

**MICHIGAN STRATEGIC FUND BOARD  
FINAL MEETING AGENDA  
NOVEMBER 22, 2016  
10:00 am**

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

**Communications**

**A. Consent Agenda**

Proposed Meeting Minutes – October 25, 2016  
KTM Industries, Inc. – Loan Settlement – Christin Armstrong  
Heat Transfer International, LLC – Renewable Energy RZ Revocation – Dan Parisian  
S & K Tool & Die – Tool & Die RZ Revocation – Dan Parisian  
PCD Carbide Tool Company (DBA Precorp, Inc.) – Tool & Die RZ Revocation – Dan Parisian  
AureoGen Biosciences – 2016 Loan Restructure – Margaret McCammon  
Recovery Park – 21CJF Activity Amendment – Julius Edwards  
Cosworth – MBDP Amendment – Marcia Gebarowski  
HA Automotive – MBDP Amendment – Marcia Gebarowski  
Great Lakes Tissue – Loan Subordination Request – Christine Whitz  
Michigan Supplier Diversification Fund (MSDF) – Request for Public Hearing – Chris Cook

**B. Business Investment**

**a. Entrepreneurship**

Entrepreneurship Strategic Overview – Fred Molnar  
University Early Stage Proof of Concept Fund RFP – Award Recommendation – Denise Graves  
Tech Transfer Talent Network (T3N) – Grant Extension – Denise Graves  
Michigan Corporate Relations Network (MCRN) – Grant Extension – Denise Graves

**b. Business Growth**

Michigan Manufacturing Technology Center (MMTC) – 21<sup>st</sup> Century Jobs Fund – Jacob Schroeder  
American Center for Mobility/Willow Run – Renaissance Zone Designation – Josh Hundt  
ArcelorMittal – MBDP Grant – Marcia Gebarowski  
Adient US, LLC – MBDP Grant – Jeremy Webb  
ZFS Ithaca LLC – Agricultural Processing Renaissance Zone – Jeremy Webb  
East Jordan Foundry LLC – Alternative SESA – David Kurtycz

**C. Community Vitality**

Infrastructure Capacity Enhancement (ICE) – Funding Round – Christine Whitz  
The Metropolitan Hotel Partners LLC – City of Detroit – MCRP – Brittney Hoszkiw

**MICHIGAN STRATEGIC FUND**

**RESOLUTION 2016-**

**APPROVAL OF NOVEMBER 2016 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:

KTM Industries, Inc. – Loan Settlement

Heat Transfer International, LLC – Renewable Energy RZ Revocation

S & K Tool & Die – Tool & Die RZ Revocation

PCD Carbide Tool Company (DBA Precorp, Inc.) – Tool & Die RZ Revocation

AureoGen Biosciences – 2016 Loan Restructure

Recovery Park – 21CJF Activity Amendment

Cosworth – MBDP Amendment

HA Automotive – MBDP Amendment

Great Lakes Tissue – Loan Subordination Request

Michigan Supplier Diversification Fund (MSDF) – Request for Public Hearing

Ayes:

Nays:

Recused:

Lansing, Michigan  
November 22, 2016

**MICHIGAN STRATEGIC FUND  
PROPOSED MEETING MINUTES  
October 25, 2016**

**Members Present**

Shelly Edgerton  
Larry Koops  
Andrew Lockwood (on behalf of Treasurer Khouri)  
Greg Tedder (on behalf of Chairman Arwood)  
Terri Jo Umlor  
Shaun Wilson

**Members Absent**

Paul Anderson  
Dan Boge  
Jody DePree Vanderwel  
Wayne Wood

Mr. Tedder called the meeting to order at 10:00 am.

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

Mr. Tedder expressed appreciation to Jarrod Smith from the Department of the Attorney General for his service to the Board.

Mr. Tedder recognized the following legislators in attendance: Representative Tom Cochran speaking in support of the Gestamp North America Inc. Chelsea & Mason project under Business Growth on the agenda and Representative Earl Poleski speaking in support of the Detroit Entrepreneur Development, LLC project in Jackson under Community Vitality on the agenda.

**Communications:** Jennifer Tebedo advised the Board that the Quarterly Report of the Chief Compliance Officer as well as the Program Quarterly Reports were provided to the Board in the briefing packet.

**A. CONSENT AGENDA**

**Resolution 2016-201 Approval of Consent Agenda Items**

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

Proposed Meeting Minutes – **September 27, 2016**  
Bridgewater Interiors – Renaissance Zone Amendment – **2016-202**  
5 Year Reporting Waiver – 21<sup>st</sup> CJF Grants Memo – **2016-203**  
Parkland Muskegon LLC – City of Muskegon – MCRP and MBT Amendment – **2016-204 & 2016-205**  
Diamond Place LLC – City of Grand Rapids – MCRP Amendment – **2016-206**  
Strand Theatre Manager LLC – City of Pontiac– MCRP Amendment – **2016-207**  
Offsite Lake Drive, LLC – City of Grand Rapids– MCRP Re-approval – **2016-208**  
Community College Skilled Trade Equipment Program Amendments – **2016-209**  
2017 MSF Board Meeting Dates

Shelly Edgerton seconded the motion. **The motion carried: 6 ayes; 0 nays; 0 recused.**

## **B. BUSINESS INVESTMENT**

### **B1. Entrepreneurship**

#### **Resolution 2016-210 Michigan Small Business Development Center – Grant Extensions**

*Maggie McCammon, Portfolio Manager Entrepreneurship & Innovation, provided the Board with information regarding this action item.* Following brief discussion, Larry Koops motioned for the approval of Resolution 2016-210. Andrew Lockwood seconded the motion. **The motion carried: 6 ayes; 0 nays; 0 recused.**

#### **Resolution 2016-211 Entrepreneurial Support Specialized Services – Grant Extension**

*Denise Graves, University and Service Manager, provided the Board with information regarding this action item.* Following brief discussion, Andrew Lockwood motioned for the approval of Resolution 2016-211. Shaun Wilson seconded the motion. **The motion carried: 6 ayes; 0 nays; 0 recused.**

### **B2. Business Growth**

#### **Resolution 2016-212 Flex-N-Gate, Inc./City of Detroit – Next Michigan Renaissance Zone**

*Josh Hundt, Vice President Business Development Projects, provided the Board with information regarding this action item.* Following brief discussion, Larry Koops motioned for the approval of Resolution 2016-212. Shaun Wilson seconded the motion. **The motion carried: 6 ayes; 0 nays; 0 recused.**

#### **Resolution 2016-213 Gestamp North America Inc. – Chelsea & Mason – MBDP**

*Trevor Friedeberg, Business Development Project Manager, provided the Board with information regarding this action item.* Following brief discussion, Larry Koops motioned for the approval of Resolution 2016-213. Andrew Lockwood seconded the motion. **The motion carried: 6 ayes; 0 nays; 0 recused.**

#### **Resolution 2016-214 Gestamp North America Inc. – Troy – MBDP**

*Trevor Friedeberg, Business Development Project Manager, provided the Board with information regarding this action item.* Following brief discussion, Larry Koops motioned for the approval of Resolution 2016-214. Andrew Lockwood seconded the motion. **The motion carried: 6 ayes; 0 nays; 0 recused.**

### **C3. Access to Capital**

#### **Resolution 2016-215 YMCA of Grand Rapids – Bond Authorizing**

*Chris Cook, Director Capital Programs, provided the Board with information regarding this action item.* Following brief discussion, Larry Koops motioned for the approval of Resolution 2016-215. Shaun Wilson seconded the motion. **The motion carried: 6 ayes; 0 nays; 0 recused.**

**ROLL CALL VOTE:** Ayes: Shelly Edgerton, Andrew Lockwood (on behalf of Treasurer Khouri), Larry Koops, Greg Tedder (on behalf of Chairman Arwood), Terri Jo Umlor, Shaun Wilson; Nays: None; Recused: None

## **C. COMMUNITY VITALITY**

#### **Resolution 2016-216 Detroit Entrepreneur Development, LLC/City of Jackson - MCRP**

*Dominic Romano, Community Assistance Team, provided the Board with information regarding this action item.* Following brief discussion, Shelly Edgerton motioned for the approval of Resolution 2016-216. Andrew Lockwood seconded the motion. **The motion carried: 6 ayes; 0 nays; 0 recused.**

#### **Resolution 2016-217 Recovery Park Farms/City of Detroit – 21<sup>st</sup> CJF Activity**

*Julius Edwards, Manager Underwriting and Incentive Structuring, provided the Board with information regarding this action item.* Following brief discussion, Larry Koops motioned for the approval of Resolution 2016-217. Shaun Wilson seconded the motion. **The motion carried: 6 ayes; 0 nays; 0 recused**

Mr. Tedder adjourned the meeting at 10:40 am.



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

RICK SNYDER  
GOVERNOR

NICK A. KHOURI  
STATE TREASURER

January 22, 2016

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

Dear Ms. Robach,

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

Sincerely,

A handwritten signature in black ink, appearing to read "N.A. Khouri", with a long horizontal flourish extending to the right.

N.A. Khouri  
State Treasurer

Cc: Andrew Lockwood

April 18, 2016

Mr. Mark Morante, Fund Manager  
Michigan Strategic Fund  
300 N. Washington Square  
Lansing, MI 48913

Dear Mr. Morante,

I hereby designate Gregory Tedder to represent me at the Michigan Strategic Fund Board meetings that I am unable to attend.

Sincerely,



Steve Arwood  
MSF Board President & Chairman

## MEMORANDUM

**Date:** November 22, 2016

**To:** MSF Board

**From:** Christin Armstrong, Associate General Counsel and V.P., Compliance and Contract Services

**Subject:** KTM Industries, Inc. – Loan Settlement Request

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### Request

Michigan Economic Development Corporation (“MEDC”) Staff requests that the MSF accept \$950,000 in full satisfaction of the debt owed by KTM Industries, Inc. (“KTM” or “Company”) described under the MSF Investment Summary below (the “Request”).

### Background

#### *Company Overview*

KTM manufactures Green Cell Foam, which is a biodegradable engineered packaging foam generated primarily from U.S. grown, non-GMO cornstarch. Green Cell Foam is a natural packaging alternative to polystyrene, polyurethane, and polyethylene for thermal insulating or shock absorbing applications. KTM provides design, testing and fabrication services to its customers, which include companies in the pharmaceutical, specialty food and nutritional supplement industries. KTM received the following loan from the MSF:

#### **21<sup>st</sup> Century Jobs Fund Business Plan Competition Award Summary**

|                               |                                     |
|-------------------------------|-------------------------------------|
| Award Type:                   | Convertible Loan                    |
| Original Loan Amount:         | \$2,011,185 (\$1,962,057 disbursed) |
| Award Date:                   | February 12, 2007                   |
| Interest Rate:                | 5.75%                               |
| Loan Balance (as of 11/1/16): | \$1,695,003.56                      |
| Equity:                       | 6,820 shares Common Stock           |

The Company’s loan was amended on November 14, 2013 to 1) extend the grace period; 2) reduce the Gross Revenue Event conversion trigger from \$10,000,000 to \$5,000,000; 3) increase the interest rate from 8.25% to 9.25%; 4) convert \$600,000 of the then outstanding loan balance into warrants to purchase \$610,000 shares of Common Stock; and 5) add new milestones. The loan was amended again on March 26, 2014 to extend the grace period. The Company’s loan was amended a third time on October 1, 2015 to 1) accept a lump sum payment of \$410,000; 2) revise the amortization schedule of the loan to be paid over five years at an interest rate of 5.75% with a balloon payment of \$750,000 paid over one year at 3% interest after the end of the five year amortization period; and 3) convert \$390,000 of the loan and an existing warrant into 6,820 shares of the Company’s common stock.

