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

AGENDA

Call to Order

A. Adoption of Proposed MSF Meeting Minutes – February 27, 2013 *[Action Item]*
Public Comment *[Please limit public comment to three (3) minutes]*
Communication *[Information – Elaine Jaworsky]*

B. 21st Century Jobs Fund Program

1. **Michigan Business Development Program [MBDP]**
   a) Newell Rubbermaid Inc. – ***[Action Item – Mike Gietzen]***
   b) Southwest Michigan First Corporation – ***[Action Item – Mike Gietzen]***
2. **MSDF Loan Participation Proposal -** Zehnder's of Michigan, Inc. – ***[Action Item – Chris Cook]***

C. Community Development Block Grant – *[Action Items – Deborah Stuart]*

1. City of Frankenmuth – Frankenmuth Splash Village (Infrastructure Project)
2. Approval of Consolidated Plan

D. Industrial Development Revenue Bond Program [IDRB] – Almond Products, Inc./Pioneer Investment Company, L.L.C./ Pioneer Real Estate, LLC. ***[Action Item – Diane Cranmer]***

E. Job Creation MBT Credit Amendments

1. Martinrea Jonesville, LLC ***[Action Item – Stacy Bowerman]***
2. Federal-Mogul Corporation – ***[Action Item – LeTasha Peebles]***
3. MAHLE Industries, Incorporated ***[Action Item – LeTasha Peebles]***

F. Administrative – Amended Background Review Policy for MSF Programs – ***[Action Item – 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
February 27, 2013
PROPOSED MEETING MINUTES

A meeting of the Michigan Strategic Fund [MSF] Board was held on Wednesday, February 27, 2013, at the Michigan Economic Development Corporation [MEDC], Lake Michigan Room, 300 N. Washington Square, Lansing, Michigan

MEMBERS PRESENT: Steve Arwood, Ron Boji, Craig DeNooyer, Mike Finney, Sabrina Keeley [via phone], Jay Wortley [acting for and on behalf of Treasurer Dillon, designation attached], Bill Martin, Howard Morris, Richard Rassel, and Shaun Wilson.

MEMBERS ABSENT: Mike Jackson

CALL TO ORDER: Mr. Finney called the meeting to order at 1:34 p.m.

ADOPTION OF MSF PROPOSED MEETING MINUTES – January 23, 2013: Mr. Finney asked if there were any questions from the Board. There being none, **Mr. Arwood motioned approval for the January 23, 2013 MSF Board Proposed Meeting Minutes. Mr. Morris seconded the motion**. The motion carried – 10 ayes; 0 nays; 0 recused; 1 absent.

PUBLIC COMMENT: Mr. Finney asked if there was any comment from the public. There was no public comment.

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

- Changes have been made to the January 23, 2013 MSF Proposed Meeting Minutes and were emailed to the board on February 26;
- A change has been made to the Briefing memo for Item B-2a, Grand Rapids Downtown Market Holdings LLC;
- Item B-3a, Southwest Michigan First Corporation has been removed from the Agenda;
- Information has been inserted, and the Term Sheet and Cell Manufacturing Credit Resolution have been updated for Item D, Dow Kokam;
- The briefing memo has been updated for Item F, Dialogue Marketing;
- The briefing memo has been updated for Item I -1, City of Gaylord;
- Item J-2, Revised MSF Board Meeting Dates and Item J-3, New International Trade Crossing Appointments have been removed from the agenda; and
- The briefing memo has been updated for Item J-3, Designation of Authority for MSF Programs.

21st CENTURY JOBS FUND PROGRAM

[Richard Rassel recused]

Resolution 2013-027 MTRAC Program Awards
Resolution 2013-028 Michigan Translational Research and Commercialization Program Funding Allocation
Melda Uzbil, University Relations Director, Entrepreneurial Services, and Paula Sorrel, Managing Director, Entrepreneurship, provided the Board with information regarding this action item.

Ms. Uzbil explained that the Michigan Economic Development Corporation [MEDC] received 7 proposals totaling $7,726,385 in response to the Request for Proposal (RFP) and requests for grant funds in the proposals ranged from $517,000 to $2,415,000. The Joint Evaluation Committee (JEC) reviewed proposals, conducted site visits, 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:

a) Michigan State University receives the requested amount of $1,092,500 for agro-biotechnology and bioprocessing.
b) University of Michigan receives the requested amount of $2,415,000 for life sciences.
c) University of Michigan receives $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 receives 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 receives 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 receives 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.

Recommendation: MEDC Staff makes the following recommendations with the support from the MSF Entrepreneurial Subcommittee:

1. Approval of the M-TRAC Awards identified;
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.

Board Discussion: Mr. Finney asked if there were any questions from the Board. The Board discussed the resolutions. Mr. Wortley asked if there were any Universities that applied that did not receive approval. Ms. Uzbil stated there were none. There being no further questions, Mr. Finney advised the Board they would be approving two resolutions. **Mr. Arwood motioned approval for Resolutions 2013-027 and 2013-028. Mr. Martin seconded the motion.** The motion carried – 9 ayes; 0 nays; 1 recused; 1 absent.

[Richard Rassel returns – Bill Martin stepped out at 1:45 p.m. and returned at 1:48 p.m.]

Resolution 2013-029 – Approval of a Michigan Community Revitalization Program Loan Participation Award for Grand Rapids Downtown Market Holdings, LLC

Joseph Martin, Manager, Michigan Community Revitalization and Brownfield Programs, provided the Board with information regarding this action item and introduced guest John Byl, Attorney with Warner, Norcross and Judd.

Mr. Byl stated that 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 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. Mr. Martin further explained that 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.

Recommendation: The Staff recommends approval of the closing the MCRP Proposal, subject to available funding under the MCRP at the time of closing, completion of due diligence, the results of which are satisfactory to the MEDC, finalization of all MCRP transaction documents, and 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.

Board Discussion: Mr. Finney asked if there were any questions from the Board. Mr. Boji asked who the developer is and who is construction manager for the project. Mr. Byl answered Grand Rapids Downtown, Inc. and Pioneer, respectively. Mr. Morris asked about the impact on the farmers' market. Mr. Byl indicated that there will be collaboration between the projects. There being no further questions, **Mr. Wortley motioned approval for Resolution 2013-029. Mr. Arwood seconded the motio**n. The motion carried – 10 ayes; 0 nays; 0 recused; 1 absent.

Resolution 2013-030 – Approval of a Michigan Community Revitalization Program Loan Award to Parkland Muskegon, Inc.

Joseph Martin, Manager, Michigan Community Revitalization and Brownfield Programs, provided the Board with information regarding this action item and introduced guests Jon Rooks, Parkland Muskegon Inc. and John Byl, Attorney with Warner, Norcross and Judd.

Mr. Rooks explained that Parkland Muskegon, Inc. focuses on two 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. Parkland Muskegon 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 and the project is located at 241, 255 and 285 W. Western Avenue. Mr. Martin stated that Parkland Muskegon 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 Tax Increment Financing revenue, the project is anticipated to pay off the $1,560,000 in year 21 or 22.

Recommendation: Staff recommends closing the MCRP Proposal, subject to available funding under the MCRP at the time of closing, completion of due diligence, the results of which are satisfactory to the MEDC, finalization of all MCRP transaction documents, and 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.

Board Discussion: Mr. Finney asked if there were any questions from the Board. Mr. Morris asked if Parkland was confident in their ability to rent the units. Mr. Rooks replied that they were. Mr. Rassel noted this is similar to a previous project before the board. Mr. Martin responded that project was a Brownfield. There being no other questions, **Mr. DeNooyer motioned approval for Resolution 2013-030. Mr. Arwood seconded the motion**. Motion carried 10 ayes; 0 nays; 0 recused; 1 absent.

Resolution 2013-031 – Approval of the Definition of Eligible Investment for the Michigan Community Revitalization Program

Joseph Martin, Manager, Michigan Community Revitalization and Brownfield Programs, provided the Board with information regarding this action item.

Mr. Martin provided background for the request stating that on December 21, 2011, the MSF Board approved the Michigan Community Revitalization Program (“MCRP”) and its guidelines. 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. 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 as described above.

Board Discussion: Mr. Finney asked if there were any questions from the Board. There being none, **Mr. Rassel motioned approval for Resolution 2013-031. Mr. Morris seconded the motion.** The motion carried – 10 ayes; 0 nays; 0 recused; 1 absent.

Resolution 2013-032 – Approval of Delegation of Authority for Assignments Under the Community Revitalization Program

Joseph Martin, Manager, Michigan Community Revitalization and Brownfield Programs, provided the Board with information regarding this action item.

Mr. Martin stated that on December 21, 2011, the MSF Board approved the Michigan Community Revitalization Program ("MCRP") and its guidelines. 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 transactions 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 to undergo a background review of any required key personnel that 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.

Board Discussion: Mr. Finney asked if there were any questions from the Board. There being none, **Mr. Arwood motioned approval for Resolution 2013-032. Mr. DeNooyer seconded the motion**. The motion carried – 10 ayes; 0 nays; 0 recused; 1 absent.

[Mr. Martin stepped out at 2:06 p.m. and returned at 2:08 p.m.]

STEP PROGRAM

Resolution 2013-033 – Approval of Contract with the Council of Great Lakes Governors for State Trade and Export Promotion (STEP) Grant Program

Mr. Mark Kinsler, Vice President, Business Attraction and Mr. John Wolf-Meyer, Grant Specialist, provided the Board with information regarding this action item.

Mr. Kinsler explained how the STEP program allows states to incentivize Small and Medium Enterprises (SMEs) to begin to export, or to expand their current exports, by reimbursing 50% on allowable export-related activities. The Council of Great Lakes Governors (CGLG) 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 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. SBA approval of the subcontract was received in February 2013.

RECOMMENDATION: **S**taff 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.

Board Discussion: Mr. Finney asked if there were any questions from the Board. Ms. Keeley asked that it be noted that the Board requested and was assured that processes are now in place for the STEP Programs to prevent such retroactive approvals in the future. There being no further questions, **Mr. Boji motioned approval for Resolution 2013-033. Mr. Rassel seconded the motion**. The motion carried – 10 ayes; 0 nays; 0 recused; 1 absent.

Resolution 2013-034 – Approval of Contract with the Michigan Small Business and Technology Development Center for State Trade and Export Promotion (STEP) Grant Program
Mr. Mark Kinsler, Vice President, Business Attraction and Mr. John Wolf-Meyer, Grant Specialist, provided the Board with information regarding this action item.
Mr. Kinsler explained how the STEP program allows states to incentivize Small and Medium Enterprises (SMEs) to begin to export, or to expand their current exports, by reimbursing 50% on allowable export-related activities. 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. SBA approval of the subcontract was received in February 2013.
RECOMMENDATION: 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.

Board Discussion: Mr. Finney asked if there were any questions from the Board. There being none, **Mr. Wilson motioned approval for Resolution 2013-034. Mr. Morris seconded the motion**. The motion carried – 10 ayes; 0 nays; 0 recused; 1 absent.

RENAISSANCE ZONE, CELL MANUFACTURING CREDIT, ADVANCED LITHIUM ION BATTERY PACK CREDIT

[Mr. Wilson and Ms. Keeley recused]

Resolution 2013-035 – Amendment to Development Agreement – Dow Kokam MI, LLC
Resolution 2013-036 – Dow Kokam MI, LLC – Advanced Lithium Ion Battery Pack Credit (Amendment #2)
Resolution 2013-037 – Dow Kokam MI, LLC Cell Manufacturing Credit (Amendment #3)
Joshua Hundt, Manager, Development Finance, provided the Board with information regarding these action items.
Mr. Hundt advised the Board that 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: Staff recommends approval of the proposed amendments to the Cell Manufacturing Credit, Advanced Lithium Ion Battery Pack Credit, and Renaissance Zone.

Board Discussion: Mr. Finney asked if there were any questions from the Board. Mr. Arwood questioned if the job creation was cumulative. Mr. Hundt stated that was correct. There being no further questions Mr. Finney advised that three resolutions would be voted on for approval for this project. **Mr. Arwood motioned approval for Resolutions 2013-035, 2013-036, and 2013-037. Mr. DeNooyer seconded the motion**. The motion carried- 8 ayes; 0 nays; 2 recused; 1 absent.

[Ms. Keeley returned]

RENAISSANCE ZONE AMENDMENTS

Resolution 2013-038 – Revocation of An Existing MSF Designated Renaissance Zone – United Solar Ovonic, LLC
Amy Lux, Renaissance Zone Program Specialist, provided the Board with information regarding this action item.
Ms. Lux advised the Board United Solar Ovonic, LLC manufactures and sells thin-film solar laminates that convert sunlight to energy using proprietary technology. The Company received a 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. In exchange for the Renaissance Zone designation, the Company entered into a Development Agreement with the MSF outlining specific conditions, including job creation targets, capital investment commitments, and annual reporting requirements. The Company informed the MEDC that it is abandoning the project. For this reason, the milestones the Company committed to in the Agreement 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 a commitment from Dieomatic, Inc. to move in to and develop the Company's former location. However, Dieomatic has elected not to seek a transfer of the Renaissance Zone designation and is instead pursuing other incentives. On February 11, 2013, the MSF Fund manager received a letter of support for the revocation from the City, indicating that Dieomatic has closed on the property.
Recommendation: Staff recommends the revocation of the MSF-designated Renaissance Zone awarded to United Solar Ovonic, LLC, effective January 1, 2014. Repayment of previous abated taxes is not requested as the company has been forthcoming regarding their project's lack of success.

