility remains past December 31, 2013, it is the expectation that a covenant will be inserted into the term loan that would require principal in addition to interest during the term.

Whether the project is financially and economically sound:
The project has already commenced construction and has expended roughly half of the construction budget. The $4,000,000 facility is part of a total package that includes $14,500,000 in non-revolving notes backed by the assignment of any outstanding pledge receivables by the foundation community or the assignment of the Brownfield Michigan Business Tax credits. The project will repay the $4,000,000 loan facility described above through Tax Increment Financing revenue, operating income, and additional grants and capital pledges.

The Borrower's financial need for a community revitalization incentive:
The Grand Rapids Downtown Market project is a conglomeration of non-profit interests including the Grand Action Committee and the Grand Rapids Downtown Development Authority. The project is projected to have minimal ability to sustain long-term debt based on the operating pro forma. The MCRP award will be used to secure the remaining construction financing. This will buy time for the market to other grants or continue to raise through capital pledges.

LOAN FACILITY

MSF Facility	MCRP Loan Participation and Servicing Agreement under "other economic assistance"	
Borrower	Grand Rapids Downtown Market Holdings, LLC	
Lender	Fifth Third	
Amount	Up to $4,000,000	
Lender Share	Up to $1,000,000	
MSF Share	Up to $3,000,000	
Payment Terms	96-months	Monthly payment of Interest only. Principal balance payable at the end of 96 months.
Interest Rate		On the MSF share interest will be charged on the outstanding principal balance of the note currently projected at 2%.

Collateral	Cash Collateral	$1,000,000 million in liquid assets satisfactory to Lender
	1st REM	All Real Property of the Borrower
		(Claims on collateral will apply to Lender Share first and then to MSF Share)

The proposed structure under a NMTC:

MSF Facility	MCRP Loan Participation and Servicing Agreement under "other economic assistance"	
Borrower		The borrower will become a newly formed special purpose entity (Investment Fund) created by the Tax Credit Investor to facilitate using the loan proceeds in the NMTC Structure
Lender	Fifth Third	
Amount	Up to $4,000,000	
Lender Share	Up to $1,000,000	
MSF Share	Up to $3,000,000	
Payment Terms	84 months	Interest Only
Interest Rate		The interest rate is currently projected to be a variable rate of 175 basis points above 30-day LIBOR, rounded up to the nearest 1/8th percent. Interest rate will be re-set on a monthly basis.

Collateral	Cash Collateral	$1,000,000 million in liquid assets satisfactory to Lender The Lender will receive a pledge and security interest the Investment Fund’s 99.99% non-managing membership interest in the CDE. The operating agreement of the CDE will provide the Lender with the ability to realize upon the fund’s membership interest if a default occurs in the QLICI Loan to the project. In many NMTC transactions there are several sources of loans to the Investment Fund. The priority of these various lenders is established under an Intercreditor Agreement. Bank Loans directly to the Investment Fund generally receive a first priority interest. (Claims on collateral will apply to Lender Share first and then to MSF Share)

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:
In addition to creating a dynamic downtown place to attract diverse residents and visitors, it is expected to strengthen and celebrate the City's local food system, catalyze redevelopment in the area, provide opportunities to independent entrepreneurs, promote healthy lifestyles and create a model of sustainable development. The project will provide a venue for marketing fresh foods grown by local farmers, offer healthy, fresh food options to city residents and create new jobs. It is expected that the project will promote the City's growing diversity. The project will also increase the City's tax base.

B. If the project will act as a catalyst for additional revitalization of the community in which it is located:
A number of other projects in close proximity to the market have created plans for redevelopment and even have started construction in anticipation for the market opening in July 2013.

C. The amount of local community and financial support for the project:
The City of Grand Rapids is contributing public infrastructure improvements that total approximately $4.72 million and are funded through bonds the City issued and also Downtown Development Authority tax increment financing. Finally, the Grand Rapids City Parking Commission contributed $200,000 to the project.

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

As the project is newly constructed building, there are no vacant, historical, or blighted buildings that will be reused.

E. Creation of jobs:

This project is expected to create approximately 295 new, full-time jobs in a variety of positions that may be related to the market's management, vendors, restaurants, office, retail, and art studios, as well as many others.

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

The Michigan Department of Environmental Quality provided a $1 million grant to the project, as well as state tax increment. The City of Grand Rapids also used United States Environmental Protection Agency grant of $200,000 for environmental related expenses. Finally, there is a capital campaign fundraising monies to complete the project.

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

The project consists of a handful of vacant buildings, where more than 50% of the redevelopment will be multi-story.

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

The proposed market consists of multiple mixed-use components, including a farmers market, educational facilities, restaurants, food processing and preparation facilities, and possibly retail shops, art studios, and offices. The location was selected in part because it extends the walkability of downtown by creating an active pedestrian oriented destination at the downtown's southern boundary.

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

There are no abandoned public buildings involved in the project.

J. Whether the project promotes sustainable development:

The project is seeking LEED Certification and if successful, will be the first certified market in the country. In addition, there will be a rooftop greenhouse.

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

The development is a newly constructed building and will not involve any historic resources.

L. Whether the project addresses area-wide redevelopment:

This project consists of entire city block and therefore addresses multiple parcels and area wide redevelopment.

M. Whether the project addresses underserved markets of commerce:

The future location of the Urban Market is located in the city's lowest income/highest minority concentration neighborhood. Because the project is adjacent to the central bus station and one block from the city's busiest bus route, the market is anticipated to provide easy access to low and moderate income individuals throughout the area.

N. The level and extent of environmental contamination:
The property is contaminated with Volatile Organic Compounds, polynuclear aromatic hydrocarbons, PNAs and several metals in the soil and groundwater above Part 201 residential cleanup criteria. Appropriate due care will be required during construction of the new building and, if contaminated soil is encountered, remediation and/or soil disposal costs will be incurred.

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):
No historic resources are part of the development.

P. Whether the project will compete with or affect existing Michigan businesses within the same industry:
A feasibility study and economic impact analysis was completed by the Grand Action Committee and indicated the City could support a year round market in the downtown.

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

INCENTIVE OPPORTUNITY

This project involves $25,091,316 in eligible investment and total capital investment of up to $30,165,835 in the City of Grand Rapids. The requested incentive amount from the MSF is $3,000,000 million in the form of Other Economic Assistance loan participation.

Please see below for more information on the recommended action.

RECOMMENDATIONS

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

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

MICHIGAN STRATEGIC FUND

RESOLUTION 2013-

APPROVAL OF A MICHIGAN COMMUNITY REVITALIZATION PROGRAM LOAN PARTICIPATION AWARD FOR GRAND RAPIDS DOWNTOWN MARKET HOLDINGS, LLC

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

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

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

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

WHEREAS, Fifth Third Bank ("Lender") has proposed a loan to Grand Rapids Downtown Market Holdings, LLC ("Company" or "Borrower") of up to $4 million toward financing construction activities and other infrastructure improvements to real property ("Lender Loan");

WHEREAS, the Company and the Lender have requested a performance based loan participation from the MSF under the MCRP in an amount not to exceed up to $3 million ("Award Request"), along with other general terms and conditions of the Award Request which are outlined in the term sheet attached as Exhibit A ("Term Sheet"), and have requested that the MSF approve the potential replacement of the Lender Loan, and corresponding MSF participation in the amount of $3 million, to a loan and participation that conforms to the New Market Tax Credit structure ("Possible Conversion to NMTC Structure");

WHEREAS, the MEDC has recommended to the MSF Incentive Subcommittee 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) 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");

WHEREAS, the MEDC has recommended to the MSF Incentive Subcommittee that the MSF approve the Possible Conversion to NMTC Structure;

WHEREAS, the MEDC also recommended to the MSF Incentive Subcommittee that the MSF delegate to the MSF Fund Manager the authority to negotiate the final terms and conditions she deems necessary and appropriate to finalize and sign all of the Transaction Documents for the MCRP Award

Recommendation, and the Possible Conversion to NMTC Structure as may arise ("Delegation to the MSF Fund Manager for the GR Downtown Market Holdings Transactions"); and

WHEREAS, the MSF Incentive Subcommittee has indicated its support of the MCRP Award Recommendation, the Possible Conversion to NMTC Structure, and the Delegation to the MSF Fund Manager for the GR Downtown Market Holdings Transactions.

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

BE IT FURTHER RESOLVED, the MSF Board approves the Possible Conversion to NMTC Structure; and

BE IT FURTHER RESOLVED, the MSF Board approves the Delegation to the MSF Fund Manager for the GR Downtown Market Holdings Transactions.

Ayes:

Nays:

Recused:

Lansing, Michigan
February 27, 2013

Exhibit A

<u>LOAN FACILITY</u>

MSF Facility	MCRP Loan Participation and Servicing Agreement under "other economic assistance"	
Borrower	Grand Rapids Downtown Market Holdings, LLC	
Lender	Fifth Third	
Amount	Up to $4,000,000	
Lender Share	Up to $1,000,000	
MSF Share	Up to $3,000,000	
Payment Terms	96-months	Monthly payment of Interest only. Principal balance payable at the end of 96 months.
Interest Rate		On the MSF share interest will be charged on the outstanding principal balance of the note currently projected at 2%.
Collateral	Cash Collateral	$1,000,000 million in liquid assets satisfactory to Lender
	1st REM	All Real Property of the Borrower (Claims on collateral will apply to Lender Share first and then to MSF Share)

MEMORANDUM

DATE: February 27, 2012

TO: Michigan Strategic Fund ("MSF") Incentive Subcommittee

FROM: Joseph Martin, Manager, Brownfield & Michigan Community Revitalization Programs
Sarah L. Rainero, Community Assistance Team Specialist

SUBJECT: Approval of Michigan Community Revitalization Request for a $1,950,000 Performance-based Loan to:

Parkland Muskegon, Inc. ("Applicant" or "Borrower")
940 Monroe NW, Suite 155
Grand Rapids, MI 49503
www.parklandgr.com

MCRP PROGRAM AND ITS GUIDELINES

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

SOURCE OF INFORMATION

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

HISTORY OF THE APPLICANT

Parkland Muskegon, Inc. is led by Jon Rooks who has successfully completed numerous redevelopment projects such as the Cityview Condos, Monroe Terrace, Union Square Condos, Boardwalk Condos, plus various coastal waterfront properties. Parkland Muskegon, Inc. focuses on two of his development specialties: 1) redeveloping and marketing old buildings in downtown areas in order to adaptively reuse the existing buildings in urban areas and 2) marketing coastal waterfront properties connected to Lake Michigan.

The Applicant has received a 20% MBT Brownfield Credit in July 2008 totaling $1,640,000 for the same project presented in this briefing memo. With the real estate downturn, the project was unable to secure financing and get off the ground in 2008.

PROJECT DESCRIPTION

The Applicant plans to renovate one of the only remaining buildings left following the demolition of most of the structures that formerly comprised the downtown Muskegon Mall. The eight-story building will be converted into a residential apartment development in downtown Muskegon, along with the new construction of a two-story addition alongside to provide additional residential units. The project is located at 241, 255 and 285 W. Western Avenue. The project will contain a total of 72 residential units between the 2 structures. There will be one and two bedroom units, making up 94,000 square feet. Site improvements will include landscaping and parking for residents.

a) The project is a "facility" as authorized under the program. The Applicant plans to make an investment of $10,700,000 to the project for the rehabilitation of the existing eight-story building and the construction of the two-story building addition**,** as authorized under the program. The project will be located in the city of Muskegon. The City has offered a "staff, financial, or economic commitment to the project" in the form of Renaissance Zone (begin phase out in 2021) and tax increment revenues totaling $400,000, plus 5% interest to cover carrying cost for the activities.
b) The project is located in a downtown or traditional commercial center. Preference was given to project based on significance of the eight-story building and the increased density for downtown Muskegon with the added residents.

FINANCING OPPORTUNITY – MCRP REQUEST

The Applicant is seeking a $1,950,000 MCRP loan to finance the project ("MSF Loan"), with proceeds to be disbursed upon completion of the project. At the time of completion, $390,000 will be forgiven and applied against the MSF principal. The Senior Lender has currently proposed to provide a revolving line of credit valued at $4.7 million, until a permanent loan facility or other investors can be brought into the Project. The Project will remit annual payments to the MSF in the amount $40,000. Additionally, the MSF will receive the assignment of all Brownfield Tax Increment Finance Revenue. Based on the projected on the project Tax Increment Financing revenue, the project is anticipated to pay off the $1,560,000 in year 21 or 22.

Whether the project is financially and economically sound:
The Applicant has provided evidence that demonstrates there are sufficient sources to cover the cost of the $10.7 million development with the assistance of the MCRP award. This includes up to $4.7 million in a line of credit with West Michigan Community Bank, $2.6 in developer equity, and brownfield incentives valued at $1.8 million.

The applicant's financial need for a community revitalization incentive:
Based on the projected cash flow from the apartment rentals a traditional term loan would be able to provide only $2.56 million in funds, assuming 5% interest and a 20 year amortization period. Furthermore, the Applicant has committed to provide up to 25% of the project cost as equity, which is on the high end for commercial real estate projects utilizing the MCRP.

LOAN FACILITY

Borrower:	Parkland Muskegon, Inc.
Senior Lender:	Line of Credit – Currently Proposed with First Community Bank
MSF Loan Amount:	Up to $1,950,000, not to exceed 25% of Eligible Investment. $390,000 forgiven upon completion of project. Loan will be subordinate to the senior lender.
Term:	25 Years
Interest Rate:	Zero percent (0%)

Repayment:	Repayments are to begin after MSF disbursement. $40,000 principal annually. In addition to the $40,000 annual payment, the project will receive the assignment of 100% of Brownfield Tax Increment Finance Revenues applied against principal. Balloon at the end of 25 years.
Prepayment:	No prepayment penalty at any time.
Guarantee:	Currently contemplated to include the personal Guarantee of Jonathan Lee Rooks, subordinate to senior loan. The final terms and conditions of the Guarantee to be acceptable to the MSF Fund Manager, the Borrower, and the Senior Lender.
Funding:	Permanent Certificate of Occupancy and other performance criteria to be contained in final loan documents.

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:
The public will benefit from the re-use of one of the largest vacant structures in the downtown. The project improvements will likely help increase property values in the area and add to the marketability of downtown Muskegon. This will be one of the largest revitalization projects undertaken in downtown Muskegon.

B. If the project will act as a catalyst for additional revitalization of the community in which it is located:
The project would be a tremendous catalyst for downtown Muskegon. The downtown has struggled to rebuild since the mall properties were demolished and the real estate market crashed. There are limited residential options presently and the project will add density to the downtown.

C. The amount of local community and financial support for the project:
The City of Muskegon established a Renaissance Zone (begin phase out in 2021) that benefits the project and also has dedicated tax increment revenues totaling $400,000, plus 5% interest to cover carrying cost for the activities.

D. The extent of reuse of vacant buildings, reuse of historical buildings, and redevelopment of blighted property:
The project includes the rehabilitation of an eight-story building that has sat vacant for a number of years and formerly operated as the Hackley Bank.

E. Creation of jobs:
The project will create 2 full time jobs to manage the properties.

F. The level of private sector and other contributions, including, but not limited to, federal funds and federal tax credits:
The MEGA Board approved a 20% MBT Brownfield Credit in July 2008 totaling $1,640,000. The total private investment for the entire property is $10.7 million.

G. Whether the project increases the density of the area:
The density will be increased because the project adds 72 residential units to the downtown core.

H. Whether the project promotes mixed-use development and walkable communities:
The project promotes a walkable community based on the location of the building and its proximity to downtown amenities, such as the post office and the theatre.

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

J. Whether the project promotes sustainable development:
This project will be utilizing several LEED qualifying aspects. The re-use of such a large, vacant building prevents demolition and disposal issues. It alleviates the consumption of new material. The developer will be utilizing water and energy efficiency aspects for residents.

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

L. Whether the project addresses area-wide redevelopment:
This project includes the development of three downtown adjacent and contiguous parcels.