KTM has offered to pay \$950,000 by January 1, 2017 in full satisfaction of the debt. Capital National Bank will be providing the financing necessary to take out the MSF loan. MEDC staff believes that accepting the \$950,000 in full satisfaction of the debt is beneficial to both the Company and the MSF. The Company is seeing steady growth and will need to divert more of its cash to expand its operations as it continues to take on new customers. This proposed payoff would also allow the MSF to see an immediate return of capital and will reduce its administrative burden in monitoring the loan over the next five years. The funds returned by KTM will be deposited into the jobs for Michigan investment fund (the "Permanent Fund") and will be available to be redeployed for other MSF projects. The MSF will maintain its 10% ownership stake in KTM, which will allow it to realize a significant return on top of the funds already returned if the Company continues to grow or is acquired.

**Recommendation**

MEDC staff recommends that the MSF Board approve the Request.



## **MICHIGAN STRATEGIC FUND**

### **RESOLUTION 2016-**

#### **KTM INDUSTRIES, INC. – LOAN SETTLEMENT**

**WHEREAS**, Public Acts 215 and 225 of 2005 established the 21<sup>st</sup> 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 Strategic Economic Investment and Commercialization (“SEIC”) Board, the MSF and KTM Industries, Inc. (“KTM” or “Company”), entered into a 21<sup>st</sup> Century Business Plan Competition convertible loan agreement, dated February 12, 2007, whereby the SEIC Board and MSF agreed to loan up to \$2,011,185 to KTM under the terms and conditions set forth in the Convertible Loan Agreement, Security Agreement and Promissory Note (the “Note”), each dated February 12, 2007 (the Loan Agreement, Security Agreement, and Note, collectively, “Loan Documents”);

**WHEREAS**, pursuant to Executive Order 2010-04, the SEIC Board was abolished and all powers, duties, and functions of the SEIC Board were transferred to the MSF;

**WHEREAS**, the Loan Documents were amended on November 14, 2013 to extend the grace period, increase the interest rate from 8.25% to 9.25%, reduce the Gross Revenue Event conversion trigger from \$10,000,000 to \$5,000,000 and convert \$600,000 of the then outstanding loan balance into a warrant to purchase \$610,000 worth of the Company’s common stock;

**WHEREAS**, the Loan Documents were amended on March 26, 2014 to extend the grace period;

**WHEREAS**, the Loan Documents were amended on October 1, 2015 to accept a lump sum payment of \$410,000, revise the amortization schedule of the loan to be paid over five years at an interest rate of 5.75% with a balloon payment of \$750,000 paid over one year at 3% interest after the end of the five year amortization period, and convert \$390,000 of the loan and an existing warrant into 6,820 shares of the Company’s common stock;

**WHEREAS**, as of November 1, 2016, the total amount owing under the Loan Documents is \$1,695,003.56 (the “Indebtedness”);

**WHEREAS**, KTM has requested that the MSF accept \$950,000 in full satisfaction of the Indebtedness (the “Loan Settlement Request”);

**WHEREAS**, the MEDC recommends that the MSF Board approve the Loan Settlement Request and that the MSF Board further authorize a complete write off of the balance of the Indebtedness; and

**WHEREAS**, the MSF wishes to approve the Loan Settlement Request and to authorize a complete write off of the balance of the Indebtedness.

**NOW, THEREFORE, BE IT RESOLVED**, the MSF approves the Loan Settlement Request and authorizes a complete write off of the balance of the Indebtedness; and

**BE IT FURTHER RESOLVED**, that the MSF Fund Manager is authorized to take all necessary action to effectuate the Loan Settlement Request in accordance with the terms and conditions of this Resolution.

Ayes:

Nays:

Recused:

Lansing, Michigan  
November 22, 2016

## MEMORANDUM

**Date:** November 22, 2016

**To:** Michigan Strategic Fund Board

**From:** Dan Parisian, Program Specialist

**Subject:** *Heat Transfer International, LLC*  
*Renewable Energy Renaissance Zone – Revocation*

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### **Action**

Michigan Economic Development Corporation (“MEDC”) Staff requests the Michigan Strategic Fund (“MSF”) Board approve the recommendation to revoke Heat Transfer International LLC’s (the “Company”) Renewable Energy Renaissance Zone to the State Administrative Board (“SAB”). Five (5) years remain on the Company’s twelve (12) year Renaissance Zone term, designated on April 29, 2009 and currently set to expire on December 31, 2021.

### **Background**

The Company is a manufacturer of custom biomass gasification electrical generation systems located in the City of Kentwood, Kent County. As a condition to receiving the Renaissance Zone, the Company entered into a development agreement (the “Agreement”) with the MSF, within which the Company committed to investing \$2 million in the property and to creating twenty (20) full-time jobs by April 30, 2014. On April 6, 2015 the agreement was amended to lower the job creation level to five (5) full-time jobs by December 21, 2017 and seven (7) full-time jobs by December 31, 2019.

Based on information received by MEDC from the local assessor’s office in Kentwood, and confirmed through a site visit and meeting with Company and local officials, the Company’s equipment is sitting idle in a warehouse behind the designated zone and the Company is leasing space on the designated site to a non-renewable energy firm. The Company is currently employing three (3) people which is below the base employment level of ten (10) full-time positions. The MEDC notified the Company of their non-compliance and initiated the 90-day cure period, as required in the Agreement, on August 15, 2016. The cure period expired on November 16, 2016 without the Company becoming compliant with the terms of the associated Agreement.

Due to the Company’s failure to operate primarily as a renewable energy facility and maintain ten (10) full-time jobs at the site, the MSF Board has both contractual and statutory authority to recommend revocation of the Company’s Renewable Energy Renaissance Zone designation to the SAB.

### **Recommendation**

MEDC Staff recommends that the MSF Board approve the associated resolution to recommend to the SAB the revocation of Heat Transfer International LLC’s Renewable Energy Renaissance Zone. All properties will go back on the tax rolls effective December 31, 2016 for property tax purposes and January 1, 2017 for all other tax purposes.

**MICHIGAN STRATEGIC FUND**

**RESOLUTION  
2016-**

**REVOCATION OF AN EXISTING RENEWABLE ENERGY RENAISSANCE ZONE  
DESIGNATION: Heat Transfer International, LLC**

**WHEREAS**, Section 8e of the Michigan Renaissance Zone Act, 1996 PA 376, as amended, (the “Act”) authorizes the State Administrative Board (“SAB”) to designate up to 15 renaissance zones for renewable energy facilities upon the recommendations of the Michigan Strategic Fund (“MSF”) along with the consent of the local unit of government in which the proposed renaissance zone will be located;

**WHEREAS**, on September 18, 2009, the SAB approved a Renewable Energy Renaissance Zone for Heat Transfer International, LLC (the “Company”) after receiving recommendation of approval from the MSF Board for the Company’s facility beginning January 1, 2010;

**WHEREAS**, Section 8e(5) of the Act requires a development agreement be entered into between the MSF and the Company, which committed the Company to milestones with regards to job creation, new capital investment and filing reports;

**WHEREAS**, the Company has not fulfilled the required terms of its development agreement by ceasing to operate primarily as a renewable energy facility and failure to maintain 10 full-time jobs at the site;

**WHEREAS**, the Michigan Economic Development Corporation (“MEDC”) provides administrative services for the renaissance zone program and has been working with the Company to monitor the compliance issue;

**WHEREAS**, pursuant to the development agreement, MEDC staff, on behalf of the MSF, has sent notice to the Company to cure its non-compliance and the 90-day cure period has expired as of November 16, 2016;

**WHEREAS**, the MEDC recommends that the MSF Board approves for recommendation to the State Administrative Board the revocation of the Company’s renewable energy renaissance zone designation effective December 31, 2016 for property tax purposes and January 1, 2017 for all other tax purposes.

**NOW, THEREFORE, BE IT RESOLVED**, that the MSF Board approves for recommendation to the State Administrative Board the revocation of the Company’s renewable energy renaissance zone designation; and

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

Ayes:

Nays:

Recused:

Lansing, Michigan  
November 22, 2016

## Memorandum

**Date:** November 22, 2016  
**To:** Michigan Strategic Fund Board  
**From:** Dan Parisian, Compliance Specialist  
**Subject:** S & K Tool & Die  
Tool & Die Renaissance Recovery Zone - Revocation

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### Action

The Michigan Economic Development Corporation (“MEDC”) is recommending the revocation of the Tool & Die Renaissance Recovery Zone (“Zone”) for S & K Tool & Die (the “Company”) by the Michigan Strategic Fund (“MSF”) Board. The Company’s fifteen (15) year Recovery Zone term is currently set to expire at the conclusion of 2020.

### Background

The MSF Board designated a fifteen year Recovery Zone for S & K Tool & Die located in the City of Kalamazoo, as a member of the Southwest Michigan Tooling Collaborative (the “Collaborative”) on December 21, 2005.

A local partner from Southwest Michigan First informed MEDC staff that the Company is no longer conducting business as a tool and die on the designated Recovery Zone property and has moved the business to another location.

Under the Michigan Renaissance Zone Act, 1996 PA 376, as amended, the MSF Board has the authority to revoke the designation of a Recovery Zone for a qualified tool and die business if the qualified tool and die business fails or ceases to participate in or comply with a qualified collaborative agreement.

The Company’s President was notified that the MEDC would recommend revocation of the Recovery Zone.

### Recommendation

MEDC Staff recommends the MSF Board revoke the Tool and Die Renaissance Recovery Zone designation for S & K Tool & Die effective on December 31, 2016 for property tax purposes and January 1, 2017 for all other purposes.

**MICHIGAN STRATEGIC FUND**

**RESOLUTION  
2016-**

**REVOCATION OF AN EXISTING TOOL & DIE RENAISSANCE  
RECOVERY ZONE DESIGNATION: S & K Tool & Die**

**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 approved a fifteen (15) year Recovery Zone designation for S & K Tool & Die (the “Company”) as a member of the Southwest Michigan Tooling Collaborative (the “Collaborative”) at its site in the City of Kalamazoo, Kalamazoo County located at 424 Harrison Street, Kalamazoo, MI 49007 (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 Michigan Economic Development Corporation (“MEDC”) provides administrative services for the renaissance zone program;

**WHEREAS**, the Company is no longer conducting business as a tool and die company on the Property and has moved the business to another location; 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 S & K Tool & Die for the Property located at 424 Harrison Street, Kalamazoo, MI 49007, effective on December 31, 2016 for property tax purposes and January 1, 2017 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:

Nays:

Recused:

Lansing, Michigan  
November 22, 2016

## Memorandum

**Date:** November 22, 2016  
**To:** Michigan Strategic Fund Board  
**From:** Dan Parisian, Compliance Specialist  
**Subject:** PCD-Carbide Tool Company d/b/a Precorp, Inc.  
Tool & Die Renaissance Recovery Zone - Revocation

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### Action

The Michigan Economic Development Corporation (“MEDC”) is recommending the revocation of the Tool & Die Renaissance Recovery Zone (“Zone”) for PCD-Carbide Tool Company d/b/a Precorp, Inc. (the “Company”) by the Michigan Strategic Fund (“MSF”) Board. The Company’s ten (10) year Recovery Zone term is currently set to expire at the conclusion of 2019.

### Background

The MSF Board designated a ten year Recovery Zone for PCD-Carbide Tool Company d/b/a Precorp, Inc. located in the City of Williamston, as a member of the Third Coast Tooling Alliance (the “Collaborative”) on December 16, 2009.

The Collaborative informed MEDC staff that the Company is no longer conducting business as a tool and die on the designated Recovery Zone property and has ceased participation with the Collaborative.

Under the Michigan Renaissance Zone Act, 1996 PA 376, as amended, the MSF Board has the authority to revoke the designation of a Recovery Zone for a qualified tool and die business if the qualified tool and die business fails or ceases to participate in or comply with a qualified collaborative agreement.

The Company’s President and resident agent were notified that the MEDC would recommend revocation of the Recovery Zone at the November MSF Board meeting.