Board Discussion: Mr. Finney asked if there were any questions from the Board. Mr. Arwood questioned why the repayment of abated taxes was not pursued. Ms. Lux stated that it is not a requirement to seek repayment of previous abated taxes and the decision was made not to pursue as the Company is in bankruptcy. There being no further questions, **Mr. Wortley motioned approval for Resolution 2013-038. Mr. Martin seconded the motion.** The motion carried – 9 ayes; 0 nays; 1 recused; 1 absent.

[Ms. Keeley and Mr. Rassel recused]

Resolution 2013-039 – 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

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

Ms. Lux explained that Ohio Module Manufacturing Company, LLC (OMMC) was incorporated in 2005 as a subsidiary of Hyundai Mobis to supply the complete chassis module for the Jeep Wrangler. OMMC has since changed their name to Mobis North America, LLC, but they remain in the business of manufacturing automotive parts. On December 16, 2009, 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 and 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 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.

Recommendation: Staff recommends 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.

Board Discussion: Mr. Finney asked if there were any questions from the Board. There being none, **Mr. Morris motioned approval for Resolution 2013-039. Mr. Boji seconded the motion.** The motion carried – 7 ayes; 0 nays; 3 recused; 1 absent.

[Mr. Wilson and Mr. Rassel return]

Resolution 2013-040 – Amendment to Development Agreement – 1208 Woodward, LLC

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

Ms. Lux stated that 1208 Woodward, LLC 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. On December 21, 2011, 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. In exchange, the Company entered into a development 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. The due date for project completion is December 31, 2015. After receiving the Renaissance Zone designation, the Company modified 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 deadlines for overall completion of the construction of the project and their $75 million capital investment commitment. The deadline will be amended to June 30, 2016 and 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.
Recommendation: Staff recommends the MSF Board approve the 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.

Board Discussion: Mr. Finney asked if there were any questions from the Board. Mr. Wilson asked what the role is of the Detroit Economic Growth Corporation on this project. Ms. Lux responded that they are not a party to the Agreement. David Carroll, Vice President of Quicken Loans, clarified that the owner of the property is the City of Detroit Downtown Development Authority and the Detroit Building Authority. There being no further questions, **Mr. Arwood motioned approval for Resolution 2013-040. Mr. Wilson seconded the motion**. The motion carried – 9 ayes; 0 nays; 1 recused; 1 absent.

[Ms. Keeley returns]

JOB CREATION MBT CREDIT AMENDMENT

Resolution 2013-041 – Michigan Economic Growth Authority – Dialogue Marking, Inc.
LeTasha Peebles, Program Specialist, provided the Board with information on this action item
Ms. Peebles stated that on March 15, 2011 the MEGA Board approved a 3-year, 100 percent Standard MEGA Tax Credit to Dialogue Marketing, Inc. (Resolution 2011-035). 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 inadvertently 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.
Recommendation: Staff 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.

Board Discussion: Mr. Finney asked if there were any questions from the Board. There being none, **Mr. Wortley motioned approval for Resolution 2013-041. Mr. Wilson seconded the motion**. The motion carried – 10 ayes; 0 nays; 0 recused; 1 absent.

INDUSTRIAL DEVELOPMENT REVENUE BOND PROGRAM [IDRB]

Resolution 2013-042 – Van Andel Research Institute
Diane Cranmer, IDRB Specialist, provided the Board with information regarding this action item and introduced Tim Myers, CFO, Van Andel Research Institute.
Mr. Myers stated that the Van Andel Research Institute (VARI) originated in the State of Michigan on October 16, 1996, as a Michigan charitable trust engaged in the continuous active conduct of medical research and operates as a medical research organization. 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 (Series 2008 Bonds). Proceeds of the Series 2008 Bonds were used to refund four prior MSF bond issues totaling $110,000,000 (Prior Bonds) and to complete the hereinafter described Project. Proceeds of the Prior Bonds and a portion of the Series 2008 Bonds were used to assist VARI in the financing of land acquisition, construction of an approximately 160,000 square foot medical research facility and an approximately 250,000 square foot addition thereto, the acquisition and installation of laboratory, computer equipment, software and office furniture and fixtures. 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.
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, 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.

Board Discussion: Mr. Finney asked if there were any questions from the Board. There being none, **Mr. Arwood motioned approval for Resolution 2013-042. Mr. Wortley seconded the motion.** The motion carried – 10 ayes; 0 nays; 0 recused; 1 absent.

Resolution 2013-043 – Erwin Quarder
Diane Cranmer, IDRB Specialist, provided the Board with information regarding this action item and introduced Bowden Brown, Attorney, Dykema Gossett PLLC.
Mr. Brown stated that Erwin Quarder, Inc. 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 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. 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.
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.

Board Discussion: Mr. Finney asked if there were any questions from the Board. There being none, **Mr. Arwood motioned approval for Resolution 2013-043. Mr. Rassel seconded the motion**. The motion carried – 10 ayes; 0 nays; 0 recused; 1 absent.

BROWNFIELD MBT AMENDMENT

Resolution 2013-044 – 160 W. Fort LLC
Daniel Wells, Brownfield Specialist, provided the Board with information on this action item.
Mr. Wells stated that 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. The project was amended October 24, 2012 to add a new qualified taxpayer, 160 W Fort, LLC; change the scope of the project 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.
Recommendation: Staff 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.

Board Discussion: Mr. Finney asked if there were any questions from the Board. Mr. Boji asked if changing the plan is to increase the credit and the percentage. Mr. Wells noted that the credit amount is capped and cannot increase. There being no other questions, **Mr. Arwood motioned approval for Resolution 2013-044. Mr. Wilson seconded the motion.** The motion carried – 10 ayes; 0 nays; 0 recused; 1 absent.

COMMUNITY DEVELOPMENT BLOCK GRANT

Resolution 2013-045 – City of Gaylord – Façade Improvement Project
Deborah Stuart, Director, Community Incentive Programs, provided the Board with information on this action item.
Ms. Stuart stated that 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. 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. The project was evaluated utilizing the CDBG guidelines and it has been determined that the project meets the standards to qualify as an eligible project under the CDBG program.
Recommendation: Staff concludes 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.

Board Discussion: Mr. Finney asked if there were any questions from the Board. Mr. Arwood asked if the buildings were contiguous. Ms. Stuart replied that they were not. There being no further questions**, Mr. Rassel motioned approval for Resolution 2013-045. Mr. Boji seconded the motion.** The motion carried – 10 ayes; 0 nays; 0 recused; 1absent.

[Mr. Wilson recused]

Resolution 2013-046 – City of Ludington– Façade Amendment

Deborah Stuart, Director, Community Incentive Programs, provided the Board with information on this action item.

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

Recommendation: Staff concludes 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.

Board Discussion: Mr. Finney asked if there were any questions from the Board. There being none, **Mr. Martin motioned approval for Resolution 2013-046. Mr. Rassel seconded the motion.** The motion carried – 9 ayes; 0 nays; 1 recused; 1absent.

[Mr. Wilson returns]

Resolution 2013-047 – CDBG Housing Allocation to the Michigan State Housing Development Authority and Related Subrecipient Agreement

Deborah Stuart, Director, Community Incentive Programs, provided the Board with information on this action item.

Ms. Stuart explained that 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 monitoring concerns regarding MSHDA's administration of their portion of the funding and the MSF's oversight of their activities. The 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).

Recommendation: Staff recommends that the MSF approve the Subrecipient Agreement between the MSF and the MSHDA effective immediately.

Board Discussion: Mr. Finney asked if there were any questions from the Board. Mr. Boji asked if HUD had approved the Agreement before the Board. Ms. Stuart replied that HUD does not dictate the program and that the Agreement was a recommendation not an audit finding. There being no further questions, **Mr. Morris motioned approval for Resolution 2013-046. Ms. Keeley seconded the motion.** The motion carried – 10 ayes; 0 nays; 0 recused; 1 absent.

ADMINISTRATIVE

Resolution 2013-048 – Change in Committee Structure of MSF
Karla Campbell, Fund Manager, provided the Board with information on this action item.
Ms. Campbell presented the reasons for requesting the change in Committee structure. She then noted that MEDC and the MSF Fund Manager recommend that the MSF move toward an Advisory Committee with four MSF members rather than three separate subcommittees as this will be administratively easier to manage for both MSF and Board Members. She stated the Advisory Committee approach is more conducive to discussion of projects in their entirety and legal representation can take a more active approach to offer counsel to the MSF. Ms. Campbell further noted that if approved, all currently delegated authority given to the existing committees would transfer to the Advisory Committee.
Recommendation: The 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 briefing if requested

Board Discussion: Mr. Finney asked if there were any questions from the Board. The Board discussed the pros and cons of the requested Committee restructure and noted that they are agreeable to the change provided that the following be incorporated into the structure:

- Two briefing calls are held before each Board meeting, with no more than 5 Board Members on each call.
- The packet of material sent to the Advisory Committee be distributed to the entire Board.
- Allow one additional Board Member to attend the Advisory Committee meeting if arranged prior to the meeting.

There being no further discussion or questions, **Mr. Morris motioned approval for Resolution 2013-048. Mr. Wortley seconded the motion.** The motion carried – 10 ayes; 0 nays; 0 recused; 1 absent.

Resolution 2013-049 – Designation of Authority for MSF Programs

Karla Campbell, Fund Manager, provided the Board with information on this action item.

Ms. Campbell stated that the Michigan Strategic Fund Act, PA 270 of 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." She further stated that as the MEDC provides administrative services to the MSF, a high-level MEDC person to serve as an agent for the MSF President in the following circumstances, including but not limited to MSF Board meetings, committee meetings, MSF projects, interdepartmental issues, as well as conversations with the legal representative of the MSF, which is the assistant Attorney General, allows us to move quickly and assist with the connection between the MSF and MEDC allowing us to operate on a more holistic level to meet our mutual economic and community development goals for Michigan's businesses and citizens.

Recommendation: The MEDC and MSF staff recommends that Steve Hilfinger, Chief Operating Officer of the MEDC, be designated by the MSF Board 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 the authority to manage the day-to-day operations of the MSF, including oversight and supervision of employees; to serve as the MSF President's designee for purposes of functioning as an MSF agent for board 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 Attorney General, on matters related to the MSF, the MSF board, and the various programs and projects administered by MSF.

Board Discussion: Mr. Finney asked if there were any questions from the Board. There being none, **Mr. DeNooyer motioned approval for Resolution 2013-049. Mr. Morris seconded the motion.** The motion carried – 10 ayes; 0 nays; 0 recused; 1 absent.

Performance Audit of the Renaissance Zone Program – no action necessary

Karla Campbell, Fund Manager, provided the Board with information on this item.

Ms. Campbell provided the Board with the information regarding the performance audit of the Renaissance Zone Program. She discussed the findings and the MEDC's response to those findings.

Board Discussion: Mr. Finney asked if there were any questions from the Board. Ms. Keeley asked Ms. Campbell to provide the report mentioned in the briefing memo. Ms. Campbell stated she will send to the Board via email. There were no further questions.

Meeting adjourned 3:08 p.m.

MEMORANDUM

TO: Michigan Strategic Fund ("MSF") Board Members

FROM: Michael Gietzen, Development Finance Manager

DATE: March 27, 2013

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

Newell Rubbermaid Inc. ("Applicant" or "Company")
Western Michigan University Business Technology and Research Park
Kalamazoo, Michigan 49009
www.newellrubbermaid.com

MBDP PROGRAM AND ITS GUIDELINES

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

SOURCE OF INFORMATION

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

HISTORY OF THE APPLICANT

Newell Rubbermaid Inc. (Newell Rubbermaid) is a global marketer of consumer and commercial products. The Company's products are marketed under a portfolio of brands, including Rubbermaid ® , Graco ® , Aprica ® , Levolor ® , Calphalon ® , Goody ® , Sharpie ® , Paper Mate ® , Dymo ® , Parker ® , Waterman ® , Irwin ® and Lenox ® . The Company's multi-product offering consists of well-known, name-brand consumer and commercial products in three business segments: Home & Family; Office Products; and Tools, Hardware & Commercial Products.

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

PROJECT DESCRIPTION

The Applicant plans to move into a newly constructed product design and testing facility, staffed by approximately 100 professionals dedicated to world-class creative design for the Corporation's brands. Presently the Company has design and test facilities in Illinois, Virginia, Massachusetts, Georgia, North Carolina and California that they would like to consolidate into one facility. Within three years of implementing the project, they expect to relocate into a 35,000 sq. ft. facility to house these professionals.

a) The Applicant is a “Qualified Business”, as defined in MCL 125.2088r(9)(b), that will locate and operate in Michigan.
b) The project will be located in City of Kalamazoo. The City of Kalamazoo has offered a “staff, financial, or economic commitment to the project” in the form of property tax abatement under Public Act 198 of 1974 for the period of 12 years, which is an estimated value of $164,000. Local economic development partner Southwest Michigan First Corporation is also offering a commitment of no-cost land estimated valued at $265,000, temporary office space estimated value of $94,500 and 5 years no cost on a triple-net design building facility estimated value up to $4,000,000.
c) The Applicant has demonstrated a need for the funding based on other locations being offer equal labor and occupancy costs. Other locations competing for this project have offered significant incentive assistance to attract the Company to their location. Michigan's personal property tax compares unfavorably to other states being considered for the project.
d) The Applicant plans to create 100 Qualified New Jobs above a statewide base employment level of 0.
e) The project meets the program guidelines as follows: out-of-state competition; shovel-ready project with the support of the MSF; diversification; prospect of near-term job creation; project is located in a distressed or targeted community.

