

MICHIGAN STRATEGIC FUND BOARD
FINAL MEETING AGENDA
September 25, 2018
10:00 am

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

Communications

A. Consent Agenda

Proposed Meeting Minutes – August 28, 2018
Cornerstone Alliance – Amendment – Shane Schamper
Pixel Velocity, Inc. – Loan Amendment – Dean Wade
Krieger Craftsmen, Inc. – Tool & Die Recovery Zone Revocation – Kathryn Smith
AccuBilt, Inc. – Tool & Die Recovery Zone Revocation – Kathryn Smith
Mach Mold, Inc. – Tool & Die Recovery Zone Revocation – Kathryn Smith
Tri-Mation, Inc. – Tool & Die Recovery Zone Revocation – Kathryn Smith
CDBG – Extension Request – Christine Whitz
Fuel Cell Systems Manufacturing, LLC – MBDP Amendment – Stacy Bowerman
MVCA Venture Upstart III – Grant Amendment – Nataliya Stasiw
Geenen DeKock Properties – MCRP Reapproval – Lynda Franke
Develop Michigan, Inc. – Board Appointment – Mark Morante
Michigan Small Business Development Center – Grant Amendment – Maggie McCammon
BBC Entrepreneurial Training Corporation – Grant Amendment – Maggie McCammon
Michigan Translational Research and Commercialization (MTRAC) – FY 2019 Funding
Allocation Request – Denise Graves
University of Michigan MTRAC Statewide Life Science Innovation Hub – New Grant
Agreement – Denise Graves

B. Business Investment

1. Capital Access

Gerda Macsteel, Inc. – Bond Inducement – Chris Cook
I-75 Oakland Corridor Partners LLC – Bond Inducement – Chris Cook
Van Andel Research Institute Series 2013A – Amendment – Chris Cook
Van Andel Research Institute Series 2013B – Amendment – Chris Cook

C. Community Vitality

400 Bryant Street – Brownfield Act 381 Work Plan – Michelle Audette-Bauman
Temple Group Holdings, LLC/640 Temple Redevelopment – MCRP and Brownfield Act 381
Work Plan – Brittney Hoszkiw
Flint Marketplace – Approval of Performance Based Loan – Chuck Donaldson

MICHIGAN STRATEGIC FUND

**RESOLUTION
2018-140**

**APPROVAL OF SEPTEMBER 2018 CONSENT AGENDA
FOR THE MICHIGAN STRATEGIC FUND BOARD**

WHEREAS, the Michigan Strategic Fund (“MSF”), at its February 2014 board meeting, approved the use of consent agendas at future board meetings pursuant to defined guidelines.

WHEREAS, the MSF, at its February 2014 board meeting, approved Guidelines for Preparation and Approval of Consent Agendas for the MSF (“Guidelines”).

WHEREAS, pursuant to the recommendation of MSF and MEDC staff, the MSF Board desires to approve the below Consent Agenda items;

NOW, THEREFORE, BE IT RESOLVED, the MSF approves the Consent Agenda items listed below and identified in the final Consent Agenda for this board meeting.

Consent Agenda Items:

Proposed Meeting Minutes – August 28, 2018
Cornerstone Alliance – Amendment
Pixel Velocity, Inc. – Loan Amendment
Krieger Craftsmen, Inc. – Tool & Die Recovery Zone Revocation
AccuBilt, Inc. – Tool & Die Recovery Zone Revocation
Mach Mold, Inc. – Tool & Die Recovery Zone Revocation
Tri-Mation, Inc. – Tool & Die Recovery Zone Revocation
CDBG – Extension Request
Fuel Cell Systems Manufacturing, LLC – MBDP Amendment
MVCA Venture Upstart III – Grant Amendment
Geenen DeKock Properties – MCRP Reapproval
Develop Michigan, Inc. – Board Appointment
Michigan Small Business Development Center – Grant Amendment
BBC Entrepreneurial Training Corporation – Grant Amendment
Michigan Translational Research and Commercialization (MTRAC) – FY 2019 Funding Allocation Request
University of Michigan MTRAC Statewide Life Science Innovation Hub – New Grant Agreement

Ayes: Paul Gentilozzi, Larry Koops, Andrew Lockwood (on behalf of Treasurer Khouri, designation attached), Jeff Mason, Terrence J.L. Reeves, Shaun Wilson

Nays: 0

Recused: 0

Lansing, Michigan
September 25, 2018

**MICHIGAN STRATEGIC FUND
PROPOSED MEETING MINUTES
August 28, 2018**

Members Present

Eric Bussis (on behalf of Treasurer Khouri)
Larry Koops
Jeff Mason

Members joined by phone

Carl Camden
Roger Curtis
Terrence J.L. Reeves
Shaun Wilson
Wayne Wood

Members Absent

Paul Gentilozzi
Stephen Hicks
Terri Jo Umlor

Mr. Mason called the meeting to order at 10:01 am.

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

Mr. Mason introduced the following legislative staff member: Chloe Grabowski, attending on behalf of Senator Hoon-Yung Hopgood in support of the Subaru Research and Development, Inc. project in Van Buren Township.

Communications: None

A. CONSENT AGENDA

Resolution 2018-116 Approval of Consent Agenda Items

Mr. Mason asked if there were any questions from the Board regarding the items under the Consent Agenda. There being none, Larry Koops motioned for the approval of the following:

Proposed Meeting Minutes – July 24, 2018

Proposed Meeting Minutes – August 9, 2018

RNFL Acquisition, LLC – MBDP Grant Write-Off Request – **2018-117**

NRG Enterprises, Inc. – 2008 21st Century Jobs Fund Loan Write-Off Request – **2018-118**

McCann Erickson USA, Inc. – Business Marketing and Advertising Services Contract Extension – **2018-119**

McCann Erickson USA, Inc. – Tourism Marketing and Advertising Services Contract Extension – **2018-120**

Meredith Corporation – Contract Extension (Seasonal Travel Guides Publication) – **2018-121**

Weber Shandwick – Public Relations Services Contract Extension – **2018-122**

Brand USA International – Travel Marketing Agreement/Allocation for International Marketing – **2018-123**

Queen Lillian II, LLC – MCRP Other Economic Assistance Equity Investment Award Re-approval – **2018-124**

William International Co., LLC – MBDP Grant Amendment – **2018-125**

MSU Ag Bio MTRAC Innovation Hub – Extension and Refunding Request – **2018-126**

MSU University Early Stage Proof of Concept Fund – Extension and Refunding Request – **2018-127**

Invest Detroit Hacker Fellowship – Entrepreneurial Specialized Support Services Grant Amendment – **2018-128**

International Trade Program Small Business Services – Contract Extensions – **2018-129**
Annual Funding Allocations and Extension of Administrative Services Memorandum of Understanding between
MSF and MEDC – **2018-130 & 2018-131**

Eric Bussis seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused**

B. BUSINESS INVESTMENT

B1. Business Growth

Resolution 2018-132 Subaru Research and Development Inc. – MBDP Grant

Matt Chasnis, Business Development Project Manager, provided the Board with information regarding this action item. Following brief discussion, Larry Koops motioned for the approval of Resolution 2018-132. Roger Curtis seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

Resolution 2018-133 KPIT Infosystems Inc. – MBDP Grant

Julia Veale, Business Development Project Manager, provided the Board with information regarding this action item. Following brief discussion, Larry Koops motioned for the approval of Resolution 2018-133. Eric Bussis seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

B2. Access to Capital

Resolution 2018-134 United States Steel Corporation – Bond Inducement

Chris Cook, Director of Capital Access, provided the Board with information regarding this action item. Following brief discussion, Larry Koops motioned for a roll call vote. Eric Bussis seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

ROLL CALL VOTE: Ayes: Eric Bussis (on behalf of Treasurer Khouri, designation attached), Carl Camden, Roger Curtis, Larry Koops, Jeff Mason, Terrence J.L. Reeves, Shaun Wilson, Wayne Wood;
Nays: None; Recused: None

C. COMMUNITY VITALITY

Resolution 2018-135 449 Bridge Street Development/City of Grand Rapids Brownfield Redevelopment Authority – Brownfield Act 381 Work Plan

Lindsay Viviano, Community Assistance Team Specialist, provided the Board with information regarding this action item. Following brief discussion, Larry Koops motioned for the approval of Resolution 2018-135. Eric Bussis seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused**

Resolutions 2018-136 & 2018-137 Uptown Reinvestment Corporation and 352 SS, LLC / City of Flint Brownfield Redevelopment Authority (Flint Downtown Hotel project) – MCRP Equity Investment Award & Brownfield Act 381 Work Plan

Chuck Donaldson, Community Assistance Team Specialist, provided the Board with information regarding these action items. Following brief discussion, Eric Bussis motioned for the approval of Resolutions 2018-136 & 2018-137. Larry Koops seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused**

Resolutions 2018-138 & 2018-139 Façade Restoration Initiative – Request for Approval of Awards and Amendments to Guidelines

Lori Mullins, Director of Community Development Incentives, and Stacy Esbrook, Regional Director Community Assistance Team, provided the Board with information regarding these action items. Following brief discussion, Larry Koops motioned for the approval of Resolutions 2018-138 & 2018-139. Eric Bussis seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused**

Mr. Mason adjourned the meeting at 10:51 am.



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

NICK A. KHOURI
STATE TREASURER

August 23, 2018

Ms. Rhonda Bishop
Board Relations Liaison
Michigan Strategic Fund Office
300 N. Washington Square
Lansing, MI 48913

Dear Ms. Bishop:

I hereby designate Eric Bussis to represent me at August 28, 2018 Michigan Strategic Fund Meeting, I am unable to attend.

Sincerely,

A handwritten signature in black ink, appearing to be "N.A. Khouri", written over a horizontal line.

N.A. Khouri
State Treasurer

Cc: Eric Bussis

MEMORANDUM

Date: September 25, 2018

To: Michigan Strategic Fund Board

From: Shane Schamper, Compliance Manager

Subject: Cornerstone Alliance (“Applicant” or “Company”)
Request for Amendment to Grant Agreement

Request

The Applicant is requesting an extension to Key Milestone Number One’s due date under the Grant Agreement (“Agreement”) from December 31, 2018 to July 1, 2019 (the “Request”).

Background

On September 26, 2017, the MSF awarded an MSF grant to the Company in the amount of up to One Million Two Hundred Thousand Dollars (\$1,200,000). The Company, in collaboration with Whirlpool Corporation’s anticipated improvements to its St. Joseph Technology Center, intends to coordinate development and construction of an approximate 200 foot pedestrian bridge to connect the City of St. Joseph and the City of Benton Harbor over the Paw Paw River (“Bridge”), to create better access to the St. Joseph Technology Center, as well as contribute to mobility for additional residential, commercial and recreation purposes (the “Project”). The Company may use the grant funds to reimburse certain of its expenses arising out of the Bridge portion of the overall Project. No funds have yet been disbursed under the grant agreement.

Current Status

Key Milestone Number One requires construction of the Bridge portion of the Project, however there have been delays in securing steel for the bridge to be built. The current delivery date for the bridge is mid-October and this will cause remaining elements of the bridge, such as approaching boardwalks and trail sections, to also be postponed. In addition, asphalt for the trail section cannot be poured until the Bridge is set in place, however cannot be poured once temperatures fall below freezing. These delays will cause the Bridge to be completed beyond the current Key Milestone One due date.

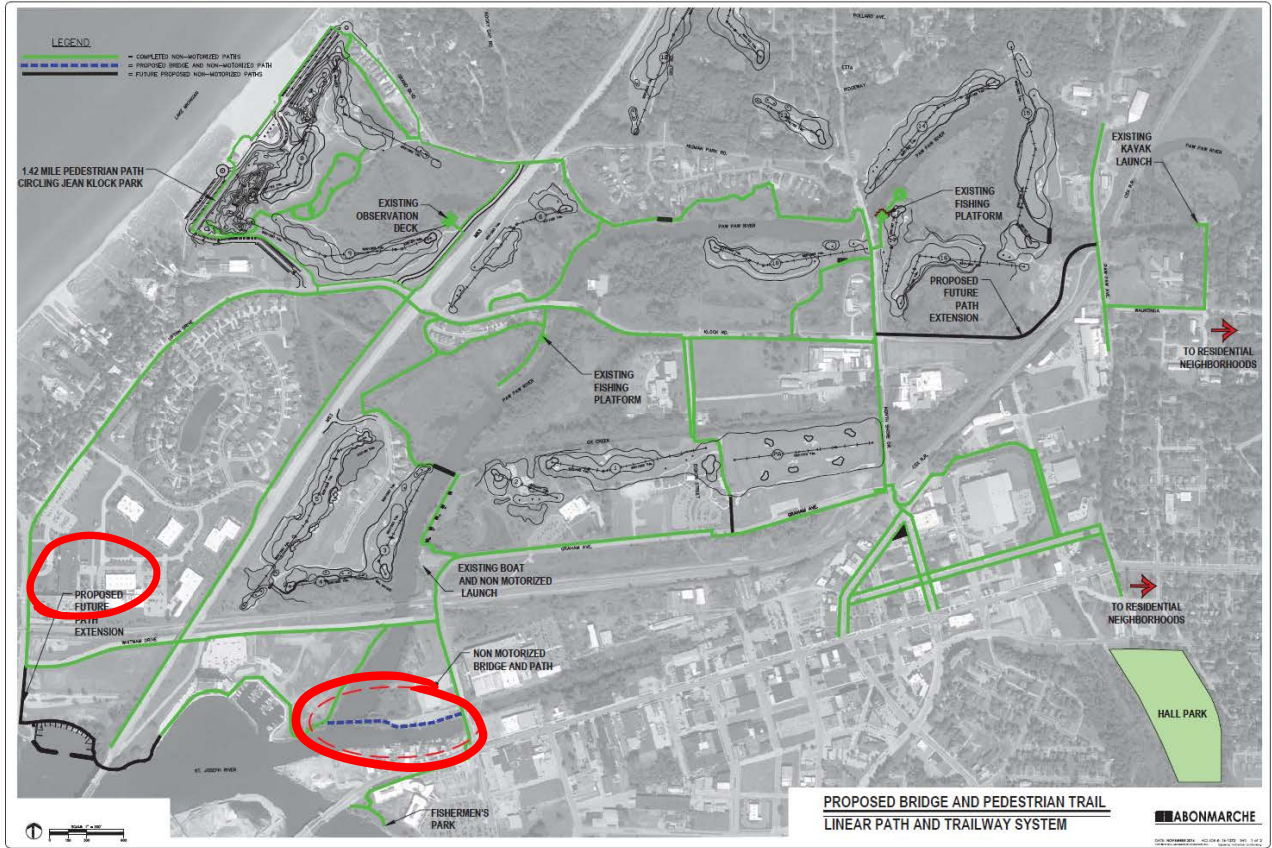
The Bridge work is a total of \$1,200,000 and to date the Company has invested \$371,481.78.

Appendix A includes a project map and progress photos.

Recommendation

MEDC Staff recommends approval of the Request.

APPENDIX A – Project Map and Progress Photos





MICHIGAN STRATEGIC FUND

RESOLUTION 2018-141

APPROVAL OF AN AMENDMENT TO A MSF GRANT AWARD TO CORNERSTONE ALLIANCE

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

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

WHEREAS, pursuant to MCL 125.2088b(2)(c), funds appropriated to the MSF for purposes of carrying out the MSF Act shall be expended or invested for activities authorized under the MSF Act, as long as those activities provide for repayment for breach of the written agreement or the failure to meet measurable outcomes;

WHEREAS, pursuant to the MSF Act, specifically MCL 125.2007(c), the MSF has, among other things, the power to make grants;

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

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

WHEREAS, Cornerstone Alliance, in collaboration with the Whirlpool Corporation’s anticipated improvements to its Tech Centers, intends to coordinate development and construction of a pedestrian bridge to connect Benton Harbor and St. Joseph over the Paw Paw River, which includes connection of Whirlpool Corporation’s Tech Centers on either side of the Paw Paw River (“Project”);

WHEREAS, by Resolution 2017-177 on September 26, 2017, the MSF Board awarded a grant of up to \$1.2 million to facilitate the development and construction of the Project (“Award”);

WHEREAS, the MEDC recommends that the MSF approve an amendment request to extend the due date of Key Milestone Number One from December 31, 2018 to July 1, 2019 (the “Amendment Recommendation”);

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

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

Ayes: Paul Gentilozzi, Larry Koops, Andrew Lockwood (on behalf of Treasurer Khouri, designation attached), Jeff Mason, Terrence J.L. Reeves, Shaun Wilson

Nays: 0

Recused: 0

Lansing, Michigan
September 25, 2018

MEMORANDUM

Date: September 25, 2018
To: Michigan Strategic Fund Board
From: Dean Wade, Compliance Specialist, Compliance and Contract Services
Subject: Pixel Velocity, Inc. Loan Amendment Request

Request

Pixel Velocity Incorporated (“Pixel” or “Company”) has requested an amendment to its 21st Century Jobs Fund 2008 Business Plan Competition loan to extend the grace period, such that payments would begin on July 1, 2020 and continue for the following thirty-six months. All other terms and conditions of the loan would remain in full force and effect (the aforementioned, collectively, the “Request”). In consideration for the Request, the Company has agreed to pay a fee equal to 1% of the outstanding principal loan balance, which will be added to the outstanding loan balance, and 929,182 Class A Common stock warrants (the aforementioned, collectively, the “Request”).

Background

On January 9, 2009, Pixel also received a loan of up to \$1,808,645 from the Strategic Economic Investment and Commercialization (“SEIC”) Board¹ and the MSF. Pixel is an Ann Arbor-based company that develops and manufactures high-speed digital video processing and compression products.