### Recommendation

MEDC Staff recommends the MSF Board revoke the Tool and Die Renaissance Recovery Zone designation for PCD-Carbide Tool Company d/b/a Precorp, Inc. effective on December 31, 2016 for property tax purposes and January 1, 2017 for all other purposes.

**MICHIGAN STRATEGIC FUND**

**RESOLUTION  
2016-**

**REVOCATION OF AN EXISTING TOOL & DIE RENAISSANCE  
RECOVERY ZONE DESIGNATION: PCD-Carbide Tool Company d/b/a Precorp, 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 16, 2009, the MSF Board approved a ten (10) year Recovery Zone designation for PCD-Carbide Tool Company d/b/a Precorp, Inc. (the “Company”) as a member of the Third Coast Tooling Alliance (the “Collaborative”) at its site in the City of Williamston, Ingham County located at 2420 East Grand River, Williamston, MI 48895 (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 Michigan Economic Development Corporation (“MEDC”) provides administrative services for the renaissance zone program;

**WHEREAS**, the Company is no longer conducting business as a tool and die company on the Property and has ceased participation with the Collaborative; 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 PCD-Carbide Tool Company d/b/a Precorp, Inc. for the Property located at 2420 East Grand River, Williamston, MI 48895, effective on December 31, 2016 for property tax purposes and January 1, 2017 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:

Nays:

Recused:

Lansing, Michigan  
November 22, 2016



## MEMORANDUM

**Date:** November 22, 2016  
**To:** MSF Board  
**From:** Fred Molnar, VP, Entrepreneurship and Innovation  
**Subject:** AureoGen Biosciences, Inc. – Loan Amendment Request

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### REQUEST

MEDC staff and AureoGen Biosciences, Inc. (“AureoGen” or “Company”) have negotiated an extension of the grace periods on the Company’s 2003 and 2004 Michigan Life Sciences Corridor (“MLSC”) loans for twelve months (the “Request”). All other terms and conditions of the loans will remain the same.

### BACKGROUND TO LOANS

AureoGen was founded August 12, 2003 to discover and develop new antibiotics and received loans from MEDC for \$200,000 (2003) and \$1,994,476 (2004). Both of these loans were most recently restructured in May 2015 due to financial stresses within the company. To date AureoGen has raised almost \$8,000,000, which includes \$5,000,000 in NIH and NIST grants. The Company received the following loans from the MSF:

#### *MSF Investment Summary*

##### *2003 MLSC*

|                                     |                        |
|-------------------------------------|------------------------|
| Loan Amount:                        | \$200,000              |
| Amount Drawn:                       | \$200,000              |
| Type of Loan:                       | Straight Loan          |
| Interest Rate:                      | 11.00 APY (as amended) |
| Loan Issuance Date:                 | September 4, 2003      |
| Maturity Date:                      | December 6, 2016       |
| Loan Balance as of October 19, 2016 | \$436,597.29           |

#### *MSF Investment Summary*

##### *2004 MLSC*

|                                     |                      |
|-------------------------------------|----------------------|
| Loan Amount:                        | \$1,994,476          |
| Amount Drawn:                       | \$1,994,476          |
| Type of Loan:                       | Convertible Loan     |
| Interest Rate:                      | 11% APY (as amended) |
| Loan Issuance Date:                 | September 15, 2004   |
| Maturity Date:                      | December 6, 2016     |
| Loan Balance as of October 19, 2016 | \$4,518,776.60       |

Both loans are approaching the end of their grace period and the Company, which is pre-revenue, lacks adequate cash flow to support servicing this debt. In early 2016 the Company agreed a sale of some lead compounds to the global pharmaceutical company Merck, totaling \$34 million if all development milestones are met. Initial disbursements during the early testing stage are minimal and insufficient to support payments on the MSF loans.

AureoGen has another lead compound it believes will also be attractive to Merck and they want to finalize some chemistry in order to maximize the value of this lead before approaching Merck. As such, AureoGen undertook a valuation of their business with the aim of requesting MEDC convert some of the outstanding debt to equity as the debt was discouraging some investors. AureoGen began this evaluation in June 2016 and received a valuation report on November 3, 2016 for \$45 million. This analysis, along with the Company financial records, are currently being evaluated by MEDC Staff.

Given the potential for success with the new lead (and others in the pipeline) versus the inability for AureoGen to service the debt until the Merck agreement matures, MEDC Staff recommends that the AureoGen loans be extended for an additional year, with all other terms and conditions of the loan remaining the same.

**RECOMMENDATION**

MEDC Staff recommends approval of the Request.

## **MICHIGAN STRATEGIC FUND**

### **RESOLUTION 2016-**

#### **AUREOGEN BIOSCIENCES, INC. – LOAN RESTRUCTURE**

**WHEREAS**, Public Acts 215 and 225 of 2005 established the 21<sup>st</sup> 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 MEDC and AureoGen Biosciences, Inc. (“AureoGen” or “Company”), entered into a Loan Agreement, dated September 4, 2003, whereby the MEDC agreed to loan up to \$200,000 to AureoGen under the terms and conditions set forth in the Loan Agreement and Promissory Note (the “Note”), dated September 5, 2003 (the Loan Agreement and Note, collectively, “the 2003 Loan Documents”);

**WHEREAS**, the MEDC and AureoGen Biosciences, Inc. (“AureoGen” or “Company”), entered into a Convertible Loan Agreement, dated September 15, 2004, whereby the MEDC agreed to loan up to \$1,994,476 to AureoGen under the terms and conditions set forth in the Convertible Loan Agreement, Security Agreement and Promissory Note (the “Note”), each dated September 15, 2004 (the Loan Agreement, Security Agreement, and Note, collectively, “the 2004 Loan Documents”);

**WHEREAS**, pursuant to MCL 125.2088h(5)(c) and those certain Assignment Agreements dated December 13, 2013, the 2003 Loan Documents and the 2004 Loan Documents were transferred to the MSF;

**WHEREAS**, the 2003 Loan Documents were amended on November 18, 2008 to extend the grace period, increase the interest rate and revise the milestones; on June 16, 2009 to extend the grace period and increase the interest rate; on December 13, 2013 to extend the grace period, increase the interest rate and add a profit sharing provision; and on June 29, 2015 to extend the grace period;

**WHEREAS**, the 2004 Loan Documents were amended on November 18, 2008 to extend the grace period and revise the milestones; on June 16, 2009 to extend the grace period, increase the interest rate and add conversion terms; on December 13, 2013 to extend the grace period, increase the interest rate and add a profit sharing provision; and on June 29, 2015 to extend the grace period;

**WHEREAS**, AureoGen has requested that the MSF amend the 2003 Loan Documents to extend the grace period to December 1, 2017 and amend the 2004 Loan Documents to extend the grace period to December 1, 2017 (collectively, 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

**BE IT FURTHER RESOLVED**, that the MSF Fund Manager is authorized to take all necessary action to effectuate the Loan Amendment Request in accordance with the terms and conditions of this resolution.

Ayes:

Nays:

Recused:

Lansing, Michigan  
November 22, 2016

## MEMORANDUM

**Date:** November 22, 2016  
**To:** Michigan Strategic Fund Board  
**From:** Julius L. Edwards, Manager, Underwriting and Incentive Structuring  
**Subject:** RecoveryPark and RecoveryPark Farms (“Company”)  
Request to Amend the Approval of a MSF Performance Based Loan

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### Request

The Company is requesting approval of an amendment of the \$1,000,000 Michigan Strategic Fund (MSF) Performance Based Loan approvals. The amendment request is for three changes to the Disbursement Milestones for the project: 1) under Disbursement Milestone Three a reduction in the required jobs to be created from 12 down to 6 jobs; 2) under Disbursement Milestone Three changing the requirement for financing from the “Kresge Foundation” to “an entity acceptable to MEDC staff”; and 3) under Disbursement Milestone Three changing the requirement of a board member from the “Kresge Foundation” to “an entity acceptable to MEDC staff”.

All of the above changes are detailed in Appendix A. Changes are reflected with ~~strike through~~ font and **BOLDED/CAPITALIZED** font.

### Background

The Michigan Strategic Fund Board approved a \$1,000,000 Performance Based Loan on October 25 2016 to the Company as financing for the acquisition of land, build out and working capital needs related to the BETA Phase and furtherance of the overall Recovery Park Farms project. The BETA Phase of the project involves acquisition of land from the city of Detroit, referred to as “Area 1” in Appendix B, environmental remediation of the land, construction of a greenhouse containing eight (8) high tunnels and purchase of the associated equipment.

### Recommendation

The MEDC staff recommends approval of an amendment to the MSF Performance Based Loan as requested above.

## **APPENDIX A**

### **LOAN FACILITY**

|                         |  |
|-------------------------|--|
| <b>MSF Incentive:</b>   | Performance-Based Direct Loan  |
| <b>Borrower(s):</b>     | RecoveryPark and RecoveryPark Farms  |
| <b>Loan Amount:</b>     | \$1,000,000  |
| <b>Term:</b>            | 60 months  |
| <b>Amortization:</b>    | Not applicable   |
| <b>Interest Rate:</b>   | 0%   |
| <b>Repayment Terms:</b> | Balance due at maturity. MSF will forgive 100% of the loan upon achievement of to be determined milestones (i.e. operations of the BETA farm for 3 years and securing additional financing).   |
| <b>Collateral:</b>      | Anticipated to be a 1 <sup>st</sup> priority lien on all assets of RecoveryPark Farms, to include but not limited to the Project Area 1 land, and all structures, machinery & equipment related to the BETA project.   |
| <b>Guarantee:</b>       | N/A  |
| <b>MSF Fees:</b>        | The MSF shall be paid a one-time fee equal to one percent of the MSF's award.  |
| <b>Funding:</b>         | Milestones anticipated to include, but not limited to the following:<br><br>I. Disbursement Milestone One: Up to \$500,000<br>A. Subject to receipt and review of the following:<br>a. Final budget and construction contract for BETA project<br>b. Evidence of adequate insurance for the project plus MSF named as payee<br>c. Deliverance of clear title for Area 1<br>d. Survey<br>e. Environmental due diligence<br>f. Evidence of taxes being on property being current on Area 1 |

- g. Final documents for Max M. and Marjorie Fisher Foundation loan
  - h. Evidence of executed agreement with Del Bene
  - i. Evidence of monies from Paramount Pictures
  - j. Other applicable legal due diligence
- II. Disbursement Milestone Two: Up to \$250,000
- B. Subject to evidence of the following:
- a. Completion of construction of the BETA project
  - b. Evidence that BEA Due Care Plan was followed (if applicable)
  - c. Evidence of creation of 12 jobs
  - d. Evidence of clear title for Area 1
  - e. Evidence of taxes being current on Area 1
  - f. Evidence of insurance requirements being current
- III. Disbursement Milestone Three: Up to \$250,000
- C. Subject to evidence of the following:
- a. Evidence of creation of ~~12~~ 6 additional jobs
  - b. Evidence of clear title for Area 1
  - c. Evidence of taxes being current on Area 1
  - d. Evidence of insurance requirements being current
  - e. Evidence of a long-term (3+ years) distribution contract with Del Bene or another third-party distributor
  - F. Secured a minimum level of financing from ~~the Kresge Foundation~~ AN ENTITY OR ENTITIES ACCEPTABLE TO MEDC STAFF**
  - ~~g.~~ Board includes at least one member of ~~the Kresge Foundation~~ **AN ENTITY ACCEPTABLE TO MEDC STAFF**
  - h. Formally engaged collective CDFI group or other funding source for next round of financing

**MICHIGAN STRATEGIC FUND  
RESOLUTION 2016-**

**APPROVAL OF AN AMENDEMENT TO  
A PERFORMANCE BASED LOAN AWARD TO  
RECOVERYPARK AND RECOVERYPARK FARMS, INC.**

**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**, 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 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;

**WHEREAS**, pursuant to, 2015 PA 84, Article VIII, Part 1 Section 109, Subsection 3, the legislature appropriated funds for business attraction and community revitalization;