INCENTIVE OPPORTUNITY

This project involves the creation of 100 Qualified New Jobs and a capital investment of up to $2,300,000 in the City of Kalamazoo. The requested incentive amount from the MSF is $2,000,000 in the form of a performance-based grant. Please see below for more information on the recommended action.

RECOMMENDATIONS

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

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

MICHIGAN STRATEGIC FUND

RESOLUTION 2013-

APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT TO Newell Rubbermaid Inc.

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

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

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

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

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

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

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

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

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan
March 27, 2013

PURE MICHIGAN®

MICHIGAN BUSINESS DEVELOPMENT PROGRAM
Performance Based Grant - Term Sheet

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

Date: 2/12/2013

1.	**Company Name:**	Newell Rubbermaid Inc. ("Company" or "Applicant")	
2.	**Company Address:**	3 Glenlake Parkway Atlanta, Georgia 30328	
3.	**Project Address ("Project"):**	Western Michigan University Business Technology and Research Park Kalamazoo, Michigan 49009	
4.	**MBDP Incentive Type:**	Performance Based Grant	
5.	**Maximum Amount of MBDP Incentive:**	Up to $2,000,000 ("MBDP Incentive Award")	
6.	**Base Employment Level**	0	The number of jobs currently maintained in Michigan by the Company based on data submitted by the Company to the MEDC reflecting the Company's employment level in Michigan prior to the proposed project. The Base Employment Level, including identification of the Company data used to establish this level, shall be included in the final MBDP Incentive Award agreement ("Agreement") between the MSF and the Company.
7.	**Total Qualified New Job Creation:** *(above Base Employment Level)*	100	The minimum number of total Qualified New Jobs the Company shall be required to create in Michigan (above the Base Employment Level), in addition to satisfying other milestones if applicable, to be minimally eligible to receive the full amount of the MBDP Incentive Award. Each Qualified New Job must be performed for consideration by a Michigan resident (whose Michigan income taxes are withheld as required),

	and each Qualified New Job must be in excess of the Base Employment Level. The final terms and conditions of the requirements for the minimum number of Qualified New Jobs that must be created, including provisions addressing disbursements of portions of the MBDP Incentive Award, shall be included in the final Agreement.
a. **Start Date for Measurement of Creation of Qualified New Jobs:**	Date of Approval of MSF Award
8. **Company Investment:**	$2,300,000 for machinery & equipment, furniture & fixtures, and computers, *or any combination thereof, for the Project.*
9. **Municipality supporting the Project:**	City of Kalamazoo

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

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

a. **Disbursement Milestone 1:**	Up to $1,400,000	Upon demonstrated creation of 70 Qualified New Jobs above the Base Employment Level and verification of final approval of municipality support by no later than December 31, 2013.
b. **Disbursement Milestone 2:**	Up to $400,000	Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 20 additional Qualified New Jobs above the Base Employment Level, by no later than December 31, 2014.
c. **Disbursement Milestone 3:**	Up to $200,000	Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, and upon demonstrated creation of 10 additional Qualified New Jobs above the Base Employment Level, by no later than December 31, 2015

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

12. Repayment Provisions:

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

13. Reporting Requirements:

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

14. Public Announcements:

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

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

If the Company is interested in the MEDC pursuing a recommendation to the MSF for a possible MBDP Incentive Award for the Company along the above parameters, please sign and date this Term Sheet. If the MEDC does not receive the signed Term Sheet from the Company by February 19, 2013, the MEDC may not be able to proceed with any recommendation to the MSF.

Newell Rubbermaid Inc.

By: [signature] Printed Name: Arthur C Garcia, Jr.

Its: Director, Real Estate

Dated: February 15, 2013

Acknowledged as received by:

Michigan Economic Development Corporation

By: Michael Gietzen Printed Name: Michael Gietzen

Its: Development Finance Manager

Dated: 2/27/2013

MEMORANDUM

TO: Michigan Strategic Fund ("MSF") Board Members

FROM: Mike Gietzen, Development Finance Manager

DATE : March 27, 2013

SUBJE/CT: Approval of Michigan Business Development Request for $4,000,000 Performance-based Loan to:

Southwest Michigan First Corporation ("Applicant" or "Company")
241 East Michigan Avenue
Kalamazoo, Michigan 49007
www.southwestmichiganfirst.com

MBDP PROGRAM AND ITS GUIDELINES

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

SOURCE OF INFORMATION

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

HISTORY OF THE APPLICANT

Southwest Michigan First Corporation (Southwest Michigan First) was created for one singular purpose to assist companies in growing jobs. They believe in well-paying jobs that make a positive impact for generations to come. Their community's future depends on local companies' ability to grow, be competitive and change with the times. Southwest Michigan First Corporation, a 501(c)3 not-for-profit corporation was founded for the mission of relieving the cost of government and poverty through the creation of jobs Southwest Michigan. Incorporated as a 501(c)3 in 1988 under the name "CEO Council, Inc.", the organization has gone through various structural and name changes, none of which compromised its not-for-profit status or the original mission.

PROJECT DESCRIPTION

Southwest Michigan First Corporation is requesting financing assistance for Project Seal through the Michigan Business Development Program. The project will be the development of a consolidated new product design and testing facility, staffed by approximately 100 professionals dedicated to world-class creative design. Presently the business associated to Project Seal has design and test facilities in Illinois, Virginia, Massachusetts, Georgia, North Carolina and California. Within three years of implementing the project, the business associated to Project Seal expects to relocate to a 35,000 sq. ft. facility to house these professionals.

Southwest Michigan First Corporation would offer a design build lease option at Western Michigan University's Business, Technology and Research Park, with free land for the development. Southwest Michigan First proposes to provide the facility at no-cost for the first 5 years of occupancy. During this time, the business associated to Project Seal would be responsible for triple net (NNN) expenses, building upkeep and maintenance. At the end of 5 years, the business associated to Project Seal would have the option to purchase the building at cost, or lease it at market rate.

The Applicant plans to construct the facility in Kalamazoo for Project Seal and would utilize the BDP Performance-based Loan to fund the construction and 5 year term while the facility is not generating any revenue.

a) The Applicant is a "Qualified Business", as defined in MCL 125.2088r(9)(b), that is located and operates in Michigan.
b) The project will be located in Kalamazoo, Kalamazoo County. Kalamazoo County has offered a financial commitment to the project" in the form of an economic development allocation to the Applicant of $75,000 annually. The Applicant will funnel a portion of this allocation to Project Seal. The annual allocation is to be used at the discretion of Southwest Michigan First for any economic development need.
c) The Applicant has demonstrated a need for the funding based on its ability to finance the construction of a new building which is required from the business associated to Project Seal. Due to the lack of revenue being produced by the facility through lease costs, traditional financing is unavailable. Once the facility is collecting lease costs or sold, estimated to be October 2018, the BDP Loan will be paid off.
d) The Applicant is applying for the BDP Loan based on investment and only indirect jobs will be created. There will not be any job requirements as part of this agreement.
e) The project meets the program guidelines as follows: project involves out-of-state competition; has a net positive return to Michigan; and has indirect job creation by Project Seal that is anticipated to occur starting in 2013.

INCENTIVE OPPORTUNITY

This project involves a capital investment of up to $4,000,000 in the City of Kalamazoo. The requested incentive amount from the MSF is $4,000,000 performance-based loan, with interest only payments through March 2018 and principal and additional interest and fees due by October 31, 2018. Please see below for more information on the recommended action.

RECOMMENDATIONS

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

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

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

MICHIGAN STRATEGIC FUND

RESOLUTION 2013-

APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM LOAN TO SOUTHWEST MICHIGAN FIRST CORPORATION

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

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

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

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

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

WHEREAS, Southwest Michigan First Corporation ("Company") has requested a performance based MBDP loan of up to $4 million ("Loan Request"), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A ("Term Sheet");

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

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

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan
March 27, 2013

Southwest Michigan First Corporation ("SWMF" or "Company")
MBDP Loan Terms and Requirements for Project Seal

This Term Sheet is an outline of the structure of the proposed MBDP Incentive and does not purport to summarize all of the conditions, terms, covenants, representations, warranties and other provisions which would be contained in definitive legal documents for the MBDP Award contemplated hereby. It should not in any way be viewed as a commitment by or an obligation of the MEDC, the MSF or any other entity to extend financial accommodations to the Company and is subject to, among other things, the approval of the request under the MEDC's internal approval process and by the MSF Board. Any final MBDP Award is contingent upon several factors, including: (I) submission by the Company of a completed application and all other documentation required under the MBDP; (ii) satisfactory municipality support; (iii) available MSF funding; (iv) completion of financial review, business integrity review, required background checks, and other business and legal review and due diligence, as required, the results of which must be satisfactory to the MEDC, the MSF, and as applicable, the Chief Compliance Officer; (v) approval of an award by the MSF; and (vi) execution of a final Agreement containing the established milestones, repayment terms, reporting requirements, and all other detailed terms and conditions, required by the MSF.

Incentive - $4 million Michigan Business Development Program ("MBDP") Performance-based Loan

- Disbursement Schedule:
  - Milestones:
    - Disbursement Milestone 1: <u>$3 million</u> Demonstrate through a construction contract executed by SWMF for the construction of the design center facility for Project Seal at WMU BTR Park in the City of Kalamazoo, Michigan; and demonstration that Kalamazoo County has contributed economic development funds to SWMF and SWMF will allocate a portion or all of those funds to Project Seal (local support) to the satisfaction of the MEDC Loan Manager ("Loan Manager") by no later than May 1, 2013.

    - Disbursement Milestone 2: <u>$1 million</u> Demonstrate through paid itemized receipts that a minimum of 90% of disbursed funds in Milestone 1 ($2.7 million) have been spent on the construction of the facility identified in Milestone 1; demonstration of the ownership by SWMF of the land; and demonstration that all necessary Local and state permits have been duly approved to the satisfaction of the Loan Manager by no later than July 1, 2013.

    - Performance Milestone 3: <u>No Disbursement</u> Demonstration of an executed lease on the constructed facility for a minimum term of 5 years; demonstration that no liens on the facility as demonstrated by a satisfactory title commitment or lien waivers; and demonstration of the permanent certificate of occupancy for occupation of the facility in WMU BTR Park in the City of Kalamazoo, Michigan, all to the satisfaction of the Loan Manager by no later than October 1, 2013.

- Interest Rate:
  - Normal Rate – 1%
  - Default Rate – 7%

- Term of Loan & Repayment Terms:
  - 68 month term
  - Interest only payments due annually each March 1st starting in 2014, and ending 2018
  - Remaining Balance Balloon Payoff (Principal plus any additional interest and fees) due by no later than October 31, 2018
  - Interest begins accruing at March 1, 2013.
  - Payment Schedule:
    - 3/1/14 - $40k, not including default rate
    - 3/1/15 - $40k, not including default rate
    - 3/1/16 - $40k, not including default rate
    - 3/1/17 - $40k, not including default rate
    - 3/1/18 - $40k, not including default rate
    - 10/31/18 - $4 m plus any additional and interest fees
  - Deferred Payments – The first interest only payment will be due on March 1, 2014. Principal will be deferred to 6 months post last scheduled interest only payment.
  - Early Payment of Principal - SWMF may without penalty pay the principal plus accrued interest in full prior to the end of the term.
  - Project Budget:

• Site acquisition / land	$265,000
• Site Planning	$100,000
• Site Improvements	$900,000
• Building Shell	$1,250,000
• Mechanical & Electrical	$1,250,000
• Finishes	$500,000
• Free Land Value	-$265,000
• Total Project	$4,000,000

    - Under-budget: In the case that the project comes in under budget, SWMF may seek to pre-pay all or a portion of the principal and seek an amendment to the Agreement to adjust the loan terms, including payment schedule.

- Security – None

- Repayment Events:
  - Events causing accelerated payback of outstanding balance (principal plus accrued interest):
    - Failure to meet a Milestone: Notwithstanding anything to the contrary in the Agreement, failure to meet a Milestone, that is not cured after the expiration of the applicable time to cure;
    - Failure to make a payment (interest or principal) on time, that is not cured after the expiration of the applicable time to cure;
    - The company related to Project Seal vacates the facility and moves those operations out of the State of Michigan (The company related to Project Seal vacates the facility however remains in the State, the loan may continue as negotiated until the end of term, provided advanced written notice is delivered to the Loan Manager);
    - Early Refinance of loan

    - Any lien upon the facility that is not removed after the expiration of the applicable time to cure;
    - Sale of the facility; and
    - Plus addition events causing accelerated payback, that could be but are not limited to, use of loan proceeds for acts that are prohibited by the Act; materially incorrect information to support loan disbursement request; misrepresentation by the Company, any material breach by the Company or the Company is in default, violation, breach or non-compliance with the MEDC or other state agencies; voluntary bankruptcy, involuntary bankruptcy or insolvency; and any violation of Representations and Warrants to the MSF by the Company.

  - Events causing all legal and equitable rights to be exercised, including but not limited to:
    - Failure to make final principal payment that is not cured by the expiration of the applicable cure period.

- Forgiveness of Loan Proceeds– None

- Closing Costs for MBDP Loan: The closing costs, payable upon execution of the Agreement and invoiced by the MEDC, are estimated to be $20,000. Final invoice will be presented with Agreement for signature. Payment must be received before the Agreement will be fully executed by the MSF and prior to any disbursement of funds.