21st Century Business Plan Competition

| | |
|-----------------------|--|
| Award Type: | Straight Loan with Warrant to Purchase Stock |
| Original Loan Amount: | \$1,808,645 |
| Loan Balance: | \$1,588,912.43 (as of August 31, 2018) |
| Award Date: | January 9, 2009 |
| Interest Rate: | 9% (as amended) |
| Equity: | 1,945,890 shares of Class A Common |
| Collateral: | Tangible personal property excluding inventory |

The MSF loan was amended on March 17, 2009 to amend the key milestones the Company was required to achieve in order to receive loan disbursements. The MSF loan was amended again on December 20, 2012 to extend the grace period to January 1, 2014, increase the interest rate from 4.5% to 5.5% and to issue a warrant to purchase \$62,812.19 worth of shares in Pixel, with the type and number to be determined by a Financing Event, Initial Public Offering or Liquidity Event. The MSF loan was amended again on November 17, 2014 to extend the grace period to January 1, 2017, convert half of the then-outstanding indebtedness (\$2,295,013.13) into 1,765,394 shares of

¹ The SEIC Board was abolished by Executive Order 2010-04. All powers, duties, functions, and obligations of the SEIC Board were transferred to the MSF.

the Company's Series B Preferred stock, and add additional terms that would allow the MSF the option to convert the remaining loan balance upon the occurrence of certain trigger events. The MSF loan was amended on September 12, 2016 to extend the grace period to January 1, 2019. The Series B Preferred stock was converted to Class A Common on September 15, 2017.

The Company's current capital structure is complicated, consisting of multiple tranches of debt, preferred equity and common equity. Pixel has raised over \$28 million to date. The plan at the time of the 2017 capital raise assumed faster market adoption than has occurred and that the Company would be able to begin payments in January 2019. However, the projected market adoption has taken longer than anticipated and Pixel has had to raise several additional rounds of capital to continue operations. Accordingly, the Company has recapitalized the business, brought in a new Chief Executive Officer, and raised a small amount of additional capital (up to \$2,000,000) to see if the product can be validated in the market. This resulted in equity shareholders of the Company losing 90% of the value of their shares.

The new capital is intended by investors to execute the business plan and, as such, the Company is unable to begin repayment in January 2019. While the MSF could call the loan, it is unlikely to see any returns due to the limited value of the Company's tangible personal property. Extending the grace period is the best chance for the MSF to see a return on its investment by allowing Pixel time to execute its business plan and create value for its shareholders.

The Michigan Economic Development Corporation ("MEDC") also awarded a loan to the Company through the corporate MEDC Follow on Fund Program. A summary of the MEDC loan is included below. A similar request is being presented to the MEDC for its investment in Pixel.

MEDC Follow on Fund Loan

| | |
|-----------------------|---|
| Award Type: | Straight Loan |
| Original Loan Amount: | \$500,000 |
| Award Date: | June 29, 2010 |
| Interest Rate: | 9% |
| Loan Balance: | \$485,565.37 (as of August 31, 2018) |
| Equity: | 610,972 shares of Class A Common (includes conversion of 2004 Business Plan Competition loan and warrant conversions) |

Recommendation

MEDC staff recommends approval of the Request.

MICHIGAN STRATEGIC FUND

**RESOLUTION
2018-142**

PIXEL VELOCITY, INCORPORATED LOAN AMENDMENT REQUEST

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

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

WHEREAS, the MSF and Pixel Velocity Incorporated (“Pixel” or “Company”), entered into a 21st Century Business Plan Competition loan agreement, dated January 9, 2009, whereby the MSF agreed to loan up to \$1,808,645 to Pixel under the terms and conditions set forth in the Loan Agreement, Security Agreement, and Promissory Note (the “Note”), each dated January 9, 2009 (the Loan Agreement, Security Agreement, and Note, collectively, the “Loan Documents”);

WHEREAS, the Loan Documents were amended on March 17, 2009 to revise the key milestones the Company was required to achieve in order to receive loan disbursements;

WHEREAS, the Loan Documents were amended on December 20, 2012 to extend the grace period to January 1, 2014, increase the interest rate from 4.5% to 5.5% and to issue a warrant to purchase \$62,812.19 worth of shares in Pixel, the type and number of shares to be determined by a venture financing event, IPO or liquidity event;

WHEREAS, the Loan Documents were amended on November 17, 2014 to extend the grace period to January 1, 2017, convert half of the then-outstanding loan balance into 1,765,394 shares of the Company’s Series B Preferred stock, and add additional terms that would allow the MSF the option to convert the remaining loan balance upon the occurrence of certain trigger events;

WHEREAS, the Loan Documents were amended on September 12, 2016 to extend the grace period to January 1, 2019;

WHEREAS, as of August 31, 2018, the total amount owing under the Loan Documents, as amended, is \$1,588,912.43 (the “Indebtedness”);

WHEREAS, Pixel has requested that the MSF amend the Loan Documents to effectuate an extension of the grace period and new payment schedule, with terms and conditions that will include:

- (a) Extending the grace period from January 1, 2019 to July 1, 2020;
- (b) Requiring Note payments in equal installments of principal and interest to begin on July 1, 2020 and continuing for the following thirty-six (36) months;
- (c) Requiring a fee equal to one percent (1%) of the outstanding principal loan balance to be added to the Indebtedness in consideration for amending the Loan Documents.

(the “Loan Amendment Request”);

WHEREAS, the MEDC recommends that the MSF Board approve the Loan Amendment Request;
and

WHEREAS, the MSF wishes to approve the Loan Amendment Request.

NOW, THEREFORE, BE IT RESOLVED, the MSF approves the Loan Amendment Request; and

Memorandum

Date: September 25, 2018

To: Michigan Strategic Fund Board Members

From: Kathryn Smith, Compliance Analyst

Subject: Existing Tool and Die Renaissance Recovery Zone
Renaissance Zone Revocation
Michigan Tooling Group
Krieger Craftsmen, Inc.
City of Walker, Kent County

Action

Michigan Economic Development Corporation (“MEDC”) Staff requests the Michigan Strategic Fund (“MSF”) Board to approve a resolution revoking the Tool and Die Renaissance Recovery Zone designation for the Krieger Craftsmen, Inc. (the “Company”) site located in the City of Walker, Kent County, due to the Company’s failure to comply with the terms of the MSF Resolution approving the Recovery Zone.

Background

On December 21, 2005, the MSF Board approved the designation of the Company’s Tool and Die Renaissance Recovery Zone within the City of Walker, Kent County for fifteen (15) years. On December 19, 2012 the MSF Board passed Resolution 2012-191 adding property to the Company’s Tool and Die Renaissance Recovery Zone. The Resolution approving additional property contained a condition that the Company must submit annual reports. The Zone is currently set to expire on December 31, 2020.

The Company failed to provide a written report to the MSF by January 31, 2018, as required by Resolution 2012-191. The Company was notified of this compliance issue on August 9, 2018, when a letter was sent to the Company via email and U.S. Postal Service. No response was received from the Company.

Recommendation

MEDC Staff recommends that the MSF Board approve the revocation of Krieger Craftsmen, Inc.’s Tool and Die Renaissance Recovery Zone designation for their site in the City of Walker, Kent County, effective December 30, 2018 for property tax purposes, and December 31, 2018 for all other purposes.

MICHIGAN STRATEGIC FUND

**RESOLUTION
2018-143**

**REVOCATION OF AN EXISTING TOOL & DIE RENAISSANCE
RECOVERY ZONE DESIGNATION: Krieger Craftsmen, Inc.**

WHEREAS, the Michigan Renaissance Zone Act (the “Act”), 1996 PA 376, as amended, authorizes the Michigan Strategic Fund (“MSF”) Board to designate up to 35 tool and die renaissance recovery zones (“Recovery Zone”) anywhere in the State of Michigan;

WHEREAS, on December 21, 2005, the MSF Board designated a Recovery Zone for the Michigan Tooling Group (the “Collaborative”), effective January 1, 2006;

WHEREAS, the Collaborative’s Recovery Zone includes Krieger Craftsmen, Inc. (the “Company”) located at 2720 Three Mile Road NW, Walker, Michigan on parcel 41-13-09-201-008 (the “Property”);

WHEREAS, on December 19, 2012, the MSF Board passed Resolution 2012-191 to approve the addition of a contiguous property located at 2758 Three Mile Road NW, Walker, Michigan on parcel 41-13-09-201-011 to the Property of the existing Recovery Zone, conditioned upon the requirement that the Company provide a written report to the MSF by January 31, 2013, and annually each January 31 thereafter through 2021;

WHEREAS, the Company failed to file a 2017 progress report as required by MSF Board Resolution 2012-191;

WHEREAS, the Michigan Economic Development Corporation (“MEDC”) provides administrative services for the renaissance zone program; and

WHEREAS, therefore, the MEDC recommends revocation of the Company’s Recovery Zone designation for the Property.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board revokes the Recovery Zone designation for Krieger Craftsmen, Inc. for the Property located in the City of Walker, Kent County at 2720 Three Mile Road NW, Walker, Michigan and 2758 Three Mile Road NW, Walker, Michigan effective on December 30, 2018 for property tax purposes and December 31, 2018 for all other purposes; and

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

Ayes: Paul Gentilozzi, Larry Koops, Andrew Lockwood (on behalf of Treasurer Khouri, designation attached), Jeff Mason, Terrence J.L. Reeves, Shaun Wilson

Nays: 0

Recused: 0

Lansing, Michigan
September 25, 2018

Memorandum

Date: September 25, 2018

To: Michigan Strategic Fund Board Members

From: Kathryn Smith, Compliance Analyst

Subject: Existing Tool and Die Renaissance Recovery Zone
Renaissance Zone Revocation
Michigan Coast to Coast Tool & Die Collaborative
AccuBilt, Inc.
City of Jackson, Jackson County

Action

Michigan Economic Development Corporation (“MEDC”) Staff requests the Michigan Strategic Fund (“MSF”) Board to approve a resolution revoking the Tool and Die Renaissance Recovery Zone designation for the AccuBilt, Inc. (the “Company”) site located in the City of Jackson, Jackson County, due to the Company’s failure to remain eligible.

Background

The Company was designated with the Michigan Coast to Coast Tool & Die Collaborative as a Recovery Zone by the MSF on December 20, 2006 for an 8-year period with an expiration date of December 31, 2014. On November 30, 2011, the MSF Board approved a time extension for an additional 5-year period of the Company’s Recovery Zone. The relocated Recovery Zone is currently set to expire on December 31, 2019.

In order to be considered a qualified tool and die business, each company must be a part of a collaborative. The Company resigned from the Michigan Coast to Coast Tool & Die Collaborative, no longer meeting the conditions of a qualified tool and die business.

Recommendation

MEDC Staff recommends that the MSF Board approve the revocation of AccuBilt, Inc.’s Tool and Die Renaissance Recovery Zone designation for their site in the City of Jackson, Jackson County, effective December 30, 2018 for property tax purposes, and December 31, 2018 for all other purposes.

MICHIGAN STRATEGIC FUND

**RESOLUTION
2018-144**

**REVOCATION OF AN EXISTING TOOL & DIE RENAISSANCE
RECOVERY ZONE DESIGNATION: AccuBilt, Inc.**

WHEREAS, the Michigan Renaissance Zone Act (the “Act”), 1996 PA 376, as amended, authorizes the Michigan Strategic Fund (“MSF”) Board to designate up to thirty-five (35) tool and die renaissance recovery zones (“Recovery Zone”) anywhere in the State of Michigan;

WHEREAS, on December 20, 2006 the MSF Board designated a Recovery Zone for the Michigan Coast to Coast Tool and Die Collaborative (the “Collaborative”) beginning January 1, 2007;

WHEREAS, the Collaborative includes AccuBilt, Inc. (the “Company”) located at 2365 Research Drive, Jackson, Michigan 49203 on parcel 6-1845 (the “Property”);

WHEREAS, on November 30, 2011, the MSF Board approved a time extension to the Recovery Zone duration for an additional five (5) year period, for a total of thirteen (13) years, with a current expiration date of December 31, 2019 on the Property;

WHEREAS, Section 8d(3) of the Act permits the MSF Board to revoke the designation of all or a portion of a recovery zone with respect to one or more qualified tool and die businesses if those qualified tool and die businesses fail or cease to participate in or comply with a qualified collaborative agreement;

WHEREAS, the Company has ceased participation with the Collaborative;

WHEREAS, the Michigan Economic Development Corporation (“MEDC”) provides administrative services for the renaissance zone program; and

WHEREAS, the MEDC recommends revocation of the Company’s Recovery Zone designation for the Property.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board revokes the Recovery Zone designation for AccuBilt, Inc. for the Property located at 2365 Research Drive, Jackson, Michigan 49203 on parcel 6-1845, effective on December 30, 2018 for property tax purposes and December 31, 2018 for all other purposes; and

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

Ayes: Paul Gentilozzi, Larry Koops, Andrew Lockwood (on behalf of Treasurer Khouri, designation attached), Jeff Mason, Terrence J.L. Reeves, Shaun Wilson

Nays: 0

Recused: 0

Lansing, Michigan
September 25, 2018

Memorandum

Date: September 25, 2018

To: Michigan Strategic Fund Board Members

From: Kathryn Smith, Compliance Analyst

Subject: Existing Tool and Die Renaissance Recovery Zone
Renaissance Zone Revocation
Berrien Tooling Coalition
Mach Mold, Inc.
Benton Charter Township, Berrien County

Action

Michigan Economic Development Corporation (“MEDC”) Staff requests the Michigan Strategic Fund (“MSF”) Board to approve a resolution revoking the Tool and Die Renaissance Recovery Zone designation for the Mach Mold, Inc. (the “Company”) site located in the Benton Charter Township, Berrien County, due to the Company’s failure to remain eligible.

Background

The Company was designated with the Berrien Tooling Coalition as a Recovery Zone by the MSF on September 30, 2009 for a 5-year period with an expiration date of December 31, 2014. The MSF Board approved a time extension for an additional 5-year period of the Company’s Recovery Zone on September 27, 2012. The relocated Recovery Zone is currently set to expire on December 31, 2019.

The Company was sold on July 1, 2017 and the acquiring company does not wish to pursue a transfer of the Recovery Zone. Because the Company is no longer operating in the designated Recovery Zone, the Company no longer meets the required conditions of a qualified tool and die business.

Recommendation

MEDC Staff recommends that the MSF Board approve the revocation of Mach Mold, Inc.’s Tool and Die Renaissance Recovery Zone designation for their site in Benton Charter Township, Berrien County effective December 30, 2018 for property tax purposes, and December 31, 2018 for all other purposes.

MICHIGAN STRATEGIC FUND

**RESOLUTION
2018-145**

**REVOCAION OF AN EXISTING TOOL & DIE RENAISSANCE
RECOVERY ZONE DESIGNATION: Mach Mold, Inc.**

WHEREAS, the Michigan Renaissance Zone Act (the “Act”), 1996 PA 376, as amended, authorizes the Michigan Strategic Fund (“MSF”) Board to designate up to thirty-five (35) tool and die renaissance recovery zones (“Recovery Zone”) anywhere in the State of Michigan;

WHEREAS, on December 1, 2005, the MSF Board designated a Recovery Zone for the Berrien Tooling Coalition (the “Collaborative”) beginning January 1, 2006;

WHEREAS, on September 30, 2009, the MSF Board approved a Recovery Zone for Mach Mold, Inc. (the “Company”), a member of the Collaborative located at 360 Urbandale Avenue, Benton Harbor, Michigan, on parcel #11-03-0800-0004-02-2 (the “Property”);

WHEREAS, on September 27, 2012, the MSF Board approved a time extension to the Company’s Recovery Zone duration for an additional five (5) year period, for a total of ten (10) years, with a current expiration date of December 31, 2019 on the Property;

WHEREAS, Section 8d(3) of the Act permits the MSF Board to revoke the designation of all or a portion of a recovery zone with respect to one or more qualified tool and die businesses if those qualified tool and die businesses fail or cease to participate in or comply with a qualified collaborative agreement;

WHEREAS, the Company is no longer conducting business as a tool and die on the Property and has ceased participation with the Collaborative;

WHEREAS, the Michigan Economic Development Corporation (“MEDC”) provides administrative services for the renaissance zone program; and

WHEREAS, the MEDC recommends revocation of the Company’s Recovery Zone designation for the Property.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board revokes the Recovery Zone designation for Mach Mold, Inc. for the Property located in Benton Charter Township, Berrien County located at 360 Urbandale Avenue, Benton Harbor, Michigan, on parcel #11-03-0800-0004-02-2, effective on December 30, 2018 for property tax purposes and December 31, 2018 for all other purposes; and

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

Ayes: Paul Gentilozzi, Larry Koops, Andrew Lockwood (on behalf of Treasurer Khouri, designation attached), Jeff Mason, Terrence J.L. Reeves, Shaun Wilson

Nays: 0

Recused: 0

Lansing, Michigan
September 25, 2018

Memorandum

Date: September 25, 2018

To: Michigan Strategic Fund Board Members

From: Kathryn Smith, Compliance Analyst

Subject: Existing Tool and Die Renaissance Recovery Zone
Renaissance Zone Revocation
Southwest Michigan Tooling Collaborative
Tri-Mation Industries, Inc.
Village of Mattawan, Van Buren County

Action

Michigan Economic Development Corporation (“MEDC”) Staff requests the Michigan Strategic Fund (“MSF”) Board to approve a resolution revoking the Tool and Die Renaissance Recovery Zone designation for the Tri-Mation Industries, Inc. (the “Company”) site located in the Village of Mattawan, Van Buren County, due to the Company’s failure to remain eligible.

Background

The Company was designated with the Southwest Tooling Collaborative (the “Collaborative”) as a Recovery Zone by the MSF on December 21, 2005 for a 15-year period with an expiration date of December 31, 2020. After the Company relocated in 2012, the MSF Board approved the relocation of the Company’s Recovery Zone on December 19, 2012. The relocated Recovery Zone was set to expire on December 31, 2020.

In order to be considered a qualified tool and die business, each company must be a part of a collaborative. The Company resigned from the Southwest Michigan Tooling Collaborative, no longer meeting the conditions of a qualified tool and die business.

Recommendation

MEDC Staff recommends that the MSF Board approve the revocation of Tri-Mation Industries, Inc.’s Tool and Die Renaissance Recovery Zone designation for their site in the Village of Mattawan, Van Buren County, effective December 30, 2018 for property tax purposes, and December 31, 2018 for all other purposes.