**WHEREAS**, by resolution 2015-124, the MSF Board allocated the annual appropriation from the 21<sup>st</sup> Century Job Fund to the CRP and BDP;

**WHEREAS**, by resolution 2016-217 the MSF awarded to RecoveryPark and RecoveryPark Farms (“Borrower”) under MCL 125.2088b(2)(c) a \$1,000,000 Performance Based Loan for developing, financing, building, owning and operating an urban agriculture farm for specialty produce, consisting of “high tunnel” and greenhouse facilities in Detroit, MI (“Original Approval”);

**WHEREAS**, the Borrower is requesting to amend the Original Approval;

**WHEREAS**, the MEDC is recommending the MSF approve the amendment recommendation in accordance with Exhibit A (“Term Sheet”) with all other terms of the Original Approval remaining in place;

**NOW THEREFORE, BE IT RESOLVED**, the MSF Board approves the Amendment Recommendation.

**ADOPTED**

Ayes:

Nays:

Recused:

Lansing, Michigan  
November 22, 2016



## EXHIBIT A

### “Term Sheet”

#### LOAN FACILITY

|                         |  |
|-------------------------|--|
| <b>MSF Incentive:</b>   | Performance-Based Direct Loan  |
| <b>Borrower(s):</b>     | RecoveryPark and RecoveryPark Farms  |
| <b>Loan Amount:</b>     | \$1,000,000  |
| <b>Term:</b>            | 60 months  |
| <b>Amortization:</b>    | Not applicable   |
| <b>Interest Rate:</b>   | 0%   |
| <b>Repayment Terms:</b> | Balance due at maturity. MSF will forgive 100% of the loan upon achievement of to be determined milestones (i.e. operations of the BETA farm for 3 years and securing additional financing).   |
| <b>Collateral:</b>      | Anticipated to be a 1 <sup>st</sup> priority lien on all assets of RecoveryPark Farms, to include but not limited to the Project Area 1 land, and all structures, machinery & equipment related to the BETA project.   |
| <b>Guarantee:</b>       | N/A  |
| <b>MSF Fees:</b>        | The MSF shall be paid a one-time fee equal to one percent of the MSF's award.  |
| <b>Funding:</b>         | Milestones anticipated to include, but not limited to the following: <ul style="list-style-type: none"><li>I. Disbursement Milestone One: Up to \$500,000<ul style="list-style-type: none"><li>A. Subject to receipt and review of the following:<ul style="list-style-type: none"><li>a. Final Budget and Construction Contract for BETA project</li><li>b. Evidence of adequate insurance for the project plus MSF named as payee</li><li>c. Deliverance of clear title for Area 1</li><li>d. Survey</li><li>e. Environmental due diligence</li><li>f. Evidence of Taxes being on property being current on Area 1</li><li>g. Final Documents for Max M. and Marjorie Fisher Foundation loan</li><li>h. Evidence of executed agreement with Del Bene</li><li>i. Evidence of monies from Paramount Pictures</li><li>j. Other applicable legal due diligence</li></ul></li></ul></li><li>II. Disbursement Milestone Two: Up to \$250,000<ul style="list-style-type: none"><li>B. Subject to evidence of the following:</li></ul></li></ul> |

- a. Completion of construction of the BETA project
- b. Evidence that BEA Due Care Plan was followed (if applicable)
- c. Evidence of creation of 12 jobs
- d. Evidence of clear title for Area 1
- e. Evidence of taxes being current on Area 1
- f. Evidence of insurance requirements being current

III. Disbursement Milestone Three: Up to \$250,000

C. Subject to evidence of the following:

- a. Evidence of creation of ~~12~~ 6 additional jobs
- b. Evidence of clear title for Area 1
- c. Evidence of taxes being current on Area 1
- d. Evidence of insurance requirements being current
- e. Evidence of a long-term (3+ yrs) distribution contract with Del Bene or another third-party distributor
- f. Secured a minimum level of financing from ~~the Kresge Foundation~~ **AN ENTITY OR ENTITIES ACCEPTABLE TO MEDC STAFF**
- g. Board includes at least one member of ~~the Kresge Foundation~~ **AN ENTITY ACCEPTABLE TO MEDC STAFF**
- h. Formally engaged collective CDFI group or other funding source for next round of financing

## MEMORANDUM

**Date:** November 22, 2016

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

**From:** Marcia Gebarowski, Senior Business Development Project Manager

**Subject:** Cosworth, LLC (“Company” or “Applicant”)  
*Amendment to Approved Michigan Business Development Program Loan Agreement*

---

### **Request**

Cosworth, LLC is requesting to split their final disbursement milestone of \$1.1 million into two smaller disbursements, each tied to eligible Qualified Investment.

### **Background**

On May 24, 2016 the Michigan Strategic Fund approved a \$2.1 million award for Cosworth, LLC under the Michigan Business Development Program (“MBDP”). The Company proposed to open a new facility in Shelby Township, Macomb County which would result in the creation of a minimum of 50 Qualified New Jobs, with a total of \$30 million in capital investment. Shelby Township committed to provide a property tax abatement in support of the project.

The Company has incurred a number of unexpected costs associated to construction of their building this year that they had budgeted for next year including electrical upgrades and various change orders necessary for Cosworth to outfit the facility and begin production to meet their customer timeline.

Cosworth received a \$1 million disbursement after executing their lease agreement for the project site. Their final disbursement of \$1.1 million is scheduled to be paid in 2017 when Cosworth verifies they have made at least \$1.5 million in eligible qualified investment. The proposed amendment would create two milestones splitting the disbursement amount and required investment.

### **Recommendation**

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

1. Amend the disbursement schedule for the MBDP loan to split the second disbursement into two separate disbursements shown in the amended terms sheet;
2. All other aspects of the approval remain unchanged.

## MICHIGAN STRATEGIC FUND

### RESOLUTION 2016-

#### APPROVAL OF AN AMENDMENT TO A MICHIGAN BUSINESS DEVELOPMENT PROGRAM LOAN TO COSWORTH LLC

**WHEREAS**, the Michigan legislature passed legislation establishing the 21<sup>st</sup> 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 21<sup>st</sup> 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**, the MSF approved a \$2,100,000 Michigan Business Development Program Performance based loan on May 24, 2016 for a new manufacturing facility to supply engine components to the automotive industry (the “Project”);

**WHEREAS**, the Company has incurred more costs related to the construction and preparation of their facility in 2016, that were planned expenses for 2017;

**WHEREAS**, the Company requests that the Michigan Business Development Program performance based loan be amended and revised as follows: split the second disbursement of \$1,100,000 based on \$1.5 million of Qualified Investment into two separate disbursements: \$583,000 based on \$800,000 in Qualified Investment due by December 31, 2016 and \$517,000 based on \$700,000 in Qualified Investment due by March 30, 2017 (“Amendment”) along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”); and

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan  
November 22, 2016

**MICHIGAN BUSINESS DEVELOPMENT PROGRAM  
Performance Based Loan Amendment - Term Sheet**

The following is a summary of the highlights of the amendment 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 Amendment is presented by the Michigan Economic Development Corporation ("MEDC") to the MSF.

**Date:** November 10, 2016

**Company Name:** Cosworth, LLC ("Company" or "Applicant")  
**Company Address ("Project"):** Shelby Township, Macomb County

**MBDP Incentive Type:** Performance Based Loan

**Current Status of the MBDP Incentive, as set forth in the final MBDP Incentive Award Agreement ("Agreement"):**

- **Maximum Amount of MBDP Incentive:** Up to \$2,100,000 ("MBDP Incentive Award")
- **Base Employment Level:** 0
- **Minimum Qualified New Job Creation:** 50  
(above Base Employment Level)
- **Company Investment:** \$28,800,000 for the purchase of a building, building renovations, machinery and equipment, office equipment, furniture and fixtures, computers, or any combination thereof, for the Project.
- **Qualified Investment:** \$1,500,000 in eligible building lease costs, building renovations, leasehold improvements, machinery and equipment costs, or any combination thereof, for the Project on or after May 24, 2016.
- **Municipality supporting the Project:** Shelby Township
- **Disbursement Milestones:** The terms and conditions of each of the disbursements of any portion of the MBDP Incentive Award are outlined in Exhibit B of the Agreement, and include:
  - **Disbursement Milestone 1:** Up to \$1,000,000 Upon demonstration of executing a building lease for a period of at least seven years by no later than September 30, 2016

- **Disbursement Milestone 2:** Up to \$1,100,000 Upon completion of Disbursement Milestone 1, upon demonstrated completion of Qualified Investment, and verification of local support by no later than January 31, 2017
- **Performance Milestone 3:** Up to \$0 Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, upon demonstrated creation of a minimum of 50 Qualified New Jobs by no later than December 31, 2019

***Proposed MBDP Incentive Amendment:***

- **Disbursement Milestones:** The terms and conditions of each of the disbursements of any portion of the MBDP Incentive Award
  - **Disbursement Milestone 1:** Up to \$1,000,000 Upon demonstration of executing a building lease for a period of at least seven years by no later than September 30, 2016
  - **Disbursement Milestone 2:** Up to \$583,000 Upon completion of Disbursement Milestone 1, upon demonstrated completion of \$800,000 of Qualified Investment, and verification of local support by no later than December 31, 2016
  - **Disbursement Milestone 3:** Up to \$517,000 Upon completion of Disbursement Milestone 1, upon demonstrated completion of \$700,000 of Qualified Investment, and verification of local support by no later than March 30, 2017
  - **Performance Milestone 3:** Up to \$0 Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, upon demonstrated creation of a minimum of 50 Qualified New Jobs by no later than December 31, 2019

Any final MBDP Incentive Amendment is contingent upon several factors, including: (i) submission by the Company of a completed amendment application and all other documentation required under the MBDP (ii) satisfactory municipality support, if applicable (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 Amendment 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 Amendment 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 **November 10, 2016** the MEDC may not be able to proceed with any recommendation to the MSF.


Cosworth, LLC

By:

Printed Name:

Its:

Dated:

  
\_\_\_\_\_

Hal Rasheed

CEO

16 NOVEMBER 2016

**Acknowledged as received by:**

Michigan Economic Development Corporation

By:

Printed Name:

Its:

Dated:

Marcia Gebarowski

Marcia Gebarowski

Snr Business Dev't Project Manager

November 17, 2016

Digitally signed by Marcia Gebarowski  
DN: cn=Marcia Gebarowski, o=MEDEC,  
ou=Business Development,  
email=gebarowski@michigan.org, c=US  
Date: 2016.11.17 14:04:03 -0500



## MEMORANDUM

**Date:** November 22, 2016

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

**From:** Marcia Gebarowski, Senior Business Development Project Manager

**Subject:** H.A. Automotive Systems, Inc. (“Company” or “Applicant”)  
*Amendment to Approved Michigan Business Development Program Agreement*

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### **Request**

H.A. Automotive Systems Inc. is requesting an amendment to their original term sheet including a decrease in their total new jobs, decrease the value of the MBDP grant, and to amend the disbursement schedule.

### **Background**

On July 22, 2014 the Michigan Strategic Fund approved a \$2.25 million award for H.A. Automotive Systems, Inc. under the Michigan Business Development Program (“MBDP”). The Company proposed to open a new facility in the City of Troy, Oakland County which would result in the creation of a minimum of 368 Qualified New Jobs, with a total of \$28.8 million in capital investment. The City of Troy committed to provide a property tax abatement in support of the project.

H.A. Automotive lost their leading contract to supply lighting components in the U.S. The platform was put on hold, resulting in the Company to alter hiring projections at their newly established Troy facility. The lost contract resulted in a reduction of approximately 160 new jobs and has delayed production ramp-up at the site.

New contracts and additional work transferred from other company locations will enable H.A. Automotive to add 208 new jobs for a reduced MBDP grant of \$1.1 million. The MBDP reduction also reduces the cost per job from \$6,114 to \$5,288 as a consideration for this amendment request.