- Reporting Requirements:
  - MBDP Progress Reports – no later than October 10th of each year during the Term of the Loan, the Company shall submit to the Loan Manager an annual Progress Report through September 30th. Progress Reports are an all encompassing report and shall include a description of the Milestones achieved during the preceding 12 months and submission of all data required for the MSF to comply with annual reporting requirements to the Michigan legislature under the Michigan Strategic Fund Act;
  - Disbursement Requests & Milestone Reports through the completion of all milestones;
  - Audited Financial Statements, including a cash flow analysis, balance sheet, and income statement provided by March 1st of each year of the Term of the Loan or at any payment due date that is not March 1st;
  - Project Status Reports will be provided to the Loan Manager monthly starting after the first disbursement and continuing until all disbursements have been made or the Loan is terminated, whichever is sooner. The Project Status Report will include a narrative on the status of the project construction, update on timing including estimated timeline to reach each milestone and copies of any and all lien waivers received.

MEMORANDUM

To: Michigan Strategic Fund Board Members

From: Chris Cook, Capital Services Associate

Date: March 27, 2013

Subject: MSDF Loan Participation Proposal - Zehnder's of Michigan, Inc. (and related borrowers/guarantors)

MLPP GUIDELINES

On June 24, 2009, the MSF Board approved the Michigan Loan Participation Program ("MLPP") guidelines and the Loan Participation and Servicing Agreement ("Participation Agreement"), each as later amended, for use within the MLPP. Under the MLPP guidelines, as amended by the MSF Board on March 28, 2012, the MSF Board must approve MLPP requests over $2.5 million, and requests for participation of $2.5 million or less may be approved by any two of the following: MSF Chairperson, or the MSF Fund Manager, or the MSF State Treasurer Director.

The primary intended objective of the MLPP is to enhance the cash flow position of commercial borrowers to promote advancement of credit facilities from lenders

Source of Information

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

Background

Zehnder's of Frankenmuth, Inc. ("Zehnders" or "Company") is located in Frankenmuth. The Company was formed in 1856 and features a variety of products and services, including a restaurant, bakery, 18-hole golf course, and a hotel & water park ("Splash Village"). Phase I of the hotel and water park was completed in 2005 at a cost of $16MM. Phase I consisted of renovations to 146 hotel rooms and the addition of a 20,000 sq. ft. indoor waterpark. The Phase I water park attractions are designed to cater to ages 2-12. The park also includes a snack bar and arcade. Zehnders had planned to add Phase II in 2010, but decided to postpone due to poor economic conditions. Based on the success of Phase I and an overall improvement in the economy, Zehnders is seeking to expand the hotel and waterpark operations by adding Phase II. The planned expansion would add 32 new hotel rooms, renovate 16 existing rooms that face the water park, and add 29,000 sq. ft. to the waterpark. The waterpark attractions to be added will be geared toward age's 10-young adult. The addition will also feature an enclosed structure with a retractable roof.

Average occupancy at Splash Village has continued to improve year over year, reaching 60.4% for 2012 as compared to 58.6% for 2011. School breaks and holidays, along with the 17 various festivals that take place annually in Frankenmuth, generate peaks in occupancy. While revenue generated by Splash Village is seasonal, the inclusion of both indoor and outdoor activities is allowing the Company to work toward evening out its business cycle.

The anticipated project cost for Phase II is $20.4MM. Zehnders has a licensed contractor on staff that is responsible for maintenance of all facilities. This individual was in charge of the Phase I construction, which was completed on-time and under budget, and will be responsible for oversight of Phase II construction. Zehnders is seeking financing for $16MM of the proposed project costs, with the remaining $4.4MM to be paid by the Company. The 12/31/12 balance sheet reflects Company liquidity sufficient to provide the required equity contribution.

Zehnders is owned equally by Albert Zehnder (Chairman & CEO), Martha Shelton (CFO), and Linda Zehnder (HR Director). Bill Parlberg, who is not a member of the Zehnder family, serves as President & COO for the Company.

The planned expansion of Splash Village project will require a $1,362,000 improvement to the Frankenmuth sanitary sewer system. The City of Frankenmuth has requested $500,000 in CDBG funds for improvement to the wastewater system in order to accommodate the project. The remaining expense will be paid by City of Frankenmuth's Downtown Development Authority.

Industry Overview

The US amusement parks and arcades industry includes about 3,000 establishments (single-location companies and units of multi-location companies) with combined annual revenue of about $16 billion. Low growth is forecast for the next two years. Key growth challenges include dependence on consumer spending and intense competition. Demand is closely linked to the health of the economy, especially consumer income. The profitability of individual companies depends on good marketing. Large companies can build expensive rides and have economies of scale in operations and advertising. Smaller companies can compete by serving smaller markets or offering special rides. The industry is highly concentrated: the 50 largest companies generate about 85 percent of revenue.

Revenue for most amusement parks varies widely during the year, with the bulk of revenue coming in the summer months. Only half of amusement parks are open year-round, and those have higher revenue during holiday and vacation periods. Bad weather can have a major effect on revenue. Bad weather, or the threat of bad weather, can have a serious impact on attendance at amusement parks. Most rides and attractions are outdoors and guests may not be willing to visit theme parks during cold or otherwise inclement weather.

Employment

Splash Village reports having full-time 86 employees, which is the same number as it reports having 5 years ago. Splash Village anticipates adding 69 full-time employees as a result of this project. The average annual salary for employees of Splash Village is $20,100.

Financing Opportunity

Citizens Bank ("Bank") has proposed two new construction notes to Zehnders for construction of Phase II of Splash Village. The anticipated total cost of the expansion, including a construction contingency, is $20.4MM. The Bank is proposing a total of $16MM in new credit exposure. The new money will be broken out into two notes, one for $11,132.5M, and a second for $4,867.5M. The remaining cost of the project will be paid by Zehnders. The larger note will be tied to the existing first position mortgage that the Bank has for Splash Village. This mortgage will also be tied to two other existing notes, one for $8,372.9M and the other for $7,747.1M. The planned $4,867.5M note will initially also be tied to the same mortgage, but will be taken out using the SBA 504 program once construction is complete. At that time, that $4,867.5M in exposure will be tied to a second position mortgage held by SBA. The Bank has requested that the MSF participate $5MM in this new note in order to decrease the Bank's overall credit exposure to the Company. No grace period is being requested on the portion of the note to be acquired by the MSF.

The Company recorded gross revenue of $25,911M in 2010, $26,770M in 2011, and $26,072M in 2012. Net profit over the same time period was ($476M), $692M, and $1,547M, respectively. The cost of goods sold as a percentage of total revenue remained consistent over this 3 year period. The reported loss in 2010 was due to a larger than normal depreciation expense and a one-time expense for costs associated with a bond issuance. Net profit in 2012 exceeded the Company projection of $275M. Additional revenue from the restaurant and Splash Village were major contributing factors to higher than anticipated profitability. Debt service coverage over the most recent three years was 1.79:1, 1.46:1, and 1.49:1, respectively.

Zehnders commissioned a feasibility study for the planned Phase II expansion which was completed in August 2012. Performance projections from the study indicated an anticipated occupancy rate of 58.5%, as compared to the 60% projected by the Company and an average daily rate of $214, as compared to the $220 projected by the Company. Water park and food and beverage sales were comparable. Overall, both the Company prepared financial projections and those included as a part of the feasibility study indicated contribution of $2.9MM annually. Proforma debt service coverage based on the Company prepared financial projections resulted in a coverage ratio of 1.59:1 in 2013 (during the construction period), 1.37:1 in 2014, and 1.27:1 in 2015.

The proposed financing will be priced at a variable rate of 1 month LIBOR + 3.50% (equivalent to 3.70%) during the construction period. Once construction has been completed, the Company will have the option of leaving the variable rate in place or fixing the rate at 350 basis points over cost of funds (equivalent to 4.97% as of 2/6/13). The note will be re-priced at the end of the 5 year term. The proposed financing will be secured by a first position mortgage on the project property, including furniture, fixtures, and equipment ("FF&E"). An "as complete" appraisal of the project property indicated a value of $34.9MM.

The proposed financing will require the unlimited personal guarantees of Albert Zehnder and his trust, Martha Shelton and her trust, Linda Zehnder and her trust, and William Parlberg. A personal financial statement for Albert Zehnder lists an adjusted net worth of $555M. Among the assets noted on the personal financial statement are $50M in cash and marketable securities, $260M in retirement accounts, and $850M in real estate. Liabilities include $55M in loans payable and $440M in real estate debt. A personal financial statement for Martha Shelton lists an adjusted net worth of $1,017.4M. Among the assets noted on the personal financial statement are $155.7M in cash and other liquid assets, $432M in retirement accounts, and $275M in real estate. Liabilities include $155M in loans payable. A personal financial statement for Linda Zehnder lists a net worth of $564M. Among the assets included are $8M in marketable securities, $400M in retirement accounts, and $175M in real estate. Liabilities include $14M in loans payable and $180M in real estate debt. A personal financial statement for William Parlberg lists a net worth of $230.2M. Among the assets noted are $42.5M in cash and other liquid assets, $290M in retirement funds, and $325M in real estate. Liabilities include $181M in loans payable, $271M in real estate debt.

Exit Strategy

The Bank has several financial covenants in place for its existing funding for this Company. The Bank intends to make these covenants applicable for the new extensions of credit. The covenants include a minimum rolling four quarter debt service coverage covenant, a limitation on distributions, and a minimum quarterly earnings before interest, taxes, depreciation, and amortization ("EBITDA") covenant. The minimum rolling four quarter debt service coverage covenant will require that the Company maintain a debt service coverage ratio of not less than 1.25:1 on a rolling four quarter basis. Debt service coverage ratio shall mean:

> Borrower's EBITDA of the most recent year end plus Borrower's EBITDA of the most recent year to date quarter end minus Borrower's EBITDA of the same year to date quarter end (previous year) minus taxes and distributions minus non-recurring gains on asset sales plus non-recurring losses on asset sales minus or plus extraordinary items and excluding any change in the fair value of the interest SWAP (all based on the same four consecutive quarters as states above), divided by required annual debt service for the consecutive four quarters stated above.

The limitation on distributions limits distributions to a level not to exceed the tax liabilities. The minimum EBITDA covenant requires that the Borrower maintain not less than 80% of its projected cash flow on a year to date basis to be calculated using year to date net income or loss plus depreciation and amortization minus the year to date change in inventory minus year to date fixed asset purchases minus year to date principal payments.

<u>Request</u>

A. <u>Bank Facility and MSF Support</u>

Citizens Bank has proposed to provide the following credit facilities:

Term = Real Estate (Splash Village)	$11,132,500
Term = Real Estate (Splash Village - 504 Bridge)	$4,867,500
Revolver = Working Capital	<u>$1,000,000</u>
Total Loans Leveraged	$17,000,000

In addition, the Company will contribute up to $4,424,520 in cash toward the project. Given the above structure, the proposed MSF exposure is a maximum of:

Term = Real Estate (Splash Village)	<u>$5,000,000</u>
Total MSF Contribution	$5,000,000

Under this proposal the MSF is leveraging private capital at a ratio of 4.28:1.

B. <u>Confidentiality</u>

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

Recommendation

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

a. Acknowledgment by the MSF that the Designated Information set forth on the attached summary is confidential;

a. Approval of the MLPP proposal contained herein and:

b. Closing the MSF support, subject to available funding under the MLPP 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 an Loan Participation and Servicing Agreement and Supplemental Agreement, and further subject to the following terms and conditions:

Facility 1 – Zehnder’s of Frankenmuth, Inc.

Borrower:	Zehnder’s of Frankenmuth, Inc. (and/or a related borrower(s))	
Lender:	Citizens Bank	
Loan Amount:	Up to $11,132,500	
MSF Participation:	Up to $5,000,000	
Loan Type:	Up to15-month draw note converting to term note featuring a 10 year term and 20 year amortization.	
Fees:	Tier II:	1.00% at Closing 1.00% annually based on the MSF Share Balance

Other

- Commitment will remain valid for 90 days with approval for MSF Fund Manager to extend the commitment an additional 30 days.
- Unlimited, unsecured personal guarantees of Albert Zehnder and his trust, Martha Shelton and her trust, Linda Zehnder and her trust, and William Parlberg.
- The proposed financing will include a debt service coverage ratio covenant, as calculated by the Bank. Minimum fixed charge coverage ratio will be set based on a level acceptable to Bank and CST.
- The proposed financing will include a limitation on owner distributions. Distributions will be limited to a level acceptable to Bank and CST.
- The proposed financing will include a minimum EBITDA covenant, as calculated by the Bank. Minimum EBITDA will be set based on a level acceptable to Bank and CST.

SUMMARY OF DESIGNATED INFORMATION

MICHIGAN STRATEGIC FUND CONFIDENTIALITY LOG

MLPP

Per MSF Approval of the Staff Recommendation dated March 27, 2013

Name of Applicant	Summary of Designated Information
Zehnder's of Frankenmuth, Inc. and any related borrowers and guarantors; and Citizens Bank, (collectively, "Interested Parties to the Proposed Transaction")	Any portion of any documents or record of any kind containing any of the following business or personal information pertaining to any of the Interested Parties to the Proposed Transaction: Financial statements (including without limitation, income statements, balance sheets, statements of cash flow and profit and loss statements), ratio analysis, appraisals and other appraisal reporting, collateral analysis, accounts receivable aging reports, customer names and lists, tax returns, credit reports, social security or other tax identification numbers, and any analysis, report or record of any kind by or on behalf of any of the Interested Parties to the Proposed Transaction containing any of the foregoing information.