MICHIGAN STRATEGIC FUND

**RESOLUTION
2018-146**

**REVOCATION OF AN EXISTING TOOL & DIE RENAISSANCE
RECOVERY ZONE DESIGNATION: Tri-Mation Industries, Inc.**

WHEREAS, the Michigan Renaissance Zone Act (the “Act”), 1996 PA 376, as amended, authorizes the Michigan Strategic Fund (“MSF”) Board to designate up to thirty-five (35) tool and die renaissance recovery zones (“Recovery Zone”) anywhere in the State of Michigan;

WHEREAS, on December 21, 2005, the MSF Board designated a Recovery Zone for the Southwest Tooling Collaborative (the “Collaborative”) beginning January 1, 2006;

WHEREAS, the Collaborative included Tri-Mation Industries, Inc. (the “Company”), a qualified tool and die business under the Act, located at 8179 Neptune Drive, Kalamazoo, Michigan on parcel 39-01-13-476-050 (the “Original Property”);

WHEREAS, on December 19, 2012, the MSF Board revoked the Recovery Zone designation for the Company for the Original Property and approved the designation of a relocated Recovery Zone for the Company located at 53160 North Main Street, Mattawan, Michigan 49071, plants #10 and 12, on parcel 80-46-700-032-65 (the “New Property”);

WHEREAS, Section 8d(3) of the Act permits the MSF Board to revoke the designation of all or a portion of a recovery zone with respect to one or more qualified tool and die businesses if those qualified tool and die businesses fail or cease to participate in or comply with a qualified collaborative agreement;

WHEREAS, the Company has ceased participation with the Collaborative;

WHEREAS, the Michigan Economic Development Corporation (“MEDC”) provides administrative services for the renaissance zone program; and

WHEREAS, the MEDC recommends revocation of the Company’s Recovery Zone designation for the New Property.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board revokes the Recovery Zone designation for Tri-Mation Industries, Inc. for the New Property located in the Village of Mattawan, Van Buren County located at 53160 North Main Street, Mattawan, Michigan 49071, plants #10 and 12, on parcel 80-46-700-032-65, effective on December 30, 2018 for property tax purposes and December 31, 2018 for all other purposes; and

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

Ayes: Paul Gentilozzi, Larry Koops, Andrew Lockwood (on behalf of Treasurer Khouri, designation attached), Jeff Mason, Terrence J.L. Reeves, Shaun Wilson

Nays: 0

Recused: 0

Lansing, Michigan
September 25, 2018

MEMORANDUM

Date: September 25, 2018

To: Michigan Strategic Fund Board

From: Greg West, Program Manager, Community Development Block Grant
Christine Whitz, Director, Community Development Block Grant Program

Subject: *Community Development Block Grant Program
Resolution Amendment
2017 Infrastructure Capacity Enhancement (ICE) Grants*

Request

The MEDC Staff is requesting an additional 185 days to execute grant agreements for the 2017 Infrastructure Capacity Enhancement (ICE) Grants.

Background

On September 26, 2017 the Michigan Strategic Fund (MSF) approved grant awards to 14 communities who had competed in the Community Development Block Grant (CDBG) ICE grant competitive funding round. The MSF Resolution for that approval stated: “**BE IT FURTHER RESOLVED**, if the Community fails to execute and return the grant agreement to staff within 180 days of the date this Resolution is adopted, this Resolution shall be of no further force and effect and shall be void.”

The majority of the communities have executed grant agreements, but there are three communities that did not make the deadline. Circumstances with contractors, bidding prices and some local governmental issues (staff changes) were contributing factors in their delay. The MEDC staff has worked with each and are certain that the communities are ready at this point to move forward.

Recommendation

The MEDC Staff recommends:

- The Resolution for the ICE competitive funding round grants be extended 185 days to execute a grant agreement.

MICHIGAN STRATEGIC FUND

**RESOLUTION
2018-147**

**APPROVAL OF RESOLUTION AMENDMENT FOR THE
2017 INFRASTRUCTURE CAPACITY ENHANCEMENT (ICE) GRANTS**

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

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

WHEREAS, the CDBG program has policies, criteria, and parameters that are enumerated in the 2018 Program Year Funding Guide, as amended (the "Criteria"). The MSF, by Resolution 2015-039, authorized and approved the Consolidated Plan and the MSF, by Resolution 2018-102, authorized and approved the 2018 Program Year Funding Guide Excerpt which includes guidelines for area benefit grants;

WHEREAS, pursuant to SFCR 10.1-1, the MSF approved the MSF Fund Manager or the MSF President to negotiate the terms and conditions and execute all final documents necessary to effectuate awards or decisions approved under the CDBG program; and

WHEREAS, staff recommends that a resolution amendment be authorized to extend the original resolution date to execute and return a grant agreement to staff an additional 185 days for the Infrastructure Capacity Enhancement (ICE) grants approved by the MSF on September 26, 2017;

NOW, THEREFORE, BE IT RESOLVED, that the MSF authorizes an extension of 185 days to the resolution dated September 26, 2017 for the ICE grants;

BE IT FURTHER RESOLVED, the MSF Fund Manager, in coordination with MEDC staff is directed to negotiate the terms of the grant agreements for the projects consistent with this Resolution.

Ayes: Paul Gentilozzi, Larry Koops, Andrew Lockwood (on behalf of Treasurer Khouri, designation attached), Jeff Mason, Terrence J.L. Reeves, Shaun Wilson

Nays: 0

Recused: 0

Lansing, Michigan
September 25, 2018

MEMORANDUM

Date: September 25, 2018

To: Michigan Strategic Fund (“MSF”) Board

From: Stacy Bowerman, Vice President, Business Development Projects

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

Background

On January 30, 2017, the Michigan Strategic Fund (MSF) approved a MBDP performance-based grant in the amount of \$2,000,000 for the Company. The MBDP approval required that an Agreement be entered into within 120 days of the date of the approval, with the ability to extend an additional 60 days with approval from the MSF Fund Manager. The MBDP was subsequently reauthorized on August 22, 2017 and February 27, 2018 to allow the Company additional time to execute the agreement.

The Company is a newly formed joint-venture between General Motors and Honda. Due to required reviews from all parties, it has taken longer than expected to execute the agreement and commence the project. As a result of this delay, the Company is requesting an extension to execute the Agreement as well as an extension of its first milestone from December 31, 2021 to December 31, 2022. The Company is still on track to meet its final job creation milestone due by December 31, 2023.

Prior to execution of the agreement, the MEDC will conduct a civil and criminal background checks in accordance with the revised MSF Background Review Policy.

Recommendation

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

- a) Reauthorization of the MBDP Proposal as outlined in the attached term sheet (collectively, “MBDP Proposal”); and
- b) Extend the deadline to submit Milestone One from December 31, 2021 to December 31, 2022.

MICHIGAN STRATEGIC FUND

**RESOLUTION
2018-148**

**RE-APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT TO
FUEL CELL SYSTEM MANUFACTURING LLC**

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

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

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

WHEREAS, on December 21, 2011, by Resolution 2011-184, the MSF (i) created the MBDP, and (ii) adopted the guidelines for the MBDP (“Guidelines”);

WHEREAS, pursuant to SFCR 125.2088r-1, the MSF approved the MSF Fund Manager or the MSF President to negotiate the terms and conditions and execute all final documents necessary to effectuate awards and decisions approved under the MBDP in accordance with the Guidelines (“Transaction Documents”);

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

WHEREAS, via MSF Resolution 2017-005, the MSF approved an \$2,000,000 Michigan Business Development Program Performance based grant on January 30, 2017 for Fuel Cell System Manufacturing LLC (the “Company”);

WHEREAS, via MSF Resolutions 2017-121 and 2018-023, the MSF approved a re-approval of the performance based MBDP grant to allow additional time for all parties to enter into a formal agreement;

WHEREAS, due to administrative limitations, the Company and MEDC have not been able to come to a formal agreement within the allotted approval timeframe and due to unexpected delays, the Company will not be able to meet the requirements of Milestone One by the due date of December 31, 2021;

WHEREAS, the Company has requested re-approval of the performance based MBDP grant of up to \$2,000,000 and an extension of Milestone One to December 31, 2022; and

WHEREAS, the MEDC recommends that the MSF approve the Company’s Grant Request, subject to: (i) available funding, and (ii) final due diligence performed to the satisfaction of the MEDC (“MBDP Award Recommendation”).

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

Ayes: Paul Gentilozzi, Larry Koops, Andrew Lockwood (on behalf of Treasurer Khouri, designation attached), Jeff Mason, Terrence J.L. Reeves, Shaun Wilson

Nays: 0

Recused: 0

Lansing, Michigan
September 25, 2018

MICHIGAN ECONOMIC
DEVELOPMENT CORPORATION

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

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

Date: 1/11/2017

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

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

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

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

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

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

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

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

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

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

11. **Repayment Provisions:**

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

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

12. Reporting Requirements:

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

13. Public Announcements:

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

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

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

Acknowledged as received by:

Fuel Cell System Manufacturing LLC

By:



Printed Name:

Suheb Haq

Its:

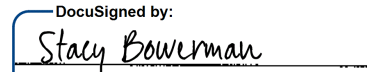
President

Dated:

January 12th, 2017

Michigan Economic Development Corporation

By:

DocuSigned by:


Printed Name:

COD238F5CD6E470...
Stacy Bowerman

Its:

Senior Planning Project Manager

Dated:

1/12/2017

MEMORANDUM

Date: September 25, 2018

To: Michigan Strategic Fund

From: Fred Molnar, VP, Entrepreneurship and Innovation

Subject: Michigan Venture Capital Association Venture Upstart III 2014 Entrepreneurial Specialized Support Services Grant –Amendment Four

ACTION

The MEDC requests that the MSF Board approve the amendment of Michigan Venture Capital Association (“MVCA”) Venture Upstart III grant amendment to extend the term to September 30, 2019 and to allocate additional funding of \$300,000 (the “Request”).

BACKGROUND

MVCA was awarded a 2014 Entrepreneurial Specialized Support Services Venture Upstart III grant in the amount of \$1,703,158 for a term of October 1, 2014 through September 30, 2018. Four initiatives under this Grant - Executive Connect Program, Venture Fellows Program, Educational & Outreach Initiative, and Administrative component - provide valuable services in support of Venture Capital activities in Michigan:

- *ExeConnect Program* provides early stage startup companies with access to corporate executives with relevant market and/or industry expertise and/or strong domain knowledge in key areas (such as accounting and finance, sales and marketing, and human resources). Startups are matched with experienced leaders who can serve as board members, mentors, and advisors as they plan and execute their sales, productivity and financial growth strategies.
- *Education & Outreach Program* enables MVCA to conduct research, educate, advocate, build networks and communicate to investors, entrepreneurs, the media, and the general public on entrepreneurial and investment opportunities, challenges, and successes in Michigan. MVCA Annual Research Report is one of the examples.
- *Venture Fellows Program* aims to increase the number of venture professionals in Michigan and accelerate fundraising and deployment of capital into early stage companies. Selected Venture Fellows are professionals who are early in their venture careers and are hired for two years by a Michigan-based venture firm, with the expectation that they will continue at the firm following the fellowship period.
- *Administrative* funding covers the administration and promotion of the programs in the Venture Upstart III contract.

RECOMMENDATION

MEDC Staff recommends approval of the Request.

MICHIGAN STRATEGIC FUND

RESOLUTION 2018-149

MICHIGAN VENTURE CAPITAL ASSOCIATION GRANT AMENDMENT

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

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

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

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

WHEREAS, MCL 125.2088k requires that the MSF Board establish a competitive process to award grants and make loans for competitive edge technologies;

WHEREAS, at its March 25, 2014 meeting, the MSF Board authorized the issuance of the Entrepreneurial Support Specialized Services Request for Proposals (the “ESSS RFP”), appointed a Joint Evaluation Committee (“JEC”) to review applications submitted in response to the RFP, and approved the scoring and evaluation criteria to be used by the JEC in its review of the applications;

WHEREAS, on June 24, 2014, the MSF Board awarded a grant of \$987,850 to the Michigan Venture Capital Association, with an initial term of October 1, 2014 to September 30, 2017 and the option to extend the term for up to an additional three years and allocate additional funding, at the sole discretion of the MSF (the “MVCA Grant”);

WHEREAS, the MVCA Grant was amended on October 10, 2016 to allocate \$235,140 in additional funds (“MVCA Grant Amendment One”);

WHEREAS, the MVCA Grant was amended on August 16, 2017 to extend the term to December 31, 2017 (“MVCA Grant Amendment Two”);

WHEREAS, the MSF approved an amendment to the MVCA Grant on November 28, 2017 to extend the term to December 31, 2018 and allocate \$300,000 in additional funding (“MVCA Grant Amendment Three”);

WHEREAS, MEDC staff recommends that the MSF Board exercise its option to extend the term of the MVCA Grant to September 30, 2019 and to allocate \$300,000 in additional funding (“Amendment Four Request”); and

WHEREAS, the MSF Board wishes to approve the Amendment Four Request.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board approves the Amendment Four Request; and

BE IT FURTHER RESOLVED, the MSF Board authorizes the MSF Fund Manager to negotiate and execute all final documents necessary to effectuate the Amendment Four Request.

Ayes: Paul Gentilozzi, Larry Koops, Andrew Lockwood (on behalf of Treasurer Khouri, designation attached), Jeff Mason, Terrence J.L. Reeves, Shaun Wilson

Nays: 0

Recused: 0

Lansing, Michigan
September 25, 2018

MEMORANDUM

Date: September 25, 2018

To: Michigan Strategic Fund (MSF) Board

From: Lynda Franke, Underwriting and Incentive Structuring Specialist

Subject: Geenen DeKock Properties, L.L.C.
Michigan Community Revitalization Program (MCRP)
Request for Approval of an MCRP Other Economic Assistance Loan Participation Award Amendment

Request

Geenen DeKock Properties, L.L.C. (“Company”) and MEDC staff are requesting approval of an amendment to the Michigan Community Revitalization Program (MCRP) Other Economic Assistance Performance-Based Loan Participation Award. The request does not change the previously approved award amount, but it does recognize a change in the project sources including a reduction in the Lender’s loan amount and an increase in the developer equity. This request also includes a time extension and clarifying changes to certain language in the term sheet. The MCRP award is a permanent loan as opposed to a construction loan converting to a permanent loan.

Background

On September 26, 2017, the Michigan Strategic Fund Board approved a \$1,000,000 Other Economic Assistance Loan Participation award and Act 381 work plan to the Company for the purpose of rehabilitation of the Holland Sentinel Building and the construction of a mixed-use building on the adjacent property. The project would produce about 16,800 square feet of retail space, 12,700 square feet of office space and 16 market-rate apartments. On June 15, 2018, the MSF Fund Manager approved the request to extend the execution deadline of June 23, 2018 to September 20, 2018.

Due to lower than expected total appraised values on the now-completed project buildings, Macatawa Bank (“Lender”) has decreased its loan amount by \$1,452,500. The new loan amount is consistent with the Lender’s original loan to value requirement. The developer is filling this new gap with additional equity. The debt service coverage ratio for the project has increased as a result of these changes, however, because the owner investment has increased, the projected developer return is now below 10%. The new bank loan amount was determined by MEDC legal staff to be materially different compared to the MSF Board approval (attached as Exhibit A), which is prompting this Amended Award request. Below is a summary of the reallocated development sources:

| | | |
|------------------|---------------------|----------------|
| Bank Share | \$ 3,547,500 | 38.99% |
| MSF Share | \$ 1,000,000 | 10.99% |
| Developer Equity | \$ 4,552,500 | 50.02% |
| TOTAL | \$ 9,100,000 | 100.00% |

Additionally, the terms for the loan facility in “Exhibit A” included a line for Amortization, which may have been confusing as the MSF Share will receive all principal repayment at maturity.

Recommendation

- MEDC staff recommends approval of an amendment to the MCRP Other Economic Assistance Loan Participation award to reflect a decrease in the Lender’s Share of the financing from \$5,000,000 to \$3,547,500 and an increase to the owner equity from \$3,100,000 to \$4,552,500.
- MEDC staff recommends removing the Amortization line from “Exhibit A”.
- MEDC staff recommends a reapproval and extension of 90 days.



MEMORANDUM

Date: September 26, 2017

To: Michigan Strategic Fund Board

From: Ryan Kilpatrick, Senior CA Team Specialist
Lynda Franke, Commercial Real Estate Investment Specialist
Mary Kramer, Senior MCRP and Brownfield Programs Specialist

Subject: City of Holland Brownfield Redevelopment Authority
Request for Approval of an Act 381 Work Plan
Geenen DeKock Properties, L.L.C. and West 8th Development LLC
Redevelopment Project

**Geenen DeKock Properties, L.L.C. - Request for Approval Michigan
Community Revitalization Program Other Economic Assistance Loan
Participation**

Request

Geenen DeKock Properties, L.L.C. (GDK) will redevelop 23 properties located on the west end of the downtown Holland business district, in phases. The Act 381 Work Plan includes the entire 11.75 acre site. The proposed MCRP award would be utilized for Phase I which includes the construction of a new mixed-use building as well as a complete rehabilitation of the existing Holland Sentinel Building. The city of Holland plans to issue bonds and construct a 380-space parking structure as part of the project. The city will also rehabilitate the Civic Center property and invest in a park across Pine Avenue from the project, infrastructure transmission and distribution, and expansions/improvements to 9th Street in the vicinity of the project. The project is located in a downtown and qualifies for a Michigan Community Revitalization Program (MCRP) award and Act 381 work plan because it is a facility and functionally obsolete.

In order to alleviate Brownfield conditions and prepare the proposed project site for redevelopment, the City of Holland Brownfield Redevelopment Authority is seeking approval of local and school tax capture for MSF eligible activities in the amount of \$17,766,736.

Geenen DeKock Properties, L.L.C. (Applicant) is requesting approval of a MCRP incentive in the amount of \$1,000,000 in the form of an Other Economic Assistance Performance-Based Loan Participation.

The proposed project has maximized available private debt and equity in this project based upon the projected cash flow and rate of return. The debt coverage ratio for the project is stabilized at 1.20, which meets MCRP parameters. The minimum threshold established by Macatawa Bank is only 1.0 on the



ORIGINAL APPROVAL

project to service the \$5,000,000 private loan. The development team will be contributing \$3,100,000 in equity to the project or slightly more than 34% of total project cost. This leaves a remaining financial gap of approximately \$1,000,000. Without the MEDC participation, additional equity would be required. However, this would push project returns below an acceptable level (approximately 7%). The low interest MCRP loan participation allows for the project to continue to move forward. Furthermore, significant costs are present on the site related to Brownfield conditions. The eligible activities will alleviate Brownfield conditions across the site and make it suitable for redevelopment, and protect human health and the environment. Without Brownfield tax increment reimbursement, the cost burden related to Brownfield conditions would make the project financially unfeasible. MCRP detailed structure is provided in **Appendix A**.