### **Recommendation**

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

1. Approve the amended term sheet attached;
2. All other aspects of the approval remain unchanged.

## MICHIGAN STRATEGIC FUND

### RESOLUTION 2016-

#### APPROVAL OF AN AMENDMENT TO A MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT TO H.A. AUTOMOTIVE SYSTEMS LLC

**WHEREAS**, the Michigan legislature passed legislation establishing the 21<sup>st</sup> 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 21<sup>st</sup> 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**, the MSF approved a \$2,250,000 Michigan Business Development Program Performance based grant on July 22, 2014 for a new automotive lighting manufacturing and engineering facility in the city of Troy (the “Project”);

**WHEREAS**, the Company lost a contract which has altered their hiring projections and job creation timeline, which also impacts the committed MBDP;

**WHEREAS**, the Company requests that the Michigan Business Development Program performance based grant be amended and revised as follows: reduce Qualified New Jobs from 368 to 208, revised disbursement schedule based on the amended term sheet, and amend type of local support related to the project (“Amendment”);

**WHEREAS**, H.A. Automotive Systems, LLC (“Company”) has requested an amendment to decrease its performance based MBDP grant by \$1,150,000 for a total grant amount of up to \$1,100,000 (“Grant Amendment Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”); and

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan  
November 22, 2016

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

The following is a summary of the highlights of the amendment 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 Amendment is presented by the Michigan Economic Development Corporation ("MEDC") to the MSF.

**Date:** November 10, 2016

**Company Name:** H.A. Automotive Systems Inc. ("Company" or "Applicant")  
**Company Address ("Project"):** 1300 Coolidge Highway  
Troy, MI 48083

**MBDP Incentive Type:** Performance Based Grant

**Current Status of the MBDP Incentive, as set forth in the final MBDP Incentive Award Agreement ("Agreement"):**

- **Maximum Amount of MBDP Incentive:** Up to \$2,250,000 ("MBDP Incentive Award")
- **Base Employment Level** 0
- **Total Qualified New Job Creation:** 368  
(above Base Employment Level)
- **Company Investment:** \$28,800,000 for the purchase of a building, building renovations, machinery and equipment, office equipment, furniture and fixtures, computers, or any combination thereof, for the Project.
- **Municipality supporting the Project:** City of Troy personal property tax abatement
- **Disbursement Milestones:** The terms and conditions of each of the disbursements of any portion of the MBDP Incentive Award are outlined in Exhibit B of the Agreement, and include:
  - **Disbursement Milestone 1:** Up to \$370,000 Upon demonstrated creation of 50 Qualified New Jobs above the Base Employment Level and verification of final approval of municipality support by no later than December 31, 2015
  - **Disbursement Milestone 2:** Up to \$305,000 Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 50 additional Qualified New Jobs (for a total of 100 Qualified New Jobs) above the Base Employment Level, by no later than March 30, 2017

- **Disbursement Milestone 3:** Up to \$305,000 Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, and upon demonstrated creation of 50 additional Qualified New Jobs (for a total of 150 Qualified New Jobs) above the Base Employment Level, by no later than March 30, 2018
- **Disbursement Milestone 4:** Up to \$560,000 Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, Milestone 3, and upon demonstrated creation of 90 additional Qualified New Jobs (for a total of 240 Qualified New Jobs) above the Base Employment Level, by no later than March 30, 2019
- **Disbursement Milestone 5:** Up to \$710,000 Upon completion of Disbursement Milestone 1, Disbursement Milestone 2, Disbursement milestone 3, Disbursement Milestone 4, and upon demonstrated creation of 128 additional Qualified New Jobs (for a total of 368 Qualified New Jobs) above the Base Employment Level, by no later than March 30, 2020
- **Term of Agreement:** Execution of Agreement to March 30, 2022

***Proposed MBDP Incentive Amendment:***

- **Maximum Amount of MBDP Incentive:** Up to \$1,100,000 (“MBDP Incentive Award”)
- **Total Qualified New Job Creation:** 208 Decrease the Qualified New Job Creation from  
*(above Base Employment Level)* 368 to 208
- **Municipality supporting the Project:** City of Troy will support the project with staff time, and/or permitting assistance, and/or use of community facilities at no cost to the company related to the project.
- **Disbursement Milestones:** The terms and conditions of each of the disbursements of any portion of the MBDP Incentive Award will be amended as follows:
  - **Disbursement Milestone 1:** Up to \$317,000 Upon demonstrated creation of 50 Qualified New Jobs above the Base Employment Level and verification of final approval of municipality support by no later than April 30, 2017
  - **Disbursement Milestone 2:** Up to \$783,000 Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 148 additional Qualified New Jobs (for a total of 208 Qualified New Jobs) above the Base Employment Level, by no later than December 30, 2019
- **Term of Agreement:** Execution of Agreement to December 30, 2021


Any final MBDP Incentive Amendment is contingent upon several factors, including: (i) submission by the Company of a completed amendment application and all other documentation required under the MBDP (ii) satisfactory

municipality support, if applicable (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 Amendment 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 Amendment 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 November 10, 2016 the MEDC may not be able to proceed with any recommendation to the MSF.

Acknowledged as received by:

H.A. Automotive Systems, Inc.

By:   
Printed Name: Kangyuan Chen  
Its: President  
Dated: 11/10/16

Michigan Economic Development Corporation

By: Marcia Gebarowski  
Printed Name: Marcia Gebarowski  
Its: Snr. Business Dev't Project Manager  
Dated: 11/10/2016

Digitally signed by Marcia Gebarowski  
DN: cn=Marcia Gebarowski, o=MEDC,  
ou=Business Development,  
email=gebarowski@medc.org, c=US  
Date: 2016.11.17 14:08:07 -0500

## MEMORANDUM

**Date:** November 22, 2016

**To:** Michigan Strategic Fund Board

**From:** Christine Whitz, Director, Community Development Block Grant Program

**Subject:** *Community Development Block Grant Program  
Great Lakes Tissue Company Loan Subordination  
City of Cheboygan, County of Cheboygan*

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### Request

Michigan Economic Development Corporation (MEDC) staff is asking to have the Michigan Strategic Fund (MSF) subordinate the loan modification agreement with Great Lakes Tissue Company who is financing with First Federal of Northern Michigan, Cheboygan, Michigan.

### Background

In 1992 Great Lakes Tissue (the “Company”) received a Section 108 loan, through the City of Cheboygan, in the amount of \$3,000,000 from the Community Development Block Grant (CDBG) program. The Company began making payments until 2007 at which time they defaulted on their payment schedule. The CDBG program staff made a decision to pay off the Section 108 loan with the U.S. Housing and Urban Development (HUD) department by taking a reduction in their HUD State allocation grant. The CDBG program, on behalf of the Michigan Strategic Fund, entered into a Loan Modification Agreement between the Great Lakes Tissue Company and the Michigan Strategic Fund for a principal balance of \$1,409,613.57.

In 2008, the Company attempted to sell Great Lakes Tissue but the sale fell through. The Company declared bankruptcy under Chapter 11 after the sale falling through. The loan with the MSF has had the payment terms changed in the most recent Plan of Reorganization. In August 2015, program staff waived the collection of interest on the loan, and in October 2015, program staff entered into the Loan Modification under which, the Company has been making monthly payments of \$1,000 until August 1, 2016 at which time the monthly payment amount increased to \$10,000 until the loan is paid in full.

The Company is current with their payments. Monthly payments of \$10,000 are expected to continue until the loan is paid in full. As of the month of November, 2016, the Company’s current balance due is \$1,370,614.

Great Lakes Tissue Company has applied for a new loan with First Federal of Northern Michigan in the amount of \$1,150,000 and is asking that the loan modification agreement between the MSF and themselves be subordinated.

**Recommendation**

The MEDC Staff recommends:

- That the MSF approve the previous loan modification.
- That the MSF agree to subordinate the loan modification agreement with Great Lakes Tissue Company. Also, that any further subordinations or loan modification be delegated to the MSF Fund Manager or MSF President.
- That the MSF delegate to the MSF Fund Manager the ability to further modify the payment terms of the loan, and do all things as deemed by the Fund Manager to facilitate collection of the debt.



**MICHIGAN STRATEGIC FUND**

**RESOLUTION 2016- \_\_\_\_\_**

**APPROVAL OF GREAT LAKES TISSUE COMPANY LOAN SUBORDINATION**

**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 2015 Program Guidelines, as amended (the “Criteria”). The MSF, by Resolution 2015-039, authorized and approved the Consolidated Plan and the Criteria;

**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;

**WHEREAS**, the MSF and the Great Lakes Tissue Company have a loan modification agreement in place;

**WHEREAS**, the Great Lakes Tissue Company desires to subordinate the loan agreement in place with the MSF to a loan with First Federal of Northern Michigan in the amount of \$1,150,000.

**NOW, THEREFORE, BE IT RESOLVED**, that the MSF Board authorizes to subordinate the loan modification agreement with Great Lakes Tissue Company. Also, that any further subordinations or loan modifications to facilitate collection of the debt be delegated to the MSF Fund Manager or MSF President.

Ayes:

Nays:

Recused:

Lansing, Michigan  
November 22, 2016

## MEMORANDUM

**Date:** November 22, 2016  
**To:** MSF Board  
**From:** Chris Cook, Director – Capital Access  
**Subject:** Michigan Supplier Diversification Fund – Request for Public Hearing

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### **Request**

Michigan Economic Development Corporation (“MEDC”) Staff recommends that the Michigan Strategic Fund (“MSF”) Board approve a request to allow for a public hearing related to proposed amendments to program guidelines for the Michigan Supplier Diversification Fund.

### **Background**

On May 20, 2009, the MSF Board authorized the creation of the Michigan Supplier Diversification Fund (“Fund”) as a loan enhancement program. Programs operating through this fund include the Collateral Support Program (“CSP”) and Loan Participation Program (“LPP”). The Fund seeks to increase the availability of senior debt to companies operating in industries that would have been eligible for the MEGA tax credit, specifically mining, manufacturing, research and development, wholesale and trade, film and digital media production, office operations, or a business that is qualified high technology business as defined by MCL 207.803(n), as amended. Since its inception, the Fund has supported financing for 91 companies with total associated private investment of nearly \$162 million. The fund has recorded no losses through its operations of CSP and LPP and has generated program income of more than \$2.5 million.

Based on the strong economic growth in Michigan since 2012, the MEDC has received feedback from local economic partners and banks that the supply of existing manufacturing and office space has become limited. Feedback from firms considering locating operations in Michigan has indicated that these firms either require or strongly prefer existing building space. MEDC Staff has concluded that the lack of availability of existing space could limit additional economic growth in the State.

While the Fund has traditionally supported financing specific to operating companies, the lack of existing manufacturing and office space has led MEDC Staff to recommend amending the program guidelines for the Fund in order to consider lessors of commercial buildings to be eligible borrowers for projects that would involve the construction or significant renovation of commercial space that would be used primarily for manufacturing, corporate office, research and development, and/or technical centers. In order to formally propose this change to the MSF Board, a public hearing must be conducted.

### **Recommendation**

MEDC staff recommends that the MSF Board approve the request for public hearing.