M. Whether the project addresses underserved markets of commerce:
This project addresses underserved markets because the former mall site in downtown Muskegon has been largely vacant for several years and has resulted in a lack of residential options available.

N. The level and extent of environmental contamination:
The property has been determined to be a facility due to contamination related to historic fill conditions. Soil and groundwater samples identified contamination at concentrations above the Part 201 Generic Residential Cleanup Criteria.

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 does not contain a historic resource; therefore, the federal Secretary of Interior's standards do not apply.

P. Whether the project will compete with or affect existing Michigan businesses within the same industry:
This project fills a residential need in the downtown and will not compete with other Michigan businesses.

Q. Any other additional criteria approved by the board that are specific to each individual project and are consistent with the findings and intent of this chapter:
No additional criteria is necessary to note.

<u>INCENTIVE OPPORTUNITY</u>

This project involves $8,200,000 in eligible investment and total capital investment of up to $10,700,000 in the City of Muskegon. The requested incentive amount from the MSF is $1,950,000 in form of a performance based loan with up to $390,000 to be forgiven upon completion of the project.

Please see below for more information on the recommended action.

<u>RECOMMENDATIONS</u>

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

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

MICHIGAN STRATEGIC FUND

RESOLUTION 2013-

APPROVAL OF A MICHIGAN COMMUNITY REVITALIZATION PROGRAM LOAN AWARD TO PARKLAND MUSKEGON, INC.

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

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

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

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

WHEREAS, Parkland Muskegon, Inc. ("Company") has requested a performance based loan of up to $1.95 million ("Award Request"), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A ("Term Sheet");

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

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

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan
February 27, 2013

Exhibit A

Borrower:	Parkland Muskegon, Inc.
Senior Lender:	Line of Credit – Currently Proposed with First Community Bank
MSF Loan Amount:	Up to $1,950,000, not to exceed 25% of Eligible Investment. $390,000 forgiven upon completion of project. Loan will be subordinate to the senior lender.
Term:	25 Years
Interest Rate:	Zero percent (0%)
Repayment:	Repayments are to begin after MSF disbursement. $40,000 principal annually. In addition to the $40,000 annual payment, the project will receive the assignment of 100% of Brownfield Tax Increment Finance Revenues applied against principal. Balloon at the end of 25 years.
Prepayment:	No prepayment penalty at any time.
Guarantee:	Currently contemplated to include the personal Guarantee of Jonathan Lee Rooks, subordinate to senior loan. The final terms and conditions of the Guarantee to be acceptable to the MSF Fund Manager, the Borrower, and the Senior Lender.
Funding:	Permanent Certificate of Occupancy and other performance criteria to be contained in final loan documents.

MEMORANDUM

Date: February 27, 2013

To: Michigan Strategic Fund Board Members

From: Joseph Martin, Manager Brownfield and MCRP

Subject: Michigan Community Revitalization Program
Eligible Investment Soft Cost Determination

BACKGROUND

On December 21, 2011, the MSF Board approved the Michigan Community Revitalization Program ("MCRP") and its guidelines. The MCRP provides grants, loans or other economic assistance to persons that make eligible investments on eligible property within the State of Michigan. The amount of MCRP incentive approved by the MSF Board is limited to 25% of the project's eligible investment. Chapter 8C (MCL 125.2090 through MCL 125.2090d) of the Michigan Strategic Fund Act (MSF) defines eligible investment as certain hard costs, as well as soft costs consisting of architectural, engineering, surveying, and similar professional fees, but not other soft costs as determined by the Board to the extent they were not reimbursed or paid on behalf of the person requesting the MCRP incentive. The definition of Eligible Investment was included as Item 2 in the Current MCRP Guidelines.

On July 25, 2012 the definition of Eligible Investment was further defined in the MCRP Guidelines and approved by the MSF Board. The intent of the July approvals was to provide clarity for the development community on the costs that could be included in the basis for determining the MCRP award. With the passage of Public Act 395 in December of 2012, the definition of eligible investment was changed to allow funds from sources outside of the person requesting the incentive to count towards the cost basis for determining the MCRP award. The change was largely to accommodate non-profit developers who use grant funding as the basis for project development

RECOMMENDATION

Staff recommends approval of the Definition of Eligible Investment described in Attachment 1 of the resolution for the MCRP.

MICHIGAN STRATEGIC FUND

RESOLUTION 2013-

APPROVAL OF THE DEFINITION OF ELIGIBLE INVESTMENT FOR THE MICHIGAN COMMUNITY REVITALIZATION PROGRAM

WHEREAS, the Michigan legislature amended the Michigan Strategic Fund Act, MCL 125.2011 et. seq. ("Act"), to add Chapter 8C (being MCL 125.2090a – MCL 125.2090d, as further 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 ("Guidelines), as later amended. Item 2 of the original Guidelines incorporated the statutory definition of eligible investment found at MCL 125.2090a(d); which statutory definition prohibited including any reimbursed hard costs as part of the eligible investment (and also allowed the MSF to determine those soft costs which shall not qualify as eligible investment under the MCRP);

WHEREAS, on July 25, 2012, by Resolution 2012-76, the MSF determined those soft costs that do not quality as eligible investment under the MCRP, and amended Item 2 of the Guidelines;

WHEREAS, PA 395 2012 amended the definition of eligible investment under the MCRP to allow the inclusion of reimbursed hard costs as part of an eligible investment to the extent the hard costs have not been completely reimbursed;

WHEREAS, as a result of PA 395 2012, the MEDC recommends that the attached definition of eligible investment ("Definition of Eligible Investment") be utilized for the MCRP and replace item 2 of the Guidelines; and

WHEREAS, based on the recommendation of the MEDC, the MSF Board desires to approve the Definition of Eligible Investment and replace item 2 of the Guidelines with the Definition of Eligible Investment.

NOW, THEREFORE, BE IT RESOLVED, the MSF hereby approves the Definition of Eligible Investment and replaces item 2 of the Guidelines with the Definition of Eligible Investment; and

BE IT FURTHER RESOLVED that Resolution 2012-76 is rescinded and replaced with this Resolution.

Ayes:
Nays:
Recused:

Lansing, Michigan
February 27, 2013

Attachment 1

Current Item 2 of the MCRP Guidelines

An eligible investment means at least one, or any combination of, the following expenditures for the project, if subject to a written agreement with the MSF, including investment which occurred prior to the MSF approval of the application for MSF Support to the extent that the investment has not been reimbursed to, or paid for on behalf of, the applicant, which are collectively referred to as “Hard Costs”:

a. any fees or costs for alteration, construction, improvement, demolition, or rehabilitation of buildings of an approved project, including utility tap fees, and fees and costs paid to a governmental entity for permits, zoning, and inspections;
b. any fees or costs for site improvements to an approved project, including, a surface parking lot, parking garage, parking ramp, utilities and public infrastructure such as roads, curbs, gutters, sidewalks, landscaping, lighting, grading and land balancing;
c. any fees or costs for the addition of machinery, equipment or fixtures to an approved project; or
d. professional fees or costs for an approved project for architectural services, engineering services, Phase I environmental site assessment, Phase II environmental site assessment, or Baseline Environmental Assessment, or surveying services**.**

Provided however, the MSF Fund Manager may impose additional terms and conditions involving any Hard Costs that meet eligibility for reimbursement under any tax increment financing, including requiring those costs to be repaid to the MSF, or excluding any such costs from Hard Costs, under the written agreement with the MSF.

Provided further, in no event shall any of the following, whether incurred or expended by the applicant or otherwise, or for the project or otherwise, which are collectively referred to as “Soft Costs”, be deemed any part of the Hard Costs:

a. acquisition fees or costs for real property,
b. developer fees or costs,
c. closing fees or costs,
d. legal fees or costs,
e. professional fees or costs (other than those included above as part of the Hard Costs),
f. title commitment fees or costs,
g. title insurance fees, premiums or costs,
h. management fees or costs (including Project management and construction management),
i. appraisal fees or costs,
j. bank or other lender financing, interest, or inspection fees or costs,
k. leasing or sales commission fees or costs,
l. shared savings, or fees or costs arising from penalties or other reductions in payment from any contract for improvements to the Project,
m. performance bond and other risk contingency fees and costs,
n. marketing fees or costs,
o. LEED certification costs,

p. zoning fees or costs (other than those zoning fees or costs paid to a governmental entity included above as part of the Hard Costs),
q. taxes, and
r. hazard, liability or any other insurance fees and costs.

DEFINITION OF ELIGIBLE INVESTMENT

Replacement Item 2 of the MCRP Guidelines:

An eligible investment means at least one, or any combination of, the following expenditures for the project, if subject to a written agreement with the MSF, including investment which occurred prior to the MSF approval of the application for MSF Support to the extent that the investment has not been ***completely (emphasis added)*** reimbursed to, or paid for on behalf of, the applicant, which are collectively referred to as "Hard Costs":

a. any fees or costs for alteration, construction, improvement, demolition, or rehabilitation of buildings of an approved project, including utility tap fees, and fees and costs paid to a governmental entity for permits, zoning, and inspections;
b. any fees or costs for site improvements to an approved project, including, a surface parking lot, parking garage, parking ramp, utilities and public infrastructure such as roads, curbs, gutters, sidewalks, landscaping, lighting, grading and land balancing;
c. any fees or costs for the addition of machinery, equipment or fixtures to an approved project; or
d. professional fees or costs for an approved project for architectural services, engineering services, Phase I environmental site assessment, Phase II environmental site assessment, or Baseline Environmental Assessment, or surveying services.

Provided however, the MSF Fund Manager may impose additional terms and conditions involving any Hard Costs that meet eligibility for reimbursement under any tax increment financing, including requiring those costs to be repaid to the MSF, or excluding any such costs from Hard Costs, under the written agreement with the MSF.

Provided further, in no event shall any of the following, whether incurred or expended by the applicant or otherwise, or for the project or otherwise, which are collectively referred to as "Soft Costs", be deemed any part of the Hard Costs:

a. acquisition fees or costs for real property,
b. developer fees or costs,
c. closing fees or costs,
d. legal fees or costs,
e. professional fees or costs (other than those included above as part of the Hard Costs),
f. title commitment fees or costs,
g. title insurance fees, premiums or costs,
h. management fees or costs (including Project management and construction management),

Attachment 1

i. appraisal fees or costs,
j. bank or other lender financing, interest, or inspection fees or costs,
k. leasing or sales commission fees or costs,
l. shared savings, or fees or costs arising from penalties or other reductions in payment from any contract for improvements to the Project,
m. performance bond and other risk contingency fees and costs,
n. marketing fees or costs,
o. LEED certification costs,

PURE MICHIGAN

MEMORANDUM

Date: February 27, 2013

To: Michigan Strategic Fund Board Members

From: Joseph Martin, Manager Brownfield and MCRP

Subject: Michigan Community Revitalization Program
Delegated Authorization to Assign Rights and Obligation

BACKGROUND

On December 21, 2011, the MSF Board approved the Michigan Community Revitalization Program ("MCRP") and its guidelines. The MCRP provides grants, loans or other economic assistance to persons that make eligible investments on eligible property within the State of Michigan. As originally approved, Chapter 8C (MCL 125.2090 through MCL 125.2090d) of the Michigan Strategic Fund Act (MSF) allowed the assignment of a grant or loan upon completion of a project. With the passage of Public Act 395 in December of 2012, the provision was changed to allow the assignment of all or a portion of the rights or obligations of the applicant under the final written agreement prior to completion. The change was largely to accommodate the assignment of the grant and/or loan proceeds to the financial institution providing bridge funding into the project. Additionally, many transaction involving New Market Tax Credits and Federal Historic Tax Credits require multiple interrelated parties. This assignment of the award proceeds prior to completion would greatly increase the facilitation of these transactions. Assignment of the grant or loan proceeds to a non-financial institution will require at a minimum the assignee undergo a background review any required key personnel must be satisfactory to the MSF.

RECOMMENDATION

Staff recommends the MSF Board delegate the authority to assign all or a portion of the written agreement to the Fund Manager.

MICHIGAN STRATEGIC FUND

RESOLUTION 2013-

APPROVAL OF DELEGATION OF AUTHORITY FOR ASSIGNMENTS UNDER THE COMMUNITY REVITALIZATION PROGRAM

WHEREAS, the Michigan legislature amended the Michigan Strategic Fund Act, MCL 125.2011 et. seq. ("Act"), to add Chapter 8C (being MCL 125.2090a – MCL 125.2090d, as further 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, in accordance with MCL 125.2005(7), the board may delegate to its president, vice-president, staff, or others those functions and authority that the board deems necessary or appropriate, which may include the oversight and supervision of employees of the fund. However, responsibilities specifically vested in the board under chapter 8A shall be performed by the board and shall not be transferred to the MEDC, except that Michigan business development program incentives under section 88r, and community revitalization incentives under chapter 8C, of $1,000,000.00 or less can be authorized by the president of the fund; and

WHEREAS, on December 21, 2011, by Resolution 2011-185, the MSF: (i) created the MCRP, (ii) adopted the guidelines for the MCRP ("Guidelines), as later amended, 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, MCL 125.2090c and MCL 125.2090d were amended effective December 19, 2012 by 2012 PA 395 to provide that all or a portion of the applicant's rights or obligations under the Transaction Documents may be assigned by the awardee to 1 or more assignees with the prior written approval of, and on terms and conditions acceptable to, the MSF and further allows, upon a determination by the fund or its designee that the project has complied with the written agreement and as otherwise required by the Act, the fund shall distribute the grant or loan proceeds to the applicant or if the grant or loan has been assigned, to the assignee;

WHEREAS, in addition to the authority previously delegated to the MSF Fund Manager by Resolution 2011-185,the MEDC recommends that the MSF delegate authority to the MSF Fund Manager to make all decisions for, including the negotiation of the final terms and conditions for, and to sign all documents memorializing, any assignments of the rights and obligations under any of the Transaction Documents ("Delegation of Authority for MCRP Assignments").

NOW, THEREFORE, BE IT RESOLVED, the MSF hereby approves the Delegation of Authority for MCRP Assignments.

Ayes:
Nays:

Recused:

Lansing, Michigan
February 27, 2013

MEMORANDUM

Date: February 27, 2013

To: Michigan Strategic Fund Board Members

From: Deanna Richeson, Director, Export Office

SUBJECT: Approval of STEP and Council of Great Lakes Governors (CGLG) FY2013 Subcontract

BACKGROUND

The SBA's STEP program assists Small and Medium-Sized Enterprises (SMEs) which by SBA's definition must have less than 500 employees. STEP is a 3-year program, funded at $30 million annually, to support President Obama's call to jump start job growth by doubling U.S. exports in five years.

At the September 27, 2012 Michigan Strategic Fund Board (MSF) meeting Michigan's STEP application program was approved; additionally the Memorandum of Understanding with the Michigan Economic Development Corporation (MEDC) was also amended and approved. The SBA's conditional award has been finalized as of September 27, 2012, and Michigan's STEP award for FY2013 is $2,186,907.

PROPOSAL SUMMARY

The STEP program allows states to incentivize SMEs to begin to export, or to expand their current exports, by reimbursing 50% on allowable export-related activities. Michigan's pathway to double exports in five years includes a second-year plan to assist 600 small business clients. Our export program will direct 66% of this grant funding to SME incentives (46% reimbursements and 20% direct incentives) for the cost of export activities, in large part through deploying resources to our regional export network.

The Council of Great Lakes Governors is a non-partisan partnership of the Governors of the eight Great Lakes States - Illinois, Indiana, Michigan, Minnesota, New York, Ohio, Pennsylvania, and Wisconsin. Through the Council of Great Lakes Governors, four of the Great Lakes States have formed a voluntary, non-competitive partnership to advance and enhance their international trade initiatives. The mission of the shared trade offices is to offer responsive and comprehensive services to small and medium sized companies from the Great Lakes region seeking to expand product and service sales. There is no organization within Michigan that provides this combination of specialized services, leaving the CGLG as the sole source for these service offerings for MSF export clients, resulting in the specialization of specific export related products that cannot be contracted elsewhere.