MICHIGAN STRATEGIC FUND

RESOLUTION

2013-

APPROVAL OF LOAN PARTICIPATION AND SERVICING AGREEMENT AND SUPPLEMENTAL AGREEMENT FOR ZEHNDER'S OF MICHIGAN, INC. AND/OR RELATED BORROWERS FOR THE MICHIGAN LOAN PARTICIPATION PROGRAM

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

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

WHEREAS, pursuant to MCL.125.2088d(1) the MSF shall create and operate a loan enhancement program;

WHEREAS, on May 20, 2009, the MSF approved the creation of the Michigan Supplier Diversification Fund ("MSDF") as a loan enhancement program;

WHEREAS, on May 20, 2009, the MSF approved the: (i) creation and operation of the Michigan Loan Participation Program ("MLPP") under the MSDF; and (ii) adopted the MLPP guidelines, as later amended ("MLPP Guidelines");

WHEREAS, on June 24, 2009, the MSF approved the MSF Chairperson to negotiate the final terms and conditions of the Loan Participation and Servicing Agreement and Supplemental Agreement, as later amended, to be used for the MLPP ("MLPP Agreements") and sign the final MLPP Agreements on the MSF's behalf, so long as the final terms and conditions of the MLPP Agreements are not materially adverse to the interest of the MSF Board;

WHEREAS, the MLPP Guidelines require that requests for loan participation over $2,500,000 must be approved by the MSF Board;

WHEREAS, Citizens Bank ("Bank") has provided a loan commitment of up to $11,132,500 ("Bank Loan") to Zehnder's of Michigan, Inc. and/or related borrower(s) ("Proposed Borrower") for a construction project (the "Project");

WHEREAS, Proposed Borrower has requested loan participation from the MSF under the MLPP for the Project in the amount not to exceed the lesser of: (i) $5,000,000; or (ii) up to 49.9% of the total amount of the Bank Loan ("Loan Participation"); and

WHEREAS, the MEDC has reviewed the Bank's current credit documents for the Proposed Borrower, and recommends that the MSF Board approve the Loan Participation, subject to: (i) final due diligence performed to the satisfaction of the MEDC and the Chief Compliance Officer; and (ii) execution of the MLPP Agreements within 90 days of the date of this Resolution ("Time Period"), or this Resolution shall have no effect; provided however, at the sole discretion of the MSF Fund Manager, the Time Period may be extended for up to an additional 30 days.

NOW, THEREFORE, BE IT RESOLVED, the MSF approves the Loan Participation for the Proposed Borrower, subject to: (i) final due diligence performed to the satisfaction of the MEDC and the

Chief Compliance Officer; and (ii) execution of the MLPP Agreements within 90 days of the date of this Resolution ("Time Period"), or this Resolution shall have no effect; provided however, at the sole discretion of the MSF Fund Manager, the Time Period may be extended for up to an additional 30 days.

Ayes:

Nays:

Recused:

Lansing, Michigan
March 27, 2013

MEMORANDUM

Date: March 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
Frankenmuth Splash Village Economic Development Infrastructure Project
City of Frankenmuth, County of Saginaw

BACKGROUND

The City of Frankenmuth is requesting $500,000 in Community Development Block Grant (the "CDBG") funds for for infrastructure improvements for the Splash Village Expansion project in Saginaw County.

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

> Zehnder's of Frankenmuth will expand their current Splash Village Water Park & Hotel facility to create an additional 30,000 square feet of water park and 26-36 additional hotel rooms—more than doubling the current size of the existing tourism venue. Working with the Company, the City of Frankenmuth needs to improve its waste water collection system serving the Splash Village property to provide adequate capacity for the operation of the new hotel rooms, the new waterpark and to sustain existing service to neighboring properties. CDBG eligible activities will include the following infrastructure improvements: sanitary sewer replacement along Jefferson, Main, and Plant Streets in Downtown Frankenmuth, removal and reconstruction of all necessary public right of ways along this route, not excluding roadways or pedestrian right of ways.

BUSINESS BACKGROUND:

Zehnder's of Frankenmuth, Inc. – 720 South Main Street, Frankenmuth

> After successfully opening in 2005 and operating Zehnder's Splash Village Hotel and Waterpark, Zehnders of Frankenmuth plans to expand again adding 26-36 additional rooms and an additional 30,000 sq. ft. of water park features, more than doubling the current size of the existing tourism venue. Currently, the water park caters to those young (0-13) and those young at heart. Zehnder's will construct a new water park area targeted at the 14-18 year old demographic with a keen interest in more challenging features. The addition will also include an outdoor swimming area with retractable roof, which will attract additional visitors from spring to fall. A minimum private investment of $15 million will provide an additional 69 jobs within the City of Frankenmuth. The infrastructure improvements provided through the CDBG grant are necessary to enable the expansion at Splash Village, while continuing to maintain the appropriate level of service to the surrounding properties.

NATIONAL OBJECTIVE

This project qualifies for CDBG funding as the project activities are expected to result in the creation of 69 full time positions over the next two years, six months. The company has agreed that at least 35 of the 69 positions will be held by low to moderate income persons. The project meets a national objective by providing benefit to at least 51 percent low and moderate income persons. The CDBG cost per job is $7,246, with an average wage of $9.70 per hour.

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

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

Economic Impact:
The economic impact of this project was evaluated. It was determined that the proposed infrastructure project is necessary to service a major expansion to the Splash Village Water Park. In addition to the creation of 69 FTE positions within the City of Frankenmuth, this expansion is intended to diversify product offerings, a key to sustaining the existing tourism industry locally and in the state.

Minimum Local Participation:
The City of Frankenmuth will make a contribution of $862,000 provided by their Downtown Development Authority. This equals $862,000, which is sixty-four percent (63%) of the total infrastructure cost.

Minimum Leverage Ratio:
The private match contribution is noted in Attachment A and will be a minimum company investment of $15,000,000, which results in a leverage ratio of 30:1 of the CDBG grant and will be provided by Zehnder's of Frankenmuth.

Financial Viability and Background Check:
The business receiving the benefits from this project has completed a background check with no concerns and have been determined to be financial viable. However, the MEDC Capital Services is also seeking approval from the MSF for a $5 million loan participation for the expansion project at Splash Village to make the project feasible.

PROJECT BUDGET
See Attachment A.

RECOMMENDATION
After reviewing the proposal, MEDC staff has concluded that the project meets the minimum program requirements to be eligible under the CDBG program. Therefore, staff, recommends that a grant agreement, in the amount of $500,000, be authorized for the City of Frankenmuth.

PROJECT BUDGET
MICHIGAN COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

Michigan Economic Development Corporation — Attachment A

1. Applicant: City of Frankenmuth		2. Project Title: Frankenmuth Splash Village Sanitary Sewer			
3. Project Cost Elements	4. Project Funding Sources (identify all other funding sources).				
Activities	CDBG	Local	Private		TOTAL
Architecture and/or Engineering		$182,000			$182,000
Infrastructure Improvements	$500,000	$571,900			$1,071,900
Building Expansion			$15,000,000		$15,000,000
Contingency		$108,100			$108,100
TOTALS	$500,000	$862,000	$15,000,000		$16,362,000

MICHIGAN STRATEGIC FUND

RESOLUTION 2013- _________

APPROVAL OF CITY OF FRANKENMUTH PROJECT

WHEREAS, Executive Order 1999-1, issued pursuant to Article V of the Michigan Constitution of 1963 and the laws of the State of Michigan, consolidated the State's economic development functions and programs and their accompanying powers in the Michigan Strategic Fund (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 City of Frankenmuth (the "Community") has submitted a complete application for approval requesting funding to be used to fund the Frankenmuth Splash Village Sanitary Sewer Project (the "Project");

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

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

NOW, THEREFORE, BE IT RESOLVED, that the MSF authorizes a grant to the Community not to exceed $500,000 for the payment or reimbursement of costs associated with the Project. The MSF allocates $500,000 from the Michigan CDBG program for the purpose of funding the Community's proposed Project contingent upon the MSF's continued receipt of CDBG funds and availability of adequate funds;

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

BE IT FURTHER RESOLVED, if the Community fails to execute and return the grant agreement to staff within 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
March 27, 2013

MEMORANDUM

DATE: March 27, 2013

TO: Michigan Strategic Fund Board Members

FROM: Deborah Stuart, Community Development Incentives Director

SUBJECT: Community Development Block Grant Program
2013 Consolidated Plan

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 Michigan Strategic Fund ("MSF"), for further distribution to eligible Units of General Local Government to carry out State approved activities.

The State of Michigan's Housing and Community Development Consolidated Plan is submitted pursuant to a HUD rule (24 CFR Part 91, 1/5/95) as a single submission covering the planning and application aspects of HUD's CDBG , Emergency Shelter Grant ("ESG"), HOME Investment Partnership ("HOME") and Housing Opportunities for Persons with AIDS ("HOPWA") formula programs. While the Michigan State Housing and Development Authority submits the Consolidated Plan on the State's behalf, the MSF has authority over the attached Action Plan B ("Plan") related to CDBG funds.

The details on the selection criteria for each program are general in the Plan, but will be further defined in the Application Guide that will be considered for approval by the MSF at a later date. Project periods and grant amounts will be determined and tailored for each specific project proposal.

Please note the public comment period for the Plan started on February 28 and will be completed on April 2. Any public comments received that would be appropriate to be implemented and would require substantial changes to the Action Plan will be brought back to the MSF Board for consideration at the April MSF meeting.

RECOMMENDATION

After reviewing the programs and regulations, staff has concluded that the programs identified are in compliance with the federal CDBG regulations, and staff recommends the following action:

- The MSF authorizes the Fund Manager to submit the final CDBG 2013 Action Plan as part of the Consolidated Plan, in coordination with the MSHDA, to HUD for their consideration.

IV. ONE YEAR ACTION PLANS

MICHIGAN COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) PROGRAM

Introduction

HUD allocates CDBG funding to the State of Michigan, through the Michigan Strategic Fund (MSF), for further distribution to eligible Units of General Local Government to carry out State approved activities. Under the Michigan CDBG Program, all projects must meet one of the following national objectives and the attending statutorily mandated requirements to be considered for funding:

- The activities will benefit persons of low and moderate income, as defined by Section 104(b)(3) of the Housing and Community Development Act and 24 CFR 570.483;
- The activities will aid in the prevention or elimination of slums or blight, as defined by 24 CFR 570.483; or
- The activities are designed to meet other community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community which are of recent origin or which recently became urgent, where the community is unable to finance the activity on its own and where other financial resources are not available to meet such needs, as defined by 24 CFR 570.483.

Eligible Activities

Activities cited in Section 105(a) of Title I of the Housing and Community Development Act of 1974, as amended, are eligible for assistance. Note: Costs of preparing grant applications are not allowable.

Eligible Applicants

Small cities, townships, and villages of less than 50,000 in population, and non-urban counties generally are eligible to apply for grants under the Michigan CDBG Program. There are over 1,600 eligible general-purpose, local governments, and these governments are referred to as non-entitlement jurisdictions.

Ineligible Applicants

The following counties and their respective Units of General Local Governments (UGLGs) are not eligible to directly apply or directly receive Michigan CDBG funds, unless they can provide documentation that they have opted out of their allocation:

Genesee County, Kent County, Macomb County, Oakland County, Wayne County Washtenaw County and the following units of government within the county are not eligible for Michigan CDBG funds

Ann Arbor City	Scio Township	Ypsilanti Township
Pittsfield Township	Ypsilanti City	Northfield Township
York Township	Bridgewater Township	Superior Township
Ann Arbor Township	Salem Township	

The following Michigan cities are not eligible to directly apply or directly receive Michigan CDBG funds:

Battle Creek	Kalamazoo	Niles
Bay City	Lansing	Norton Shores
Benton Harbor	Midland	Portage
East Lansing	Monroe	Port Huron
Holland	Muskegon	Saginaw
Jackson	Muskegon Heights	

Indian tribes eligible for assistance under Section 107(a) (7) of the Housing and Community Development Act are not eligible to directly apply for or directly receive Michigan CDBG funds, but an eligible county or township may apply for Michigan CDBG funds for projects located on Indian reservations if the unit of general local government has the legal authority to fund such projects on Indian reservations and Indian preference is not provided.

Allocation of Funds

During the 2013 Program Year, the State expects to receive approximately $28,000,000 from the U.S. Department of Housing and Urban Development (HUD) for the State of Michigan CDBG Program. The actual amount available may vary based on recapture and reallocation of other funds from previous allocations and the amount of program income received as well as the final appropriation. In addition, the actual distribution of allocated or unallocated amounts may vary according to the demand for funds and fundable grant applications. The initial and planned allocation of funds to individual categories will be on a pre-set percentage basis, which will be applied to the final funding amount. By definition, a substantial amendment to the Consolidated Plan would result from a change in the method of distribution of funds of said change, which will cause an increase or decrease in the original allocation mix of over 35 percent.