The Applicant anticipates that the overall GDK project will result in total capital investment of over \$40 million and the creation of approximately 80 permanent full-time equivalent jobs with an average hourly wage of \$15. Of that total, Phase I of the project, which is the MCRP portion, is anticipated to result in total capital investment in the amount of \$9,100,000, along with the creation of approximately 15 permanent full-time equivalent jobs with an average hourly wage of \$15.

Background

Geenen DeKock Properties, L.L.C. will redevelop the property in phases, which is located on the west end of the downtown business district, and consists of most of the city block between 8th and 9th Streets and between River and Pine Avenues in Holland, Michigan. The city of Holland will issue bonds and construct a 380-space, 151,000 square foot parking structure as part of the project. The city will also rehabilitate the Civic Center and invest in a park across Pine Avenue from the project, infrastructure transmission and distribution, and expansions/improvements to 9th Street in the vicinity of the project.

The MCRP Application seeks support for Phase I of this project which includes the construction of a new five-story, mixed-use building as well as a complete rehabilitation of the existing Holland Sentinel Building. The new construction will include approximately 12,800 square feet of retail space and 13,000 square feet of market rate residential apartments consisting of 16 units. The rehabilitation of the existing Holland Sentinel Building will include 12,700 square feet of space for the Holland Sentinel as well as 4,000 square feet of restaurant space.

Phase II of the project will include demolition of two obsolete structures and construction of a four-story, mixed-use building adjacent to the Holland Sentinel building with approximately 16 market rate apartments and over 4,000 square feet of retail space on the first floor. In addition, a two-story approximately 27,000 square foot multiplex theater will be constructed with 13,000 square feet of first floor retail space.

The balance of the project will include demolition of seven buildings and construction of three or four new mixed-use buildings that will likely include additional first floor retail and approximately 68 market rate residential apartments. The city will construct the parking deck and complete improvements to the Civic Center and infrastructure as part of this phase.

Demolition activities will be necessary to prepare the site for new construction. Site preparation activities include excavation, dewatering, and grading. Infrastructure improvements include sidewalk repairs, curb

ORIGINAL APPROVAL

replacement, snow melt installation, lighting, and a 380-space public parking deck to support the new development. Interest costs will be reimbursed to the developer and to the city for the public bonds necessary to finance the parking deck and infrastructure improvements.

Geenen DeKock Properties has not applied for MSF incentive support for any previous projects. Chuck Geenen and Doug DeKock are co-owners of GDK Construction, a full-service, west Michigan based contracting company with significant experience building high-quality, commercial real estate across the State of Michigan.

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

Recommendation

MEDC staff recommends approval of the following (the “Recommendation”):

- a) Local and school tax capture for the Act 381 eligible activities totaling \$17,766,736. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at \$8,407,219.
- b) A MCRP Other Economic Assistance Performance-Based Loan Participation in the amount of \$1,000,000 for Geenen DeKock Properties, L.L.C.

APPENDIX A – MCRP Financial Structure

FINANCING OPPORTUNITY – MCRP OTHER ECONOMIC ASSISTANCE LOAN PARTICIPATION

SUMMARY OF DEVELOPMENT SOURCES:

| | | | |
|------------------|-----------|------------------|----------------|
| Bank Share | \$ | 5,000,000 | 54.94% |
| MSF Share | \$ | 1,000,000 | 10.99% |
| Developer Equity | \$ | <u>3,100,000</u> | <u>34.07%</u> |
| TOTAL | \$ | 9,100,000 | 100.00% |

LOAN FACILITY

| | |
|-------------------------------|--|
| MSF Facility: | MCRP Loan Participation and Servicing Agreement Under “Other Economic Assistance” |
| Borrower: | Geenen DeKock Properties, L.L.C. or a Related Entity |
| Lender: | Macatawa Bank |
| Total Amount of Loans: | Currently estimated at \$6,000,000 |
| Lender Share: | Currently estimated at \$5,000,000 |
| MSF Share: | Up to the lesser of 20% of “Eligible Investment” or \$1,000,000 |
| Term: | To match that of the lender, not to exceed 120 months. |
| Amortization: | To match that of the Lender, not to exceed 300 months. |
| Interest Rate: | Anticipated to be 1% per annum on the MSF Share. |
| Repayment Terms: | Up to 120 months of interest only payments, with a balloon payment at maturity. |
| Collateral: | To match that of the Lender, the MSF Share will be subordinated. |
| Guarantee: | To match that of the Lender, the MSF Share will be subordinated. |
| Fee: | The MSF shall be paid a one-time fee equal to one percent of the MSF’s share of the loan. The Lender may charge the borrower for this fee. |
| Funding: | The MSF will fund up to the MSF Share amount to be disbursed following closing of the Loan and other performance criteria. |

"EXHIBIT A"

ORIGINAL APPROVAL

Other Conditions:

The MSF's investment will be contingent upon the following:
A minimum owner equity contribution of \$3,100,000 to Phase I of the project.

MICHIGAN STRATEGIC FUND

**RESOLUTION
2018-150**

**APPROVAL OF A MICHIGAN COMMUNITY REVITALIZATION PROGRAM
OTHER ECONOMIC ASSISTANCE LOAN PARTICIPATION AWARD TO
GEENEN DEKOCK PROPERTIES, L.L.C., OR RELATED ENTITY OR ENTITIES**

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

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

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

WHEREAS, pursuant to SFCR 125.2090-1, the MSF approved the MSF Fund Manager or the MSF President to negotiate the terms and conditions and execute all final documents necessary to effectuate awards and decisions approved under the MCRP, (“Transaction Documents”);

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

WHEREAS, by Resolution 2017-172, on September 26, 2017 the MSF Board awarded an MCRP Other Economic Assistance Performance-Based Loan Participation award to Geenen DeKock Properties, L.L.C. in furtherance of the Project in an amount up to \$1,000,000 (“Award”);

WHEREAS, on June 15, 2018, the MSF Fund Manager approved an extension to execute the MCRP written agreement to September 20, 2018;

WHEREAS, the MEDC is recommending approval of a lower senior loan amount, an increased developer investment, and a corrected “Exhibit A”;

WHEREAS, the Applicant was unable to execute the Transaction Documents by the Original Expiration Date and MEDC is recommending that the MSF Board re-approve the Award request subject to: (i) available funding, (ii) final due diligence performed to the satisfaction of the MEDC; and (iii) execution of the Transaction Documents within 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 (“MCRP Award Recommendation”); and

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

Ayes: Paul Gentilozzi, Larry Koops, Andrew Lockwood (on behalf of Treasurer Khouri, designation attached), Jeff Mason, Terrence J.L. Reeves, Shaun Wilson

Nays: 0

Recused: 0

Lansing, Michigan
September 25, 2018

EXHIBIT A

“Term Sheet”

LOAN FACILITY

| | |
|---------------------------------|---|
| MSF Facility: | MCRP Loan Participation and Servicing Agreement Under “Other Economic Assistance” |
| Borrower: | Geenen DeKock Properties, L.L.C. or a Related Entity |
| Lender: | Macatawa Bank |
| Total Amount of Loans: | Currently estimated at \$6,000,000 \$4,547,500 |
| Lender Share: | Currently estimated at \$5,000,000 \$3,547,500 |
| MSF Share: | Up to the lesser of 20% of “Eligible Investment” or \$1,000,000 |
| Term: | To match that of the lender, not to exceed 120 months. |
| Amortization: | To match that of the Lender, not to exceed 300 months. |
| Interest Rate: | Anticipated to be 1% per annum on the MSF Share. |
| Repayment Terms: | Up to 120 months of interest only payments, with a balloon payment at maturity. |
| Collateral: | To match that of the Lender, the MSF Share will be subordinated. |
| Guarantee: | To match that of the Lender, the MSF Share will be subordinated. |
| Fee: | The MSF shall be paid a one-time fee equal to one percent of the MSF’s share of the loan. The Lender may charge the borrower for this fee. |
| Funding: | The MSF will fund up to the MSF Share amount to be disbursed following closing of the Loan and other performance criteria. |
| Other Conditions: | The MSF’s investment will be contingent upon the following: A minimum owner equity contribution of \$3,100,000 \$4,552,500 to Phase I of the project. |

MEMORANDUM

TO: Michigan Strategic Fund

FROM: Mark Morante, Fund Manager

DATE: September 25, 2018

SUBJECT: *Appointment to the Board of Directors of Develop Michigan, Inc.*

REQUEST

This request is to appoint Katharine Czarnecki, Senior Vice President of Community Development for the Michigan Economic Development Corporation, to the Board of Directors for Develop Michigan, Inc. to replace Jennifer Nelson. Since leaving the MEDC, Ms. Nelson continued to serve on the board. However, due to present duties at Business Leaders for Michigan, she has asked to be replaced on the DMI Board. Ms. Czarnecki's term will be for the remainder of Ms. Nelson's five-year term expiring July of 2019.

BACKGROUND

On July 24, 2013, the Michigan Strategic Fund Board ("MSF", "MSF Board") appointed three individuals to represent its interest in Develop Michigan, Inc. From its inception, Develop Michigan Inc. ("DMI") and its for-profit subsidiary private equity fund was designed to be a public-private partnership. As such, the composition of the nine-member Board of Directors is as follows:

- Three members appointed from private limited partner investors
- Three members appointed by the management team
- Three members appointed by the Michigan Strategic Fund

The current appointees by the MSF Board are:

- Mark J. Morante, MSF Fund Manager
- Greg Tedder, Executive Vice President
- Jennifer Nelson, Vice President, Business Leaders for Michigan

RECOMMENDATION

Staff recommends the appointment of Katharine Czarnecki for the remainder of Jennifer Nelson's term to the Develop Michigan, Inc. Board of Directors.

MICHIGAN STRATEGIC FUND

RESOLUTION

2018-151

**APPOINTMENT OF BOARD OF DIRECTORS FOR
DEVELOP MICHIGAN, INC. – CAPITAL CONDUIT PROGRAM,
REAL ESTATE INITIATIVE AWARD RECIPIENT**

WHEREAS, Public Acts 215 and 225 of 2005 (collectively, the “Act”) established the 21st Century Jobs Trust 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 created the Michigan Supplier Diversification Fund (“MSDF”) as a loan enhancement program;

WHEREAS, on December 21, 2011, the MSF approved the creation and operation of a Develop Michigan – Capital Conduit Program under the MSDF (“CCP”);

WHEREAS, on December 21, 2011, by Resolution No. 2011-189, as a subprogram of the CCP, the MSF also approved the Real Estate Initiative (“REI”) and the program guidelines for the REI (as further amended on April 25, 2012, by Resolution No 2012-48) (“REI Guidelines”);

WHEREAS, on January 25, 2012, by Resolution No. 2012-08, the MSF approved an award to Develop Michigan, Inc. (“DMI”) to operate the REI pursuant to the REI Guidelines, and approved the delegation of authority to the MSF Fund Manager, the MSF Chairperson, or State Treasurer Director, with only two required to act, to execute final transaction documents memorializing the DMI award under the CCP (“Delegation of Authority”);

WHEREAS, pursuant to the REI Guidelines and the terms of the DMI award, the MSF Board has the right to appoint three members to the DMI board of directors;

WHEREAS, at its July 23, 2013, meeting, the MSF Board appointed Jennifer Nelson, Senior Vice President of Community Development and General Counsel, MEDC, for an initial term of one (1) year to the DMI board of directors;

WHEREAS, the MSF Board re-appointed Jennifer Nelson, then-Senior Vice President of Community Development & General Counsel, for a term of five (5) years to the DMI board of directors (the “DMI Appointee”);

WHEREAS, staff recommends accepting Ms. Nelson's resignation and appointing Katharine Czarnecki, Senior Vice President of Community Development for the MEDC to the remainder of Ms. Nelson's term;

NOW THEREFORE, BE IT RESOLVED, the MSF hereby approves the recommendation.

Ayes: Paul Gentilozzi, Larry Koops, Andrew Lockwood (on behalf of Treasurer Khouri, designation attached), Jeff Mason, Terrence J.L. Reeves, Shaun Wilson

Nays: 0

Recused: 0

Lansing, Michigan
September 25, 2018

MEMORANDUM

Date: September 25, 2018

To: Michigan Strategic Fund Board

From: Fred Molnar, VP, Entrepreneurship and Innovation

Subject: Michigan Small Business Development Center Amendment Request

REQUEST

Michigan Economic Development Corporation (“MEDC”) Staff recommends the Michigan Strategic Fund (“MSF”) Board approve a grant amendment to the Michigan Small Business Development Center (“MI-SBDC”) grant to allocate \$5,670,000 to support continuation of the Technology Counseling Services (“TCS”) program, Business Acceleration Fund (“BAF”), the Emerging Technology Fund (“ETF”), and the Core Services program (the “Request”).

BACKGROUND TO AWARDS

Under Section 88k of the Michigan Strategic Fund Act (the “Act”), MCL 125.2088k, the MSF is authorized to award grants and loans for basic research, applied research, university technology transfer, and commercialization of products, processes and services to encourage the development of competitive edge technologies to create jobs within the State of Michigan.

The TCS program supports new entrepreneurs in starting and growing high-tech businesses by providing training in areas such as strategic planning, business operations and investment attraction. On February 25, 2014, the MSF Board selected the MI-SBDC to receive a grant to renew the TCS program in the amount of \$2,423,280 (Resolution 2014-017) along with an additional \$1,250,000 (Resolution 2015-154) awarded in November 2015, \$1,500,000 (Resolution 2016-210) awarded in October 2016 and \$1,760,000 (Resolution 2017-145) awarded in September 2017.

The BAF provides a series of small grants (totaling a maximum of \$50,000) for high tech businesses to access the required specialized services they need to grow and compete, such as IP attorneys and marketing specialists. On February 25, 2014, the MSF Board selected the MI-SBDC to receive a grant to renew the BAF program in the amount of \$1,733,248 (Resolution 2014-018) along with an additional \$1,965,000 in February 2015 (Resolution 2015-018) and \$1,200,000 (Resolution 2016-210) in October 2016 and \$1,425,000 (Resolution 2017-202) in December 2017.

The ETF program is designed to attract federal dollars into the State in the form of Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) awards, which can be worth up to several million dollars each. ETF provides matching funds of up to \$25,000 for Phase I and \$125,000 for Phase II clinical research associated with these awards. On February 25, 2014, the MSF Board selected the MI-SBDC to receive a grant to

renew the ETF program in the amount of \$2,293,472 (Resolution 2014-017) along with an additional \$2,076,500 (Resolution 2014-178) awarded in December 2014, \$2,500,000 (Resolution 2015-153) in November 2015, \$2,100,000 (Resolution 2016-210) in October 2016 and \$2,150,000 (Resolution 2017-202) in December 2017.

The Core Services program is designed to support non high-tech business start-ups by providing services such as business counseling, market education and grant writing assistance. On December 15, 2015, the MSF Board selected the MI-SBDC to receive a grant for the Core program in the amount of \$1,350,000 (Resolution 2015-189) followed by \$1,625,000 (Resolution 2016-210) in October 2016 and \$1,840,000 (Resolution 2017-202) in December 2017.

On October 25, 2016, the MSF consolidated the TCS, BAF, ETF, and Core Services program grants into one master grant agreement between the MI-SBDC and the MSF, with an expiration date of December 31, 2019.

PROGRAM RESULTS

The MI-SBDC programs continue to meet and exceed designated metrics. To date, the TCS program had provided 27,161 counseling hours to the state's high tech entrepreneurs supporting the creation of 990 jobs, 109 companies and attracting more than \$397 million in third party and follow on funding. The BAF program has supported the commercialization of 213 products, resulting in 318 jobs and attracting over \$147 million in third party and follow on funding. The ETF program has supported 157 companies in creating 351 jobs and attracting more than \$204 million in third party and follow on funding. Core client companies have created 5,884 jobs, retained 4,116, and attracted over \$399 million in third party and follow on funding.

BACKGROUND TO REFUNDING REQUEST

The MI-SBDC works closely with MEDC staff and continues to be the primary strategic entrepreneurship partner for MEDC across the entirety of the State of Michigan. The programs described herein are operating currently and have a strong, proven track record.

RECOMMENDATION

MEDC Staff recommends approval of the Request.

MICHIGAN STRATEGIC FUND

RESOLUTION 2018-152

MICHIGAN SMALL BUSINESS DEVELOPMENT CENTER MASTER GRANT AMENDMENT REQUEST

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

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

WHEREAS, MCL 125.2088k authorizes the MSF to award grants and loans for basic research, applied research, university technology transfer, and commercialization of products, processes and services to encourage the development of competitive edge technologies to create jobs within the State of Michigan;

WHEREAS, at its October 23, 2013 meeting, the MSF issued a request for proposals to award grants to Michigan nonprofit corporations to provide specialized support services to assist Michigan companies and institutions in commercializing competitive edge technologies, building successful and innovative business with the potential for high-growth and job retention (the “Entrepreneurial Support Services RFP”);

WHEREAS, on February 25, 2014, the MSF Board authorized three separate grants to the Michigan Small Business Development Center (“MI-SBDC”) through the Entrepreneurial Support Services RFP as follows: 1) a grant of up to \$2,423,280 to operate the Technology Counseling Services (“TCS”) Program for an initial term of January 1, 2014 to December 31, 2016, with the option to extend the term of the grant for up to an additional three years and to add additional funding at the sole discretion of the MSF (the “TCS Program Grant”); 2) a grant of up to \$1,733,248 to operate the Business Accelerator Fund (“BAF”) for an initial term of April 1, 2014 to September 30, 2017, with the option to extend the term of the grant for up to an additional three years and to add additional funding at the sole discretion of the MSF (the “BAF Grant”); and 3) a grant of up to \$2,293,472 to operate the Emerging Technologies Fund (“ETF”), for an initial term of April 28, 2014 to December 31, 2016, with the option to extend the term of the grant for up to an additional three years and to add additional funding at the sole discretion of the MSF (the “ETF Grant”);

WHEREAS, on December 15, 2015, the MSF Board authorized a grant of up to \$1,350,000 to MI-SBDC to provide business counseling, market education services, and grant writing assistance to non-high technology business start-ups in Michigan for an initial term of January 1, 2016 to December 31, 2020, (the “Core Services Grant”);

WHEREAS, the TCS Program Grant was amended on October 27, 2015 to increase the grant amount by \$1,250,000; the BAF Grant was amended on February 24, 2015 to increase the grant amount by \$1,965,000; and the ETF Grant was amended on October 28, 2014 and October 27, 2015 to increase the grant amount by \$2,076,500 and \$2,500,000, respectively;

WHEREAS, on October 25, 2016, the MSF amended the TCS Program Grant, the BAF Grant, the ETF Grant and the Core Services grant in accordance with the following: 1) increase the TCS Program Grant by \$1,500,000; 2) increase the BAF Grant by \$1,200,000; 3) increase the ETF Grant by \$2,100,000; 4) increase the Core Services Grant by \$1,625,000; and 5) consolidate the TCS Program Grant, the BAF Grant, the ETF Grant and the Core Services Grant into on master grant agreement with an expiration date of December 31, 2019 (the aforementioned, collectively, the “MI-SBDC Master Grant”);

WHEREAS, on September 26, 2017, the MI-SBDC Master Grant was amended to allocate \$1,760,000 in additional funding for the TCS program activities;

WHEREAS, on December 19, 2017, the MI-SBDC Master Grant was amended to allocate \$5,715,000 in additional funding for the BAF program, the ETF program, and the Core Services program;

WHEREAS, the MEDC recommends that the MSF Board allocate an additional \$5,670,000 to the MI-SBDC Master Grant to be used by MI-SBDC for the TCS program, the BAF program, the ETF program, and the Core Services program (the "Amendment Request"); and

WHEREAS, the MSF wishes to approve the Amendment Request.