The proposed MSF contract includes services offered by the CGLG through the shared offices in Toronto, Canada and Shanghai, China. The shared offices are managed by veteran export consultants that offer export services by utilizing their in-country export expertise to assist companies by offering customized market research, appointment setting, agent/distributor/rep searches, end-user searches, matchmaking services for buyer missions, trade mission support, and more.

RECOMMENDATIONS

In accordance with the above information, MEDC staff recommends approval of an agreement effective October 1, 2012 for up to $200,000 with the Council of Great Lakes Governors to provide export services to small and medium sized companies for FY2013. This subcontract approval would be over and above the 5% delegated authority approved in Resolution 2011-139.

MICHIGAN STRATEGIC FUND

RESOLUTION
2013-

APPROVAL OF CONTRACT WITH THE COUNCIL OF GREAT LAKES GOVERNORS FOR STATE TRADE AND EXPORT PROMOTION (STEP) GRANT PROGRAM

WHEREAS, the Export Promotion Act of 2010, Public Law 111-240, Sections 4221-4228 ("EPA") was signed into law on September 27, 2010 for the United States Small Business Administration, Office of International Trade ("SBA") to make grants to states to carry out export programs that assist eligible small business concerns, increase the number of small businesses that are exporting and increase the value of exports for those small businesses that are currently exporting (the "STEP Program");

WHEREAS, in accordance with MCL 125.2005 and MCL 125.2007, the Michigan Strategic Fund ("MSF") was created as a public body corporate and politic within the Department of Treasury and has the authority to solicit grants from the federal government or to participate in a federal government program;

WHEREAS, by letters dated May 6, 2011 and May 4, 2012, Governor Rick Snyder endorsed and designated the MSF as the State of Michigan's official applicant for the STEP Program;

WHEREAS, the MSF as an agency of the State of Michigan submitted an Application for Federal Assistance and related documents to the STEP Program for funding which the SBA approved for the 2013 fiscal year and issued a notice of award to the MSF dated September 24, 2012, in the amount of $2,186,907 ("Base Grant");

WHEREAS, subject to the control and direction of the MSF Board pursuant to a Memorandum of Understanding approved by Resolution 2011-137 and amended by Resolution 2012-107, the Michigan Economic Development Corporation ("MEDC") provides certain administrative services and funds to the MSF for the STEP Program;

WHEREAS, on September 27, 2012, by Resolution 2012-106, the MSF Board ratified and approved the continued operation of the STEP Program in Fiscal Year 2013 pursuant to Resolution 2011-137 and reaffirmed the Delegation of Authority for the STEP Program approved in Resolution 2011-139;

WHEREAS, the Delegation of Authority for the STEP Program gave Board delegates the authority to award additional grants in the aggregate of less than or equal to 5% of the Base Grant received by the MSF;

WHEREAS, the MEDC recommends and the STEP Program would like to enter into an agreement effective October 1, 2012 for up to $200,000 over and above the 5% delegated authority approved in Resolution 2011-139 with the Council of Great Lakes Governors to provide export services to small and medium sized companies; and

WHEREAS, based on the recommendation of the MEDC, the MSF Board deems it necessary and appropriate, and desires to approve an agreement effective October 1, 2012 for up to $200,000 (over and above the 5% delegated authority approved in Resolution 2011-139) with the Council of Great Lakes Governors to provide export services to small and medium sized companies for the STEP Program.

NOW, THEREFORE, BE IT RESOLVED, the MSF hereby approves entering into an agreement effective October 1, 2012 for up to $200,000 (over and above the 5% delegated authority approved in Resolution 2011-139) with the Council of Great Lakes Governors to provide export services to small and medium sized companies for the STEP Program; and

BE IT FURTHER RESOLVED, the MSF Fund Manager or the MSF Chairperson, with only one required to act is authorized to negotiate the terms and conditions of the agreement under the STEP Program and sign the final documents so long as the final terms and conditions are in accordance with this approval by the MSF Board, and not otherwise materially adverse to the interests of the MSF.

Ayes:

Nays:

Recused:

Lansing, Michigan
February 27, 2013

MEMORANDUM

Date: February 27, 2013

To: Michigan Strategic Fund Board Members

From: Deanna Richeson, Director, Export Office

SUBJECT: Approval of STEP and Michigan Small Business and Technology Development Center (MI-SBTDC) FY2013 Subcontract

BACKGROUND

The SBA's STEP program assists Small and Medium-Sized Enterprises (SMEs) which by SBA's definition must have less than 500 employees. STEP is a 3-year program, funded at $30 million annually, to support President Obama's call to jump start job growth by doubling U.S. exports in five years.

At the September 27, 2012 Michigan Strategic Fund Board (MSF) meeting Michigan's STEP program was approved; additionally the Memorandum of Understanding with the Michigan Economic Development Corporation (MEDC) was also amended and approved. The SBA's conditional award has been finalized as of September 27, 2012, and Michigan's STEP award for FY2013 is $2,186,907.

PROPOSAL SUMMARY

The STEP program allows states to incentivize SMEs to begin to export, or to expand their current exports, by reimbursing 50% on allowable export-related activities. Michigan's pathway to double exports in five years includes a second-year plan to assist 600 small business clients. Our export program will direct 66% of this grant funding to SME incentives (46% reimbursements and 20% direct incentives) for the cost of export activities, in large part through deploying resources to our regional export network.

The Michigan Small Business and Technology Development Center (MI-SBTDC) enhances Michigan's economic well-being by providing counseling, training, research and advocacy for new ventures, existing small businesses and innovative technology companies. With offices statewide, the MI-SBTDC positively impacts the economy by strengthening existing companies, creating new jobs, retaining existing jobs, and assisting companies in defining their path to success.

The MI-SBTDC enhanced these service offerings and tailored them specifically for MSF export clients, resulting in the specialization of specific export related products that cannot be contracted elsewhere. Included in these direct incentives are customized export services offered by the MI-SBTDC to assist companies by offering Search Engine Optimization (SEO), Profitability Assessments, Export Milestone Mapping, and Financial Fitness Assessments.

RECOMMENDATIONS

In accordance with the above information, MEDC staff recommends approval of an agreement effective October 1, 2012 for up to $230,000 with the MI-SBTDC to provide customized export services to small and medium sized companies by offering Search Engine Optimization (SEO), Profitability Assessments, Export Milestone Mapping, and Financial Fitness Assessments for FY2013. This subcontract approval would be over and above the 5% delegated authority approved in Resolution 2011-139.

MICHIGAN STRATEGIC FUND

RESOLUTION
2013-

APPROVAL OF CONTRACT WITH THE MICHIGAN SMALL BUSINESS AND TECHNOLOGY DEVELOPMENT CENTER FOR STATE TRADE AND EXPORT PROMOTION (STEP) GRANT PROGRAM

WHEREAS, the Export Promotion Act of 2010, Public Law 111-240, Sections 4221-4228 ("EPA") was signed into law on September 27, 2010 for the United States Small Business Administration, Office of International Trade ("SBA") to make grants to states to carry out export programs that assist eligible small business concerns, increase the number of small businesses that are exporting and increase the value of exports for those small businesses that are currently exporting (the "STEP Program");

WHEREAS, in accordance with MCL 125.2005 and MCL 125.2007, the Michigan Strategic Fund ("MSF") was created as a public body corporate and politic within the Department of Treasury and has the authority to solicit grants from the federal government or to participate in a federal government program;

WHEREAS, by letters dated May 6, 2011 and May 4, 2012, Governor Rick Snyder endorsed and designated the MSF as the State of Michigan's official applicant for the STEP Program;

WHEREAS, the MSF as an agency of the State of Michigan submitted an Application for Federal Assistance and related documents to the STEP Program for funding which the SBA approved for the 2013 fiscal year and issued a notice of award to the MSF dated September 24, 2012, in the amount of $2,186,907 ("Base Grant");

WHEREAS, subject to the control and direction of the MSF Board pursuant to a Memorandum of Understanding approved by Resolution 2011-137 and amended by Resolution 2012-107, the Michigan Economic Development Corporation ("MEDC") provides certain administrative services and funds to the MSF for the STEP Program;

WHEREAS, on September 27, 2012, by Resolution 2012-106, the MSF Board ratified and approved the continued operation of the STEP Program in Fiscal Year 2013 pursuant to Resolution 2011-137 and reaffirmed the Delegation of Authority for the STEP Program approved in Resolution 2011-139;

WHEREAS, the Delegation of Authority for the STEP Program gave Board delegates the authority to award additional grants in the aggregate of less than or equal to 5% of the Base Grant received by the MSF;

WHEREAS, the MEDC recommends and the STEP Program would like to enter into an agreement effective October 1, 2012 for up to $230,000 over and above the 5% delegated authority approved in Resolution 2011-139 with the Michigan Small Business and Technology Development Center ("MI-SBTDC") to provide customized export services to small and medium sized companies by offering Search Engine Optimization (SEO), Profitability Assessments, Export Milestone Mapping, and Financial Fitness Assessments; and

WHEREAS, based on the recommendation of the MEDC, the MSF Board deems it necessary and appropriate, and desires to approve an agreement effective October 1, 2012 for up to $230,000 (over and above the 5% delegated authority approved in Resolution 2011-139) with the MI-SBTDC to provide customized export services to small and medium sized companies for the STEP Program.

NOW, THEREFORE, BE IT RESOLVED, the MSF hereby approves entering into an agreement effective October 1, 2012 for up to $230,000 (over and above the 5% delegated authority approved in Resolution 2011-139) with the MI-SBTDC to provide customized export services to small and medium sized companies for the STEP Program; and

BE IT FURTHER RESOLVED, the MSF Fund Manager or the MSF Chairperson, with only one required to act is authorized to negotiate the terms and conditions of the agreement under the STEP Program and sign the final documents so long as the final terms and conditions are in accordance with this approval by the MSF Board, and not otherwise materially adverse to the interests of the MSF.

Ayes:

Nays:

Recused:

Lansing, Michigan
February 27, 2013

PURE MICHIGAN®

MEMORANDUM

Date: February 27, 2013

To: Michigan Strategic Fund Board Members

From: Joshua Hundt, Manager – Development Finance
Amy Lux, Renaissance Zone Program Specialist

Subject: Cell Manufacturing Credit Amendment
Advanced Lithium Ion Battery Pack Credit Amendment
Renaissance Zone Amendment
Dow Kokam MI LLC

COMPANY BACKGROUND

Dow Kokam MI LLC ("Dow Kokam") was established in 2009 to develop and manufacture technologically advanced and economically viable battery solutions for the transportation, defense, industrial and medical industries. The company is owned by The Dow Chemical Company, TK Advanced Battery LLC and Groupe Industriel Marcel Dassault.

Dow Kokam is headquartered in Midland, Michigan and has established a battery manufacturing park in Midland, Michigan.

PROJECT DESCRIPTION AND BACKGROUND

On April 14, 2009 Dow Kokam was approved for a Cell Manufacturing Credit (amended April 23, 2010 and October 20, 2010) and on February 24, 2010 Dow Kokam was approved for a Renaissance Zone for the construction of an integrative cell manufacturing facility that includes anode and cathode manufacturing and cell assembly in Midland, Michigan.

On February 25, 2010 (amended October 20, 2010) Dow Kokam was approved for an Advanced Lithium Ion Pack Credit construction of a new Phase II to their battery manufacturing facility in Midland, Michigan to manufacture advanced lithium ion battery packs for hybrids.

Dow Kokam continues to move forward with its cell manufacturing and pack manufacturing projects. As of December 31, 2012 the company reported that it has created 109 jobs and invested over $340,000,000 for these projects. However, due to slower than anticipated development of the marketplace for advanced energy storage systems the timing of project completion has changed. Dow Kokam plans to complete the requirements associated with each of the incentives based on extended timeframes.

RECOMMENDATION

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

a) Approval of the proposed amendments to the Cell Manufacturing Credit, Advanced Lithium Ion Battery Pack Credit, and Renaissance Zone, as outlined in the Exhibit A attached to the proposed Resolutions.

Cell Manufacturing Credit

Tax Year Ending	Current Requirements	Proposed Requirements	Maximum Credit
12/31/2012	• Capital investment of $50 million* • Administrative fee of $100,000	• Capital investment of $50 million* • Administrative fee of $100,000 • Submission of annual report	$25 million
12/31/2013	• Cumulative capital investment of $100 million*	• Cumulative capital investment of $100 million* • Creation of 75 new jobs • Submission of annual report • Formal meeting with MEDC	$25 million
12/31/2014	• Cumulative capital investment of $150 million*	• Cumulative capital investment of $150 million* • Creation of 75 cumulative new jobs • Submission of annual report • Formal meeting with MEDC	$25 million
12/31/2015	• Cumulative capital investment of $200 million • Creation of 300 new jobs	• Cumulative capital investment of $200 million • Creation of 125 cumulative new jobs • Submission of annual report • Formal meeting with MEDC	$25 million
12/31/2016	• No requirements	• Creation of 155 cumulative new jobs • Submission of annual report • Formal meeting with MEDC	None
12/31/2017	• No requirements	• Creation of 220 cumulative new jobs • Submission of annual report • Formal meeting with MEDC	None
12/31/2018	• No requirements	• Creation of 300 cumulative new jobs • Submission of annual report • Formal meeting with MEDC	None

* Capital investment amount required in order to qualify for maximum credit value

Lithium Ion Battery Pack Credit

Tax Year Ending	Current Requirements	Proposed Requirements	Maximum Credit
12/31/2012	• No requirements	• No requirements	$10.5 million
12/31/2013	• Manufacture of at least 2,000	• Manufacture of at least 2,000	$10.5 million

	advanced lithium ion packs in Michigan	advanced lithium ion packs in Michigan • Creation of 75 new jobs • Submission of annual report • Formal meeting with MEDC	
12/31/2014	• Manufacture of at least 6,000 advanced lithium ion packs in Michigan	• Manufacture of at least 6,000 advanced lithium ion packs in Michigan • Creation of 75 cumulative new jobs • Submission of annual report • Formal meeting with MEDC	$10.5 million
12/31/2015	• Manufacture of at least 12,000 advanced lithium ion packs in Michigan	• Manufacture of at least 12,000 advanced lithium ion packs in Michigan • Creation of 125 cumulative new jobs • Submission of annual report • Formal meeting with MEDC	$10.5 million
12/31/2016	• Manufacture of at least 20,000 advanced lithium ion packs in Michigan • Manufacture a cumulative total of at least 75,000 lithium ion packs in Michigan • Creation of at least 300 jobs in addition to the jobs required for the Cell Manufacturing credit • Capital investment of $200 million in addition to the $300 million related to Cell Manufacturing credit	• Manufacture of at least 16,000 advanced lithium ion packs in Michigan • Creation of 155cumulative new jobs • Submission of annual report • Formal meeting with MEDC	None
12/31/2017	• No requirements	• Manufacture of at least 20,000 advanced lithium ion packs in Michigan • Creation of 220 cumulative new jobs • Submission of annual report • Formal meeting with MEDC	None
12/31/2018	• No requirements	• Manufacture of at least 22,000 advanced lithium ion packs in Michigan • Creation of 300 cumulative new jobs • Submission of annual report • Formal meeting with MEDC	None
12/31/2019	• No requirements	• Manufacture of at least 24,000 advanced lithium ion packs in Michigan	None

		• Creation of 300 cumulative new jobs • Submission of annual report • Formal meeting with MEDC	
12/31/2020	• No requirements	• Manufacture of at least 25,000 advanced lithium ion packs in Michigan • Manufacture a cumulative total of at least 75,000 lithium ion packs in Michigan • Creation of 300 cumulative new jobs in addition to the jobs required for the Cell Manufacturing credit • Capital investment of $200 million in addition to the $300 million related to Cell Manufacturing credit • Submission of annual report • Formal meeting with MEDC	None