Initial distribution of HUD allocated funds, recaptured funds, and program income will be as follows:

CATEGORY	ALLOCATION	PROGRAM INCOME
Economic & Community Development	$24,214,533- $20,178,777	$1,000,000
Housing	$2,690,504- $6,726,259	$1,400,000
Administration & Technical Assistance	$832,115	
TOTAL	$27,737,151	$2,400,000

Due to the uncertainty of the Sequestration and other budget cuts, the MSF is proposing a range to allow for flexibility in dealing with those potential cuts. Based on the 2013 Program Year allocation, the following percentages of the allocation will be applied to the specific categories:

Category	Percent of Allocation
Economic & Community Development	90-75%
Housing	10-25%

In addition to funds available for distribution, as allocated to the State by the federal government for the 2013 Program Year, other funds may become available for distribution. Such other funds may include:

- Unobligated grant balances allocated to the State under any previous program year;
- Unexpended grant obligations recovered under previous grants; and
- Any program income returned to the State below or above the estimated amount.

It is estimated that the State will receive approximately one million dollars in program income during the 2013 Program Year. The Program Income dollars identified for housing are being retained and used locally with approval and are included in the anticipated Program Income to be received by the State. These funds will be redistributed by the appropriate State-administering agency (Michigan Strategic Fund or Michigan State Housing Development Authority) for eligible projects in accordance with requirements of the 2013 CDBG program guidelines. Any program income received as a result of the revolving loan program will be redistributed back to the region in which the funds came for new eligible projects when appropriate.

CDBG HOUSING: ONE-YEAR ACTION PLAN

General

Under the Community Development Programs administered by MSHDA or MEDC, CDBG funds may be used by a community to meet demonstrated housing needs. Activities eligible for funding include, but are not limited to:

- Rehabilitation of housing units for homeowners, homebuyers or rental occupancy;
- Creation of new rental units in the upper level of mixed use buildings in downtowns
- New Construction of housing for rental or owner-occupancy; in participation with a qualified community-based organization;
- Acquisition of sites on which buildings will be constructed for use or resale, including down payment assistance;
- Emergency Repair assistance (limited to 15% of funds for homeowner assistance);
- Demolition in support of a housing program or neighborhood revitalization effort;
- Clearance of toxic contaminants of property to be used for new construction of housing;
- Infrastructure improvements essential to an affordable housing project or program in a targeted neighborhood where at least 51 percent of the residents have incomes not exceeding 80 percent of the area median incomes;
- Site improvements to publicly owned land to enable the property to be used for new construction of housing, providing the improvements are undertaken while the property is still in public ownership;
- Cost of disposing real property, acquired with CDBG funds, which will be used for new construction of housing;
- Public Improvements including acquisition, construction, reconstruction and/or rehabilitation (including removal of architectural barriers to accessibility) of neighborhood facilities;
- Beautification projects are eligible activities when proposed under a comprehensive neighborhood or community revitalization effort involving the preservation or creation of affordable housing. Beautification projects include,

but are not limited to: landscaping, planters, creating or improving parking lots, and façade improvements;

- Grantees may undertake activities as provided for under Section 105(a) (23) of the CDBG Act; Applicants may use a portion of their award to pay closing and other costs related to the refinancing of the first mortgage for a recipient receiving homeowner rehabilitation assistance. The first mortgage will typically be an adjustable rate mortgage, a balloon, or have an extremely high interest rate putting the property at risk of foreclosure. This assistance is limited to $3,500 and is included in the maximum $35,000 allowed for homeowner assistance.

- An applicant may request up to a maximum of 18 percent of a funding request for general administration. **Costs of preparing grant applications are not allowable.**

CDBG housing funds may be awarded only to non-entitled UGLGs, including counties and municipalities. UGLGs may enter into subrecipient agreements or contracts with nonprofit or for-profit third-party administrators, with prior approval from MSHDA.

Distributions Methods

There are three different allocation processes that may be used to distribute the funding as outlined below:

a. Method #1- County Allocation Process: MSHDA has a process for awarding non-entitled counties funding for housing projects. Because this program has historically been funded from CDBG funds, this process is discussed in more detail below. Counties are eligible for funding on a two year grant cycle. The amount of the county's allocation awarded is based primarily based on the county's population. For counties with entitlement communities located in the county, the populations of entitlement communities will be subtracted from the total county population.

Projected maximum allocations amounts are as follows:

POPULATION	MAXIMUM AMOUNT *
0-5,000	$100,000
5,001-10,000	$125,000
10,001-20,000	$150,000
20,001-30,000	$175,000

30,001-40,000	$200,000
40,001-50,000	$225,000
50,001-60,000	$250,000
60,001-70,000	$275,000
Over 70,000	$300,000

**MSHDA may make exceptions to allocations based on performance of an UGLG, significance of project impacts on the community, needs of the community, overall demand for funds, and/or based on the availability of funds.*

b. Method #2- Housing Resource Fund: Additionally, CDBG housing funds can be used to support proposals by non-entitled UGLGs for competitive funding awarded by the MSHDA Community Development Division under the Housing Resource Fund through an open window application process. Activities funded by the Housing Resource Fund include homeowner, homebuyer and rental assistance and are eligible to use HOME or CDBG funding.

c. Method #3- Funding Award Competitions: MSHDA may, at its discretion, announce new funding opportunities under the above CDBG eligible activities.

Project Term

Program funds may be awarded as early as July 1, 2013, but will be contingent on actual award of grant funds to the State by HUD. Grant terms for 2013 funds will generally be 24 months. The final six months is used to complete work begun within the first 24 months.

Threshold Requirements

In order to be eligible for funding, UGLGs must meet the following minimum requirements:

a. Community Development and Housing Needs Assessment. An assessment which identifies community development and housing needs and specifies both short and long term community development strategies must be submitted with the application.

b. **Previous Performance.** Each UGLG previously funded will be evaluated on its previous performance. An UGLG that has failed to meet previous grant agreement requirements, including commitment of funds, may be deemed ineligible to apply for an additional award.

Current County grantees are not eligible to apply for 2013 housing funds until at least 75 percent of their current grant funds, exclusive of administrative funds, have been disbursed or some unusual circumstance is involved to warrant a request to apply for additional funds.

Further, UGLGs that have received Michigan County Allocation funds from fiscal year 2008 or earlier cannot apply for 2013 funds until any grants covering those years have been audited and closed.

c. **Low and Moderate Income Benefit.** Applications for Michigan county allocation funds provide the following low and moderate income benefits in accordance with the HUD Section 8 Income Limits:

- Single family, owner-occupied housing rehabilitation must provide 100 percent low/moderate income benefit. Therefore, 100 percent of the funds must be awarded to households with gross annual incomes 80 percent or less of the area median income, based on household size.
- A rental rehabilitation activity must assure at a minimum that 51 percent of units after rehabilitation are occupied by low/moderate income households (if a two unit property, at least one of the units must be affordable).
- In calculating the low/moderate income benefit for a demolition, infrastructure or public improvement project, at least 51 percent of the households served by the project must be low/moderate income.
- Applications with less than the above stated low/moderate income requirements will not be considered for funding.

d. Maximum Investment.

Homeowner rehabilitation assistance will generally not exceed $35,000 per unit, including costs attributable to lead-based paint hazard remediation or abatement. The MSHDA Office of Community Development may make exceptions to this maximum assistance for cause.

Homebuyer assistance programs include the following minimum guidelines:

- MSHDA Single Family asset limitation applies.
- Not limited to first-time homebuyers.
- Purchase price limit is the lesser of the HUD 203(b) limit or the appraised value.
- Homeownership education is required.
- UGLGs are expected to obtain leverage funds from other housing programs such as federal weatherization funding, Rural Development, and MSHDA Property Improvement Program (PIP). UGLGs are also encouraged to provide leveraging dollars and in-kind services locally.

Rental rehabilitation assistance is primarily targeted to neighborhoods, including downtowns. The investor must contribute, at minimum, 25 percent of total development costs (i.e., the maximum investment may not generally exceed 75 percent of the project cost).

Project Selection

While a variety of housing activities are eligible for funds, the following guidelines must be considered when proposing a homeowner rehabilitation activity. The financing mechanism may be a deferred loan or may be forgiven at up to ten percent each year during the 6th through 15th year following the provision of the assistance.

MSHDA requires the placement and recording of a lien on properties receiving CDBG assistance. Exception will be given to emergency repair loans where the cost of the repairs is at or below $2,500. Waivers will be considered for other unique circumstances on a case-by-case basis.

Public Services

The use of 15 percent of local county allocation for public services is restricted to supportive services directly associated with MSHDA or HUD funded supportive housing projects, including case management, enhanced management, and direct supports for persons residing in transitional housing for homeless households and/or in permanent supportive housing for homeless and/or special needs populations.

MSHDA may use CDBG funds, up to 15 percent of its housing funds including any amounts allocated by counties, as stated above, for public services.

Award Process

Applications for awards will be evaluated to assure that all threshold requirements are met and that the proposed housing program is acceptable.

The following factors must be addressed adequately in applications for a housing proposal to assure favorable consideration:

- Total number of units to be rehabilitated in relation to community population and identified housing need;
- Estimated average and maximum total cost and average and maximum CDBG assistance per unit and the amount of funds to be leveraged;
- Level of improvement to be achieved in assisted properties. All properties assisted with CDBG funds must be brought up to local code, Section 8 Existing Minimum Housing Quality Standards or 2009 Michigan Rehabilitation Code. (NOTE: An exception can be made for an Emergency Repair Activity not to exceed 15 percent of the total grant);
- Newly construction units to meet the 2009 Michigan Construction Code, as well as 5-Star Energy and MSHDA Visitability Requirements;
- Administrative and staff capacity to manage program;
- A marketing plan to include "Affirmative Marketing";
- Percent of requested funds to be used for administrative purposes (18 percent maximum); and
- The extent to which the proposal will further fair housing activities.

Housing projects are awarded CDBG funds where CDBG is a more appropriate funding source than HOME. Examples would include single family rehabilitation, homebuyer assistance (with or without rehabilitation), demolition, beautification, rental rehabilitation, including mixed-income projects and activities on non-residential portions of mixed-use buildings where a national objective is met. See pages 32 and 33 for additional details.
Applications are funded based on:

- Prospect for substantial community impact;
- Compliance with federal regulations and MSHDA policy;
- Cost-effectiveness; and
- Applicant capacity and track record.

Applications are evaluated by a review team. Applications are funded, in whole or in part, based on the amount of the request, the capacity of the UGLG, an assessment of market need/demand, and available resources.

Monitoring

MSHDA will monitor the implementation of these plans to determine that good faith efforts have been made to carry out the procedures and requirements specified in the plans, to determine if the objectives have been met, evaluate compliance and to take corrective action as necessary.

Lead-Based Paint Hazards

Properties rehabilitated must meet local code, HUD's Section 8 Existing Minimum Housing Quality Standards (HQS) or the 2009 Michigan Rehabilitation Code. As lead-based paint requirements are incorporated into HUD's standards, on a statewide level we are continuously addressing lead-based paint issues on housing rehabilitation projects. Contractors must be EPA Renovation and Painting Rule (RRP) trained. Note: An exception can be made for CDBG funded county allocations, as communities may request up to 15 percent of their homeowner rehabilitation funds be utilized for Emergency Repair Activities.

CDBG ECONOMIC AND COMMUNITY DEVELOPMENT:
ONE-YEAR ACTION PLAN

General

The Michigan CDBG Program for economic and community development includes funding of grants or loans for direct assistance to business, infrastructure, planning, and blight elimination. These programs are administered by the Michigan Economic Development Corporation (MEDC) on behalf of the Michigan Strategic Fund (MSF).

National Objectives

In order to qualify for CDBG funding consideration, all economic and community development projects must meet a federally-required, national objective, which includes providing direct benefit to low and moderate-income people or elimination of slum and blight. Area benefit projects must provide benefit to the entire UGLG, census block groups, or survey approved neighborhood populations. Economic and community development job creation projects must result in job creation or retention where at least 51 percent of the jobs are made available to, or held by, low and moderate-income people. Planning projects must be considered as leading to development projects which will result in future job creation where at least 51 percent of the jobs are made available to, or held by, low and moderate-income people. Blight elimination projects must be designed to eliminate specific conditions of blight or physical decay.

Very low, low, and moderate-income limits are defined each year by the HUD, and identify household income levels by household size. Typically the moderate-income level is 80 percent of the county median family income and is based on the income level of the household and not the individual filling the job. For job creation projects, the very low, low, and moderate-income requirement is applied at the time of hire. For job retention and community development projects, the eligibility requirement is applied at the time of application for CDBG funds. In unique instances of job retention, the eligibility requirement may apply to a portion of the positions that are anticipated to turnover, for which the job requirement would be applied at the time of the new person being hired.

Jobs are defined as full-time and full-time equivalent permanent positions, which do not include construction jobs, temporary jobs, or layoff recalls. Only those jobs, which are created, or retained, within the grant project period, will be considered in meeting the national objective and screening guidelines. The State will make a final determination of the actual number of jobs created, or retained, and the actual number of jobs available to, or held by very low, low, or moderate-income people at the time the project is officially closed out by the State and will be based on documentation provided by the UGLG.

All UGLGs will be required to comply with all current and newly adopted reporting requirements, including all items necessary to meet Integrated Disbursement and Information System (IDIS) project compliance and performance measurement data collection parameters.

Funding Cycle, Proposal Review, and Project Limitations

Proposals are considered on a continuous basis for most programs. The application is a form submitted by an UGLG providing basic information on the proposed project, project activities, and a summary of the project budget including grant funds being requested and other funds supporting the proposed project. Grants and/or loans will be awarded as funding availability allows.