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

BE IT FURTHER RESOLVED, that the MSF Fund Manager is authorized to negotiate the final terms and conditions of the Amendment Request and to execute all documents necessary to finalize the Amendment Request.

Ayes: Paul Gentilozzi, Larry Koops, Andrew Lockwood (on behalf of Treasurer Khouri, designation attached), Jeff Mason, Terrence J.L. Reeves, Shaun Wilson

Nays: 0

Recused: 0

Lansing, Michigan
September 25, 2018

MEMORANDUM

Date: September 25, 2018
To: Michigan Strategic Fund Board
From: Fred Molnar, VP, Entrepreneurship and Innovation
Subject: BBC Entrepreneurial Training Corporation Grant Amendment

REQUEST

Michigan Economic Development Corporation (“MEDC”) Staff recommends the Michigan Strategic Fund (“MSF”) Board approve a grant amendment to the BBC Entrepreneurial Training Corporation (“BBC”) Michigan Small Business Innovation and Research (“SBIR”)/Small Business Technology Transfer Research (“STTR”) Assistance Program to allocate \$480,000 in additional funding and extend the term from December 31, 2018 to December 31, 2019 (the “Request”).

BACKGROUND TO AWARD

Under Section 88k of the Michigan Strategic Fund Act (the “Act”), MCL 125.2088k, the MSF is authorized to award grants and loans for basic research, applied research, university technology transfer, and commercialization of products, processes and services to encourage the development of competitive edge technologies to create jobs within the State of Michigan.

BBC supports Michigan start-up companies in preparing and submitting applications for grants from the federal STTR and SBIR programs, which fund the commercialization of high tech discoveries and can be for up to several million dollars each. On June 24, 2014, the MSF Board selected BBC to receive a grant for the SBIR/STTR Assistance Program in the amount of \$960,000 for an initial term of January 1, 2015 to December 31, 2016, with the option to allocate additional funding and extend the term for up to three additional years. In October 2016 the MSF approved an extension of the BBC grant term to December 31, 2018 and added \$960,000 in additional funding.

PROGRAM RESULTS

The BBC SBIR/STTR Assistance Program has been very successful. Since January 2017, BBC has trained 389 attendees through onsite training and webinars and has supported 87 companies one-on-one with SBIR/STTR proposals, resulting in more than \$27 million of SBIR/STTR funding coming into Michigan.

RECOMMENDATION

MEDC Staff recommends approval of the Request.

MICHIGAN STRATEGIC FUND

**RESOLUTION
2018-153**

BBC ENTREPRENEURIAL TRAINING CORPORATION GRANT AMENDMENT #2

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

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

WHEREAS, MCL 125.2088k authorizes the MSF to award grants and loans for basic research, applied research, university technology transfer, and commercialization of products, processes and services to encourage the development of competitive edge technologies to create jobs within the State of Michigan;

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

WHEREAS, at its April 22, 2014 meeting, the MSF Board issued a request for proposals to award grants to non-profit organizations that provided specialized support services to early stage technology companies and institutions commercializing competitive edge technologies (the “Entrepreneurial Specialized Support Services RFP”);

WHEREAS, on June 24, 2014, the MSF Board authorized a grant of up to \$960,000 to BBC Entrepreneurial Training Corporation (“BBC”) to operate the SBIR/STTR Assistance Program for an initial term of January 1, 2015 to December 31, 2016, with the option to extend the term of the grant for up to an additional three years and to add additional funding at the sole discretion of the MSF (the “BBC Grant”);

WHEREAS, on October 25, 2016, the MSF Board exercised its first option to extend the BBC Grant for an additional two years to December 31, 2018 and allocated \$960,000 in additional funding (“BBC Grant Amendment #1”);

WHEREAS, the MEDC recommends that the MSF Board exercise its second option to extend the BBC Grant for an additional year to December 31, 2019 and allocate \$480,000 in additional funding (the “BBC Grant Amendment #2”); and

WHEREAS, the MSF Board wishes to approve the BBC Grant Amendment #2.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board approves the BBC Grant Amendment #2;

BE IT FURTHER RESOLVED, that the MSF Fund Manager is authorized to negotiate final terms and conditions of the BBC Grant Amendment #2 and to execute all documents necessary to effectuate the BBC Grant Amendment #2.

Ayes: Paul Gentilozzi, Larry Koops, Andrew Lockwood (on behalf of Treasurer Khouri, designation attached), Jeff Mason, Terrence J.L. Reeves, Shaun Wilson

Nays: 0

Recused: 0

Lansing, Michigan
September 25, 2018

MEMORANDUM

Date: September 25, 2018

To: Michigan Strategic Fund Board

From: Denise Graves, University Relations, Entrepreneurship and Innovation

Subject: Request for allocation of funds for the Michigan Translational Research and Commercialization Program

Request

Michigan Economic Development Corporation (“MEDC”) staff recommends the Michigan Strategic Fund (“MSF”) Board approve the allocation of funds from the FY2019 funding allocation for Entrepreneurial Programs and Grants to the Michigan Translational Research and Commercialization (“MTRAC”) Statewide Program (the “Request”).

Background

Under Section 880 of the MSF Act (“Act”), MCL 125.20880, the MSF shall create and operate a program to accelerate technology transfer from Michigan’s institutions of higher education to the private sector for commercialization of competitive edge technologies and bioeconomy technologies.

At its April 26, 2016 board meeting the MSF approved the establishment of a MTRAC Statewide Program, supporting the translation of competitive edge research into commercial applications at all Michigan based institutions of higher education, hospital systems and nonprofit research centers. MEDC staff requests that \$2,600,000 from the FY2019 funding allocation for Entrepreneurial Programs and Grants be allocated to the MTRAC Program to support the continued operation of the program.

Recommendation

MEDC Staff recommends approval of the Request.

MICHIGAN STRATEGIC FUND

**RESOLUTION
2018-154**

**ALLOCATION OF FUNDING TO MICHIGAN TRANSLATIONAL RESEARCH AND
COMMERCIALIZATION PROGRAM**

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

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

WHEREAS, pursuant to Section 88o of the Act, the MSF shall create and operate a program to accelerate technology transfer from Michigan’s institutions of higher education to the private sector for commercialization of competitive edge technologies and bioeconomy technologies;

WHEREAS, on April 26, 2016, the MSF Board 1) created the Michigan Translational Research and Commercialization Program to award grants to Michigan institutions of higher education for the purpose of advancing of competitive edge technologies and bio economy technologies into commercial applications and increasing the number of startups, jobs, industry licenses and investment for Michigan (the “MTRAC Program”) and 2) adopted the MTRAC Program Guidelines;

WHEREAS, on August 28, 2018, the MSF Board approved the FY2019 Funding Allocations, which included an allocation of \$14,924,000 for Entrepreneurial Programs and Grants;

WHEREAS, MEDC staff recommends that the MSF Board allocate \$2,600,000 from the FY2019 Funding Allocations for Entrepreneurial Programs and Grants to the MTRAC Program (the “MTRAC Funding Allocation Request”); and

WHEREAS, the MSF Board wishes to approve the MTRAC Funding Allocation Request.

NOW, THEREFORE, BE IT RESOLVED, the MSF approves the MTRAC Funding Allocation Request.

Ayes: Paul Gentilozzi, Larry Koops, Andrew Lockwood (on behalf of Treasurer Khouri, designation attached), Jeff Mason, Terrence J.L. Reeves, Shaun Wilson

Nays: 0

Recused: 0

Lansing, Michigan
September 25, 2018

MEMORANDUM

Date: September 25, 2018

To: Michigan Strategic Fund Board

From: Denise Graves, University Relations, Entrepreneurship and Innovation

Subject: Michigan Translational Research and Commercialization (“MTRAC”) Statewide Program Grant Award to the University of Michigan Life Science Innovation Hub

Request

Michigan Economic Development Corporation (“MEDC”) staff requests that the Michigan Strategic Fund (“MSF”) Board approve a new grant in the amount of \$2,000,000 from the MTRAC Statewide Program budget for the University of Michigan MTRAC Life Science Innovation Hub for an initial term of one year, with the option to extend the term for an additional one year and allocate additional funding, at the sole discretion of the MSF (the “Request”).

Background

At its April 26, 2016 meeting, the MSF approved the creation of the MTRAC Statewide Program for the support of translational research projects creating Innovation Hubs in the key areas of Bio-Medical Sciences, Life Sciences, Advanced Transportation, Advanced Materials and Agriculture-Biology. The MTRAC programs support the acceleration of technology transfer from Michigan’s institutions of higher education, non-profit research centers and hospital systems in support of the commercialization of competitive edge technologies. Under the MTRAC Guidelines, the designation as an Innovation Hub is valid for a period of up to six years. The MSF may approve grants for terms of up to two years to the entities designated as Innovation Hubs.

At its July 26, 2016 meeting, the MSF Board designated the University of Michigan as the MTRAC Statewide Program Life Sciences Innovation Hub. The Life Science Innovation Hub provides resources to support translational projects in the life sciences with high commercial potential. Funding focuses on four specific market segments; devices, diagnostics, therapeutics and healthcare IT. The University of Michigan was awarded \$2,026,470 for an initial grant term of one year, with the option to extend for an additional one year term. On September 26, 2017, the MSF exercised its option to extend the term of the grant for one year to September 30, 2018 and allocated \$2,104,688 in additional funding.

Within the last two years, the MTRAC for Life Science Innovation Hub Oversight Committee, made up of industry and venture capital professionals, has reviewed 35 proposals and supported 22 projects from Michigan State University, University of Michigan and Michigan Technological University, Spectrum, Beaumont and Henry Ford Health Systems. The program deployed over \$4 million in funding including matching funds from all recipients. The projects are well underway in executing on milestones toward the path of commercialization. Since the MTRAC Life Science program inception, there have been 15 startups supporting 39 jobs, 12 licenses, 4 options and over \$18M in follow on funding.

In accordance with the MTRAC Program Guidelines, MEDC staff recommends that the MSF Board award a new grant to the University of Michigan as the Life Sciences Innovation Hub to support continued operation of the Innovation Hub activities in the amount of \$2,000,000 and for an initial grant term of one year, with the option to extend for an additional one year and allocate additional funding, at the sole discretion of the MSF.

Recommendation

MEDC Staff recommends approval of the Request.

MICHIGAN STRATEGIC FUND

RESOLUTION

2018-155

APPROVAL OF MICHIGAN TRANSLATIONAL RESEARCH AND COMMERCIALIZATION PROGRAM AWARD TO UNIVERSITY OF MICHIGAN LIFE SCIENCES INNOVATION HUB

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

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

WHEREAS, pursuant to Section 880 of the Act, the MSF shall create and operate a program to accelerate technology transfer from Michigan’s institutions of higher education to the private sector for commercialization of competitive edge technologies and bioeconomy technologies;

WHEREAS, on April 26, 2016, the MSF Board 1) created the Michigan Translational Research and Commercialization Program to award grants to Michigan institutions of higher education for the purpose of advancing of competitive edge technologies and bio economy technologies into commercial applications and increasing the number of startups, jobs, industry licenses and investment for Michigan (the “MTRAC Program”) and 2) adopted the MTRAC Program Guidelines;

WHEREAS, on July 26, 2016, the MSF Board designated the University of Michigan Medical School as the Innovation Hub for Life Science activities and approved a grant of \$2,026,470 for an initial grant term of one year, with the option to extend for one additional year and to add additional funding at the sole discretion of the MSF Board (the “UM Life Sciences MTRAC Grant”);

WHEREAS, on September 26, 2017, the MSF exercised its option to extend the term of the UM Life Sciences MTRAC Grant for an additional one year term to September 30, 2018 and allocated \$2,104,688 in additional funding (“Amendment One”);

WHEREAS, under the MTRAC Guidelines, an Innovation Hub designation lasts for up to six years and a designated Innovation Hub is eligible to receive new grant funding every two years;

WHEREAS, the MEDC recommends that the MSF Board approve a new grant award under the MTRAC Program to the UM Life Sciences Innovation Hub in the amount of \$2,000,000 from the MTRAC Program budget and for an initial term of one year, with the option to extend for one additional year and to add additional funding at the sole discretion of the MSF Board (the “Award Recommendation”); and

WHEREAS, the MSF Board wishes to approve the Award Recommendation.

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

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

Ayes: Paul Gentilozzi, Larry Koops, Andrew Lockwood (on behalf of Treasurer Khouri, designation attached), Jeff Mason, Terrence J.L. Reeves, Shaun Wilson

Nays: 0

Recused: 0

Lansing, Michigan
September 25, 2018

MEMORANDUM

Date: September 25, 2018

TO: Michigan Strategic Fund Board

From: Christopher Cook, Director of Capital Access

Subject: *Private Activity Bond – Inducement
Gerdau Macsteel, Inc.
Solid Waste - \$80,000,000 – New*

Request:

Gerdau Macsteel, Inc. (“Gerdau”) is requesting private activity bond financing for solid waste disposal improvements at its Monroe facility located in Monroe County.

Background:

Gerdau Macsteel, Inc. was established in 1968 and is a Delaware Corporation. Gerdau operates in the United States as a privately-held subsidiary of Gerdau S.A., a Brazilian publicly-held corporation (“Gerdau S.A.”).

Gerdau manufactures specialized steel products. Gerdau focuses on engineered special bar quality (SBQ) steel products and produces a wide range of product shapes and grades. Gerdau indicates the SBQ products are utilized in all levels of the automotive and heavy equipment supply chain.

The MEDC has completed civil and criminal background checks in accordance with the MSF background review policy.

Description of Project:

The project consists of a plant upgrade to Gerdau’s Electric Arc Furnace mini-mill technology plant located in Monroe. The project will include a significant investment in air emissions technology to comply with new environmental standards and to meet the needs of added production capacity which will be completed by reconfiguring and upgrading the plant’s two baghouse configuration, canopy, duct work, and fans.

The project will also include improvements in the Electric Arc Furnace (including new transformers, a larger furnace shell, a larger scrap bucket, and new controls), a full replacement of the existing ladle furnace (including a new cooling tower), and investments in material handling technology that will centralize and automate the delivery of alloys and fluxes to the scrap bucket and furnaces.

Gerdau Macsteel, Inc. currently employs 1,500 employees in the United States, with 900 employees located at facilities in Michigan and 530 employees at the Monroe facility.

Please also note the MSF approved an exemption from the State Essential Services Assessment for Gerdau valued at \$2,407,000 in May of 2018.

Plans of Finance:

Bank of America Merrill Lynch has indicated an interest in underwriting the proposed bonds.

The proposed bonds will be guaranteed by Gerdau S.A., which is a rated corporation whose financial information is filed on a quarterly basis with the Securities and Exchange Commission. The guaranty will enhance the security for the bonds and ensure a lower rate of interest.

If the project size remains at \$80,000,000 the MSF issuance fee will be \$112,500.00.

Recommendation:

After reviewing the Private Activity Bond application for the Borrower, staff recommends the adoption of an Inducement Resolution in the amount of \$80,000,000.

MICHIGAN STRATEGIC FUND

**INDUCEMENT RESOLUTION
2018-156**

Gerdau Macsteel, Inc.

WHEREAS, Gerdau Macsteel, Inc. (the Borrower”) is a Delaware limited liability company;

WHEREAS, the Borrower desires to finance the costs of the installation of solid waste disposal improvements at the Borrower’s Monroe facility located in Monroe County, including a significant investment in air emissions technology to comply with new environmental standards and to meet the needs of added production capacity which will be completed by reconfiguring and upgrading the plant’s two baghouse configuration, canopy, duct work and fans. The project will also include improvements in the Electric Arc Furnace (including new transformers, a larger furnace shell, a larger scrap bucket, and new controls), a full replacement of the existing ladle furnace (including a new cooling tower), and investments in material handling technology that will centralize and automate the delivery of alloys and fluxes to the scrap bucket and furnaces.

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

WHEREAS, the Borrowers have advised the MSF that the cost of the Project will not exceed Eighty Million Dollars (\$80,000,000);

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

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

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

1. The MSF intends to provide the Loan to the Borrowers subject to the conditions of this Resolution.
2. The Loan shall be designated for the Project in accordance with the Borrower's Tax-Exempt Application Form dated August 2, 2018.
3. The maximum principal amount of the bonds (the "Bonds") expected to be issued to provide the Loan to finance the Project shall not exceed Eighty Million Dollars (\$80,000,000). The Borrowers shall be obligated to make loan repayments in an amount sufficient to assure full repayment of the Bonds, establish appropriate reserves and pay costs and expenses relating to the issuance of the Bonds and the making of the Loan.
4. The MSF's obligation to issue the Bonds and make the Loan shall be conditioned upon a) the ability of the MSF to issue, sell and deliver the bonds under applicable federal and state laws, and b) any prioritization, fee schedules or other requirements or limitations implemented by the MSF or the State Treasurer.
5. The MSF's obligation to make the Loan and issue the Bonds contemplated by this Resolution shall expire two years after the date of this Resolution.
6. The Loan may be evidenced by a promissory note and secured by such instruments as are in form and substance satisfactory to the MSF, the Attorney General of the State of Michigan (the “Attorney General”) and bond counsel to the MSF, including a loan agreement, indenture, first mortgage, security agreement and such additional security as may be required by the MSF or purchaser of the Bonds.