Renaissance Zone

Year	Current Requirements	Proposed Requirements
2013	• Capital investment of at least $294 million • Submission of annual report	• Capital investment of at least $294 million • Submission of annual report • Formal meeting with MEDC
2014	• Creation of 320 new jobs • Submission of annual report	• Creation of 96 new jobs • Submission of annual report • Formal meeting with MEDC
2015	• Submission of annual report	• Creation of 125 new jobs • Submission of annual report • Formal meeting with MEDC
2016	• Submission of annual report	• Creation of 155 new jobs • Submission of annual report • Formal meeting with MEDC
2017	• Submission of annual report	• Creation of 220 new jobs • Submission of annual report • Formal meeting with MEDC
2018	• Submission of annual report	• Creation of 320 new jobs • Submission of annual report • Formal meeting with MEDC
2019-2025	• Submission of annual report	• Maintenance of 320 new jobs • Submission of annual report

MICHIGAN STRATEGIC FUND

RESOLUTION 2013-

AMENDMENT TO DEVELOPMENT AGREEMENT
Dow Kokam MI, LLC

WHEREAS, on February 24, 2010, by Resolution 2010-033 the Michigan Strategic Fund Board (the"MSF") approved an MSF-designated renaissance Zone for Dow Kokam MI, LLC (the "Company"), as authorized in Section 8a(2) of Public Act 376 of 1996, the amended Michigan Renaissance Zone Act (the "Act");

WHEREAS, as a condition of renaissance zone designation a development agreement (the "Agreement") was entered in to between the MSF, the Company, the City of Midland, and the real property owner, The Dow Chemical Company (the "Owner");

WHEREAS, the Agreement outlined various conditions to receiving the benefits of a Renaissance Zone, including a requirement that the Company achieve a certain job creation milestone by a specified due date;

WHEREAS, in order to respond to customer demand that was slower than originally projected, the Company has begun hiring at a more gradual pace than anticipated, requiring adjustment to the deadline for the job creation milestone;

WHEREAS, the Michigan Economic Development Corporation (the "MEDC") provides administrative services for the renaissance zone program and has reviewed the Amendment Application submitted by the Company requesting modification to the job creation deadline to accommodate the economic realities of the Company's industry;

WHEREAS, the MEDC recommends the Agreement be amended to reflect the modified capital investment milestone deadline;

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board amends the Agreement between the MSF, the Company, the City, and the Owner to reflect a job creation milestone that requires the Company to create at least a minimum of 320 new Full-Time Jobs,as defined in the Agreement, by December 31, 2018;

BE IT FURTHER RESOLVED, that the MSF Board authorizes the Fund Manager to take any action necessary to effectuate the terms of this Resolution. The Fund Manager, in consultation with the Department of the Attorney General, is authorized to negotiate the terms and conditions of the amendment 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, that, except as provided in this Resolution, the terms of the Agreement shall remain unchanged and in full effect.

Ayes:

Nays:

Recused:

Lansing, Michigan
February 27, 2013

MICHIGAN STRATEGIC FUND

RESOLUTION 2013-

Dow Kokam MI, LLC
Advanced Lithium Ion Battery Pack Credit (Amendment #2)

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

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

WHEREAS, the MEGA Board adopted Resolution 2010-013 on February 25, 2010, authorizing a tax credit in connection with manufacturing advanced lithium ion battery packs (the "Project") to Dow Kokam MI, LLC (the "Company");

WHEREAS, as a result of a slower than anticipated development of the marketplace for advanced energy storage systems, the Company wishes to change the timing of project completion requirements by creating not less than 300 new jobs, in Michigan in addition to the 300 new jobs required by the Cell Manufacturing Credit, by December 31, 2020 instead of December 31, 2016;

WHEREAS, the Company also wishes to change the timing of the project completion requirements by making a minimum capital investment of $200,000,000 related to the manufacturing of advanced lithium ion battery packs by December 31, 2020 instead of January 1, 2017; and

WHEREAS, the Michigan Economic Development Corporation provides administrative services to the MSF, and recommends approval of the Amendment to the Retention Tax Credit by the MSF Board, provided that the Company manufactures at least 2,000 advanced lithium ion packs by December 31, 2013, at least 6,000 advanced lithium ion packs by December 31, 2014, at least 12,000 advanced lithium ion packs by December 31, 2015, at least 16,000 advanced lithium ion packs by December 31, 2016, at least 20,000 advanced lithium ion packs by December 31, 2017, at least 22,000 advanced lithium ion packs by December 31, 2018, at least 24,000 advanced lithium ion packs by December 31, 2019, and at least 25,000 advanced lithium ion packs by December 31, 2020, for a total of 127,000 advanced lithium ion packs by January 1, 2021.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board authorizes an amendment requiring the Company to create no less than 300 new jobs, in addition to the 300 new jobs required by the Cell Manufacturing Credit, by December 31, 2020, and make a minimum capital investment of $200,000,000 related to the manufacturing of advanced lithium ion battery packs by December 31, 2020; provided that that the Company manufactures at least 2,000 advanced lithium ion packs by December 31, 2013, at least 6,000 advanced lithium ion packs by December 31, 2014, at least 12,000 advanced lithium ion packs by December 31, 2015, at least 16,000 advanced lithium ion packs by December 31, 2016, at least 20,000 advanced lithium ion packs by December 31, 2017, at least 22,000 advanced lithium ion packs by December 31, 2018, at least 24,000 advanced lithium ion packs by December 31, 2019, and at least 25,000 advanced lithium ion packs by December 31, 2020, for a total of 127,000 advanced lithium ion packs by January 1, 2021.

BE IT FURTHER RESOLVED, that all other provisions of Resolution 2010-013 are reaffirmed and the MSF authorizes the MSF Fund Manager to implement the terms of this resolution.

Ayes:

Nays:

Recused:

Lansing, Michigan
February 27, 2013

MICHIGAN STRATEGIC FUND

RESOLUTION 2013-

Dow Kokam MI, LLC
Cell Manufacturing Credit (Amendment #3)

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

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

WHEREAS, the MEGA Board adopted Resolution 2009-058 on April 14, 2009, authorizing a tax credit in connection with qualified expenses for cell manufacturing to KD ABG MI, LLC (the "Project");

WHEREAS, the MEGA Board adopted Resolution 2009-153 on September 22, 2009 authorizing a transfer of the tax credit to Dow Kokam MI, LLC (the "Company");

WHEREAS, as a result of a slower than anticipated development of the marketplace for advanced energy storage systems, the Company wishes to change the timing of project completion requirements by creating not less than 300 new jobs in Michigan by December 31, 2018 instead of December 31, 2015; and

WHEREAS, the Michigan Economic Development Corporation provides administrative services to the MSF, and recommends approval of the Amendment to the Retention Tax Credit by the MSF Board, provided that the Company creates no less than 75 new jobs by December 31, 2013, an additional 50 new jobs by December 31, 2015, an additional 30 new jobs by December 31, 2016, an additional 55 new jobs by December 31, 2017, and an additional 80 new jobs (for a total of 300 new jobs) by December 31, 2018.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board authorizes an amendment requiring the Company to create no less than 75 new jobs by December 31, 2013, an additional 50 new jobs by December 31, 2015, an additional 30 new jobs by December 31, 2016, an additional 55 new jobs by December 31, 2017, and an additional 80 new jobs (for a total of 300 new jobs) by December 31, 2018; and

BE IT FURTHER RESOLVED, that all other provisions of Resolution 2009-058, as amended, are reaffirmed and the MSF authorizes the MSF Fund Manager to implement the terms of this resolution.

Ayes:

Nays:

Recused:

Lansing, Michigan
February 27, 2013

Exhibit A

PURE MICHIGAN®

February 25, 2013

Mr. Bill Gagliardi – Director, Public Affairs and Government Relations
Dow Kokam MI, LLC ("Dow Kokam")
2125 Ridgewood Drive
Midland, MI 48642

Dear Mr. Gagliardi,

This terms sheet replaces the term sheet dated February 12, 2013.

Based on your modification and amendment applications for your Cell Manufacturing Tax Credit, Advanced Lithium Ion Battery Pack Credit, and Renaissance Zone the Michigan Economic Development Corporation plans to recommend the following amendments to the Michigan Strategic fund Board:

Cell Manufacturing Credit (April 14, 2009; as amended April 23, 2010 and October 20, 2010): All terms of the original Cell Manufacturing Credit will remain the same, which are included in the terms sheet dated April 17, 2009 and the current Cell Manufacturing Credit Agreement and as amended April 23, 2010 and October 20, 2010 , except as noted in the following section. Original terms include:

- Terms: Credit is for 50% of eligible capital investment expenses for the construction of an integrated cell manufacturing plant. The credit shall not exceed $25 million per year for no more than four years beginning with the tax year 2012. Tax credits may be based on expenses incurred in Michigan beginning April 15, 2009. The maximum value of the credit is $100 million.
- Dow Kokam MI, LLC must create 300 new jobs in connection with the project by December 31, 2015.
- Administrative Fee of $100,000 is required upon submission of Dow Kokam's first certificate application.

Amendment to Cell Manufacturing Credit (Anticipated for February 22, 2013):

- Amend section 4.0 (a) (1) new job requirements to involve cumulative job creation milestones as follows:
  - December 31, 2013 – 75 new jobs
  - December 31, 2014 – 75 new jobs
  - December 31, 2015 – 125 new jobs
  - December 31, 2016 – 155 new jobs
  - December 31, 2017 – 220 new jobs
  - December 31, 2018 – 300 new jobs
- Amend section 10.0 (c) to require reporting at least annually.

- Add a section that Dow Kokam must meet with MEDC staff at least annually beginning in 2014 to formally review progress and requirements.

I have read and understand the above requirements associated with the tax credit.

Initials: WJG

Advanced Lithium Ion Battery Pack Credit (February 25, 2010, as amended October 20, 2010):

All terms of the original Advanced Lithium Ion Battery Pack Credit will remain the same as in the terms sheet dated February 12, 2010 and the current Advanced Lithium Ion Battery Pack Credit Agreement, and the amendment dated October 20, 2010, except as noted in the following section. Original terms include:

- Terms: Credit is for four consecutive years beginning with Dow Kokam's tax year that begins January 1, 2012. In any year in which Dow Kokam is eligible to receive the credit, the amount of the tax credit received by the company shall not exceed $10,500,000, for a total credit not to exceed $42,000,000.
- Dow Kokam must create 300 new jobs, these jobs are in addition to and do not include the 300 jobs that are created by Dow Kokam's Cell Manufacturing project, by December 31, 2016.
- The company manufactures Advanced Lithium Ion Packs in the state of Michigan on the schedule as follows:
    - During the tax year ending December 31, 2013, at least 2,000 advanced lithium ion packs:
    - During the tax year ending December 31, 2014, at least 6,000 advanced lithium ion packs:
    - During the tax year ending December 31, 2015, at least 12,000 advanced lithium ion packs
    - During the tax year ending December 31, 2016, at least 20,000 advanced lithium ion packs:
    - On or before January 1, 2017, a total of at least 75,000 advanced lithium ion packs.
- Dow Kokam must make a total eligible capital investment of $200,000,000 related to the manufacturing of advanced lithium ion battery packs, not including the capital investments made in the cell manufacturing project, by January 1, 2017.

Amendment to Advanced Lithium Ion Pack Credit (Anticipated for February 22, 2013):

- Amend section 4.0 (a) (2) new job requirements to involve cumulative job creation milestones as follows:
    - December 31, 2013 – 75 new jobs (Same jobs as required in Cell Manufacturing Credit)
    - December 31, 2014 – 75 new jobs (Same jobs as required in Cell Manufacturing Credit)
    - December 31, 2015 – 125 new jobs (Same jobs as required in Cell Manufacturing Credit)

  - December 31, 2016 – 155 new jobs (Same Jobs as required in Cell Manufacturing Credit)
  - December 31, 2017 – 220 new jobs (Same jobs as required in Cell Manufacturing Credit)
  - December 31, 2018 – 300 new jobs (Same jobs as required in Cell Manufacturing Credit)
  - December 31, 2019 – 300 new jobs(Same jobs as required in Cell Manufacturing Credit)
  - December 31, 2020 – 300 new jobs – are in addition to the 300 new jobs required in Cell Manufacturing Credit
- Amend section 4.0 (a) (3) with the following schedule for the manufacture of advanced lithium ion packs in the State of Michigan:
  - During the tax year ending December 31, 2013, at least 2,000 advanced lithium ion packs:
  - During the tax year ending December 31, 2014, at least 6,000 advanced lithium ion packs:
  - During the tax year ending December 31, 2015, at least 12,000 advanced lithium ion packs
  - During the tax year ending December 31, 2016, at least 16,000 advanced lithium ion packs:
  - During the tax year ending December 31, 2017, at least 20,000 advanced lithium ion packs:
  - During the tax year ending December 31, 2018, at least 22,000 advanced lithium ion packs:
  - During the tax year ending December 31, 2019, at least 24,000 advanced lithium ion packs:
  - During the tax year ending December 31, 2020, at least 25,000 advanced lithium ion packs:
  - On or before January 1, 2021, a total of at least 127,000 advanced lithium ion packs.
- Amend section 10.0 (b) to require reporting at least annually.
- Add a section that Dow Kokam must meet with MEDC staff at least annually beginning in 2014 to formally review progress and requirements.
- Dow Kokam must make a total eligible capital investment of $200,000,000 related to the manufacturing of advanced lithium ion battery packs by December 31, 2020. This is in addition to the capital investment of $300,000,000 made in the Cell Manufacturing credit,

I have read and understand the above requirements associated with the tax credit.

Initials: WJG

Renaissance Zone (February 24, 2010):

All terms of the original Advanced Lithium Ion Battery Pack Credit will remain the same, which are included in the terms sheet dated April 17, 2009 and the current Renaissance Zone development agreement, except as noted in the following section. Original terms include:

- Terms: The Renaissance Zone is located at parcel numbers 14-22-20-009 and 14-22-30-011 in the City of Midland, Michigan for the period from January 1, 2011 through December 31, 2025.
- Dow Kokam must have commenced the project by February 24, 2011.
- Dow Kokam must make a total eligible capital investment for improvements to the property by February 1, 2013.
- Dow Kokam must create at least 320 new fulltime jobs at the property by February 1, 2014.

Amendment to the Renaissance Zone (Anticipated for February 22, 2013):

- Amend section 4.0 (c) new job requirements to involve cumulative job creation milestones as follows:
  - December 31, 2014 – 96 new jobs
  - December 31, 2015 – 125 new jobs
  - December 31, 2016 – 155 new jobs
  - December 31, 2017 – 220 new jobs
  - December 31, 2018 – 320 new jobs

I have read and understand the above requirements associated with the tax credit.

Initials: WTG

Your signature constitutes acceptance of these terms and requirements. The MSF Board will not consider your application for amendments until we receive the signed terms sheet.

Please return via email to hundtj2@michigan.org by February 26, 2013.

Sincerely,

Joshua Hundt
Manager, Development Finance – MEDC

Print Name: WILLIAM T. GAGLIARDI
Title: DIRECTOR, PUBLIC AFFAIRS AND GOVERNMENT RELATIONS
Dow Kokam MI LLC

** Acceptance of these terms are also subject to a business integrity review and background check process, the results of which are satisfactory to the MEDC, MSF, and Office of the Chief Compliance Officer, or any of their designees.

Cc: Jeremy Webb, MEDC
Amy Lux, MEDC

MEMORANDUM

Date:	February 27, 2013
To:	Michigan Strategic Fund Board Members
From:	Amy Lux, Renaissance Zone Program Specialist
Subject:	Renaissance Zones: Revocation of Existing Zone **United Solar Ovonic, LLC** City of Battle Creek, Calhoun County

COMPANY BACKGROUND

United Solar Ovonic, LLC (the "Company") was in the business of manufacturing and selling thin-film solar laminates that convert sunlight to energy using proprietary technology. The Company received an Michigan Strategic Fund Board (the "MSF") -designated Renaissance Zone on October 22, 2008, for their proposed project to construct two new manufacturing facilities at a site in the Fort Custer Industrial Park in the City of Battle Creek (the "City"). In exchange for the Renaissance Zone designation, the Company entered into a Development Agreement (the "Agreement") with the MSF outlining specific conditions, including job creation targets, capital investment commitments, and annual reporting requirements.