**MICHIGAN STRATEGIC FUND**

**RESOLUTION  
2016-**

**NOTICE OF PUBLIC HEARING FOR  
MICHIGAN COLLATERAL SUPPORT PROGRAM GUIDELINES**

**WHEREAS**, Public Acts 215 and 225 of 2005 (collectively, the “Act”) established the 21<sup>st</sup> 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 May 20, 2009, the MSF Board approved the creation and operation of the Michigan Collateral Support Program (“MCSP”) under the MSDF, and (ii) adopted guidelines for the Michigan Collateral Support Program (“MCSP Guidelines”), as later amended;

**WHEREAS**, pursuant to MCL 125.2088c(5), the MSF shall hold a public hearing before adopting a resolution that established or substantially changes a 21<sup>st</sup> century investment program, as defined by the Act;

**WHEREAS**, the MSF desires to hold a public hearing with respect to the Michigan Supplier Diversification Program on December 5, 2016 to offer persons an opportunity to present data, views, questions and arguments; and

**WHEREAS**, the MSF desires to approve the Notice of Public Hearing and to authorize the MSF Fund Manager or his designee to be present at the hearing and participate in the public discussion regarding MCSP;

**NOW, THEREFORE, BE IT RESOLVED**, that the MSF Fund Manager is authorized to publish the attached Notice implementing the requirements of MCL 125.2088c(5);

**BE IT FURTHER RESOLVED**, that the MSF designates the MSF Fund Manager or his designee to be present at the public hearing and participate in the public discussion of MCSP;

Ayes:

Nays:

Recused:

Lansing, Michigan  
November 22, 2016

Exhibit A  
Michigan Collateral Support Program

**Program Guidelines**

- To be eligible for the Program a company must fall under the definition of a firm which may be eligible to receive a MEGA tax credit. More specifically, a company must have a unique Federal Employer Identification number and participate in one or more of the following: mining, manufacturing, research and development, wholesale and trade, film and digital media production, office operations, or a business that is a qualified high technology business as described in MCL 207.803(n), as amended. The Project must also be an owner occupied facility. Occupancy of a project property is defined as not less than 51% of the usable space, including common areas, for existing buildings and not less than 60% of the usable space, including common areas, for new construction.
  - Provided however, projects involving the acquisition and/or improvement of real estate, the Program will consider a lessor of a nonresidential building to be an eligible borrower so long as a closely affiliated entity of the borrower will occupy the project property and that affiliated entity otherwise meets the definition of a firm which is eligible to receive a MEGA tax credit.
  - Provided however, a lessor of a nonresidential building may be considered eligible for the Program if the occupant of the project property will not be a closely affiliated entity of the borrower so long as the project property will provide not for not less than 80% of usable space for the purpose of corporate office, research & development, technical center and/or manufacturing and provides substantial economic benefit to the community as determined by the Program.
  - Provided however, any commercial borrower that has been affected by natural disaster in Michigan may be eligible for the Program at the discretion of the Program.
- The participating lending institution must execute a Deposit Agreement under which the terms of the deposit, interest accrual, and pledge restrictions will be described.
- The participating lender must be a depository institution regulated by the FDIC, OCC, NCUA or Federal Reserve or a certified Non-Profit Community Development Finance Institution or a depository institution regulated by the State of Michigan's Office of Insurance and Financial Regulation.
- The Program shall collect at its determination from the lead lending institution its credit analysis, borrower financial statements, risk rating justification, cash flows and other documents which the Program deems necessary in order to determine both 1) that the opportunity meets the economic development criteria established by the Program and 2) that the bank has performed a sufficient and acceptable analysis of the borrower's project and financial condition. This analysis should indicate that participation in the Program will result in an extension of commercial credit by the bank.
- The Program shall enhance the collateral position of the borrowers by depositing cash into accounts at participating lending institutions which will then be pledged as collateral on behalf of the borrower on a transaction by transaction basis.

- The Program shall be obligated to support no more than 49.9% of the extension of commercial credit in any individual transaction.
- Participating lending institutions will be required to collect and supply such information as may be required in order to determine the number of jobs created at the project, the return on investment, and the relative level of risk which each transaction is rated in the bank's risk rating structure. Such information will be reported to the MSF in a program-wide summary format periodically.
- The Program balance shall be reduced proportionately with the principal reduction of the loan as to eliminate over-reliance on Program deposits as part of the collateral commitment on the loan.
- All reductions to account balances, interest, fees & charges, and recaptured balances shall be returned to the Michigan Supplier Diversification Fund for recapitalization.
- Program deposits shall not exceed \$5,000,000 per project. The fee structure used will be determined based on an evaluation of the percentage of reliance on deposits vs. balance of collateral value on the extension of commercial credit as well as the potential economic development value of the project. In no case can the deposit represent more than 49.9% of the total loan amount of the individual extension of commercial credit in any single Deposit Agreement.
- Agreement under the Program shall include a fee which will reduce the claim made against cash collateral on deposit which is calculated based on the effectiveness of the liquidation of borrower's collateral by the participating lending institution.

Effective December 20, 2016

## NOTICE OF PUBLIC HEARING

On December 5, 2016, the Michigan Strategic Fund Board ("MSF Board") will hold a public hearing with respect to the attached proposed resolution of the MSF Board approving changes to the 21<sup>st</sup> Century Jobs Fund program. The proposed resolution seeks to amend the Michigan Supplier Diversification Fund and related guidelines (the "Proposed Resolution").

The hearing will commence at 10:00 a.m. and will be held in the Lake Huron Conference Room of the Michigan Economic Development Corporation ("MEDC") located at 300 North Washington Square, Lansing, Michigan 48913. Interested persons wishing to express any data, views or arguments regarding the Proposed Resolution will be given an opportunity to do so at the public hearing. Written comments will be accepted by the MSF Board at Michigan Strategic Fund Board, c/o Jennifer Tebedo, 300 North Washington Square, Lansing, MI 48913, or electronically to morantem@michigan.org, but must be mailed or electronically transmitted on or before the date and time of the hearing.

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

Chris Cook, Director – Capital Access, MEDC, or his designee, is designated to be present at the public hearing and to participate in the discussion of the Proposed Resolution.

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

Dated: November 22, 2016

Jennifer Tebedo  
Michigan Strategic Fund Board  
300 North Washington Square  
Lansing, Michigan 48913  
(517) 335-6770

This Notice of Public Hearing is prepared and authorized pursuant to SFCR 125.2088c-1(1)

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Mark Morante  
Michigan Strategic Fund Manager

Exhibit A  
Michigan Collateral Support Program

**Program Guidelines**

- To be eligible for the Program a company must fall under the definition of a firm which may be eligible to receive a MEGA tax credit. More specifically, a company must have a unique Federal Employer Identification number and participate in one or more of the following: mining, manufacturing, research and development, wholesale and trade, film and digital media production, office operations, or a business that is a qualified high technology business as described in MCL 207.803(n), as amended. The Project must also be an owner occupied facility. Occupancy of a project property is defined as not less than 51% of the usable space, including common areas, for existing buildings and not less than 60% of the usable space, including common areas, for new construction.
    - Provided however, projects involving the acquisition and/or improvement of real estate, the Program will consider a lessor of a nonresidential building to be an eligible borrower so long as a closely affiliated entity of the borrower will occupy the project property and that affiliated entity otherwise meets the definition of a firm which is eligible to receive a MEGA tax credit.
    - Provided however, a lessor of a nonresidential building may be considered eligible for the Program if the occupant of the project property will not be a closely affiliated entity of the borrower so long as the project property will provide not for not less than 80% of usable space for the purpose of corporate office, research & development, technical center and/or manufacturing and provides substantial economic benefit to the community as determined by the Program.
    - Provided however, any commercial borrower that has been affected by natural disaster in Michigan may be eligible for the Program at the discretion of the Program.
- The participating lending institution must execute a Deposit Agreement under which the terms of the deposit, interest accrual, and pledge restrictions will be described.
- The participating lender must be a depository institution regulated by the FDIC, OCC, NCUA or Federal Reserve or a certified Non-Profit Community Development Finance Institution or a depository institution regulated by the State of Michigan's Office of Insurance and Financial Regulation.
- The Program shall collect at its determination from the lead lending institution its credit analysis, borrower financial statements, risk rating justification, cash flows and other documents which the Program deems necessary in order to determine both 1) that the opportunity meets the economic development criteria established by the Program and 2) that the bank has performed a sufficient and acceptable analysis of the borrower's project and financial condition. This analysis should indicate that participation in the Program will result in an extension of commercial credit by the bank.
- The Program shall enhance the collateral position of the borrowers by depositing cash into accounts at participating lending institutions which will then be pledged as collateral on behalf of the borrower on a transaction by transaction basis.

- The Program shall be obligated to support no more than 49.9% of the extension of commercial credit in any individual transaction.
- Participating lending institutions will be required to collect and supply such information as may be required in order to determine the number of jobs created at the project, the return on investment, and the relative level of risk which each transaction is rated in the bank's risk rating structure. Such information will be reported to the MSF in a program-wide summary format periodically.
- The Program balance shall be reduced proportionately with the principal reduction of the loan as to eliminate over-reliance on Program deposits as part of the collateral commitment on the loan.
- All reductions to account balances, interest, fees & charges, and recaptured balances shall be returned to the Michigan Supplier Diversification Fund for recapitalization.
- Program deposits shall not exceed \$5,000,000 per project. The fee structure used will be determined based on an evaluation of the percentage of reliance on deposits vs. balance of collateral value on the extension of commercial credit as well as the potential economic development value of the project. In no case can the deposit represent more than 49.9% of the total loan amount of the individual extension of commercial credit in any single Deposit Agreement.
- Agreement under the Program shall include a fee which will reduce the claim made against cash collateral on deposit which is calculated based on the effectiveness of the liquidation of borrower's collateral by the participating lending institution.

Effective December 20, 2016



## MEMORANDUM

**Date:** November 22, 2016

**To:** Michigan Strategic Fund

**From:** Denise Graves, University Relations Director

**Subject:** University Early Stage Proof of Concept Fund – JEC Award Recommendations

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### Action

The MEDC requests that the MSF Board approve total funding of \$1,000,000 for 2 years for the University Early Stage Proof of Concept Fund.

### Background

The University Early Stage Proof of Concept Fund will support the current gap in the pipeline of moving university projects with the commercial potential of a discovery into the commercial market. Such technology is usually at an early stage of development and requires additional studies or a working prototype before it can be shown to have commercial potential. This program will provide resources and specialized services, by way of the university technology transfer offices at all institutions of higher education, the ability to assist university projects for the transition from scientific research to applied research to translational research into the commercial market. This will be accomplished by analyzing the market application, proving out the concept validation, demonstrating technical feasibility and developing a prototype in the preparation for implementing and testing.

On September 27<sup>th</sup> 2016, the MSF Board approved:

- 1) Allocation of \$1,000,000 from the 2017 Entrepreneurship and Innovation budget appropriation to the MSF for the University Early Stage Proof of Concept Fund to solicit proposals from universities to provide resources and specialized services to assist university projects in the transition to the commercial market,
- 2) 2017 University Early Stage Proof of Concept Fund RFP,
- 3) Joint Evaluation Committee (JEC) to review the submissions to the RFP and,
- 4) Scoring and evaluation criteria for the review of the University Early Stage Proof of Concept Fund proposals.

## **Results**

The MEDC received 2 proposals requesting \$1,000,000 for 2 years, in response to the RFP.

| <b>Organization</b>  | <b>Requested Amount</b> | <b>Score</b> | <b>Recommended Award</b> |
|--|-------------------------|--------------|--------------------------|
| Michigan State University  | \$1,000,000             | 89           | \$1,000,000              |
| University of Michigan Institute for Research on Labor, Employment and the Economy | \$1,000,000             | 57           | \$0                      |

The JEC reviewed the proposals and with a consensus score of 89, supports funding the proposal received from Michigan State University.

## **Recommendation**

The MEDC requests that the MSF Board approve funding of \$1,000,000 over 2 years to Michigan State University for the creation and execution of the University Early Stage Proof of Concept Fund. The MEDC also requests that the MSF Board delegate authority to the MSF Fund Manager, with the assistance of MEDC staff, to negotiate and execute the final terms and conditions for the grant agreement.