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

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

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

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

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

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

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

ADOPTED

Ayes: Paul Gentilozzi, Larry Koops, Andrew Lockwood (on behalf of Treasurer Khouri, designation attached), Jeff Mason, Terrence J.L. Reeves, Shaun Wilson

Nays: 0

Recused: 0

September 25, 2018
Lansing, Michigan

MEMORANDUM

Date: September 25, 2018

To: Michigan Strategic Fund Board

From: Christopher Cook, Director, Capital Access

Subject: *Private Activity Bond – Inducement
Oakland Corridor Partners LLC – NTE \$725,000,000
Tax-Exempt*

Request:

Oakland Corridor Partners LLC (“Applicant”) was formed to develop, design, construct, finance and maintain a portion of the existing I-75 highway in Michigan from north of 13 Mile Road to north of 8 Mile Road as Segment 3 of the Michigan I-75 Modernization Project (the “Project”) pursuant to an agreement to be entered into with the Michigan Department of Transportation (“MDOT”) as contemplated by the Request for Proposals to develop, design, construct, finance and maintain the I-75 Modernization Project (Segment 3) issued by MDOT on March 30, 2018 and amended by Addendum No. 1 issued on May 25, 2018, Addendum No. 2 issued on July 13, 2018 and Addendum No. 3 issued on August 6, 2018 (as so amended, the “RFP”).

Background:

Oakland Corridor Partners LLC (“Applicant”) is a limited liability company formed under the Delaware Limited Liability Company Act on September 7, 2018.

The Applicant was formed by AECOM Capital, Inc. (“AECOM”), John Laing Investments Limited (“John Laing”), Jay Dee Contractors, Inc. (“Jay Dee”), Ajax Paving Industries, Inc. (“Ajax”), and Dan’s Excavating, Inc. (“DEI”), each of which holds, directly, or indirectly, the following ownership interest in the Applicant:

| | |
|------------|-----|
| John Laing | 40% |
| AECOM | 30% |
| Ajax | 10% |
| DEI | 10% |
| Jay Dee | 10% |

Description of Project:

The Project consists of the realignment and reconstruction of a 5.5 mile segment (“Segment 3”) of the I-75 Corridor. Segment 3 is located north of 13 Mile Road to north of 8 Mile Road in the Cities of Madison Heights, Royal Oak, and Hazel Park, which are all within Oakland County.

Key aspects of the design and construction of the Project include the realignment and reconstruction of the I-75 mainline, service drives and ramps; addition of a new lane in both directions; reconstruction of structures, drainage improvements, including construction of a 14-foot diameter and 4-mile long storage and drainage tunnel and installation of a new pump station; and ITS upgrades.

The Project also includes grading, environmental compliance, site work, landscaping, aesthetics, traffic signals, noise and retaining walls, traffic maintenance during construction, paving, pavement marking, signing, certain utility work and coordination, quality, construction safety, permitting and public information.

Also included in the Project is the routine and long-term maintenance of certain asset categories during a 25-year Maintenance Term which commences following construction completion.

The estimated Project cost includes all costs relating to the machinery and equipment to construct the Project. There are no costs relating to the land as the MDOT owns all relevant lands and allows the Applicant to access the lands under the terms of the Project Agreement.

The expected dates of the Project start-up and completion are:

- October 2018 – Expected to sign Project Agreement with MDOT
- November 2018 – Expected to issue bonds and close financing arrangements
- November 2018 – Expected to commence design and construction schedule
- August 2023 – Expected to achieve substantial completion of project
- September 2023 – Expected to commence long-term maintenance scope of work
- February 2024 – Expected to achieve final completion of Project
- August 2048 – Expected contract expiration date

The Project consists of two distinct phases of work for which individuals will be hired to complete the necessary scope: (a) the design and construction phase; and (b) the maintenance phase.

The following is an estimate of the design and construction phase:

- Position 1 – Laborers: 120 required, 90 current employees, 30 new hires
- Position 2 – Operators: 90 required, 70 current employees, 20 new hires
- Position 3 – Carpenters: 50 required, 35 current employees, 15 new hires
- Position 4 – Electricians: 20 required, 15 current employees, 5 new hires
- Position 5 – Truck Drivers: 50 required, 35 current employees, 15 new hires

The Construction Management team includes 21 positions, supported by 15 Foreman positions. It is not expected that there will be any new hires within this group.

For the Maintenance Period, between 10 and 12 new positions will be created to complete the scope of work required. These positions, skilled and semi-skilled, will be advertised and hired within the local market, in the period leading up to the completion of the construction project. These positions include roadway technicians, truck drivers and administrative staff. The average hourly, straight-time wage for these individuals, excluding fringes, benefits and/or overtime is approximately \$50.

Overall, the Project is led by a small management team of individuals seconded from the project sponsors. It is expected that there will be two local hires to support the management. These will be local sourced positions, with an average hourly salary in the range of \$50, excluding fringes and overtime.

The MEDC has completed civil and criminal background checks in accordance with the MSF background review policy. No issues were identified.

Plans of Finance:

The Bonds will be underwritten by Merrill Lynch, Pierce, Fenner & Smith Incorporated and Wells Fargo Bank, N.A,

Please note: the bonds will be issued through the MSF subject to receipt of a private activity bond allocation from the United States Secretary of Transportation under Section 142(m) of the Internal Revenue Code. Such allocation is separate from the Michigan State Treasurer's annual private activity bond allocation that is subject to federally imposed unified volume limitation and thus the ability of the MSF to issue future bonds will not be impacted.

The MSF issuance fee will be \$40,000.

Recommendation:

After reviewing the private activity bond application for Oakland Corridor Partners LLC, staff finds this Project meets the requirements for an Inducement Resolution in the amount of NTE \$725,000,000.

MICHIGAN STRATEGIC FUND

**INDUCEMENT RESOLUTION
2018-157**

OAKLAND CORRIDOR PARTNERS LLC

WHEREAS, Oakland Corridor Partners LLC (the "Borrowers") is a Delaware limited liability company;

WHEREAS, the Borrowers desire to finance the costs of the development, design, construction, financing and maintenance of the existing I-75 highway in Michigan from north of 13 Mile Road to north of 8 Mile road as segment 3 of the Michigan I-75 modernization project (the "Project");

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

WHEREAS, the Borrowers have advised the MSF that the cost of the Project will not exceed Seven Hundred Twenty Five Million Dollars (\$725,000,000);

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

WHEREAS, this Resolution has the purpose of providing the necessary official intent of the MSF to meet the requirements of Sections 141 and 142 of the Internal Revenue Code of 1986, as amended (the "Code") and the regulations promulgated in connection therewith and, in particular, Section 1.150-2 of the Income Tax Regulations.

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

1. The MSF intends to provide the Loan to the Borrowers subject to the conditions of this Resolution.
2. The Loan shall be designated for the Project in accordance with the Borrower's Tax-Exempt Application Form dated September 7, 2018.
3. The maximum principal amount of the bonds (the "Bonds") expected to be issued to provide the Loan to finance the Project shall not exceed Seven Hundred Twenty Five Million Dollars (\$725,000,000). The Borrowers shall be obligated to make loan repayments in an amount sufficient to assure full repayment of the Bonds, establish appropriate reserves and pay costs and expenses relating to the issuance of the Bonds and the making of the Loan.
4. The MSF's obligation to issue the Bonds and make the Loan shall be conditioned upon a) the ability of the MSF to issue, sell and deliver the bonds under applicable federal and state laws; (b) receipt of sufficient private activity bond allocation under Code Section 142(m) from the U. S. Secretary of Transportation; and (c) any prioritization, fee schedules or other requirements or limitations implemented by the MSF or the State Treasurer or U.S. Secretary of Transportation.
5. The MSF's obligation to make the Loan and issue the Bonds contemplated by this Resolution shall expire two years after the date of this Resolution.
6. The Loan may be evidenced by a promissory note and secured by such instruments as are in form and substance satisfactory to the MSF, the Attorney General of the State of Michigan (the "Attorney General") and bond counsel to the MSF, including a loan agreement, indenture, and such additional security as may be required by the MSF or purchaser of the Bonds.

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

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

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

10. The staff of the MSF is authorized and directed to initiate the proceedings described in this Resolution and to enter into negotiations, subject to the approval of the MSF, with a bond purchaser for the sale of the Bonds. Any authorized signatory is authorized to prepare and file with the U.S. Secretary of Transportation a request for allocation as it relates to the Federal limitations on the issuance of private activity bonds under Code Section 142(m).

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

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

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

ADOPTED

Ayes: Paul Gentilozzi, Larry Koops, Andrew Lockwood (on behalf of Treasurer Khouri, designation attached), Jeff Mason, Terrence J.L. Reeves, Shaun Wilson

Nays: 0

Recused: 0

September 25, 2018
Lansing, Michigan

MEMORANDUM

Date: September 25, 2018

To: Michigan Strategic Fund Board

From: Christopher Cook, Director of Capital Access

Subject: *Private Activity Bond – Amendment of Indenture*
Van Andel Research Institute – Series 2013A

Request:

The Michigan Strategic Fund previously issued its Multi-Modal Limited Obligation Refunding Revenue Bonds, Series 2013A and Series 2013B, pursuant to a Loan Agreement dated April 1, 2013, for the benefit of Van Andel Research Institute (the “Borrower”). The 2013 transaction refunded the Series 2008 Bonds issued by the MSF. The proceeds of the 2008 Bonds were used to assist the Borrower in the financing of land acquisition, construction of an approximately 150,000 square foot medical research facility and an approximately 250,000 square foot addition thereto, including related parking and land improvements, the acquisition and installation of laboratory and other research equipment including computer hardware and software and the acquisition and installation of office furniture and fixtures. The project location is 333 Bostwick Avenue, N.E., Grand Rapids, Kent County.

The Series 2013A Bonds were purchased and are currently held by U.S. Bank National Association (the “Bank Purchaser”). The adoption of the Tax Cuts and Jobs Act effective January 1, 2018, has caused an increase in the interest rate on the Series 2013A Bonds in accordance with the provisions of the related Trust Indenture dated April 1, 2013 (the “Indenture”).

To lessen the impact of the increase in interest the Bank Purchaser has agreed to a new Bank Purchase Rate along with a new Bank Purchase Period.

Action:

Through review of the bond documents it was determined by Bond Counsel and the Attorney General’s office that MSF Board approval is required to amend the Indenture to establish a new Bank Purchase Rate and a new Bank Purchase Rate Period.

Recommendation

Based upon a determination by Dickinson Wright PLLC and the State of Michigan Attorney General's office that this transaction complies with applicable state and federal requirements, staff recommends the adoption of a resolution approving an amendment to the Indenture.

MICHIGAN STRATEGIC FUND

RESOLUTION

2018-158

At a meeting of the Michigan Strategic Fund (the “MSF”) held on September 25, 2018, in Lansing, Michigan, the following motion was moved and supported:

WHEREAS, in April 2013 the MSF and U.S. Bank National Association, as trustee (the “Trustee”), executed and delivered a Trust Indenture dated as of April 1, 2013 (the “Indenture”), to provide for the issuance of the \$110,000,000 Michigan Strategic Fund Multi-Modal Limited Obligation Refunding Revenue Bonds, Series 2013A (Van Andel Research Institute Project) (the “Bonds”) for the benefit of the Van Andel Research Institute (the “Obligor”);

WHEREAS, the Indenture and the Bonds contain provisions requiring an increase in the interest rate of the Bonds as a result of the adoption into law of the Tax Cuts and Jobs Act, P.L. No 115-97 effective January 1, 2018;

WHEREAS, to lessen the impact of the increase of the interest on the Bonds held by the Bond Purchaser, U.S. Bankcorp Municipal Lending and Finance, Inc., the Obligor has requested that the Issuer and the Trustee amend the Indenture;

WHEREAS, the Indenture must be modified to revise the certain multi-modal provisions of the Indenture and revise several related definitions;

WHEREAS, Section 802 of the Indenture provides that the Issuer and Trustee may amend the Indenture for such purposes with the consent of the Obligor and the Majority Bondholder;

WHEREAS, as of October 1, 2018, the Obligor and the Majority Bondholder will consent to and approve of the execution and delivery by the Issuer and Trustee of the amendment to the Indenture; and

WHEREAS, the necessity to amend the Indenture requires the execution by the parties of a First Amendment to Trust Indenture (the “First Amendment”).

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF THE MSF:

1. The MSF consents to the amendment of the Indenture in substantially the form of the First Amendment on file with the MSF, subject to the conditions that the Majority Bondholder consents to First Amendment and the First Amendment is executed by the Trustee.

2. Upon receipt by staff of the MSF of the documentation required by this resolution, any authorized officer is authorized to execute and deliver the First Amendment and any other documents as may be necessary or desirable to carry out the matters approved by this resolution.

3. This resolution shall become effective upon adoption. If the documents set forth in Section 2 above are not executed and delivered by October 23, 2018, together with all other documentation executed pursuant to this resolution, the authority granted by this resolution shall lapse.

Adopted.

Ayes: Paul Gentilozzi, Larry Koops, Andrew Lockwood (on behalf of Treasurer Khouri, designation attached), Jeff Mason, Terrence J.L. Reeves, Shaun Wilson

Nays: 0

Recusals: 0

September 25, 2018
Lansing, Michigan

MEMORANDUM

Date: September 25, 2018

To: Michigan Strategic Fund Board

From: Christopher Cook, Director of Capital Access

Subject: *Private Activity Bond – Amendment of Indenture*
Van Andel Research Institute – Series 2013B

Request:

The Michigan Strategic Fund previously issued its Multi-Modal Limited Obligation Refunding Revenue Bonds, Series 2013A and Series 2013B, pursuant to a Loan Agreement dated April 1, 2013, for the benefit of the Van Andel Research Institute (the “Borrower”). The 2013 transaction refunded the Series 2008 Bonds issued by the MSF. The proceeds of the 2008 Bonds were used to assist the Borrower in the financing of land acquisition, construction of an approximately 150,000 square foot medical research facility and an approximately 250,000 square foot addition thereto, including related parking and land improvements, the acquisition and installation of laboratory and other research equipment including computer hardware and software and the acquisition and installation of office furniture and fixtures. The project location is 333 Bostwick Avenue, N.E., Grand Rapids, Kent County.

The Series 2013B Bonds were originally purchased and are currently held by The Northern Trust Company and paying interest at a Bank Purchase Rate. The adoption into law of the Tax Cuts and Jobs Act effective January 1, 2018, has caused an increase in the interest rate on the 2013B Bonds in accordance with the provisions of the related Trust indenture dated April 1, 2013 (the “Indenture”).

To lessen the impact of the increase in interest, the Borrower has requested that the 2013B Bonds be called for optional redemption, pursuant of Section 217 of the Indenture and be purchased in lieu of redemption pursuant to Sections 217 and 206 of the Indenture from The Northern Trust Company. Upon the purchase, the Series 2013B Bonds will be acquired by Banc of America Public Capital Corp at a new Bank Purchase Rate for a new Bank Purchase Rate Period.

Action:

Through review of the bond documents it was determined by Bond Counsel and the Attorney General’s office that MSF Board approval is required to amend the Indenture to enable the acquisition of the Bonds by Banc

of America Public Capital Corp and in order to establish a new Bank Purchase Rate and a new Bank Purchase Rate Period.

Recommendation

Based upon a determination by Dickinson Wright PLLC and the State of Michigan Attorney General's office that this transaction complies with applicable state and federal law requirements, staff recommends the adoption of a resolution approving an amendment to the Indenture.

MICHIGAN STRATEGIC FUND

RESOLUTION

2018-159

At a meeting of the Michigan Strategic Fund (the “MSF”) held on September 25, 2018, in Lansing, Michigan, the following motion was moved and supported:

WHEREAS, on April 2013, the MSF and U.S. Bank National Association, as trustee (the “Trustee”), executed and delivered a Trust Indenture dated as of April 1, 2013 (the “Indenture”), to provide for the issuance of the \$110,000,000 Michigan Strategic Fund Multi-Modal Limited Obligation Refunding Revenue Bonds, Series 2013B (Van Andel Research Institute Project) (the “Bonds”) for the benefit of the Van Andel Research Institute (the “Obligor”);

WHEREAS, the Indenture and the Bonds contain provisions requiring an increase in the interest rate of the Bonds as a result of the adoption into law of the Tax Cuts and Jobs Act, P.L. No 115-97 effective January 1, 2018;

WHEREAS, to lessen the impact of the increase of the interest on the Bonds and to meet the requirements of a new Bond Purchaser, Banc of America Public Capital Corp, the Obligor has requested that the Issuer and the Trustee amend the Indenture;

WHEREAS, the Indenture must be modified to revise the multi modal redemption, and bond tender ownership provisions of the Indenture and revise several related definitions;

WHEREAS, Section 802 of the Indenture provides that the Issuer and Trustee may amend the Indenture for such purposes with the consent of the Obligor and the Majority Bondholder;

WHEREAS, as of October 1, 2018, the Obligor and the Majority Bondholder will consent to and approve of the execution and delivery by the Issuer and Trustee of the amendment to the Indenture; and

WHEREAS, the necessity to amend the Indenture requires the execution by the parties of a First Amendment to Trust Indenture (the “First Amendment”).

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF THE MSF:

1. The MSF consents to the amendment of the Indenture in substantially the form of the First Amendment on file with the MSF, subject to the conditions that the Majority Bondholder consents to First Amendment and the First Amendment is executed by the Trustee.

2. Upon receipt by staff of the MSF of the documentation required by this resolution, any authorized officer is authorized to execute and deliver the First Amendment and any other documents as may be necessary or desirable to carry out the matters approved by this resolution.