PROJECT BACKGROUND

Due to the economic downturn, the Company's project has been on hold since 2009; and, in 2012, the Company informed the Michigan Economic Development Corporation (the "MEDC") that it is abandoning the project. For this reason, the milestones the Company committed to in the Agreement, investment of $440 million in personal and real property improvements and creation of at least 700 new, full-time jobs by the end of 2011, have not occurred. Per Section 7 of the Agreement, the MSF may revoke the Renaissance Zone designation based on the Company's failure to attain these milestones.

At the request of the Company and the City, the MEDC has waited to initiate the revocation action so that the Renaissance Zone could be used as a marketing tool to attract a new business to the site. The City has successfully obtained commitment from Dieomatic, Inc. ("Dieomatic"), d/b/a Cosma Casting Michigan, a subsidiary of Magna Cosma International, to move in to and develop the Company's former location. Dieomatic has acquired the Company's former site and plans to invest approximately $175 million in new capital improvements and to create more than 500 new jobs by the end of 2015. However, Dieomatic has elected not to seek a transfer of the Renaissance Zone designation and instead is pursuing other incentives, including local tax benefits and a $1.6 million performance-based MBDP grant awarded by the MSF Board on January 23, 2013. On February 11, 3013, the MSF Fund manager received a letter of support for the revocation from the City, indicating that Dieomatic has closed on the property.

RECOMMENDATION

The MEDC recommends the revocation of the MSF-designated Renaissance Zone awarded to United Solar Ovonic, LLC, effective January 1, 2014. As the company has been forthcoming regarding their project's lack of success, repayment of previous abated taxes is not requested.

MICHIGAN STRATEGIC FUND

RESOLUTION 2013-

REVOCATION OF AN EXISTING MSF DESIGNATED RENAISSANCE ZONE:
United Solar Ovonic, LLC

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

WHEREAS, on October 22, 2008, the MSF Board approved an MSF Designated Renaissance Zone for United Solar Ovonic, LLC (the "Company") for a 15-year term beginning January 1, 2009;

WHEREAS, Section 8a(2) of the Act requires a development agreement be entered into between the MSF and the Company receiving the Renaissance Zone (the "Development Agreement"), which committed the Company to numerous milestones with regards to job creation, new investment, and reporting requirements;

WHEREAS, Section 7 of the Development Agreement allows the MSF to revoke the renaissance zone designation in the event of the Company's failure to comply with any terms or conditions of the Development Agreement;

WHEREAS, the Company, has ceased operating its facility, has abandoned their project, and has failed to meet either their capital investment or job creation commitments, in violation of the terms of its Development Agreement;

WHEREAS, the Michigan Economic Development Corporation (the "MEDC") provides administrative services for the renaissance zone program, and was informed by the Company that the Company was no longer occupying the site containing the Renaissance Zone and has abandoned the project, in violation of their Development Agreement;

WHEREAS, the MEDC has also notified the City of Battle Creek of its recommendation that the Company's MSF designated Renaissance Zone be revoked;

WHEREAS, pursuant to the Development Agreement, staff, on behalf of the MSF, has sent notice to the Company to cure its noncompliance or it will recommend revocation, and the 90-day cure period has since lapsed; and

WHEREAS, the MEDC recommends that the MSF Board approves the revocation of the Company's MSF designated Renaissance Zone.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board approves the revocation of the Company's MSF designated Renaissance Zone designation; and

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

Ayes:

Nays:

Recused:

Lansing, Michigan
February 27, 2013

PURE MICHIGAN

MEMORANDUM

Date:	February 27, 2013
To:	Michigan Strategic Fund Board Members
From:	Amy Lux, Renaissance Zone Program Specialist
Subject:	City of Detroit Renaissance Zone, Southwest/Delray Subzone Request for Transfer of Real Property Mobis North America, LLC/Sakthi Automotive Group USA, Inc

COMPANY BACKGROUND

Ohio Module Manufacturing Company, LLC (the "OMMC") was incorporated in 2005 as a subsidiary of Hyundai Mobis to supply the complete chassis module for the Jeep Wrangler. Hyundai Mobis is Korea's largest car parts maker employing over 6,100 worldwide. OMMC has since changed their name to Mobis North America, LLC, but they remain in the business of manufacturing automotive parts, mostly for the Chrysler vehicles Jeep Grand Cherokee and Dodge Durango.

PROJECT DESCRIPTION AND BACKGROUND

On December 16, 2009, the Michigan Strategic Fund Board (the "MSF") awarded OMMC a five-year time extension for property encompassing their facility in the Southwest/Delray Subzone in the City of Detroit Renaissance Zone. The Renaissance Zone designation was meant to support OMMC's expansion project due to new business from Chrysler for its new Jeep platforms and supplies components to Chrysler's Jefferson North facility. In exchange for the designation, OMMC, and the property owner—Meritor, Inc.—entered in to a development agreement with the MSF in December of 2009 (the "Agreement"), agreeing to milestones and transfer of ownership restrictions. OMMC has met all investment and job creation milestones required by the Agreement and remains a stable business.

The transfer of ownership restrictions in the Agreement requires the MSF to approve any sale of real property if Renaissance Zone benefits are to transfer. In December 2011, the MSF approved the transfer of property from Meritor, Inc. to West Fort Street Properties, LLC, but the sale never took place. Meritor, Inc. is now returning to the MSF requesting approval of their sale of the property, consummated between parties on February 17, 2013, to a different entity, Sakthi Automotive Group USA, Inc. (the "Sakthi").

RECOMMENDATION

Staff recommends MSF approval of the transfer of the real property and its associated benefits from Meritor, Inc. to Sakthi Automotive Group USA, Inc., effective immediately, under the condition that an assignment and assumption agreement regarding the Agreement be entered into between Sakthi, Meritor, Inc., and the MSF on or before December 31, 2013. All other provisions of the Agreement remain in effect.

MICHIGAN STRATEGIC FUND

RESOLUTION 2013-

AMENDMENT TO RESOLUTION GRANTING TIME EXTENSION FOR EXISTING RENAISSANCE ZONE – SALE OF PROPERTY
Mobis North America, LLC f/k/a Ohio Module Manufacturing Company, LLC

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

WHEREAS, with the repeal of the Michigan Business Tax, companies that have a renaissance zone designation after December 31, 2011, will only receive the renaissance zone benefits on real and personal property taxes unless the companies have an existing certificated credit as defined in MCL 208.1107;

WHEREAS, in December of 2009, by Resolution 2009-203 the MSF approved the City of Detroit's application, as filed with the Michigan Economic Development Corporation (the "MEDC"), for a time extension for a project by Ohio Module Manufacturing Company, LLC and for property parcel numbers 23002001.508, 18007810-22, 18000388-402 and 18000387 (the "Property") owned by Meritor, Inc. f/k/a ArvinMeritor, Inc. (the "Meritor");

WHEREAS, as a condition of the time extension a development agreement was entered into between Meritor, Ohio Module Manufacturing Company, LLC and the MSF that incorporated the terms described in Resolution 2009-203, including a requirement that all real property sales be approved by the MSF;

WHEREAS, the MSF approved the transfer of sale from Meritor to a different entity, West Fort Street Properties, LLC, via Resolution 2011-175, but the sale of the Property never took place;

WHEREAS, Meritor has now executed sale of the Property to Sakthi Automotive Group USA, Inc. ("Sakthi"), transferring all of its rights, duties, obligations, terms, conditions, commitments and responsibilities under the development agreement, subject to MSF approval;

WHEREAS, the MEDC provides administrative services for the renaissance zone program and recommends that the MSF amend Resolution 2009-203 to consent to and allow the transfer of the Property and all of Meritor's rights, duties, obligations, terms, conditions, commitments, and responsibilities under the development agreement to Sakthi, subject to an assignment agreement regarding the development agreement shall be entered into between Sakthi and the MSF on or before December 31, 2013.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board amends Resolution 2009-203 to consent to and allow the transfer of the Property and all of Meritor's rights, duties, obligations, terms, conditions, commitments, and responsibilities under the development agreement to Sakthi, subject to an assignment agreement regarding the development agreement shall be entered into between Sakthi and the MSF on or before December 31, 2013.

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

BE IT FURTHER RESOLVED, that, except as provided in this Resolution, the terms of Resolution 2009-203 shall remain unchanged and in full effect.

Ayes:

Nays:

Recused:

Lansing, Michigan
February 27, 2013

MEMORANDUM

Date: February 27, 2013

To: Michigan Strategic Fund Board Members

From: Amy Lux, Renaissance Zone Program Specialist

Subject: Wayne County Renaissance Zone, Woodward Avenue Subzone
City of Detroit, Wayne County
Amendment to Development Agreement: Zone Extension
1208 Woodward, LLC

COMPANY BACKGROUND

1208 Woodward, LLC (the "Company") is an entity wholly owned by Rock Ventures and Quicken Loans, created to develop the lot that used to house the Old Hudson's Building in downtown Detroit. The Company's related entities have successfully developed several sites in downtown Detroit in an effort to contribute to the City's revitalization.

PROJECT BACKGROUND

On December 21, 2011, the Michigan Strategic Fund (the "MSF") Board awarded a time extension to the Company for the Woodward Avenue Subzone, Wayne County Renaissance Zone, which encompasses the Old Hudson's Building site. This entitled the Company to receive the tax-free benefits of a Renaissance Zone to support the Company's plan to construct a mixed-use residential structure, including retail and parking, on the currently empty site (the "Project"). In exchange, the Company entered into a development agreement (the "Agreement") with the MSF outlining that certain construction and development milestones be achieved by specified due dates. The Company is required, both statutorily and contractually, to commence their Project within a year of receiving the Renaissance Zone designation, which is contractually defined as having prepared schematics, substantially completed architectural plans, and submitted City Site Plan for approval. The due date for project completion is December 31, 2015.

PROJECT DESCRIPTION

After receiving the Renaissance Zone designation, the Company reassessed how it could increase the public interest and impact of the Project, modifying their plan to include a multi-phase international design competition. However, this new plan has pushed back the construction schedule, and the December 21, 2012 deadline for Project commencement has since lapsed making the Company currently out of compliance.

The MEDC received an amendment application submitted by the Company requesting modifications in the definition of Project Commencement and a more gradual construction and capital investment timeline to accommodate their new plan. The Company requests that Project Commencement be defined as the completion of overall Central Business District planning and sustainability assessment, an earlier stage of development that has been completed, bringing the Company back in to compliance. In addition, the Company requests that all other construction and development deadlines be pushed back by approximately ten months, and a six month extension on the the deadlines for overall completion of the construction of the project and their $75 million capital investment commitment. Instead of completing the Project by the original December 31, 2015 due date, the deadline will be amended to June 30, 2016. In exchange, the Company has offered some additional commitments, including providing evidence of financing sufficient for construction, which allows the Project to be monitored more extensively during the development process.

<u>RECOMMENDATION</u>

The MEDC recommends MSF Board approve the following amendments to the Agreement, effective immediately, in order for the Company to be in compliance and to accommodate a more gradual construction and capital investment timeline:

Current Terms: The Company shall…	**Requested Terms:** The Company shall…	**Summary of Changes**
By December 21, 2012 for Project Commencement: prepare schematic and design development architectural plans substantially completed and submission made for City Site Plan approval for the Project	*By December 21, 2012 for Project Commencement:* Complete overall Central Business District planning and sustainability assessment to support the construction of the project	Changes definition of "project commencement" to include an earlier stage of development planning, bringing the Company in to compliance
By ***December 21, 2013***, prepare construction drawings substantially completed and approved for permitting that will allow funding for construction to be put in place and the commencement of construction	-By ***December 1, 2013***, complete project design schematics and by ***September 1, 2014*** substantially complete construction drawings and be approved for all necessary permitting. - By ***October 31, 2014,*** The Company shall provide the MSF with documentation of sufficient financing for construction and commence construction of the Project	Adding more milestones, which gradually extends out the deadlines for this stage of development planning by approximately <u>ten months</u>
On or before ***December 31, 2013***, the Company will acquire Unit 2 from the Detroit Downtown Development Authority (the "DDA")	On or before ***October 31, 2014***, the Company will acquire Unit 2 from the DDA	Extends deadline for land transfer by about <u>ten months</u>
If the Project is to include Unit 1, on or before ***December 31, 2013***, the Company will acquire a possessory interest in Unit 1 from Detroit Building Authority (the "DBA")	If the Project is to include Unit 1, on or before ***October 31, 2014***, the Company will acquire a possessory interest in Unit 1 from DBA	Extends deadline for optional land transfer by about <u>ten months</u>
By ***December 31, 2015***, substantial completion of construction including issuance of temporary or permanent certificate of occupancy	By ***June 30, 2016***, substantial completion of construction including issuance of temporary or permanent certificate of occupancy	Extends deadline for overall completion of project by <u>six months</u>
Invest a total of $75 million for the Project by December 31, 2015	Invest a total of $75 million for the Project by June 30, 2016	Extends capital investment timeline by <u>six months</u>

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

MICHIGAN STRATEGIC FUND

RESOLUTION 2013-

AMENDMENT TO DEVELOPMENT AGREEMENT
1208 Woodward, LLC

WHEREAS, on January 21, 2011, by Resolution 2011-171 the Michigan Strategic Fund ("MSF") Board approved the extension of the duration of a portion of the existing Wayne County Renaissance Zone, Woodward Avenue Subzone for 1208 Woodward, LLC (the "Company"), as authorized in Section 4(7) of Public Act 376 of 1996, the amended Michigan Renaissance Zone Act (the "Act");

WHEREAS, as a condition of the time extension a development agreement (the "Agreement") was entered in to between the MSF, the Company, and the real property owners, the City of Detroit Dwontown Development Authority (the "DDA") and the City of Detroit Building Authority (the "DBA");

WHEREAS, the Agreement outlined various conditions to receiving the benefits of a Renaissance Zone, including a requirement that the Company achieve certain construction and development milestones by specified due dates;

WHEREAS, to increase the public interest and impact of this venture, the Company has since reassessed and modified their plan for implementing the project associated with the Renaissance Zone (the "Project") to include a design competition and a more gradual construction schedule;

WHEREAS, the Michigan Economic Development Corporation (the "MEDC") provides administrative services for the renaissance zone program and has reviewed the Amendment Application submitted by the Company requesting adjustments to deadlines for the construction and development milestones and to the definition of "Project Commencement" in the Agreement to accommodate the modified plan for the Project;

WHEREAS, the MEDC recommends the Agreement be amended to reflect the modified milestone deadlines and the change in the definition of "Project Commencement" in the Agreement;

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board amends the Agreement between the MSF, the Company, the DBA, and the DDA with the following amendments:

1) Section 3(b) of the Agreement is deleted and replaced with the following:

> ***b)*** ***Capital Investment***: invest a total of $75,000,000 for planning, design, engineering, site improvements, building construction and other related investment for the Project by June 30, 2016.

2) Section 3(c)(iii) of the Agreement is deleted and replaced with the following:

> **iii.** by December 21, 2012 for Project Commencement: complete overall Central Business District planning and sustainability assessment to support the construction of the project;

3) Section 3(c)(iv) of the Agreement is deleted and replaced with the following:

> **iv.** by December 1, 2013, complete project design schematics and by September 1, 2014, substantially complete construction drawings and obtain all outstanding permits described in the Application required to construct, operate, develop, and maintain the Property or Project. The Company shall provide the MSF

with documentation of sufficient financing for construction and commence construction of the Project by October 31, 2014;

4) Section 3(c)(v) of the Agreement is deleted and replaced with the following:

v. on or before October 31, 2014, the Company shall acquire Unit 2 from the DDA pursuant to the terms of that certain First Amended and Restated Development Agreement entered into between the DDA and the Company, dated September 1, 2010;

5) Section 3(c)(vi) of the Agreement is deleted and replaced with the following:

vi. if the Project is to include Unit 1 and if the Company and the DBA have agreed on mutually acceptable terms and conditions with respect thereto (it being acknowledged that the DBA has no obligation to do so), on or before October 31, 2014, the Company will acquire a possessory interest in Unit 1 from the DBA; and

6) Section 3(c)(vii) of the Agreement is deleted and replaced with the following:

vii. substantially complete construction including issuance of temporary or permanent certificate of occupancy ("Substantial Completion of the Project") by June 30, 2016.