Applications for competitive allocations will be preceded with public announcements and notifications when possible to potential applicants and will identify specific selection criteria that are outlined in the MSF approved Application Guide. Approved projects will include only those activities identified in the Action Plan and will be awarded as funding availability allows.

If it is determined that the proposed project has adequately met the screening guidelines and selection criteria, the UGLG will be authorized to execute a grant or loan agreement.

Screening Guidelines and Selection Criteria

In considering project funding, a system based on screening guidelines and selection criteria is used to evaluate and invite applications and approve funding. These guidelines and selection criteria are outlined the MSF approved Application Guide that is available to all potential grantees. The screening guidelines are considered to be thresholds that must be met or exceeded for a particular project to receive funding. If these thresholds are met by a proposed project, a positive funding decision may be made depending on the availability of funds, quality of jobs, project sustainability and compliance with all other program requirements. The selection criteria are used to weigh the viable aspects of projects when a competitive award is to be determined. Administration and compliance of current and previous grant awards will be considered during funding evaluation.

Maximum Project Period

Projects must usually be completed within 24 months from the date the funding is awarded. Funds not disbursed within the specified time limit may be recaptured by the MSF for reallocation to eligible CDBG projects.

The MSF may make exceptions to grant/loan amount limits and project periods based on the significance of the project's impact on the UGLG and the economy, the number of jobs created, the needs of the UGLG, and/or the level of benefits to low and moderate income people. Exceptions will be considered as part of the funding decision.

Funding Categories and Programs

The State of Michigan, the MSF, and the MEDC envision a transformed Michigan economy; a State where 21st Century businesses will provide desirable jobs in emerging sectors of commerce; where Michigan's tradition of manufacturing and automotive engineering generate new opportunities to participate in the global economy; where educational standards of excellence support a sophisticated workforce; where communities are restored into vibrant places; and where travel and tourism thrive. All projects are required to meet a national objective.

1. **Blight elimination:** The Michigan CDBG Program for blight elimination is allowable anywhere within the UGLG that is designated a slum or blighted area (spot or area wide). Eligible under this activity would be property acquisition, clearance/demolition, historic preservation, and building rehabilitation (only to the extent necessary to eliminate specific conditions detrimental to public health and

safety), as identified in Section 105(a) of Title I of the Housing and Community Development Act of 1974, as amended.

2. **Direct Assistance to Business:** Eligible under this activity would be assistance to private, for-profit entities as identified in Section 105(a) (17) of Title I of the Housing and Community Development Act of 1974, as amended. Activities eligible for direct assistance to private and for-profit businesses include, but are not limited to: machinery and equipment, façade improvement, building rehabilitation, signature building acquisition, job training, rail enhancement, small business expansion and utility/ pipeline projects.
3. **Infrastructure:** Infrastructure grants are available to help UGLGs upgrade existing public infrastructure systems either by replacing deteriorating, obsolete systems or by adding capacity to existing public infrastructure services in need of upgrade. UGLGs may also request grants to provide public infrastructure improvements necessary for the location, expansion, and/or retention of a specific for-profit business. Public infrastructure includes items located on public property, such as: parking facilities, farmer's markets, streetscape, public water or sanitary sewer lines and related facilities, streets, roads, bridges, privately owned utilities and publically owned utilities. Eligible under this activity would be public facilities and improvements and privately owned utilities, as identified in Section 105(a) (2) of Title I of the Housing and Community Development Act of 1974, as amended.
4. **Planning:** Economic and downtown development planning grants are available to help UGLGs accomplish project specific planning and design work which is likely to lead to an eligible economic development implementation project. Eligible under this activity would be planning and capacity building, as identified in Section 105(a) (12) of Title I of the Housing and Community Development Act of 1974, as amended. CDBG Planning funding cannot be utilized to create, update, or provide information solely for an UGLG to meet legislatively mandated community planning requirements, including Downtown Development Authority plans.
5. **Revolving Loan Funds:** During program year 2013, the state will seek to finalize the regionalization of all existing revolving loan funds. The intent of the revolving loan funds is to provide CDBG eligible loans to businesses within the identified

regional territory. Repayments of the loans back to the fund with interest generates program income that is used to cover fund administrative expenses and provides for additional funds for additional CDBG eligible loans to businesses. The State has identified nine regional entities as eligible within HCDA 105(a) 15. These entities will operate in non-entitlement areas within the State and will exercise the ability to act as the subreceipent for existing funds to allow for the redirection of existing inactive fund balance. Regionalization will create opportunities for greater access to available capital for the issuance of CDBG eligible loans, gain efficiency through increased underwriting expertise and streamline the State approval process. The State may also make additional CDBG funds available to UGLG for the purpose of providing capital for the issuance of CDBG eligible loans to small businesses whose projects meet the selection criteria outlined in the Application Guide.

6. **Unique Grants:** Innovative and creative funding requests will be considered based on special and/or unique needs or situations requiring innovative program approaches not specifically provided for in other defined programs.

MICHIGAN STRATEGIC FUND

RESOLUTION 2013–_________

APPROVAL OF STATE OF MICHIGAN CONSOLIDATED PLAN FOR HOUSING AND COMMUNITY DEVELOPMENT PROGRAM YEAR 2013 (JULY 1, 2013 – JUNE 30, 2014); ONE YEAR ACTION PLAN

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

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

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

WHEREAS, the Criteria are contained in the Michigan Consolidated Plan for Housing and Community Development Program Year 2013 (July 1, 2013 – June 30, 2014); One Year CDBG Action Plan ("Consolidated Plan") which by federal rule must be submitted to the U. S. Department of Housing and Urban Development ("HUD");

WHEREAS, the Fund Manager desires to submit to HUD in conjunction with the Michigan State Housing Development Authority the Michigan Consolidated Plan for Housing and Community Development Program Year 2013, covering the planning and application aspects of HUD's CDBG, Emergency Shelter Grant (ESG), HOME Investment Partnership (HOME) and Housing Opportunities for Persons with AIDS (HOPWA) formula programs; and

WHEREAS, the MSF desires to authorize the Fund Manager, in coordination with the Michigan State Housing Development Authority, to submit the final Consolidated Plan to HUD.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board authorizes the Fund Manager, in coordination with the Michigan State Housing Development Authority and in consultation with the Department of the Attorney General, to submit the final Consolidated Plan to HUD. The MSF President or Fund Manager, in consultation with the Department of the Attorney General, is authorized to modify the Consolidated Plan prior to submission to HUD 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.

Ayes:

Nays:

Recused:

Lansing, Michigan
March 27, 2013

PURE MICHIGAN

MEMORANDUM

DATE: March 27, 2013

TO: Michigan Strategic Fund Board Members

FROM: Diane Cranmer

SUBJECT: Private Activity Bond - Refunding of $9,500,000 Michigan Strategic Fund Variable Rate Demand Limited Obligation Revenue Bonds (Almond Products, Inc. Project), Series 2008

PROJECT DESCRIPTION

Almond Products, Inc. (“Almond”), Pioneer Investment Company, L.L.C. (“Investment”), and Pioneer Real Estate, LLC (“Real Estate”), are incorporated in the State of Michigan, and are collectively the “Borrowers”.

Bonds were original issued in 2008 and were secured by a letter of credit issued by Bank of America, N.A.

Proceeds of the bonds were used for the construction, rehabilitation, acquisition, and installation of manufacturing facilities in Spring Lake Township, Ottawa County. The real estate facilities are owned by Real Estate and leased to Almond. The personal property facilities are owned by Investment and leased to Almond. Almond operates all of the manufacturing facilities in its business of coating parts, generally for the automotive, appliance, furniture and defense industries. Approximately 175 employees work at the facilities.

The purpose of the refunding is to convert the Bonds in to a direct purchase Bond for the Bank to hold for its own account upon mutually agreeable terms and conditions. This will benefit the Borrowers by significantly reducing their borrowing costs and, thereby, freeing up cash flow to operate and grow the business.

ADDITIONAL INFORMATION

Bond Counsel:
Warner Norcross & Judd LLP

Placement Agent
The refunding bonds will be privately placed with Chemical Bank.

RECOMMENDATION

Based upon a determination by Warner Norcross & Judd and the State of Michigan Attorney General’s Office that the proposed refunding complies with state and federal law requirements, staff recommends the adoption of the Resolution approving the addition of a bank purchase mode to the existing or restructure documents and refunding of the prior bonds.

PURE MICHIGAN

MEMORANDUM

Date: March 27, 2013

To: Michigan Strategic Fund ("MSF") Board Members

From: Stacy Bowerman, Development Finance Manager

Subject: Briefing Memo – Martinrea Jonesville, LLC
Amendment to Standard MEGA Tax Credit

COMPANY NAME

Martinrea Industries, Inc.
260 Gaige Street
Jonesville, Michigan 49250
www.martinrea.com

BACKGROUND

Martinrea Jonesville, LLC (the "Company"), founded in 2001, develops and manufactures state-of-the-art metal forming and fluid management systems for the automotive and industrial sectors. The Company is a Tier I automotive supplier that manufactures underbody components for multiple automobile customers such as Ford, GM, Chrysler and Honda. The Company also supplies non-automotive related components and parts to customers including John Deere. The Company currently has 1,415 employees in Michigan.

On May 19, 2009, the MEGA Board approved a seven year 100 percent Standard MEGA tax credit for up to 109 net new employees over a statewide employment base of 470 and a seven year 100 percent Retention MEGA Tax Credit for 104 retained employees at the Company's Jonesville facility to support the acquisition of the former SKD facility. The project is complete and the Company is currently collecting on both credits.

On January 18, 2011, the MEGA Board approved a five year, 75 percent Standard MEGA Tax Credit for an expansion at the Company's Jonesville location to support production of automotive components. The MEGA Tax Credit is for a maximum of 168 Qualified New Jobs over statewide employment base of 1,026. The Average Weekly Wage for the project is $623. The Company is currently applying for their 2011 tax year under this credit and anticipates 90 Qualified New Jobs.

The Company plans to invest in new machinery and equipment to support new business related to the automotive industry. The Company is at capacity at its Jonesville location and is exploring locations to support this growth. The Company is considering a new facility in the Village of North Adams as well as an existing location in Tennessee. The company plans to invest approximately $11.8 million and create up to 122 new jobs in addition to the 168 new jobs associated with the original project.

AMENDMENT DESCRIPTION

To allow for the growth in Michigan, the Company would like to increase their job creation cap on their 2011 Standard MBT Jobs Creation tax credit by 122 to allow for up to 290 qualified new jobs and revise the Project Description to include, "expansion of manufacturing operations related to production of automotive components, and create jobs in the Village of North Adams", effective January 1, 2013.

OTHER STATE AND LOCAL ASSISTANCE

The Village of North Adams proposes to approve a property tax abatement (PA 198) for twelve years with an estimated value of $422,000.

RECOMMENDATION

Based on the factors described above, the Michigan Economic Development Corporation recommends the following amendments to the Standard MBT Jobs Creation tax credit, for three years: (#722)

- Increase the number of Qualified New Jobs from 168 to 290 over the Company's Base Employment Level of 1,026 for three consecutive years beginning fiscal year January 1, 2013; and

- Revise the Project Description to include, "expansion of manufacturing operations related to production of automotive components, and create jobs in the Village of North Adams".

- All other terms and conditions of the tax credit remain the same.

The MSF Advisory Committee has indicated its support of the Recommendation.

MICHIGAN STRATEGIC FUND

Resolution 2013-

Martinrea Jonesville, LLC
Standard Credit (Amendment #2)

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

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

WHEREAS, in Resolution 2011-08, adopted on January 18, 2011, the MEGA Board authorized a Tax Credit for Martinrea Jonesville, LLC (the "Company") of 75 percent for a period of five consecutive years, beginning no later than the Company's tax year ending December 31, 2012 (the "Project");

WHEREAS, the Company is expanding the project scope to include the Village of North Adams by adding new manufacturing operations and creating additional jobs;

WHEREAS, the Company requests that the Tax Credit and Agreement be amended to (the following, collectively, "Amendment"):

(i) Increase the number of Qualified New Jobs from 168 to 290 over the Company's Base Employment Level of 1,026 for three consecutive years beginning fiscal year January 1, 2013;

(ii) Revise the Project description to include, "expansion of manufacturing operations related to production of automotive components, and create jobs in the Village of North Adams";

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

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

BE IT FURTHER RESOLVED, that all other provisions of Resolution 2011-08, as amended, are reaffirmed and the MSF authorizes the MSF Fund Manager to implement the terms of this resolution.

Ayes:

Nays:

Recused:

March 27, 2013
Lansing, Michigan

MEMORANDUM

Date: March 27, 2013

To: Michigan Strategic Fund ("MSF") Board Members

From: LeTasha Peebles, Program Specialist
Development Finance

Subject: Briefing Memo – Federal-Mogul Corporation
Addition of a Subsidiary Company Amendment

COMPANY NAME
Federal Mogul Corporation
26555 Northwestern Highway
Southfield, Michigan 48033

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

On September 1, 2012, the Federal-Mogul Corporation began operating with two end-customer focused business segments. The Powertrain ("PT") segment focuses on original equipment products for automotive, heavy duty and industrial applications. The Vehicle Components Solutions ("VCS") segment sells and distributes a broad portfolio of products in the global aftermarket, while also serving original equipment manufacturers with products including braking, chassis, wipers and other vehicle components. The new organizational model allows for a strong product line focus benefitting both original equipment and aftermarket customers and will enable the global Federal-Mogul teams to be responsive to customers' needs for superior products and promote greater identification with Federal Mogul premium brands. The division of the global Federal-Mogul business into two operating segments is expected to enhance management focus to capitalize on opportunities for organic or acquisition growth, profit improvement, resource utilization and business model optimization in line with the unique requirements of the two different customer bases.