3. This resolution shall become effective upon adoption. If the documents set forth in Section 2 above are not executed and delivered by October 23, 2018, together with all other documentation executed pursuant to this resolution, the authority granted by this resolution shall lapse.

Adopted.

Ayes: Paul Gentilozzi, Larry Koops, Andrew Lockwood (on behalf of Treasurer Khouri, designation attached), Jeff Mason, Terrence J.L. Reeves, Shaun Wilson

Nays: 0

Recusals: 0

September 25, 2018
Lansing, Michigan

MEMORANDUM

Date: September 25, 2018

To: Michigan Strategic Fund Board

From: Michelle Audette-Bauman, Community Assistance Team Specialist
Rob Garza, Brownfield and MCRP Senior Program Specialist

Subject: Request for Approval of an Act 381 Work Plan
400 Bryant Street Project

REQUEST

The City of Kalamazoo Brownfield Redevelopment Authority is requesting approval of a Brownfield Act 381 Work Plan including local and state tax capture for MSF eligible activities in the amount of \$1,549,178, to support a community development project that will rehabilitate a vacant and historic paper manufacturing building to a three-story office building.

Local support for the project includes the local portion of this Work Plan and an additional \$258,548 in tax increment financing for local-only activities. The City of Kalamazoo is certified with MEDC's Redevelopment Ready Communities (RRC) program. The project qualifies because it is a facility. It is anticipated that the project will result in a total capital investment of approximately \$9,274,576 and the creation of approximately 7 new jobs and retention and relocation of 160 permanent full-time equivalent jobs; all with an average hourly wage of \$17.

TAX CAPTURE SUMMARY

In order to alleviate brownfield conditions and prepare the site for redevelopment, the City of Kalamazoo, a Qualified Local Governmental Unit, has duly approved a brownfield plan for this property on May 1, 2017. The property has been determined to be a facility as verified by the Michigan Department of Environmental Quality (DEQ) on October 3, 2017.

There are 56.4996 non-homestead mills available for capture, with state millage equaling 24 mills (42.48%) levied for school operating purposes and local millage equaling 32.4996 mills (57.52%). Tax increment capture will begin in 2019 and is estimated to continue for no more than 25 years. The Brownfield Plan has capped capture and reimbursement at 20 years or \$1,407,000, whichever condition is met first. The maximum tax capture for MSF eligible activities breaks down as follows:

| | | | |
|-------------------|----------|-----------|------------------|
| State tax capture | (42.48%) | \$ | 658,091 |
| Local tax capture | (57.52%) | \$ | 891,087 |
| TOTAL | | \$ | 1,549,178 |

COST OF MSF ELIGIBLE ACTIVITIES

| | | |
|---|-----------|-------------------------|
| Demolition | \$ | 446,580 |
| Asbestos Abatement | | 20,400 |
| Infrastructure Improvements (Developer) | | 341,375 |
| Infrastructure Improvements (City) | | 234,467 |
| Site Preparation (Developer) | | 269,750 |
| Site Preparation (City) | + | <u>105,715</u> |
| Sub-Total | \$ | 1,418,287 |
| Contingency (15%) | + | <u>125,891</u> |
| Sub-Total | \$ | 1,544,178 |
| Brownfield/Work Plan Preparation | | 2,500 |
| Brownfield/Work Plan Implementation | + | <u>2,500</u> |
| TOTAL | \$ | <u>1,549,178</u> |

In addition, the project is requesting from the MDEQ \$798,247 in TIF to assist with environmental eligible activities.

PROJECT BACKGROUND

This project will rehabilitate a three-story, historic paper manufacturing building that sits on 5.9 acres and is on the National Register of Historic Places because of its industrial significance within the local community. The approximately 50,045 square foot building will be rehabilitated to serve as office space and a 12,476 square foot non-historic section of the building will be demolished to restore the building to its historic state. The project will also improve approximately 5,600 square feet of public easements and create approximately 9,500 square feet of walkways and an estimated 2,688 square feet of pedestrian bridge as part of public infrastructure improvements. The project will address contamination from the site next to Portage Creek, as well. A river trail and bus stop at the site will add walkability and connect the site to other amenities.

The developer has maximized senior financing and anticipates a return of just over 6%. The developer's equity contribution is 59% or \$5,474,576 of project costs. Brownfield eligible activities will alleviate Brownfield conditions across the site making it suitable for redevelopment, while protecting human health and the environment. Without Brownfield tax increment reimbursement, the cost burden related to Brownfield conditions would make the project financially unfeasible.

APPLICANT HISTORY

Plazacorp, founded in 1988 by Jeff Nicholson and related entities have built or redeveloped several dozen properties in three states. Redevelopment ventures (incentivized by MEDC and municipal partners) undertaken by Plazacorp and related entities include Portage Center Plaza, Neil's Automotive Building, the United Building, the Spearflex Block, the Globe Building, GTW Depot, while The Exchange & 216-220 W. Michigan Avenue projects are under construction all in Kalamazoo, Michigan. The MEDC has completed civil and criminal background checks in accordance with the MSF Background Review Policy. No issues were identified.

RECOMMENDATION

MEDC staff recommends approval of local and state tax capture for the Act 381 eligible activities totaling \$1,549,178. Utilizing the current state to local capture ratio, the amount of state tax capture for this project is estimated at \$658,091.

APPENDIX A – Project Map and Current Site Photos





MICHIGAN STRATEGIC FUND

**RESOLUTION
2018-160**

**APPROVAL OF A BROWNFIELD ACT 381 WORK PLAN
CITY OF KALAMAZOO BROWNFIELD REDEVELOPMENT AUTHORITY
400 BRYANT STREET PROJECT**

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

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

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

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

WHEREAS, the City of Kalamazoo Brownfield Redevelopment Authority (the “Authority”) has submitted a work plan for property located at 400 Bryant Street, 315 East Alcott Street and 333 East Alcott Street within the City of Kalamazoo, known as 400 Bryant Street Project (the “Project”);

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

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

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

NOW, THEREFORE, BE IT RESOLVED, the MSF Board authorizes the Authority to capture taxes levied for school operating purposes in substantially the same proportion as 42.48% to 57.52% ratio currently existing between school and local taxes for non-homestead properties, to reimburse the cost of site preparation, demolition, asbestos abatement and infrastructure improvements as presented in the Work Plan dated May 2, 2018. Any change in millage that increases the capture percentage of school taxes in the ratio above by more than 5 percentage points must be approved by the MSF Board. The authorization is based on the Authority capturing all available local operating mills for the term of the capture period. The authorization for the capture of taxes levied for school operating purposes is based on costs of MSF eligible

activities with a maximum of \$1,544,178 for the principal activity costs of non-environmental activities and a contingency, a maximum of \$2,500 for Brownfield/Work Plan implementation, and a maximum of \$2,500 for Brownfield/Work Plan preparation, and with the capture of taxes levied for school operating purposes being limited to a maximum of \$658,091.

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

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

Ayes: Paul Gentilozzi, Larry Koops, Andrew Lockwood (on behalf of Treasurer Khouri, designation attached), Jeff Mason, Terrence J.L. Reeves, Shaun Wilson

Nays: 0

Recused: 0

Lansing, Michigan
September 25, 2018

MEMORANDUM

Date: September 25, 2018

To: Michigan Strategic Fund Board

From: Brittney Hoszkiw, Senior Community Assistance Team Specialist
Katie Adkins, Commercial Real Estate Investment Manager
Rob Garza, Brownfield & MCRP Senior Program Specialist

Subject: Request for Approval Michigan Community Revitalization Program (MCRP)
Other Economic Assistance Loan Participation Award and Request for
Approval of an Act 381 Work Plan
640 Temple Rehabilitation Project

REQUEST

Temple Group Holdings, LLC (“Applicant”) is requesting approval of a MCRP performance-based loan participation with Chemical Bank (Lender) in the amount of \$5,697,000 and the City of Detroit Brownfield Redevelopment Authority is requesting approval of a Brownfield Act 381 Work Plan including local and school tax capture for MSF eligible activities in the amount of \$4,957,402, to support a community development project that will rehabilitate a historic seven-story mixed-use building.

FINANCING OPPORTUNITY – MCRP LOAN PARTICIPATION

The Senior Lender along with the Applicant has requested the MSF participate in up to \$5,697,000 of a total \$37,947,000 in construction to permanent loan financing. It is anticipated that disbursements to the project on the loan will be made on a pro-rata basis. The MSF would allow the collateral to apply first to the Lender’s share in an event of liquidation. Below outlines a summary of the development sources and the proposed structure of the loan participation. With the financing structure described below, it is anticipated that the investors will be able to achieve just under a 7% return.

LOAN TERMS

MSF Facility: MCRP Loan Participation

Borrower: Temple Group Holdings, LLC or Other Related Party

Senior Lender: Chemical Bank

Total Amount of Loans: Currently estimated at \$37,947,000

Lender Share: Currently estimated at \$32,250,000

| | |
|----------------------------------|--|
| Total Capital Investment: | Currently estimated at \$67,679,658 |
| MSF Eligible Investment: | Currently estimated at \$45,590,677 |
| MSF Share: | Up to the lesser of 20% of “Eligible Investment” or \$5,697,000 |
| Term: | To match that of the Lender, not to exceed 84 months including an interest only period of up to 24 months. |
| Amortization: | To match that of the Lender, not to exceed 300 months following an interest only period. |
| Interest Rate: | 3.5% per annum |
| Repayment Terms: | Up to 24 months of monthly interest only, followed by monthly principal and interest payments with balance due at maturity |
| Collateral: | To match that of the Lender, anticipated to be a 1 st mortgage and assignment of rents and leases for the property located at 640 Temple Street, Detroit, MI 48201, and adjoining and commonly owned parcels (the Property); ii-Assignment of Municipal and State Incentives; iii-Assignment of Managing Member’s interest in the Borrower; iv-Assignment of all Construction and Development related contracts; v-Assignment of all Management Contracts and/or Franchise Agreements; vi-Other collateral as required by Bank. MSF share of collateral will be subordinated to that of the Lender. |
| Guarantee: | To match that of the Lender, anticipated to be the unlimited personal guaranty of Gretchen Valade, The Gretchen Valade Irrevocable trust dated 1/15/2009, The Gretchen Valade Revocable Trust dated 5/5/1982, Christos Moisides & Trust, David Sutherland & Trust and the unlimited corporate guaranty of Byzantine Holdings, LLC. MSF Interest to be subordinated to that of the Lender. |
| MSF Fees: | The MSF shall be paid a one-time fee equal to one percent of the MSF’s share of the loan. The Lender may charge the borrower for this fee. |
| Deferred Developer Fees: | The developer fees of \$1,239,595 will be deferred until such time that the project is producing cash flow in excess of that required for priority debt and other operating obligations. |
| Funding: | The MSF will fund up to \$5,697,000 to be disbursed following closing of the Loan and achievement of other performance criteria. |
| Reserves: | Lease-up, Operating and Replacement Reserves will be required and determined based on Lender’s review of residential and commercial |

market data, currently anticipated to be \$689,000, \$1,200,114, and 2.00% of Gross Income deposits annually, respectively. Hard Cost Contingency currently anticipated to be \$1,500,000.

Other Conditions:

The MSF’s investment will be contingent upon receipt and review of the following:

- A minimum owner equity contribution of \$14,390,779.
- Executed Construction Documents (includes “Guaranteed Maximum Price” construction contract).
- Final Development Budget.
- State approval of OPRA tax abatement.
- Review and acceptance of Hotel Operator and Hotel Management Agreement and/or Hotel Franchise Agreement.
- Historic Part I and Part II approvals and any amendments from the National Park Service.
- Final Operating Agreement detailing equity pay-in schedule
- Other due diligence as may be required by MEDC staff.
- Such other conditions as determined by Lender.

SUMMARY OF DEVELOPMENT SOURCES:

| | | |
|----------------------------|----------------------|----------------|
| Chemical Bank Share | \$ 32,250,000 | 47.65% |
| MSF Share | \$ 5,697,000 | 8.42% |
| Supplemental Loan | \$ 4,000,000 | 5.91% |
| Invest Detroit Loan | \$ 1,500,000 | 2.22% |
| Historic Tax Credit Equity | \$ 8,602,284 | 12.71% |
| Deferred Developer Fee | \$ 1,239,595 | 1.83% |
| Developer Equity | \$ 14,390,779 | 21.26% |
| TOTAL | \$ 67,679,658 | 100.00% |

SUMMARY OF DEVELOPMENT USES:

| | |
|---------------------|----------------------|
| Acquisition | \$ 9,000,000 |
| Hard Construction | \$ 42,735,937 |
| Eligible Soft Costs | \$ 7,930,500 |
| Other | \$ 8,013,221 |
| TOTAL | \$ 67,679,658 |

MCRP PROGRAM AND GUIDELINES

On December 21, 2011, the MSF Board approved the Michigan Community Revitalization Program (MCRP) and on September 22, 2015, the MSF Board approved its restated program guidelines. The primary intended objective of the MCRP is to provide incentives to persons that make eligible investments on eligible property in Michigan. It is the role of the MEDC staff to review for eligibility, completeness, and adherence to the program, the information provided by the applicant and to manage the MSF’s investment. As required under the MCRP, all statutory criteria for the project have been considered when making the recommendations in this memo.

The project complies with all of the Board-approved MCRP parameters with the exception of the following: The pro forma debt service coverage ratio is between 1.00 and 1.15 in early years based on the committed financing for the project. Staff is comfortable with this deviation due to the financial strength of the development team.

Local support for the project includes the establishment of an Obsolete Property Rehabilitation District valued at \$13,221,355 and the local portion of this Work Plan consideration. The City of Detroit is engaged with the MEDC’s Redevelopment Ready Communities (RRC) program. The project qualifies because it is a facility. The Applicant anticipates that the project will result in the creation of approximately 80 permanent full-time equivalent jobs with an average hourly wage of \$15.

TAX CAPTURE SUMMARY

In order to alleviate brownfield conditions and prepare the site for redevelopment, the City of Detroit, a Qualified Local Governmental Unit, has duly approved a brownfield plan for this property on March 27, 2018. The property has been determined to be a facility as verified by the Michigan Department of Environmental Quality (DEQ) on August 17, 2018.

There are 31.6380 non-homestead mills available for capture, with state millage levied for school operating purposes equaling 24 mills (75.86%) and local millage equaling 7.6380 mills (24.14%). Tax increment capture will begin in 2019 and is estimated to continue for 30 years. The ratio is heavily weighted on state millage since the properties are located within the boundaries of the Downtown Development Authority (DDA) and most local millages are unavailable for capture. The requested tax capture for MSF eligible activities breaks down as follows:

| | | | |
|-------------------|----------|----|------------------|
| State tax capture | (75.86%) | \$ | 3,760,685 |
| Local tax capture | (24.14%) | \$ | 1,196,717 |
| TOTAL | | \$ | 4,957,402 |

COST OF MSF ELIGIBLE ACTIVITIES

| | | |
|-------------------------------------|-----------|-------------------------|
| Demolition | \$ | 1,639,860 |
| Lead and Asbestos Abatement | | 425,000 |
| Infrastructure Improvements | | 1,066,500 |
| Site Preparation | + | <u>741,100</u> |
| Sub-Total | \$ | 3,872,460 |
| Contingency (15%) | + | <u>517,119</u> |
| Sub-Total | \$ | 4,389,579 |
| Interest (5%) | + | <u>537,823</u> |
| Sub-Total | \$ | 4,927,402 |
| Brownfield/Work Plan Preparation | + | 15,000 |
| Brownfield/Work Plan Implementation | + | <u>15,000</u> |
| TOTAL | \$ | <u>4,957,402</u> |

In addition, the project is requesting from the MDEQ \$1,498,094 in TIF to assist with environmental eligible activities.

PROJECT BACKGROUND

The project will involve the rehabilitation of the 192,172 square foot, seven-story, former Standard Accident Insurance Company building designed in 1920 by the famed architect, Albert Kahn and located in the Midtown neighborhood, just blocks away from the new Little Caesars Arena. The seven-story building will be rehabilitated as a mixed-use development that will include an approximately 77,959 square foot 100 room boutique hotel with banquet facility, restaurant, and bar on floors one through four, and approximately 70 apartments occupying approximately 60,212 square feet on floors five through seven, and a rooftop pool. The basement of the building will be converted into a 7,365 square foot nightclub with separate access. The adjacent vacant lot will be the location of an on-site underground stormwater management system and will be capped with grass and landscaping which will serve as an area for outdoor entertainment.

Temple Group Holdings, LLC have exhausted all available funding sources including sub debt, a significant equity contribution (21%), and deferred development fees, and a funding gap still exists. The project is inhibited by significant brownfield conditions that make redevelopment costly and economic conditions that make traditional financing difficult. Further, because of its status as a historic building, design, planning, and rehabilitation costs are extraordinarily high to meet preservation standards required by the State Historic Preservation Office. The mixed-use nature of the product and lack of comparable in the Cass Park area of the City, resulted in a conservative valuation by the appraiser. The senior debt is based on the lower-than-anticipated valuation, thus resulting in a financing gap. Without the low-interest CRP loan, the gap would need to be supplemented with equity, which would drop returns to a point that makes the project not viable.

The project supports the vision and goals of the Cass Park neighborhood by increasing density and development surrounding the District Detroit and Little Caesars Arena. The project will result in significant taxable value increase in an area of the City that is positioned for significant investment, but is

otherwise vacant and underutilized at this time. The project will include residential units with 20% of the units set aside for attainable rental rates at 80% average median income, creating a mixed-income neighborhood. The existing building is seven stories and plans include various programming on each level, creating continuous activity in the district. This work will ultimately put over 190,000 square feet back into productive use.

Brownfield eligible activities will alleviate Brownfield conditions across the site making it suitable for redevelopment, while protecting human health and the environment. Without Brownfield tax increment reimbursement, the cost burden related to Brownfield conditions would make the project financially unfeasible.

APPLICANT HISTORY

Temple Group Holdings, LLC is a single-purpose entity related to 400 Monroe Associates, a family-owned and Detroit-based real estate development and management company led by Christos Moisides, with a current portfolio of over 2,000,000 square feet of commercial, mixed-use, hospitality and industrial property. In 2013, Mr. Moisides established Byzantine Holdings with David Sutherland to create a boutique development firm concentrating on unique real estate properties, including the 1886 Wells Castle in Detroit and the 1918 Fire House in Corktown. Christos Moisides has received support from the Michigan Strategic Fund (MSF) in 2012 and 2013 in the form of a State of Michigan Film Incentives for three projects. Two of the projects, approved in 2012 and 2013, were completed and in good standing. The final 2013 project, Northern 48, requested one extension, but ultimately could not complete the project in the time allowed and the incentive was rescinded.