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

BE IT FURTHER RESOLVED, that, except as provided in this Resolution, the terms of the Agreement shall remain unchanged and in full effect.

Ayes:

Nays:

Recused:

Lansing, Michigan
February 27, 2013

PURE MICHIGAN®

MEMORANDUM

Date: February 27, 2013

To: Michigan Strategic Fund Board

From: LeTasha Peebles,
Program Specialist, Development Finance

Subject: Briefing Memo – Dialogue Marketing, Inc.
Addition of an Affiliated Company Amendment

COMPANY NAME

Dialogue Marketing, Inc.
300 East Big Beaver Rd
Troy, Michigan 48083

BACKGROUND

On March 15, 2011 the MEGA Board approved a 3-year, 100 percent Standard MEGA Tax Credit to Dialogue Marketing, Inc. (Resolution 2011-035). The project would allow the Company to expand its technology and custom software development and support services functions and create jobs in the City of Troy, Oakland County. The credit was awarded for up to 230 Qualified New Jobs with an average weekly wage of $535 above a Base Employment Level of 409 full-time employees.

On the original application, the Company only included Dialogue Marketing, Inc.'s Employer Identification Number (EIN) to represent all employees included in the Base and for the purpose of creating Qualified New Jobs. However, the Company has an additional Affiliate known as Dialogue Marketing West Utah, LLC whose EIN is used to house all Salaried Employees for the entire Company, and it was accidentally omitted on the original application. Dialogue Marketing currently has 142 salaried employees working in Michigan who are affected by this. Without the inclusion of the additional Affiliate, the Company would be unable to reach the minimum requirements outlined in the agreement. As a result, Dialogue Marketing, Inc. is requesting to have Dialogue Marketing West Utah, LLC added as an Affiliated Company to ensure they are able to capture the employees needed to meet the requirements of their MEGA Tax credit and continue their growth.

All employees included under Dialogue Marketing West Utah, LLC to be used toward the calculation of the credit would be located in Michigan.

STATUS OF PROJECT

The MEGA tax credit will begin with the company's tax year ending December 31, 2013 with the option to pull the credit ahead.

RECOMMENDATION

Based on the factors described above, the Michigan Economic Development Corporation recommends that Dialogue Marketing West Utah, LLC be added to the Agreement as an Affiliated Company for Base and Qualified New Job purposes. All other terms and conditions of the original MEGA remain intact.

RESOLUTION 2013-
MICHIGAN ECONOMIC GROWTH AUTHORITY

Dialogue Marketing, Inc.
Addition of Affiliated Company for Base Employment and 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, 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 2011-035, adopted on March 15, 2011, the MEGA Board authorized a Tax Credit for Dialogue Marketing, Inc. (the "Company") of 100 percent for a period of three consecutive years, beginning no later than the Company's tax year ending December 31, 2013;

WHEREAS, the Resolution had a condition that the Company maintain a minimum of 409 full-time jobs in the Base Employment Level;

WHEREAS, some of the 409 full-time jobs were working at the Project, but for the Company's affiliate Dialogue Marketing West Utah, LLC;

WHEREAS, the Company desires to add Dialogue Marketing West Utah, LLC, as an Affiliated Company, to be counted as Base Employment Level and Qualified New Jobs; 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, provided that the Company, and its Affiliated Company, maintain a minimum of 409 full-time jobs.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board authorizes an amendment to add Dialogue Marketing West Utah, LLC as Affiliated Company; and

BE IT FURTHER RESOLVED, that all other provisions of Resolution 2011-035 are reaffirmed and the MSF authorizes the staff of MEGA to implement the terms of this resolution.

ADOPTED

Ayes:

Nays:

Recused:

February 27, 2013
Lansing, Michigan

MEMORANDUM

DATE:	February 27, 2013
TO:	Michigan Strategic Fund Board Member
FROM:	Diane Cranmer
SUBJECT:	Private Activity Bond – Bond Authorizing Van Andel Research Institute NTE $220,000,000 – Refunding/Non-Profit Grand Rapids, Kent County

COMPANY BACKGROUND

The Van Andel Research Institute ("VARI") was originated in the State of Michigan October 16, 1996, as a Michigan charitable trust. VARI is engaged in the continuous active conduct of medical research and operates as a medical research organization. David Van Andel is the Chairman and Chief Executive Officer. The other trustees are James D. Fahner, M.D., W. Gary Tarpley, Ph.D. and George Vande Woude, Ph.D. The institute is located at 333 Bostwick Avenue, N.E., Grand Rapids, Michigan, and employs approximately 285 individuals.

PROJECT DESCRIPTION

The proceeds of the refunding bonds will be used to currently refund the MSF's $220,000,000 Adjustable Rate Demand Limited Obligation Revenue and Revenue Refunding Bonds, Series 2008 issued April 10, 2008 (the "Series 2008 Bonds"). Proceeds of the Series 2008 Bonds were used to refund four prior MSF bond issues totaling $110,000,000 (the "Prior Bonds") and to complete the hereinafter described Project.

The proceeds of the Prior Bonds and a portion of the Series 2008 Bonds were used to assist VARI in the financing of land acquisition, the construction of an approximately 160,000 square foot medical research facility and an approximately 250,000 square foot addition thereto, including related parking and land improvements, the acquisition and installation of laboratory and other research equipment, including computer hardware and software and the acquisition and installation of office furniture and fixtures (the "Project"). The Project is located at or in the immediate vicinity of 333 Bostwick Avenue, N.E., in the City of Grand Rapids, Kent County, Michigan, and is used for medical research and education.

VARI will realize significant cost savings through the refunding of the Series 2008 Bonds by a direct bank purchase.

VARI owns and operates the Project.

PROJECT EVALUATION

JOB CREATION

To date, 285 jobs have been created by the Project and it is estimated 500 additional jobs will be created in the next 20 years.

ADDITIONAL INFORMATION

Company Contact:
Timothy Myers, Vice President and Chief Financial Officer

Bond Counsel:
Dickinson Wright PLLC

Proposed Placement of the Bond Issue:
The refunding bonds will be purchased through a direct bank purchase. One series in the amount of $110,000,000 will be purchased and held by U.S. Bank National Association and the other series in the amount of $110,000,000 will be purchased and held by The Northern Trust Company.

RECOMMENDATION

After reviewing the Private Activity Bond Authorizing Resolution for Van Andel Research Institute, and based upon a determination by Dickinson Wright PLLC and the State of Michigan Attorney General's office that the Project meets state and federal law requirements for tax exempt financing, staff recommends the adoption of a Bond Authorizing Resolution for the refunding bonds in the amount of NTE $220,000,000.

MEMORANDUM

DATE: February 27, 2013

TO: MSF Board Members

FROM: Diane Cranmer, Private Activity Bond Specialist

SUBJECT: Private Activity Bond – Bond Authorizing – Erwin Quarder, Inc. – NTE $2,200,000 New/Refunding
Cascade Charter Township, Kent County

BACKGROUND

Erwin Quarder, Inc. ("Company") reports that it is a Delaware corporation founded in 1998 in Grand Rapids, by its parent, Erwin Quarder Systemtechnik GmbH, a private family-owned German company. The Company advises that it is a manufacturer of custom injection molded plastic components for the automotive and medical industry. The Company reports that it also manufactures plastic injection molds, provides tooling services, and develops automation techniques and combines diverse molding technologies. The Company reports that approximately 97 percent of its business is derived from the automotive market and 3 percent from the medical markets. In its application, the Company advises it currently employs 80 full-time employees and 6 temporary employees.

PROJECT DESCRIPTION

The project includes the acquisition and installation of additional machinery, equipment, furnishings and fixtures to be located at 5101 Kraft Avenue SE, Grand Rapids, Kent County.

It is expected that additional personnel will be needed after the purchase of the equipment of meet the Company's customer's needs.

The project also includes the refunding of the remaining balance of the MSF bonds issued in 2009 for the purpose of refunding the entire outstanding principal amount of prior MSF bonds issued in 2006, the proceeds of which were used to finance the acquisition and installation of machinery, equipment, furnishings and fixtures located in an approximately 80,500 square foot manufacturing building leased by the Company.

The refunding is being undertaken primarily for the purpose of taking advantage of the low interest rate market and decreasing debt service payments, free cash flow to continue to grow the Company.

ADDITIONAL INFORMATION

1. **Bond Counsel**:
   Dykema Gossett PLLC

2. **Proposed Placement of the Bond Issue:**
   The bond will be a private placement directly to GE Government Finance, Inc.

RECOMMENDATION

After reviewing the Private Activity Bond Authorizing Resolution for Erwin Quarder, Inc., and based upon a determination by Dykema Gossett PLLC and the State of Michigan Attorney General's office that the Project meets state and federal law requirements for tax-exempt financing, staff recommends the adoption of a Bond Authorizing Resolution for the bonds in the amount of NTE $2,200,000 for this project.

MEMORANDUM

Date: February 27, 2013

To: Michigan Strategic Fund

From: Dan Wells, MEDC – Brownfield Specialist

Subject: Large Brownfield MBT Credit Amendment #2 Request
160 W Fort, LLC
Former Federal Reserve Building Project
City of Detroit, County of Wayne

APPLICANT
160 W Fort, LLC
1092 Woodward Avenue
Detroit, Michigan 48226

Contact: Dan Gilbert, Managing Member

Project Eligible Investment: $15,364,411
Requested Credit Amount: $1,383,058 (capped)
Requested Credit Percentage: 12.5%

PROJECT DESCRIPTION
This project will redevelop the Federal Reserve Bank of Chicago Detroit Branch Building (1927) and Annex (1951) located at 160 West Fort Street in the City of Detroit. The project was initially approved December 18, 2007 to redevelop the vacant building into 84 condominiums and 4,000 square feet of ground floor retail. The project was amended October 24, 2012 to add a new qualified taxpayer, 160 W Fort, LLC; change the scope of the project to redevelop the vacant building into a mix of 10,500 square feet of ground floor retail and 121,000 square feet of Class A office use on the upper stories; and add three years to complete eligible investment.

The original approval occurred under the Single Business Tax (SBT), and a maximum of 10% of eligible investment was used to calculate the pre-approved credit amount. At the 2012 amendment, the percentage used to calculate the $1,383,058 credit amount remained at 10% of eligible investment, as the credit was capped at the original amount approved under the SBT in 2007. With the 2012 amendment, the credit was converted from the SBT to the Michigan Business Tax (MBT), which allowed a percentage up to 12.5%, but a credit percentage increase was not applied to the project at that time. Although the investment is likely to exceed the estimated amount, the qualified taxpayer requests the percentage used to determine the credit amount be increased from 10% to 12.5% in case the projected eligible investment falls short of the estimated amount, and the full credit amount would be unobtainable. The full credit amount is critical for the success of the project, as bank lending is based on it.

All other aspects of the project remain as approved under the October 24, 2012 amendment.

ELIGIBLE INVESTMENT BREAKDOWN

Demolition	$ 1,034,000
Building Renovation	+ 14,330,411
TOTAL	**$ 15,364,411**

RECOMMENDATION

The MEDC recommends approval of the requested amendment to increase the MBT credit percentage from 10% to 12.5% with the credit amount remaining capped at $1,383,058.

MICHIGAN STRATEGIC FUND

Resolution 2013-

160 W Fort, LLC (Former Federal Reserve Building Project)
Brownfield Redevelopment MBT Credit – Amendment #2
City of Detroit

At the meeting of the Michigan Strategic Fund ("MSF") held on October 24, 2012 in Lansing, Michigan.

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

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

WHEREAS, by Resolution 2007-104 on December 18, 2007, the MEGA Board awarded a Brownfield MBT Tax Credit to FRBD, LLC to make eligible investment up to $13,830,583 at an eligible property in the City of Detroit (the "Project");

WHEREAS, by Resolution 2012-136 on October 24, 2012, the MSF Board added 160 W Fort, LLC (the "Applicant") as an additional qualified taxpayer;

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

WHEREAS, the Applicant has submitted a request to amend the Project by increasing the MBT Credit Percentage from 10% to 12.5%; and

WHEREAS, the Michigan Economic Development Corporation provides administrative services to the MSF, and recommends approval of the amendment by the MSF Board, provided that the maximum credit amount remains capped at $1,383,058.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board amends the Project by changing the MBT Credit Percentage to 12.5% provided that the maximum credit amount remains capped at $1,383,058; and

BE IT FURTHER RESOLVED, that all other provisions of Resolution 2007-104, as amended, are reaffirmed and the MSF authorizes the MSF Fund Manager to implement the terms of this resolution.

Ayes:

Nays:

Recused:

Lansing, Michigan
February 27, 2013

MEMORANDUM

Date: February 27, 2013

To: Michigan Strategic Fund Board Members

From: Nate Scramlin, Community Assistance Team Specialist
Deborah Stuart, Community Development Incentives Director

Subject: Community Development Block Grant Program
Façade Improvement Project
City of Gaylord, County of Otsego

BACKGROUND

The City of Gaylord is requesting $435,750 in Community Development Block Grant (CDBG) funds for façade improvements on multiple buildings located within their traditional downtown core in Otsego County.

The following provides a summary of the proposed improvements for each property:

- **Alpine Title & Escrow – 114 East Main Street:** This building houses the Alpine Title & Escrow company. Improvements will be on the front façade and the side of the building. Activities include the following building improvements: removal and repair of exterior stucco; replacement of wood trim and exterior light fixtures; and mansard roof repair. Match will include engineering and roof improvements.
- **Gaylord Chamber of Commerce Building – 101 West Main Street:** This building houses the Gaylord Chamber of Commerce and a number of local professional offices. Improvements will be on the front façade and the side of the building facing both Main and Center Streets. Activities include the following building improvements: installation of stonework on building façade; extension of tower at building corner; replacement of framing and gable construction; installation of new stucco on upper floors and new entrance doors. Match will include engineering, façade, and roof improvements.
- **Edward Jones, Etc. Building – 104 West Main Street:** This office building houses Edward Jones and a number of other local businesses. Improvements will be on the front façade and the side of the building facing both Main and Center Streets. Activities include the following building improvements: installation of new Alpine dormer roof structures along existing mansard; replacement of windows and doors. Match will include engineering, façade, and roof improvements.
- **D & S Custom Art Design – 149 West Main Street:** This building houses D & S Custom Art Design. Improvements will be on the front façade. Activities include the following building improvements: removal of existing coating on stone and repair mortar joints; installation new wood fascia; and replacement of cedar shake shingles. Match will include engineering.
- **Northland Property Building – 200 South Court Street:** This building houses Northland Property, LLC, the Michigan Commission for the Blind, and a local professional office. Improvements will be on the front façade. Activities include the following building improvements: removal of brick and installation of new cultured stone veneer; replacement of trim and stucco above stone veneer; and installation of new windows and doors on first floor front. Match will include engineering, and façade improvements.

- **Alpine Tavern & Eatery – 216 South Otsego Avenue:** This building houses the Alpine Tavern & Eatery. Improvements will be on the front façade and side of the building. Activities include the following building improvements: removal of existing awnings; addition of new covered patio, exterior lighting fixtures and entry vestibule; add new entry doors, windows, and decorative roof tower. Match will include engineering and patio improvements.

NATIONAL OBJECTIVE

This project qualifies for CBDG funding as the project activities will benefit all residents of the project area, and 51.5 percent of the residents of the City of Gaylord are low and moderate income persons as determined by census data provided by the U.S. Department of Housing and Urban Development.