**MICHIGAN STRATEGIC FUND  
RESOLUTION**

**2016-**

**UNIVERSITY EARLY STAGE PROOF OF CONCEPT FUND REQUEST FOR PROPOSALS  
AWARD RECOMMENDATIONS**

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

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

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

**WHEREAS**, on September 27, 2016, the MSF Board issued a Request for Proposals to award grants to one or more Michigan non-profit organizations or Michigan institutions of higher education to provide resources and specialized services that will enhance and support the transition of institution of higher education projects from scientific research to applied research to translational research to the commercial market (the “Proof of Concept RFP”) and adopted scoring and evaluation criteria to be used by the joint evaluation committee (“JEC”) in evaluating proposals received in response to the Proof of Concept RFP (the “Proof of Concept Scoring Criteria”);

**WHEREAS**, two proposals were received in response to the Proof of Concept RFP and evaluated by the JEC in accordance with Proof of Concept Scoring Criteria;

**WHEREAS**, the JEC determined that one proposal satisfied the requirements of the Proof of Concept RFP and earned sufficient scores under the Proof of Concept Scoring Criteria to warrant funding under the Proof of Concept RFP;

**WHEREAS**, the JEC recommends that the MSF Board approve a grant of up to \$1,000,000 to Michigan State University for an initial two year term (the “Proof of Concept RFP Award”); and

**WHEREAS**, the MSF Board wishes to approve the Proof of Concept RFP Award.

**NOW, THEREFORE, BE IT RESOLVED**, that the MSF approves the Proof of Concept RFP Award; and

**BE IT FURTHER RESOLVED**, the MSF Board may, at its sole discretion, extend the grant periods of the Proof of Concept RFP Award for up to an additional three years and may increase the amount of the Proof of Concept RFP Award, subject to available funding; and

**BE IT FURTHER RESOLVED**, that MSF Fund Manager is authorized to negotiate the final terms and conditions of the Proof of Concept RFP Award and to execute all documents necessary to effectuate the Proof of Concept RFP Award.

Ayes:

Nays:

Recused:

Lansing, Michigan  
November 22, 2016

## MEMORANDUM

**Date:** November 22, 2016

**To:** Michigan Strategic Fund

**From:** Denise Graves, University Relations Director

**Subject:** University Technology Acceleration and Commercialization Programs (UTACP) - Technology Transfer Talent Network (T3N) and Michigan Corporate Relations Network (MCRN) Amendments for Extension and Refunding

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### Action

MEDC Staff recommends the MSF Board approve a grant amendment for an extension of one year and refunding in an amount totaling \$2,600,000 for two UTAC Programs: the Technology Transfer Talent Network (T3N) in the amount of \$1,200,000 and Michigan Corporate Relations Network (MCRN) in the amount of \$1,400,000.

### Background

On June 24, 2014, the MSF Board awarded the T3N and MCRN Programs, through a competitive RFP process, a University Technology Acceleration and Commercialization Program grant in the amount of \$2,825,000 with the option to extend the term of the grants for an additional three one year terms, adding funding at the sole discretion of the MSF. On December 15, 2015, the MSF Board awarded a one year extension and refunding of both programs in the amount of \$2,300,000. The current grant agreement for T3N ends on December 15, 2016 and the current grant agreement for MCRN ends on December 31, 2016. All funding awarded is matched 1:1 by the university partners.

### Program Accomplishments

The T3N program is a collaboration of 7 universities (UM, MSU, WSU, WMU, Oakland U, GVSU and MTU) supporting the commercialization of university projects into licenses with industry or startup companies. The support is by way of mentors in residence, postdocs and fellows. Since January 2016, the program has supported 39 mentors, postdocs and fellows who have supported the creation of 15 companies. Those companies have hired 26 employees and have been awarded \$4,168,937 in follow on funding.

The MCRN program is a collaboration of 6 universities (UM Ann Arbor, UM Dearborn, MSU, WSU, WMU, MTU and the URC) supporting the interaction between small companies and public universities across the state of Michigan. The support is by way of matching funds to support new industry/university projects, interns (STEM focus with more than 50% being retained on at least a

part time basis) and a research portal. Since January 2016, the program has served 163 companies who have hired 94 new employees and attracted more than \$147M in follow on funding.

**Recommendation**

MEDC Staff recommends the MSF Board approve this grant amendment for extension and refunding and that the MSF Board delegate authority to the MSF Fund Manager, with the assistance of MEDC staff, to negotiate and execute the final terms and conditions for the grant agreement.

**MICHIGAN STRATEGIC FUND  
RESOLUTION  
2016-**

**UNIVERSITY OF MICHIGAN – TECHNOLOGY TRANSFER TALENT PROGRAM  
GRANT AMENDMENT #2**

**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 issued a request for proposals accelerate the transfer of technology from universities to the private sector for commercialization of competitive edge technologies (the “University Technology Acceleration and Commercialization RFP” or “UTACP RFP”);

**WHEREAS**, on June 24, 2014, the MSF Board awarded \$1.375 million grant to University of Michigan – Technology Transfer Talent Program (the “T3N Grant”), with the option to extend the term of the T3N Grant for up to an additional three one year terms and to add additional funding at the sole discretion of the MSF;

**WHEREAS**, on December 15, 2015, the MSF exercised its first option to extend for an additional one year term ending December 15, 2016 and allocate \$1 million in additional funding for the T3N Grant (“T3N Grant Amendment #1”);

**WHEREAS**, MEDC staff recommends that the MSF exercise its second option to extend for an additional one year term ending December 15, 2016 and allocate \$1,200,000 in additional funding for the T3N Grant (“T3N Grant Amendment #2); and

**WHEREAS**, the MSF wishes to approve T3N Grant Amendment #2;

**NOW, THEREFORE, BE IT RESOLVED**, the MSF Board approves the T3N Grant Amendment #2; and

**BE IT FURTHER RESOLVED**, that MSF Fund Manager is authorized to negotiate final terms and conditions of the T3N Grant Amendment #2 and to execute all documents necessary to effectuate the T3N Grant Amendment #2.

Ayes:

Nays:

Recused:

Lansing, Michigan  
November 22, 2016



**MICHIGAN STRATEGIC FUND  
RESOLUTION  
2016-**

**UNIVERSITY OF MICHIGAN – MICHIGAN CORPORATE RELATIONS NETWORK  
GRANT AMENDMENT #2**

**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 issued a request for proposals accelerate the transfer of technology from universities to the private sector for commercialization of competitive edge technologies (the “University Technology Acceleration and Commercialization RFP” or “UTACP RFP”);

**WHEREAS**, on June 24, 2014, the MSF Board awarded \$1.45 million grant to University of Michigan – Michigan Corporate Relations Network (the “MCRN Grant”), with the option to extend the term of the MCRN Grant for up to an additional three one year terms and to add additional funding at the sole discretion of the MSF;

**WHEREAS**, on December 15, 2015, the MSF Board exercised its first option to extend for an additional one year term ending December 31, 2016 and allocate \$1.3 million in additional funding for the MCRN Grant (“MCRN Grant Amendment #1”);

**WHEREAS**, MEDC staff recommends that the MSF exercise its second option to extend for an additional one year term ending December 31, 2017 and allocate \$1,400,000 in additional funding for the MCRN Grant (“MCRN Grant Amendment #2”); and

**WHEREAS**, the MSF wishes to approve MCRN Grant Amendment #2.

**NOW, THEREFORE, BE IT RESOLVED**, the MSF Board approves the MCRN Grant Amendment #2; and

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

Ayes:

Nays:

Recused:

Lansing, Michigan  
November 22, 2016

## MEMORANDUM

**Date:** November 22, 2016  
**To:** Michigan Strategic Fund Board  
**From:** Jacob Schroeder, Business Development Services Director  
**Subject:** *Manufacturing Support Services Contract*

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### Action

MEDC staff requests that the MSF Board issue a grant of up to \$2,125,000 to the Michigan Manufacturing Technology Center (“MMTC”) for an initial term of November 1, 2016 to October 31, 2017, with the option to extend the grant for up to four additional years and to allocate additional funding at the sole discretion of the MSF Board and subject to available funding.

### Background

The MMTC provides Manufacturing Support Services to the Michigan manufacturing (and related) industry with the goal of increasing sales, profitability, the Michigan tax base, as well as creating and retaining jobs. MMTC provides the following services to Michigan companies:

- Matchmaking assistance in support of Pure Michigan Business Connect (“PMBC”) initiatives.
- Consulting and training related to process improvement and efficiency.
- Provide business outreach and services in support of the PMBC and business development efforts.

MMTC is the sole program of the 501c3 Industrial Technology Institute, Inc. (ITI), a not-for-profit Michigan corporation. Founded in 1981, in 1991 ITI proposed and was awarded the charter to operate the Michigan portion of the National Institute of Standards and Technology (NIST) Hollings Manufacturing Extension Partnership (MEP) program. MMTC has operated that center since April 1991, in recent years at a federal funding level of approximately \$4.2 million annually, up from \$2.3 million annually due to ongoing State of Michigan support.

### Recommendation

MEDC Staff recommends that the MSF Board award a grant of up to \$2,125,000 for an initial term of November 1, 2016 to October 31, 2017, with the option to extend the grant for up to four additional years and to allocate additional funding at the sole discretion of the MSF Board and subject to available funding. MEDC Staff further recommends that the MSF Board authorize the MSF Fund Manager to negotiate the final terms and conditions of the grant, which will include disbursement milestones, standard reporting, and other MSF-required provisions.

**MICHIGAN STRATEGIC FUND  
RESOLUTION**

**2016-**

**MICHIGAN MANUFACTURING TECHNOLOGY CENTER GRANT**

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

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

**WHEREAS**, Section 7 of the Act provides that the MSF has the power to make grants, loans and investments;

**WHEREAS**, Section 2 of the Act provides that the purposes of the Act and of the MSF is to, among other things, help diversify the economy of this state, assist business enterprise in obtaining additional sources of financing to aid this state in achieving the goal of long-term economic growth and full employment, meet the growing competition for business enterprises, preserve existing jobs, create new jobs, and reduce the cost of business and production;

**WHEREAS**, the MSF desires to award a grant of up to \$2,125,000 to the Michigan Manufacturing Technology Center (“MMTC”) for an initial term of November 1, 2016 to October 31, 2017, with the option to extend the grant for up to an additional four years and allocate additional funding at the sole discretion of the MSF Board and subject to available funding (the “MMTC Grant”).

**NOW, THEREFORE, BE IT RESOLVED**, that the MSF approves the MMTC Grant; and

**BE IT FURTHER RESOLVED**, that the MSF authorizes the MSF Fund Manager to take all actions necessary to effectuate the MMTC Grant in accordance with the terms and conditions of this Resolution.

Ayes:

Nays:

Recused:

Lansing, Michigan  
November 22, 2016

**MEMORANDUM**

**Date:** November 22, 2016

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

**From:** Joshua Hundt, Vice President – Business Development Projects

**Subject:** *American Center for Mobility (ACM) and Willow Run Arsenal of Democracy Landholdings Limited Partnership (WRAD) (“Company” or “Applicant”) MSF Designated Renaissance Zone  
County of Washtenaw*

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**Request**

This is a request to approve a MSF Designated Renaissance Zone for ACM and WRAD for 15 years in Ypsilanti Township. MEDC is recommending MSF consent for the State of Michigan to not participate in the PILOT arrangement between the Applicants and Ypsilanti Township. Additionally, the MEDC is recommending a waiver of the application fee for this Renaissance Zone.

**Background**

WRAD is a Michigan limited partnership formed in 2016. ACM is a Michigan directorship non-profit corporation, also formed in 2016. WRAD was formed with a purpose of acquiring, constructing, developing, improving, maintaining, operating, and leasing the former Willow Run Powertrain plant site in order to facilitate ACM’s creation, development, and operation of a national center for connected and autonomous vehicle technology research, testing, product development, validation, and certification of the site.

At the March 2016 meeting of the Board, approval was given to transfer \$3,000,000 from the MBD Program for a \$2,999,900 performance-based grant and \$100 equity investment to the then under formation, WRAD, for the purpose of commencing the process to purchase land at the former GM Willow Run plant site to ultimately build and operate a state-of-the-art CAV test facility. A portion of the grant was allocated to flow through WRAD to ACM, the proposed developer and operating entity for the project, for approximately 3 months’ of its start-up and operational costs. At the time of the initial Board request, it was anticipated that the intent was to return to the MSF Board to request an additional \$17,000,000 in funding to finalize the acquisition of the property, including all necessary due diligence, support ongoing operational costs, finalization of site design, and to support build out of Phase 1 of the project for high-speed testing.