The MEDC has completed civil and criminal background checks in accordance with the MSF Background Review Policy. No issues were identified.

RECOMMENDATION

MEDC staff recommends approval of the following (the "Recommendation"):

- a) Local and school tax capture for the Act 381 eligible activities totaling \$4,957,402. Utilizing the current state to local capture ratio, the amount of state tax capture for this project is estimated at \$3,760,685.
- b) A MCRP performance-based other economic assistance loan participation in the amount of up to \$5,697,000 for Temple Group Holdings, LLC on terms and conditions outlined in Exhibit A found in the resolution.
- c) Waiver of the MCRP Incentive Parameter requirement of a 1.20 to 1.00 debt service coverage ratio for the project.

APPENDIX A – Project Map and Renderings





MICHIGAN STRATEGIC FUND

**RESOLUTION
2018-161**

**APPROVAL OF A MICHIGAN COMMUNITY REVITALIZATION PROGRAM
OTHER ECONOMIC ASSISTANCE LOAN PARTICIPATION AWARD TO
TEMPLE GROUP HOLDINGS, LLC**

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

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

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

WHEREAS, pursuant to SFCR 125.2090-1, the MSF approved the MSF Fund Manager or the MSF President to negotiate the terms and conditions and execute all final documents necessary to effectuate awards and decisions approved under the MCRP, (“Transaction Documents”);

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

WHEREAS, Chemical Bank (“Lender”) will be providing financing to Temple Group Holdings, LLC and/or related entities (“Proposed Borrower”) of approximately \$37,947,000 toward the building renovations (“Project”);

WHEREAS, the Lender and the Proposed Borrower have requested an Other Economic Assistance Performance Based Loan Participation of up to \$5,697,000 (“Award Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”);

WHEREAS, it is anticipated that the project will not be able to meet the MCRP Incentive Parameters of a debt service coverage ratio of 1.20 to 1.00 in the first couple years of operation, and staff is recommending a deviation from this requirement;

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

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

Ayes: Paul Gentilozzi, Larry Koops, Andrew Lockwood (on behalf of Treasurer Khouri, designation attached), Jeff Mason, Terrence J.L. Reeves, Shaun Wilson

Nays: 0

Recused: 0

Lansing, Michigan
September 25, 2018

EXHIBIT A

“Term Sheet”

| | |
|--|--|
| <u>Loan Facility</u> MSF Facility | MCRP Loan Participation |
| Borrower: | Temple Group Holdings, LLC or Other Related Party |
| Lender: | Chemical Bank |
| Total Amount of Loans: | Anticipated to be \$37,947,000 |
| Lender Share: | Anticipated to be \$32,250,000 |
| MSF Share: | Up to the lesser of 20% of Eligible Investment or \$5,697,000 |
| Term: | To match that of the Lender, not to exceed 84 months, including interest only period of 24 months. |
| Amortization: | To match that of the Lender, not to exceed 300 months following an interest only period. |
| Interest Rate: | 3.5% per annum |
| Repayment Terms: | Up to 24 months interest only, followed by monthly principal and interest with balance due at maturity |
| Collateral: | To match that of the Lender, anticipated to be a 1 st mortgage and assignment of rents and leases for the property located at 640 Temple Street, Detroit, MI 48201, and adjoining and commonly owned parcels (the Property); ii-Assignment of Municipal and State Incentives; iii-Assignment of Managing Member’s interest in the Borrower; iv-Assignment of all Construction and Development related contracts; v-Assignment of all Management Contracts and/or Franchise Agreements; vi-Other collateral as required by Bank. MSF share of collateral will be subordinated to that of the Lender. |
| Guarantee: | To match that of the Lender, anticipated to be the unlimited personal guaranty of Gretchen Valade, The Gretchen Valade Irrevocable trust dated 1/15/2009, The Gretchen Valade Revocable Trust dated 5/5/1982, Christos Moises & Trust, David Sutherland & Trust and the unlimited corporate guaranty of Byzantine Holdings, LLC. MSF Interest to be subordinated to that of the Lender. |
| MSF Fee: | The MSF shall be paid a one-time fee equal to one percent of the MSF’s award. The Lender may charge the borrower for this fee. |
| Deferred Developer Fees: | The developer fees of \$1,239,595 will be deferred until such time that the project is producing cash flow in excess of that required for priority debt and other operating obligations. |

Funding: The MSF will fund up to \$5,697,000 to be disbursed following closing of the Loan and achievement of other performance criteria.

Reserves: Lease-up, Operating and Replacement Reserves will be required and determined based on Lender's review of residential and commercial market data, currently anticipated to be \$689,000, \$1,200,114, and 2.00% of Gross Income deposits annually, respectively. Hard Cost Contingency currently anticipated to be \$1,500,000.

Other Conditions: The MSF's investment will be contingent upon receipt and review of the following:

- A minimum owner equity contribution of \$14,390,779 to the project
- Executed Guaranteed Maximum Price Construction Contract
- Final Development Budget
- State approval of OPRA tax abatement.
- Review and acceptance of Hotel Operator and Hotel Management Agreement and/or Hotel Franchise Agreement.
- Historic Part I and Part II approvals and any amendments from the National Park Service.
- Final Operating Agreement detailing equity pay-in schedule
- Other due diligence as may be required by MEDC staff.
- Such other conditions as determined by Lender.

MEMORANDUM

Date: September 25, 2018

To: Michigan Strategic Fund Board

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

Subject: Request for Approval of Michigan Strategic Fund (MSF) Performance Based Loan(s) – Flint Market Place Apartments

REQUEST

310 East Third Street LDHA, LP and other related entities (“Applicants”) are requesting approval of a MSF award in the amount of \$7,000,000 in the form of Performance Based Loan(s). The award will support a community development project that will redevelop the former YWCA site in Downtown Flint into a walkable, urban mixed-used development with 92 market-rate and affordable housing units, and four new retail spaces. The Applicant anticipates that the project will result in total capital investment of \$19,590,161 along with the creation of approximately 20 permanent full-time equivalent jobs with an average hourly wage of \$20.00.

The project is not a good candidate for the Michigan Community Revitalization Program funding because the financing gap exceeds 25% of the eligible costs (it is 35.7%) and the project does not qualify as a historic resource therefore there is not an option to make an exception. Therefore, in order to facilitate support for the project, staff is requesting approval of the following: 1) transfer \$7,000,000 from the Michigan Community Revitalization Program (MCRP) to the MSF under MCL 125.2088b(2)(c) of the MSF statute, and 2) authorize the MSF Fund Manager and/or CEO to enter into either a “loan participation” or some other arrangement with Huntington Bank in order to facilitate the MSF loan.

FINANCING OPPORTUNITY – MSF PERFORMANCE-BASED LOAN(S)

Due to the relatively low residential and commercial rental rates that are being achieved in the market the project can only support a minimal amount of traditional financing. MEDC staff is recommending that the MSF provide the primary source of debt financing for the project to improve the financial viability of the project. Huntington Bank is providing bridge financing for the anticipated Low-Income Housing Tax Credit (LIHTC) equity investment. It is proposed that the MSF will enter into an arrangement with Huntington Bank to handle disbursement of the MSF funding to the project during construction. Other financing for the project includes LIHTC equity which is anticipated to come in over the course of construction and lease up of the project, General Partners Loans, and a HOME loan from the City of Flint.

SUMMARY OF PERMANENT DEVELOPMENT SOURCES:

| | | |
|-------------------------|----------------------|---------------|
| MSF Loan | \$ 7,000,000 | 35.7% |
| City HOME Loan | \$ 250,000 | 1.3% |
| LIHTC Equity | \$ 9,498,941 | 48.5% |
| GP Loans | \$ 2,120,220 | 10.8% |
| Deferred Developer Fees | \$ 721,000 | 3.7% |
| TOTAL | \$ 19,590,161 | 100.0% |

SUMMARY OF DEVELOPMENT USES:

| | | |
|-------------------------|----------------------|---------------|
| Acquisition | \$ 10 | 0.1% |
| Hard Construction Costs | \$ 16,128,985 | 82.3% |
| Soft Costs | \$ 2,788,166 | 14.2% |
| Other | \$ 673,000 | 34.4% |
| TOTAL | \$ 19,590,161 | 100.0% |

LOAN TERMS

| | |
|----------------------------------|---|
| MSF Facility: | MSF Performance Based Loan |
| Borrower: | 310 East Third Street LDHA, LP or a Related Entity |
| Total Amount of Loans: | Up to \$7,000,0000 |
| Total Capital Investment: | Currently estimated at \$19,590,161 |
| Term: | 216 months, with authority granted to the MSF Fund Manager to extend the term an additional 24 months following maturity if the project is achieving a minimum debt service coverage ratio of 1.20 to 1.00. |
| Amortization: | 360 months following an interest only period of 36 months, based on a \$5,500,000 loan. The \$1,500,000 loan will not accrue interest or be payable until the earliest of maturity or sale. |
| Interest Rate: | 1.5% per annum on \$5,500,000. |
| Repayment Terms: | Interest only on \$5,500,000 for 36 months, followed by equal monthly principal and interest payments on that amount. Principal balance due at the earliest of maturity or sale. \$1,500,000 will not accrue interest and be due at the earliest of maturity or sale. |

| | |
|---------------------------------|---|
| Collateral: | Anticipated to be a 2nd security position in the real estate during construction, converting to a 1st security position following construction completion and repayment of construction financing from Huntington Bank. Additionally, it is anticipated that there will be a pledge of any reserves for the properties. |
| Guarantee: | Anticipated to be the unlimited and unsecured guarantees of the general partner. |
| MSF Fees: | 1.0% of the Award amount. |
| Deferred Developer Fees: | It is anticipated that the \$721,000 of the \$1,500,000 Developer fee will be deferred, to be repaid through operational cash flow. |
| Funding: | The MSF will fund up to \$7,000,000 to be disbursed following closing of the financing and other performance criteria. |
| Reserves: | Anticipated to be \$290,000 in operational reserves and another \$475,000 interest reserves. Subject to change based on the requirements of the LIHTC equity investor. |
| MSF Fund Manager: | Staff is requesting that the MSF Fund Manager be given authority to negotiate the final terms of the transaction. The MSF's Fund Manager authority would be limited to changes on terms that will not have a material negative impact on the MSF's position when compared to the terms anticipated above. |
| Other Conditions: | The MSF's investment will be contingent upon the following: <ul style="list-style-type: none"> • Receipt and review of final executed Construction Documents (includes "Guaranteed Maximum Price" construction contract") • Receipt and review of the final Development Budget and Projections • Receipt and review of final Legal Due Diligence |

PROJECT BACKGROUND

The \$19.5 million dollar project will transform the former YWCA site in downtown Flint, into a new walkable, urban mixed-used development with market-rate and affordable housing. The property is located at 310 E. Third Street in downtown Flint. This project has been designed specifically to fit into the Flint Health and Wellness District, which is a community-driven plan developed to transform the west end of Downtown Flint. The plan envisions housing, retail, and healthcare amenities throughout this area to build density and create a walkable district with a mix of complimentary uses. It is located within a few blocks of several other MSF supported projects including Flint Health and Wellness District project that involved the relocation of the Flint Farmers Market and the Capitol Theatre.

The development will include 92 new housing units, and four new retail spaces. The project will revitalize the block to create a four story mixed-use building on the north end of the block, townhomes on the southern end, and parking in the middle of the block. The apartment building will include a mix of new one and two-bedroom apartment units with modern amenities and fixtures including in-unit laundry. The townhomes will have individual entrances and be a mix of two and three-bedrooms. The development will include a fitness room, community lounge, playground, tot lot, and a plaza in the center of the development with a pavilion and barbecue area. The project will include 92 parking spots available for residents and 2 dedicated parking spots for the retail tenants. There is street parking available along the streets adjacent to the project and public parking lots close by.

Approximately 50% of the residences will be affordable to households making 60% or less of the area median income and the remaining residences will be market-rate housing. The market-rate units are not specifically designated within the development and there will be no segregation of units between affordable and market-rate renters. The project has received a Low-Income Housing Tax Credit reservation letter from MSHDA in the amount of \$1,089,437 in annual tax credits for 10 years. The project will be managed by PK Housing and Management, Inc.

The four story building will have four retail spaces on the ground floor and each be between 800 and 1,500 square feet with annual rent targeted at \$12 per square foot “NNN” lease basis (lease type where a portion of operating expenses are passed through to the tenant). The location and lower rental rates will help the project to attract start-up and smaller expanding businesses which they are targeting for the development, to bring more entrepreneurial opportunities into downtown Flint.

The project represents the achievement of important objectives of the Flint Master Plan by transforming a blighted and deteriorating building into housing units targeted at different income levels including market rate. The project will also add new commercial and residential tenants to this area of downtown, and these additions are expected to act as a catalyst for new development and growth.

Local support for the project from the City of Flint includes a loan from their HOME program in the amount of \$250,000, and a 6% PILOT for the LIHTC portion of the project. The City of Flint is engaged with the MEDC’s Redevelopment Ready Communities (RRC) program. The property has been determined to be functionally obsolete.

The total cost to complete the project is estimated at \$19.5 million. The development team is partnering with Cinnaire, which is expected to provide a LIHTC equity investment of \$9,498,941. The development team is providing general partnership loans of \$2.1million and deferring approximately 48% of the Developer Fees. Traditionally, a majority of the upside for a developer of a LIHTC project is generated through developer fees; the significant deferral of the fees exemplifies the commitment of the development team to the project. To fill the remaining financing gap the development team is requesting consideration for a \$7,000,000 MSF Performance-Based Loan Award. Even with MSF Investment the anticipated developer return is under 2.00%.

It anticipated after reaching stabilization the project will generate adequate cash flow to service the MSF Loan payments greater than 1.20 to 1.00.

APPLICANT HISTORY

310 East Third Street LDHA, LP is the single purpose entity created for this project by the development team. The development team is comprised of Uptown Reinvestment Corporation and PK Development Group. URC renovated the Capitol Theatre, which opened in the fall of 2017 and received \$5.5 million in MCRP equity investment from the MSF. URC is also the developer on the relocation of the Mott Community College Culinary Institute to downtown Flint, which received \$1.5 million in MCRP performance based grant from the MSF. URC's most recent project was the Downtown Flint Hotel that received a MSF supported \$7.9 million MCRP Equity Investment, and Act 381 eligible activities totaling \$2.2 million. URC has also participated as the non-profit co-developer with Uptown developments on nearly a dozen other redevelopment projects within downtown Flint.

PK Development Group (PK) is a family-owned Michigan-based real estate company that has been in business for over 25 years and has over 2,000 apartment homes under management. PK has extensive experience with the housing tax credit program, having received six housing tax credit awards in Michigan over the past four application rounds. Since 2015, PK Development has closed 13 developments totaling \$166 million in total development costs. One of these projects was Diamond Place in Grand Rapids, which utilized a total of \$3.8 million from the MSF.

The MEDC has completed civil and criminal background checks in accordance with the MSF Background Review Policy. No issues were identified.

RECOMMENDATION

MEDC staff recommends approval of the following (the "Recommendation"):

- a) Transfer of \$7,000,000 from the Michigan Community Revitalization Program in order to make a MSF Performance-Based Loan(s) in the amount of up to \$7,000,000 to 310 East Third Street LDHA, LP or other related entities.
- b) Authority for the MSF Fund Manager to negotiate the final terms and conditions of the Loan Award

APPENDIX A – Project Map and Renderings



MICHIGAN STRATEGIC FUND

**RESOLUTION
2018-163**

**APPROVAL OF A MICHIGAN STRATEGIC FUND
PERFORMANCE-BASED LOAN(S) AWARD TO
310 EAST THIRD STREET LDHA LP AND/OR RELATED PARTIES
(FLINT MARKETPLACE APARTMENTS)**

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

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

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

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

WHEREAS, pursuant to MCL 125.2088(b)(2)(c), funds appropriated to the MSF for purposes of carrying out the MSF act shall be expended or invested for activities authorized under the act, as long as those activities provide for repayment for breach of the written agreement or the failure to meet measurable outcomes;

WHEREAS, pursuant to MCL 125.2007(c), the MSF has, among other things, the power to make grants and investments;

WHEREAS, 310 East Third Street LDHA LP and/or Related Parties (“Borrower”) are interested in redeveloping a former YWCA site into residential apartments, commercial space and parking (“Project”);

WHEREAS, the Borrower has requested a Performance-Based Loan(s) award from the MSF under MCL 125.2088b(2)(c) for the Project in an amount not to exceed \$7,000,000 (“Award Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”);

WHEREAS, the Award Request will provide financing that will allow the Borrower to complete development of the project;

WHEREAS, the MEDC recommends that \$7,000,000 from the CRP be transferred to fund the Award Request;

WHEREAS, the MEDC has recommended that the MSF approve the Award Request in accordance with the Term Sheet, subject to: (i) available funding, (ii) final due diligence performed to the satisfaction of the MEDC; (iii) execution of the final documentation for the Award Request within 240 days of the date of this Resolution (“Time Period”), or this Resolution shall have no effect; provided however, at the sole discretion of the MSF Fund Manager, the Time Period may be extended for up to an additional 120 days (“Award Recommendation”);

NOW THEREFORE, BE IT RESOLVED, the MSF Board approves the transfer of Michigan Community Revitalization Program Funds in the amount of the Award Request to be used for the Project under MCL. 125.2088b(2)(c); and

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

BE IT FURTHER RESOLVED, the MSF Board approves the MSF Fund Manager or the MSF President to negotiate the terms and conditions and execute all final documents necessary to effectuate the above approved Award Recommendation.

ADOPTED

Ayes: Paul Gentilozzi, Larry Koops, Andrew Lockwood (on behalf of Treasurer Khouri, designation attached), Jeff Mason, Terrence J.L. Reeves, Shaun Wilson

Nays: 0

Recused: 0

Lansing, Michigan
September 25, 2018

EXHIBIT A

“Term Sheet”

LOAN FACILITY

| | |
|----------------------------------|---|
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