In order to utilize the new business segment, Federal-Mogul has created the additional entity known as Federal-Mogul Vehicle Component Solutions, Inc. which will house employees included in the retained credit calculation. As a result, the Company is requesting to have the additional entity added as a Subsidiary Company.

STATUS OF PROJECT

The MEGA tax credit began with the company's tax year ending December 31, 2005 and the company has collected on all years through 2011.

RECOMMENDATION

Based on the factors described above, the Michigan Economic Development Corporation recommends that Federal-Mogul Vehicle Component Solutions, Inc. be added to the Agreement as a Subsidiary Company for Retained Job purposes. All other terms and conditions of the original MEGA remain intact.

The MSF Advisory Committee has indicated its support of the recommendation.

RESOLUTION 2013-000
MICHIGAN ECONOMIC GROWTH AUTHORITY

Federal-Mogul Corporation
Addition of Subsidiary Company for Retained 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 2004-83, adopted on December 27, 2004, as amended, the MEGA Board authorized a Tax Credit for Federal-Mogul Corporation (the "Company") of 100 percent for a period of twenty consecutive years, beginning no later than the Company's tax year ending December 31, 2005;

WHEREAS, the Company has created Federal-Mogul Vehicle Component Solutions, Inc., and has employees within this entity;

WHEREAS, the Company desires to add Federal-Mogul Vehicle Component Solutions, Inc., as a Subsidiary Company, to be counted as Retained 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.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board authorizes an amendment to add Federal-Mogul Vehicle Component Solutions, Inc. as a Subsidiary Company; and

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

ADOPTED

Ayes:

Nays:

Recused:

March 27, 2013
Lansing, Michigan

MEMORANDUM

Date: March 27, 2013

To: Michigan Strategic Fund ("MSF") Board Members

From: LeTasha Peebles, Program Specialist
Development Finance

Subject: Briefing Memo – MAHLE Industries, Incorporated
Base Employment Level Correction and Addition of an Employer Identification Number for Base & Qualified New Jobs Amendment

---

COMPANY NAME

MAHLE Industries, Incorporated
23030 MAHLE Drive
Farmington Hills, Michigan 48335

BACKGROUND

On June 27, 2008, the MEGA Board approved a 7-year, 100 percent High-Tech MEGA Tax Credit to MAHLE Industries, Incorporated (Resolution 2008-53). The project would allow the Company to expand and create jobs at its North American Technical Center to consolidate various administrative functions in the City of Farmington Hills, Oakland County. The credit was awarded for up to 155 Qualified New Jobs with an average weekly wage of $1,357 above a Base Employment Level of 338 full-time employees.

On the original application submitted by the Company, the full time employees for the Novi and Farmington Hills facilities came to a total of 204. As a result, the Base Employment Level was defined in the Agreement to specifically include the two facilities noted above and was set at 204. However, the Resolution required the company to maintain 338 employees, 134 more than those working at the two facilities. Based on the items identified, MAHLE is requesting to have the Base Employment Level corrected to 204 employees who were working at the two locations at the time of application.

MAHLE Industries has also outgrown their existing facility at 23030 Haggerty Road and in June of 2012, the Company acquired an adjacent building located at 23200 Haggerty Road to accommodate the growth. Since the company continued to use both buildings, the City of Farmington Hills designated the two as a single building with the address of 23030 MAHLE Drive. With the buildings combined, MAHLE has consolidated its North American central functions into one campus at the location. Due to the inclusion of all jobs at the location, the Company will now have an additional Employer Identification Number (EIN) to add to the MEGA Credit. This EIN will still represent MAHLE Industries, Incorporated, but will exclusively house all non-management employees for payroll purposes only. Currently, the Company has 172 employees who are affected by this. As a result, MAHLE Industries is also requesting to have the additional EIN count for Base and Qualified New Job purposes.

STATUS OF PROJECT

The MEGA tax credit began with the Company's tax year ending December 31, 2011 with the option to pull the credit ahead.

RECOMMENDATION

Based on the factors described above, the Michigan Economic Development Corporation recommends that MAHLE Industries, Incorporated Base Employment Level be amended and the additional Employer Identification Number added to the Agreement for Base and Qualified New Job purposes. All other terms and conditions of the original MEGA remain intact.

The MSF Advisory Committee has indicated its support of the recommendation.

RESOLUTION 2013-000
MICHIGAN ECONOMIC GROWTH AUTHORITY

MAHLE Industries, Incorporated
Base Employment Level Correction and Addition of Employer Identification Number for Base & 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 2008-53, adopted on June 27, 2008, the MEGA Board authorized a Tax Credit for MAHLE Industries, Incorporated (the "Company") of 100 percent for a period of seven consecutive years, beginning no later than the Company's tax year ending December 31, 2011;

WHEREAS, the Resolution required the Company to maintain a Base Employment Level of 338;

WHEREAS, the Agreement required the company to maintain a Base Employment Level of 204 to include those employees specifically at the Novi and Farmington Hills locations;

WHEREAS, the Company has consolidated its headquarters facility into one location and has non-management employees housed under an additional Employer Identification Number of 20-0071836;

WHEREAS, the Company desires to correct the Base Employment Level from 338 to 204;

WHEREAS, the Company desires to add the additional Employer Identification Number 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.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board authorizes an amendment to correct the Base Employment Level to 204, and add the additional Employer Identification Number of 20-0071836 to the MEGA Agreement to count towards Base Employment and Qualified New Job purposes; and

BE IT FURTHER RESOLVED, that all other provisions of Resolution 2008-53, are reaffirmed and the MSF authorizes the staff of MEGA to implement the terms of this resolution.

ADOPTED

Ayes:

Nays:

Recused:

March 27, 2013
Lansing, Michigan

MEMORANDUM

Date: March 27, 2013

To: Michigan Strategic Fund Advisory Committee

From: Karla Campbell, MSF Fund Manager

Subject: Amended Background Review Policy for MSF Programs

BACKGROUND

At the February 2012 MSF meeting, the MSF passed Resolution 2012-25, the Background Review Policy (Policy) for the Michigan Business Development Program ("MBD"), created under Section 88r of the MSF Act to replace the former MEGA program, and the Michigan Community Revitalization Program ("CRP"), created under Chapter 8C of the MSF Act, to replace the former Brownfield program. At the September 27, 2012 meeting, the MSF passed Resolution 2012-108 an amendment to the Background Review Policy to better reflect the legislative intent and establish mitigating factors to consider in evaluating whether findings have a negative impact on business integrity.

ISSUE

Since that time, it has been determined that there are unique projects where the applicant entity for the grant or loan is a non-profit entity, an institution of higher education or a municipality. When the applicant is a non-profit entity, an institution of higher education, or a municipality, the general board members are usually volunteers who do not have direct control of the applicant's operations. To better serve these unique projects, we would recommend delegation of authority to both the MSF Chairperson and the MSF Fund Manager, with only one required to act, to approve an exception in part or in whole to the Background Review Policy for non-profit entities, institutions of higher education, and municipalities. This would not only impact 21st Century Jobs Fund programs, but all other MSF programs where a background review requirements has been established.

Recommendation

MEDC and MSF staff recommends approval of the Background Review Policy to allow the MSF Chairperson and the MSF Fund Manager the delegated right to approve an exception to the Policy for non-profit entities and rescinding Resolution 2012-25 and Resolution 2012-108.

MICHIGAN STRATEGIC FUND

RESOLUTION 2013-

APPROVAL OF THE BACKGROUND REVIEW POLICY

WHEREAS, Public Act 270 of 1984, MCL 125.2001 *et seq*. (the "MSF Act"), established the Michigan Strategic Fund (the "MSF");

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

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

WHEREAS, pursuant to MCL 125.2088c(4) ("Section 88c(4)"), the MSF is required to establish requirements toward prohibiting providing incentive awards under sections 88d, 88e, 88f, 88g, 88q, and 88r and Chapter 8C to awardees with certain criminal convictions or civil liabilities;

WHEREAS, pursuant to MCL 125.2088k(6) ("Section 88k(6)"), the MSF is required to establish requirements toward prohibiting providing incentive awards under section 88k to awardees with certain criminal or civil liabilities;

WHEREAS, pursuant to MCL 125.2088r(5) ("Section 88r(5)"), the MSF, with assistance from the MEDC and the Chief Compliance Officer, is required to establish policies and procedures to conduct background checks on each qualified business applying for an award under the Michigan Business Development Program ("MBDP");

WHEREAS, on February 27, 2012, by Resolution 2012-25, as amended by Resolution 2012-108, the MSF approved background review guidelines toward compliance with Section 88c(4) and Section 88r(5);

WHEREAS, the MSF wishes to establish consistent review guidelines for Section 88c(4), Section 88k(6), and Section 88r(5) and for all other programs under the MSF Act that have requirements toward prohibiting incentive awards to awardees with certain criminal convictions and civil liabilities (the "Background Review Policy");

WHEREAS, the MEDC recommends that the MSF Board adopt the guidelines set forth in the attached Exhibit A as the Background Review Policy;

WHEREAS, the MEDC will report to the MSF on a monthly basis when the MSF President and the MSF Fund Manager have waived the requirements in accordance with the Background Review Policy ("Background Check Reporting"); and

WHEREAS, the MSF wishes to approve the Background Review Policy set forth on the attached Exhibit A.

NOW, THEREFORE, BE IT RESOLVED, the MSF Board approves the Background Review Guidelines set forth on the attached Exhibit A and the Background Check Reporting;

BE IT FURTHER RESOLVED, Resolution 2012-25 and Resolution 2012-108 are rescinded in their entirety.

Ayes:

Nays:

Recused:

Lansing, Michigan
March 27, 2013

Exhibit A

BACKGROUND REVIEW POLICY

The following guidelines shall be utilized as part of the due diligence process for programs created and operated by the MSF prior to finalizing a written agreement providing for any incentive:

1. **Certification Form from all Applicants**. All applicants shall provide staff with the completed certification form, including all requested information to correctly identify the applicant, and all of the applicant's Key Owners and Personnel.

2. **Publicly Held Applicants (or their parent companies).** If an applicant (or its parent company) is publicly held, the applicant shall, in addition to providing the completed certification form required in paragraph 1, shall also provide a copy of its (or, as applicable, its parent company's) last annual report filed with the SEC, and any subsequent filings with SEC which disclose litigation or other adverse events or otherwise reference the date of the SEC filing to permit staff to be able to find and review such information on the SEC website; and

3. **Background Check**. A background check, covering the previous five (5) calendar year period, via Westlaw, LexisNexis, Google, or any other internet search engine shall be conducted on all applicants and all Key Owners and Personnel (which includes a parent company); and

4. **Joint Ventures/Business Combinations**. If an applicant is comprised of one or more business entities, such as a joint venture, or other business combination, each of the involved business entities comprising the business combination shall be considered an applicant for purposes of the MBDP and MCRP Background Review process, and each, and their respective Key Owners and Personnel, are subject to the above guidelines;

5. **Findings of a criminal conviction described under Section 88c(4)(a) and 88k(6)(a)** (dealing with state contract or subcontract). If a background check results in a finding of any offense listed in Section 88c(4)(a) or 88k(6)(a), the potential award may not continue to proceed through the process toward a final written agreement.

6. **Findings of a criminal conviction or civil liability described under Section 88c(4)(b) and 88k(6)(b)** (dealing with criminal or civil liabilities, that negatively reflect on business integrity, based on certain described events):

    a. If a background check results in a finding of any offense listed in Section 88c(4)(b) or 88k(6)(b):

        i. the applicant may submit, in writing, to the MSF Chairperson and the MSF Fund Manager, mitigating circumstances that it believes support that the particular finding does not negatively reflect on the business integrity of the applicant or the Key Owners and Personnel, as applicable.

        ii. The MSF Chairperson and the MSF Fund Manager may, but are not obligated to, consider the mitigating circumstances; and

iii. For the potential award to continue to proceed through the process toward a final written agreement, the results of the background check must be satisfactory to either: (i) both the MSF Chairperson and the MSF Fund Manager, or (ii) the MSF Board.

7. **Representation and Warranty by the Applicant in the Final Agreement**. All written agreements memorializing a final award shall, in addition to other normal and customary representations and warranties required by the MSF, include representation and warranty language from the applicant, to the effect that to the best of its knowledge, the applicant and its Key Owners and Personnel, do not have the criminal convictions, the criminal convictions or civil liabilities and will not use the funds for the prohibited purposes described in Section 88c(4), Section 88k(6), and Section 88r(5) of the MSF Act.

Key Owners and Personnel means: if the applicant is a business entity, its affiliates, subsidiaries, officers, directors, managerial employees (of applicants with ten (10) managerial employees or less), and anyone holding 20 percent or more of a pecuniary interest, directly or indirectly, in that business entity (which includes a parent company).

Provided, however, that municipalities, non-profit entities and institutions of higher education, and their boards of directors, may be exempted from the requirements of these guidelines, in part or in whole, at the discretion and approval of the MSF Chairperson and the MSF Fund Manager.

The MSF Chairperson and the MSF Fund Manager, with only one required to act, may request additional reviews on potential awardees at their discretion.