ELIGIBLE ACTIVITY

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

SCREENING GUIDELINES

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

Project Type:

This project was selected because the community demonstrated that projects are located in a traditional downtown and a Downtown Development Authority. All improvements will meet the Secretary of Interior's Standards for Rehabilitation, and the community has also shown the local organizational capacity to successfully complete this project. This project was evaluated and given priority based on the following:

- All six buildings are located in a highly visible location
- All buildings are located in a DDA or other like district.
- The City will secure a third-party administrator with the capacity to successfully complete this project.
- The community has adopted a downtown development plan.

Minimum Local Participation:

The private match contribution for each property is noted in Attachment A and equals $160,927 which is twenty-seven percent (27%) of the total project cost and will be provided by the business owners.

Financial Viability and Background Check:

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

PROJECT BUDGET

See Attachment A.

RECOMMENDATION

After reviewing the proposal, MEDC staff has concluded that the project meets program requirements to be eligible under the CDBG program. However, the $400,000 maximum grant amount is being waived due to the number of businesses in this project. Staff recommends that a grant agreement, in the amount of $435,750, be authorized for the City of Gaylord.

PROJECT BUDGET

MICHIGAN COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

Michigan Economic Development Corporation — Attachment A

1. Applicant: City of Gaylord	2. Project Title: Façade Improvement Project No. 4				
3. Project Cost Elements	4. Project Funding Sources (identify all other funding sources).				
Activities	CDBG	Private			TOTAL
114 E. Main Street					
Architecture & Engineering	$0	$9,100			$9,100
Façade Improvements	$98,500	$0			$98,500
Exterior Match	$0	$30,000			$30,000
Administration	$1,000	$0			$1,000
TOTAL	$99,500	$39,100			$138,600
	72%	28%			
101 W. Main Street					
Architecture & Engineering	$0	$5,000			$5,000
Façade Improvements	$45,000	$0			$45,000
Exterior Match	$0	$17,520			$17,520
Administration	$1,000	$0			$1,000
TOTAL	$46,000	$22,520			$68,520
	67%	33%			
104 W. Main Street					
Architecture & Engineering	$0	$7,000			$7,000
Façade Improvements	$65,000	$0			$65,000
Exterior Match	$0	$14,667			$14,677
Administration	$1,000	$0			$1,000
TOTAL	$66,000	$21,677			$87,677
	75%	25%			

PROJECT BUDGET

MICHIGAN COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

Michigan Economic Development Corporation — Attachment A (con't)

1. Applicant: City of Gaylord	2. Project Title: Façade Improvement Project No. 4				
3. Project Cost Elements	4. Project Funding Sources (identify all other funding sources).				
Activities	CDBG	Private			TOTAL
149 W. Main Street					$0
Architecture & Engineering	$0	$6,600			$6,600
Façade Improvements	$37,950	$6,050			$44,000
Administration	$1,000	$0			$1,000
TOTAL	$38,950	$12,650			$51,600
	75%	25%			
200 Court Street					
Architecture & Engineering	$0	$8,400			$8,400
Façade Improvements	$75,000	$0			$75,000
Exterior Match	$0	$20,240			$20,240
Administration	$1,000	$0			$1,000
TOTAL	$76,000	$28,640			$104,640
	73%	27%			
216 S. Otsego Avenue					
Architecture & Engineering	$0	$7,700			$7,700
Façade Improvements	$108,300	$18,700			$127,000
Exterior Match	$0	$9,950			$9,950
Administration	$1,000	$0			$1,000
TOTAL	$109,300	$36,350			$145,650
	75%	25%			
TOTALS	**$435,750**	**$160,927**			**$596,677**

MICHIGAN STRATEGIC FUND

RESOLUTION 2013- _________

APPROVAL OF CITY OF GAYLORD FAÇADE IMPROVEMENT PROJECT

WHEREAS, Executive Order 1999-1, issued pursuant to Article V of the Michigan Constitution of 1963 and the laws of State of Michigan, consolidated the State's economic development functions and programs and their accompanying powers of 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 U.S. Department of Housing and Urban Development ("HUD") 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"). The MSF by Resolution 2012-28 authorized and approved the Consolidated Plan and the Criteria, and by Resolution 2012-67 authorized and approved the Guide which included guidelines for façade grants;

WHEREAS, the City of Gaylord (the "Community") has submitted a complete application for approval requesting funding to be used to fund the façade improvements to six businesses within their downtown (the "Project");

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

WHREAS, 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 $435,750 for the payment or reimbursement of costs associated with the Project, and allocates $435,750 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; and

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 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 grant agreement for an additional 30 day period.

Ayes:

Nayes:

Recused:

Lansing, Michigan
February 27, 2013

PURE MICHIGAN®

MEMORANDUM

Date: February 27, 2012

To: Michigan Strategic Fund Board Members

From: Sarah L. Rainero, Community Assistance Team Specialist
Lisa Green, CDBG Specialist

Subject: Community Development Block Grant (CDBG) Program
Grant Agreement: 210039-CDF – Façade Amendment
City of Ludington, County of Mason

BACKGROUND

The City of Ludington, located in Mason County, currently has a CDBG grant in the amount of $142,952 to fund façade improvements to two buildings located within the City's Downtown Development Authority District. Due to unforeseen issues with the mason contractor at 115 W. Ludington Avenue, the City is requesting a CDBG increase of $43,650 and more time to complete the project.

The CDBG increase is needed in order to complete the original project scope, which includes the removal of the existing metal sheeting; brick repair and cleaning; new windows and new entrance doors; and original storefront reconfiguration. Match activities include roof replacement, façade renovations and interior work.

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

There are no changes to the budget for the other property, 125 South James Street, within the approved grant.

ELIGIBLE ACTIVITY

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

SCREENING GUIDELINES

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

National Objective

The project is still anticipated to result in the creation of six (6) full-time equivalent positions, of which at least 51% will be held by low and moderate income persons. Based on the location and the impact these buildings will have on the City's downtown, the $25,000 cost per position threshold is being waived. The grant increase will result in a cost per position of $31,100.

Project Type:

This project was selected because the community demonstrated that the project is located in a traditional downtown and within its Downtown Development Authority District. All improvements will meet the Secretary of Interior's Standards for Rehabilitation and the community has also shown the local organizational capacity to successfully complete this project. This project was evaluated and given priority based on the following points:

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

Minimum Local Participation:

The private match contribution for each property is noted on Amended Attachment A and the total private match contribution equals $112,604 which is thirty-eight percent (38 %) of the total project cost and will be provided by the business owners.

Financial Viability and Background Check:

A background check for 115 W. Ludington has been conducted. A background check for 125 S James has not been conducted as this façade has been completed and background checks were not required at the time of the original MSF approval. All businesses receiving the benefits from this project have been determined to be financially viable.

PROJECT BUDGET

See Amended Attachment A.

RECOMMENDATION

After reviewing the proposal, MEDC staff has concluded that the project meets the minimum program requirements to be eligible under the CDBG program. Therefore, staff recommends a $43,650 grant increase, for a total grant award of $186,602, be authorized for the City of Ludington.

PROJECT BUDGET
MICHIGAN COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

Michigan Economic Development Corporation — Amended Attachment A

1. Applicant - City of Ludington (MSC 210039-CDF)	2. Project Title - Downtown Façade Improvement Project					
3. Project Cost Elements	4. Project Funding Sources (identify all other funding sources).					
Activities	CDBG	Private				TOTAL
125 S James (Blu Moon Group, LLC)						
Interior and Roof Improvements	$0	$60,730				$60,730
Façade Improvements	$30,978	$0				$30,978
Sub-Total	$30,978	$60,730				$91,708
	34%	66%				
115 W.Ludington (FOTOF, LLC)						
Original façade *(spent/reimbursed to date)*	$92,138	$0				$92,138
Original façade repair	$0	$3,284				$3,284
Unfinished façade	$59,261	$5,069				$64,330
Interior and Roof Improvements	$0	$40,985				$40,985
Contingency	$4,225	$2,536				$6,761
Sub-Total	$155,624	$51,874				$207,498
	75%	25%				
TOTALS	$186,602	$112,604				$299,206
	62%	38%				

MICHIGAN STRATEGIC FUND

RESOLUTION 2013- _________

APPROVAL OF CITY OF LUDINGTON GRANT INCREASE

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

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

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

WHEREAS, the MSF Board on February 23, 2011 by Resolution 2011-018 approved $142,952 in CDBG funding to be used for façade improvements (the "Project"), within the City of Ludington (the "Community");

WHEREAS, the Community submitted a CDBG application requesting funding to be used for the Project and signed a Grant Agreement with a grant amount of $142,952;

WHEREAS, the Community has requested an increase to its existing CDBG Grant Agreement in the amount of $43,650 to be used for the Project;

WHEREAS, CDBG program staff reviewed the proposed increase in light of the Criteria, Guide and HUD regulations and concluded that the increase is eligible for funding, is not speculative in nature, is economically sound, is ready to proceed, 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 increase be authorized and entered into with the Community for funds from the CDBG program for the reasons set forth in this Resolution;

NOW, THEREFORE, BE IT RESOLVED, that the MSF authorizes a grant increase to the Community not to exceed $43,650 for the payment or reimbursement of costs associated with the Project. The MSF allocates $43,650 from the Michigan CDBG program for the purpose of funding the Community's proposed Project contingent upon the MSF's continued receipt of CDBG funds and availability of adequate funds;

BE IT FURTHER RESOLVED, staff is directed to amend the Grant Agreement to increase the CDBG funding by $43,650, for a total grant amount of $186,602. The Fund Manager or MSF President is authorized to execute, on behalf of the MSF, all documentation necessary to effectuate the proposed increase; and

BE IT FURTHER RESOLVED, if the Community fails to execute and return the grant amendment 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 grant agreement for an additional 30 day period.

Ayes:

Nayes:

Recused:

Lansing, Michigan
February 27, 2013

MEMORANDUM

Date: February 27, 2013

To: Michigan Strategic Fund Board Members

From: Deborah Stuart, Director of Community Development Financial Incentives

Subject: Approval of a Subrecipient Agreement between the Michigan Strategic Fund ("MSF") and the Michigan State Housing Development Authority ("MSHDA")

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 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 allocation to be used for approved housing related activities implemented by the MSHDA, on behalf of the MSF.

In previous years, this relationship was documented through a Memorandum of Understanding between the two entities that was not approved by the MSF. However, it has been recommended by HUD that it is more appropriate for the MSF and the MSHDA to enter into a Subrecipient Agreement ("Agreement"). HUD has also indicated in recent monitorings concerns regarding MSHDA's administration of their portion of the funding and the MSF's oversight of their activities. The attached Agreement 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 Agreement will address HUD's concerns and allow for appropriate oversight of the funding. The Agreement has been delayed due to long negotiations with MSHDA regarding this change in role and responsibility.

RECOMMENDATION

The MEDC recommends that the MSF approve the attached Subrecipient Agreement between the MSF and the MSHDA effective immediately.

INTERAGENCY SUBRECIPIENT AGREEMENT
BETWEEN
THE MICHIGAN STRATEGIC FUND
AND
THE MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

This Agreement is made between the Michigan Strategic Fund ("MSF") and the Michigan State Housing Development Authority ("MSHDA") (together, the "Parties") 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 Parties agree to the following:

I. PURPOSE

The purpose of this Agreement is to specify the responsibilities between MSHDA and the MSF in administering the portion of the Michigan Community Development Block Grant ("CDBG") Program dedicated to the housing component ("Housing") of the Michigan Consolidated Plan during the 2012 CDBG Program Year (defined below).

The operation of the Michigan CDBG Program is ultimately the responsibility of the MSF. MSHDA has been designated by the MSF as the subrecipient for the housing component of the Michigan CDBG Program.

II. DURATION OF AGREEMENT

This Agreement takes effect July 1, 2012, and shall remain in effect through June 30, 2013 (the "Term"), unless extended in a writing signed by the parties. In this Agreement, 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." And the time period beginning July 1, 2013 and ending June 30, 2014 shall be referred to as the "2013 Program Year."

III. MSF RESPONSIBILITIES

For purposes of this Agreement, "CDBG grant funds" means the difference between the aggregate amounts of CDBG funding awarded to the State of Michigan by HUD and the amount of CDBG funds available to the State of Michigan for administrative and technical assistance. "CDBG grant funds" do not include funds awarded to the State of Michigan by HUD as a result of the federal "American Recovery and Reinvestment Act" or similar federal legislation.

A. 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 during the 2012 CDBG Program Year subject to satisfaction of Section III; 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 and activities and subject to satisfaction of Section III (the "Administrative/TA Funds"). The Administrative/TA Funds must be matched by MSHDA and documentation of such match provided to the MSF as requested.

B. During the Term, MSF agrees to:

1. Provide MSHDA, in a timely manner, all pertinent information needed for proper administration of Housing grants as received from HUD or other sources;

2. Seek proper legislative appropriation of Michigan CDBG funds from the State of Michigan; and

3. 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.

IV. <u>**MSHDA RESPONSIBILITIES**</u>

A. On or before March 31, 2013 MSHDA shall obligate any and all pre-2012 Program Year funds. Any unobligated pre-2012 Program Year funds remaining on March 31, 2013 will be identified by the MSF in a written notification to MSHDA to be provided no later than April 12, 2013. Failure of MSHDA to correct any issues to the MSF's satisfaction within ten (10) business days of its receipt of the MSF notice may result in immediate recapture by the MSF of the identified funds.

B. When HUD flags a MSHDA project in the Integrated Disbursement and Information System (IDIS), MSHDA must complete the project or provide MSF with an explanation within five (5) business days for approval and transmittal to HUD. If a project is designated by HUD as at risk for disallowance of funds, then MSHDA must respond to and cooperate with MSF requests for status updates or other requested information.

C. MSHDA must the follow the identified timelines to ensure MSF can remain in compliance with HUD requirements. These include the following:

1. Reporting Procedures and Requirements – MSHDA shall immediately implement measures to comply with the items below:

   (a) MSHDA shall ensure that Small Cities or Sales Force and IDIS are internally reconciled on a monthly basis with timely information and status updates;
   (b) MSHDA shall notify the MSF in writing by the last day of the month of any set ups, increases or decreases in funding for projects that occurred in that month;
   (c) All payment requests shall be submitted by MSHDA within ninety (90) days of the end of the month during which they were incurred, 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;
   (d) MSHDA must submit written activity status reports into IDIS and provide screen shots to the MSF no later than ten (10) business days prior to any project meeting on active projects that fall into either of the categories identified in Section IV.B;
   (e) MSHDA shall close projects within three (3) 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 three (3) 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. MSHDA shall provide a written project report to the MSF prior to six (6) months of the project's final draw unless it is being held pending a final audit; and
   (f) 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. In addition, five (5) business days prior to the due date or when otherwise requested MSHDA shall provide a written status of action required in the monitoring report.

2. On or before March 31, 2013, MSHDA shall develop and propose in writing to the MSF an alternative to the county formula allocation for the housing program based on actual pending projects for consideration by the MSF for the Consolidated Plan for Program Year 2013.

3. On or before September 1, 2013, MSHDA must obligate and announce 100% of their 2012 Program Year funding.

4. No later than January 31, 2014, MSHDA shall reduce their letter of credit expenditure ratio to less than 1.5 or an $11,707,952 balance of funds obligated, but not drawn. This is based on an allocation of $7,805,301 for the 2012 Program Year. This Section shall survive the end of the term of this Agreement for a period of one (1) year.

D. During the Term, MSHDA agrees to:

1. Solicit, receive, review, and approve or deny 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 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 of any costs that are disallowed or must be repaid for any reason based upon a HUD determination. If disallowed costs 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. Approve and execute all 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, and due dates for reports and audits;

5. 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;

6. 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;

7. Provide to the MSF, the audit report required under the Single Audit Act Amendments of 1996 and OMB Circular A-133; and

8. Provide, at MSHDA's discretion, financial support for CDBG technical assistance provided by the State Historic Preservation Office (SHPO).

V. **DEFAULT**

Any material violation, breach, or non-compliance of any kind or nature by MSHDA of an obligation or responsibility of MSHDA under this Agreement, including failure to submit reports when due, which is not cured by MSHDA to the satisfaction of the MSF within ten (10) business days after MSHDA's receipt of written notice thereof by the MSF (or as otherwise provided herein), or within such longer period of time as determined in writing by the parties shall constitute an "Event of Default" under this Agreement.

VI. **AVAILABLE REMEDIES**

Upon the occurrence of any one or more of the Events of Default (after the expiration of any applicable cure periods without the required cure), the MSF may do any one or all of the following: suspend, restrict or eliminate any 2013 Program Year funding to MSHDA, terminate this Agreement effective thirty (30) days after MSHDA's receipt of written notice, and upon termination of this Agreement, the MSF shall have no obligation to make any CDBG grant funds disbursements or payments beyond those required for existing fully executed grant agreements with activities set up on IDIS, or restrict MSHDA access to the CDBG program in IDIS. These are not intended to be the sole and exclusive remedies in case any Event of Default shall occur, and each remedy shall be cumulative and in addition to every other provision or remedy given herein, now or hereafter existing at law, in equity, by statute or otherwise.

VII. **INDEMNIFICATION**

The MSF and MSHDA each must seek its own legal representative and bear its own costs, including judgments, in any litigation that may arise from the performance of the Agreement. It is specifically understood and agreed that no party will indemnify any other in such litigation.

VIII. **GENERAL PROVISIONS**

A. Assignment. MSHDA shall not assign, transfer, convey, subcontract, or otherwise dispose of any duties or rights under this Agreement without the prior specific written consent of the MSF; provided however, that MSF consent is not required for the proper use of subcontractors or consultants to assist MSHDA perform its duties hereunder. Regardless, MSHDA shall be responsible for the proper and timely performance of all its obligations and responsibilities under this Agreement and the CDBG Program.

B. Notice. Any notice or other communication under this Agreement shall be in writing and mailed by first class mail, postage prepaid, or sent by express, overnight courier to the respective Party at the following addresses and shall be deemed delivered one business day after the delivery or mailing date.

Michigan State Housing Development Authority
735 E. Michigan Ave.
Lansing, MI 48912
Attention: Director of Legal Affairs

Michigan Strategic Fund
300 N. Washington Square
Lansing, MI 48913
Attention: Fund Manager

IX. <u>TERMINATION, CANCELLATION OR MODIFCATION OF AGREEMENT</u>

This Agreement may not be cancelled or modified without the prior written consent of the Parties, except as otherwise specifically provided herein. However, this Agreement may be terminated by the MSF, by giving thirty (30) calendar days prior written notice to MSHDA in the event that the Legislature of the State of Michigan (the “State”), the State Government, or the federal government (A) takes any legislative or administrative action which fails to provide, terminates or reduces the funding necessary for this Agreement, or (B) takes any legislative or administrative action, which is unrelated to the source of funding for the CDBG grant funds, but which materially affects the MSF’s ability to fund and administer this Agreement, provided, however, that in the event such action results in an immediate absence or termination of funding, cancellation may be made effective immediately upon delivery of notice to MSHDA. In the event of termination of funding, the MSF has no further obligation to make CDBG grant funds disbursements or payments beyond the date of termination of this Agreement, except for funds MSHDA has obligated by a fully executed grant agreement and entry into IDIS.

X. **SIGNATORIES**

The MSF and MSHDA have caused this Agreement to be executed by the respective officers duly authorized to do so. This Agreement 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 Agreement.

______________________________ ______________
Michael A. Finney, Chairperson Date
Michigan Strategic Fund

______________________________ ______________
Scott Woosley, Executive Director Date
Michigan State Housing Development Authority

MICHIGAN STRATEGIC FUND

RESOLUTION 2013-

APPROVAL OF CDBG HOUSING ALLOCATION TO THE MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY AND RELATED 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 Consolidated Plan which identifies that approximately 25 percent of the CDBG allocation will 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 enter into an Interagency Subrecipient Agreement (the "Agreement") 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 for Program Year 2012 (July 1, 2012 – June 30, 2013); and

WHREAS, staff recommends that an Agreement 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 an Agreement 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 not to exceed $7,805,301. The MSF allocates $7,805,301 from the Michigan CDBG program for the purpose of funding the proposed housing projects contingent upon the MSF's continued receipt of CDBG funds and availability of adequate funds;

BE IT FURTHER RESOLVED, that the MSF Board approves the attached Agreement and authorizes the MSF President or Fund Manager to sign the Agreement on its behalf, with only one required to act, in consultation with the Department of the Attorney General. 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 Agreement 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 Agreement to staff within 60 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
February 27, 2013

MEMORANDUM

Date: January 23, 2013

To: Michigan Strategic Fund Board

From: Karla Campbell, MSF Fund Manager

Subject: Change in Committee Structure of MSF

Background

The Michigan Strategic Fund is governed by a statute that has been in place since 1984. Currently, the structure of the MSF encompasses a board meeting as well as several subcommittees: Investment Subcommittee, Incentive Subcommittee and an Entrepreneurial Subcommittee. Each of the Subcommittees occurs via conference call and scheduled on an as needed basis. The Investment Subcommittee has the authority to make decisions and move directly to execution. Along with the three subcommittee meetings, briefing calls are held each month covering the full MSF Board packet.

Current Challenges

Utilizing three separate subcommittees cultivates silos as the programs and projects are reviewed separately by different subcommittees rather than one group reviewing all projects. For example, there are various programs that cross between the Incentive Subcommittee and the Investment Subcommittee but because projects are reviewed by different members of the MSF in different subcommittees, the companies and their projects are not reviewed in their entirety.

As the MSF meets on a monthly basis, there is a need to have three subcommittee meetings, at least two briefing calls and then the actual meeting. For MSF members and MEDC staff, this has been difficult to schedule.

Proposed Changes

The MEDC and the MSF Fund Manager recommend that the MSF move toward an Advisory Committee with four MSF members rather than three separate subcommittees.

- Administratively easier to manage for both MSF and the Board Members themselves from a scheduling perspective;
- Advisory Committee approach is more conducive to discussion of project in their entirety;
- Legal representation can take a more active approach to offer counsel to the MSF;
- All authority currently delegated authority given to the existing committees would transfer to the Advisory Committee.
- Advisory Committee would meet here at the MEDC using face-to-face meetings as well as video conferencing options allowing for a more interactive experience.

As all members of the MSF were offered the opportunity to be briefed by staff on all projects, we will change that option to have the members not serving on the Advisory Committee to request a briefing with the MSF Fund Manager or Alternate MSF Fund Manager on the agenda in its entirety or specific agenda items. This would be done at the convenience of the MSF board member and only as they deem necessary.

In summary, the Advisory Committee approach would allow the MSF to function efficiently in a more holistic manner.

Recommendation:

MEDC recommends the following MSF action:

- Establish the Advisory Committee of the MSF to review the monthly MSF agenda and work with staff on various policy issues;
- The following four members have agreed to serve for one year and they have been asked as they either have seniority on the MSF or served on a previous committee:
    - Bill Martin
    - Richard Rassel
    - Howard Morris
    - Andy Dillon or his designee
    - Kathy Markman as Counsel to the MSF

- Eliminate the various committees and transfer authority to the Advisory Committee
- Eliminate the scheduled briefing calls and move to an individual MSF Board member

MICHIGAN STRATEGIC FUND

RESOLUTION 2013-

CHANGE IN COMMITTEE STRUCTURE OF MSF

WHEREAS, the Michigan legislature created the Michigan Strategic Fund in 1984;

WHEREAS, the Michigan Economic Development Corporation ("MEDC") provides administrative services to the Michigan Strategic Fund ("MSF") for 21st Century Jobs Trust Fund programs, certain federally funded programs and other incentives;

WHEREAS, the MEDC recommends the abolishment of the Incentive Committee, Investment Committee and the Entrepreneurial Committee;

WHEREAS, the MEDC recommends that all power and authority previously given to the Investment Committee and the Entrepreneurial Committee transfer to the MSF Advisory Committee;

WHEREAS, the MEDC recommends that the MSF Fund Manager and the MSF President appoint the MSF Board members to the MSF Advisory Committee as needed or a term ending annually on December 31;

NOW, THEREFORE, BE IT RESOLVED, the MSF Board desires to eliminate the Incentive Committee, Investment Committee and the Entreperneurial Committee;

BE IT FURTHER RESOLVED, the MSF Board establishes the MSF Advisory Committee comprising of four MSF Board Members and the Assistant Attorney General representing the MSF for a term to end December 31, 2013;

BE IT FURTHER RESOLVED, that the MSF Board gives the authority to the MSF Fund Manager and the MSF President to appoint members to the MSF Advisory Committee as needed or each year before the first MSF Board meeting of the new year;

ADOPTED

Ayes:

Nays:

Recused:

Lansing, Michigan
February 27, 2013

MEMORANDUM

Date: February 27, 2013

To: Michigan Strategic Fund Board

From: Michael Finney, MSF President
Karla Campbell, MSF Fund Manager

Subject: Designation of Authority for MSF Programs

Background
The Michigan Strategic Fund Act, PA 270of 1984, MCL 125.2005, Sec.5 (7), allows "the board to delegate to its president, vice-president, staff or others those functions and authority that the board deems necessary or appropriate, which may include the oversight and supervision of employees of the fund." In the following section, MCL 125.2005, Sec. 6(2) allows for:

> A member of the board or officer, employee, or agent of the fund shall discharge the duties of his or her position in a nonpartisan manner, with good faith, and with that degree of diligence, care, and skill which an ordinarily prudent person would exercise under similar circumstances in a like position. In discharging the duties, a member of the board or an officer, employee, or agent, when acting in good faith, may rely upon the opinion of counsel for the fund, upon the report of an independent appraiser selected with reasonable care by the board, or upon financial statements of the fund represented to the member of the board or officer, employee, or agent of the fund to be correct by the president or the officer of the fund having charge of its books or account, or stated in a written report by a certified public accountant or firm of certified public accountants fairly to reflect the financial condition of the fund.

As the day-to-day operations and duties and responsibilities of the Michigan Strategic Fund (MSF) continue to grow, having another person designated as an agent to assist with MSF projects is expedient and effective.

Recommendation

MEDC recommends that the MSF Board designate Steven Hilfinger, Chief Operating Officer and Executive Vice President of the MEDC, as its authorized agent, and delegate to him the authority to perform various functions on behalf of the MSF and the MSF Board including the following activities:

- to manage the day-to-day operations of the MSF, including oversight and supervision of employees;
- to serve in the place of the MSF President in MSF Board meetings and committee meetings when necessary; and
- to represent the MSF as its authorized agent in discussions, meetings and written correspondence with State and Federal agencies, including the Department of Attorney General, and to provide information and assemble information on matters related to the MSF, the MSF Board, and the various programs and project administered by the MSF.

MICHIGAN STRATEGIC FUND

RESOLUTION

2013-

DELEGATION OF AUTHORITY

WHEREAS, under Section 125.2005(7) of the Michigan Strategic Fund Act (the "MSF 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, the Michigan Economic Development Corporation ("MEDC") provides administrative services to the MSF;

WHEREAS, the MSF Board deems it necessary and appropriate to designate Steven Hilfinger ("Mr. Hilfinger"), Chief Operating Officer and Executive Vice President of the MEDC, as its authorized agent and to delegate to him the authority to perform various functions on behalf of the MSF and the MSF Board including, but not limited to, the following activities:

- to manage the day-to-day operations of the MSF, including oversight and supervision of employees;
- to serve as the designee for the MSF President in MSF Board meetings and subcommittee meetings; and
- to represent the MSF and the MSF Board as its authorized agent in discussions, meetings, correspondence and all other communications with local, state and federal agencies and entities, including, but not limited to, the Michigan Office of the Attorney General, on matters related to the MSF, the MSF Board, and the various programs and projects administered by the MSF.

(the aforementioned, collectively, the "Delegation of Authority")

NOW, THEREFORE, BE IT RESOLVED, the MSF Board approves the Delegation of Authority, subject to the direction and control of the MSF.

Ayes:

Nays:

Recused:

Lansing, Michigan
February 27, 2013

MEMORANDUM

Date: February 27, 2013

To: Michigan Strategic Fund Board

From: Karla Campbell, MSF Fund Manager

Subject: Performance Audit of the Renaissance Zone Program

Background

The Michigan Renaissance Zone underwent a Performance Audit of the program and the report was issued in January of 2013. Renaissance Zones were enacted in 1996 with the following objectives:

- Create tax free areas to spur economic development;
- Keep the program very simple so companies would not be disillusioned with red-tape;
- Local units of government were partners and participating local units of government had to give approval before coming before the Michigan Strategic Fund (MSF) and the State Administrative Board gave final approval;
- State taxes abated included business tax (SBT and MBT) and income taxes for residents living in a Renaissance Zone;
- Local taxes abated included real and personal property taxes, city income taxes if levied; utility users' tax (only in Detroit).

Initially, only geographic zones were established. In 2008, the legislation passed, with MEDC support, to reform the program as follows:

- Development agreements were now required for all new zone, which allowed the MEDC to establish and track various milestones and, if necessary, revoke zones for non-performance.
- The MSF could designate up to 17 (an increase of 4) additional project-specific MSF-designated zones with development agreements.
- The MSF could approve additional subzones within expiring geographic zones if a development agreement requiring new capital investment or job creation was executed.
- The MSF could revoke an extension of a subzone's duration if increased capital investment or job creation would not begin within one year.
- Counties were given the authority to approve or disapprove the municipality's application for an extension of a project-specific subzone.

Auditor General Findings

The Auditor General findings stated that we had not established a comprehensive process to evaluate the effectiveness of the program; MEDC did not ensure that all information required by statute in relation to the program was completely and accurately reported; MEDC did not adequately monitor the program's compliance with the requirements of their development agreements, and that MEDC had not established a structured process to ensure that instances of the program's noncompliance with development agreement requirements were appropriately addressed.

MEDC's Response and Points to Consider

The program has been in place for 16 years and the Act has been amended 41 times. While this is not an excuse, it has made the administration of the program somewhat challenging. Geographic zones were designed to be simple by eliminating red tape, incorporating local community objectives and assisting in the development of rural and urban areas considered distressed or difficult to develop.

In 2008, when the program became project specific rather than geographic, development agreements were executed with job creation, investment and other factors incorporated as milestones. Since that time, the MSF, along with the State Administrative Board, has taken the following action:

- 2010 – 8 revocations and one reduced term
- 2011 – 2 revocations and one reduced term
- 2012 – 10 revocations and one reduced term

The Tool and Die Recovery Zones are very different in nature as they are industry specific, the agreements are collaborative and between the various Tool and Die companies, and there is no job creation or investment required to be approved. The Recovery Zones were created to help retain Michigan's lead in this industry and serve as a retention tool more than a job creation tool.

Summary of Overall Programmatic Changes:

The MEDC has already implemented a new tracking system that allows us to monitor when progress reports are being submitted and whether milestones have been met (including, job creation, job retention and private investment). This allows us to identify non-compliance quickly. We have also updated our progress reports for zones with Development Agreements to assure all legislative required reporting is captured. We will expand this tracking system to the voluntary reporting zones. We will also establish and implement policies and procedures regarding how to address non-compliant zones (including repayment) in a timely manner, but keeping in mind that our goal is never to destabilize a company or lose jobs for the State.

The MEDC requires that companies submit an annual progress report to the MEDC
Renaissance Zone program staff. As of today, out of 120 development agreements xx have complied with the reporting requirements. Notices have gone out to the companies that have not submitted progress reports.

Conclusion

As the MSF is aware, the MEDC does not recommend revocation lightly. We consider the local community, the effect the revocation could have on the company as a whole; e.g., layoffs or possible closing, and how far out of compliance the company is with respect to meeting their goals. Attached is a report showing Renaissance Zones that are currently out of compliance. Our goal is to balance the economic development objectives of the program with statutory and development agreement.