At the July 2016 meeting of the Board, approval was given for up to \$17 million from the Investment Fund to the WRAD to complete the purchase of the land, facilitate the final design, construction costs and operations for the completion of Phase 1 of the ACM Connected and Automated Vehicle (CAV) test facility at Willow Run. Return on investment is projected to primarily be generated from monthly payments by ACM. It is anticipated these returns will be paid over 30 years.

## **PROJECT EVALUATION**

### **Job Creation**

0 direct jobs. Significant indirect job creation expected.

### **Private Investment**

Up to \$60 million when all three phases of the project are completed.

### **Number of Acres**

At least 313, with the potential for up to 326

### **Tax Information**

It is estimated that an average of \$1.85 million will be abated annually in property taxes, which will be partially offset by a PILOT agreement between Ypsilanti Township and the Companies..

### **Period of Designation**

15 year designation

## **ADDITIONAL INFORMATION**

### **Development Agreement**

A development agreement will be entered into between ACM, WRAD, and the Michigan Strategic Fund.

### **Legislative Information**

Senator: Rebekah Warren – State Senate District 18

Representative: David Rutledge - State House District 54

### **Recommendation**

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

- a) Approval of an MSF Designated Renaissance Zone as outlined in the attached resolution.

**MICHIGAN STRATEGIC FUND**

**RESOLUTION  
2016-**

**MSF-DESIGNATED RENAISSANCE ZONE  
American Center for Mobility and  
Willow Run Arsenal of Democracy Landholdings Limited Partnership**

**WHEREAS**, Section 8a(2) of the Michigan Renaissance Zone Act (the “Act”), 1996 PA 376, as amended, authorizes the Michigan Strategic Fund (“MSF”) to designate up to 27 renaissance zones (a “Renaissance Zone”) at the application of the a qualified local governmental unit and with the consent of the city, village, or township within which the boundaries of the Renaissance Zone reside;

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

**WHEREAS**, Washtenaw County (the “County”) is a qualified local governmental unit under the Act and submitted an application to the MEDC for a Renaissance Zone designation, with the consent of the Charter Township of Ypsilanti (the “Township”), on behalf of the American Center for Mobility (“ACM”) and Willow Run Arsenal of Democracy Landholdings Limited Partnership (“WRAD”) (the “Application”);

**WHEREAS**, WRAD has purchased land within the Township and plans to, as necessary, purchase, lease or otherwise use certain surrounding land in the Township, toward the redevelopment, creation and operation of such land by the ACM for a state-of-the-art connected and automated vehicle research, testing, product development, validation and certification facility (the “Project”);

**WHEREAS**, WRAD and ACM have agreed to a payment in lieu of taxes arrangement with the Township, to the exclusion of such payments to the State of Michigan or the County, which the County has acknowledged (the “PILOT”);

**WHEREAS**, the primary funding source for both ACM and WRAD is the MSF and therefore, the County requests and the MEDC recommends that the Renaissance Zone application fee, imposed via MSF Resolution 2011-024, be waived;

**WHEREAS**, the MEDC further recommends that the MSF Board approve the Application for the designation of a Renaissance Zone, for the property parcels described in the Application to the extent the property parcels are owned, leased or otherwise used by ACM or WRAD, as well as the PILOT, provided that:

1. A development agreement consistent with the terms of this Resolution is executed between the MSF, ACM, and WRAD by December 31, 2016; and
2. On or before November 22, 2017, the Company shall have commenced the Project outlined in the Application by having started excavation or construction at the site.

**NOW, THEREFORE, BE IT RESOLVED**, that the MSF Board agrees to the PILOT and approves the Application designating a Renaissance Zone for ACM and WRAD for a term of fifteen (15) years for the following property parcels in the Township to the extent that the property parcels are owned, leased or otherwise used by WRAD or ACM: K-11-12-100-006, K-11-12-200-003, K-11-12-400-002,

and K-11-01-300-014. The Renaissance Zone designation shall begin on December 31, 2016, for property tax purposes, and January 1, 2017 for all other purposes, provided that:

1. A development agreement consistent with the terms of this Resolution is executed between the MSF, ACM, and WRAD by December 31, 2016; and
2. On or before November 22, 2017, the Company shall have commenced the Project outlined in the Application by having started excavation or construction at the site.

**BE IT FURTHER RESOLVED**, that the MSF waives the application fee imposed via Resolution 2011-024;

**BE IT FURTHER RESOLVED**, that the MSF Board authorizes the Fund Manager to negotiate the final terms and conditions of and to execute the development agreement and any other related documents necessary to effectuate the terms of this Resolution on behalf of the MSF.

Ayes:

Nays:

Recused:

Lansing, Michigan  
November 22, 2016



## MEMORANDUM

**Date:** November 22, 2016

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

**From:** Marcia Gebarowski, Senior Business Development Project Manager

**Subject:** *ArcelorMittal Tailored Blanks, Inc. (“Company” or “Applicant”)*  
*Michigan Business Development Program Performance-based Grant Request*

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### Summary

This is a request on behalf of ArcelorMittal Tailored Blanks (AMTB) for a \$2,000,000 performance-based grant. This project involves the creation of a minimum of 120 Qualified New Jobs over five years, and a capital investment of up to \$83 million in the city of Detroit, Wayne County.

AMTB is establishing a new manufacturing operation in Detroit, Michigan. Alternatively, the Company could expand their facility in Pioneer, Ohio to place the planned growth. This alternative would require significantly less capital investment than what is planned for the Detroit location. The proposed Detroit location will have higher on-the-job training costs, more costs associated with infrastructure upgrades, as well as higher wages anticipated compared to an expansion in Ohio. State and local assistance is required to help offset the higher costs associated to the Detroit location, enabling ArcelorMittal’s leadership to enable the project to move forward in Michigan.

### Background

The Company is a subsidiary of ArcelorMittal, a world-leading steel producer with annual achievable production capacity of approximately 114 million tons of crude steel in 2015 globally. ArcelorMittal is the successor to Mittal Steel. ArcelorMittal was created through the merger of Arcelor and Mittal Steel in 2006. ArcelorMittal is a global company serving customers in the automotive industry including all major OEMs (domestic and foreign) and Tier I suppliers.

AMTB plans to lease and renovate a 317,000 square foot building in Detroit where they will install welding equipment that will be used to produce high strength steel laser welded blanks for the OEM automotive industry. This will be the Company’s first manufacturing operation in Michigan.

AMTB has not received MSF or other state discretionary incentives in the past.

The MEDC legal unit has completed a civil and criminal background check for the entity and individuals related to this project.

## **Considerations**

- a) The Applicant is a “Qualified Business”, as defined in MCL 125.2088r(9)(b), that is located and operates in Michigan.
- b) The project will be located in the city of Detroit. The city has offered a “staff, financial, or economic commitment to the project” in the form of a property tax abatement related to the project.
- c) The Company has demonstrated a need for the funding. Expanding in Michigan will require higher capital investment into the new facility, training, and wages. The new operation will not be generating revenue until year two, requiring assistance to offset costs in the first 12-16 months.
- d) The Applicant plans to create a minimum of 120 Qualified New Jobs above a statewide base employment level of 13.
- e) Pursuant to the program guidelines, the following was taken into consideration for the proposed project: the project will re-use an existing building, there was out of state competition for the project, the project is locating in a distressed community, the project will result in more and better jobs, and the project will have a positive ROI to Michigan.

## **Recommendation**

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

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

**MICHIGAN STRATEGIC FUND**

**RESOLUTION 2016-**

**APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT TO ARCELORMITTAL  
TAILORED BLANKS**

**WHEREAS**, the Michigan legislature passed legislation establishing the 21<sup>st</sup> 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 21<sup>st</sup> 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**, ArcelorMittal Tailored Blanks (“Company”) has requested a performance based MBDP grant of up to \$2,000,000 (“Grant Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”); and

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan  
November 22, 2016

**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: 11/9/2016

1. **Company Name:** ArcelorMittal Tailored Blanks ("Company" or "Applicant")
2. **Company Address:** 400 Galleria Office Centre ✓  
Southfield, Michigan 48034
3. **Project Address ("Project"):** 8650 Mt. Elliott ✓  
Detroit, MI 48211
4. **MBDP Incentive Type:** Performance Based Grant ✓
5. **Maximum Amount of MBDP Incentive:** Up to \$2,000,000 ("MBDP Incentive Award") ✓
6. **Base Employment Level** 13 The number of jobs currently maintained in Michigan by the Company based on data submitted by the Company to the MEDC reflecting the Company's employment level in Michigan prior to the proposed project. The Base Employment Level, including identification of the Company data used to establish this level, shall be included in the final MBDP Incentive Award agreement ("Agreement") between the MSF and the Company. ✓
7. **Total Qualified New Job Creation:** 120 The minimum number of total Qualified New Jobs the Company shall be required to create in Michigan (above the Base Employment Level), in addition to satisfying other milestones if applicable, to be minimally eligible to receive the full amount of the MBDP Incentive Award. Each Qualified New Job must be performed for consideration by a Michigan resident (whose Michigan income taxes are withheld as required), and each Qualified New Job must be in excess of ✓  
(above Base Employment Level)

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

a. **Start Date for Measurement of Creation of Qualified New Jobs:** October 22, 2016 (date of accepted offer letter) ✓

8. **Company Investment:** \$83,508,166 in machinery and equipment, private infrastructure, leasehold improvements, annual lease costs, or any combination thereof, for the Project. ✓

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

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

10. **Disbursement Milestones:** The final terms and conditions of each of the disbursements of any portion of the MBDP Incentive Award shall be included in the final Agreement, including that before any disbursement is made to the Company, the Company must have maintained: (i) the Base Employment Level (exclusive of the number of Qualified New Jobs then created) and (ii) any Qualified New Jobs created for which disbursements by the MSF have been made, and 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 \$744,000 Upon demonstrated creation of 31 Qualified New Jobs above the Base Employment Level and verification of final approval of municipality support by no later than April 30, 2017 ✓

b. **Disbursement Milestone 2:** Up to \$672,000 Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 28 additional Qualified New Jobs (for a total of 59 Qualified New Jobs) above the Base Employment Level, by no later than August 31, 2017. ✓

c. **Disbursement Milestone 3:** Up to \$144,000 Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, and upon demonstrated creation of 6 additional Qualified New Jobs (for a total of 65 Qualified New Jobs) above the Base

Employment Level, by no later than December 15, 2017. ✓

- d. **Disbursement Milestone 4:** Up to \$336,000 Upon completion of Disbursement Milestone 1, Disbursement Milestone 2, Disbursement Milestone 3, and upon demonstrated creation of 14 additional Qualified New Jobs (for a total of 79 Qualified New Jobs) above the Base Employment Level, by no later than April 30, 2018. ✓
- e. **Disbursement Milestone 5:** Up to \$52,000 Upon completion of Disbursement Milestone 1, Disbursement Milestone 2, Disbursement Milestone 3, Disbursement Milestone 4 and upon demonstrated creation of 20 additional Qualified New Jobs (for a total of 99 Qualified New Jobs) above the Base Employment Level, by no later than December 31, 2019 ✓
- f. **Disbursement Milestone 6:** Up to \$52,000 Upon completion of Disbursement Milestone 1, Disbursement Milestone 2, Disbursement Milestone 3, Disbursement Milestone 4, Disbursement Milestone 5 and upon demonstrated creation of 21 additional Qualified New Jobs (for a total of 120 Qualified New Jobs) above the Base Employment Level, by no later than December 31, 2021. ✓

**11. Term of Agreement:** Execution of Agreement to June 30, 2022 ✓

**12. Repayment Provisions:**

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

**13. Reporting Requirements:**

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

**14. Public Announcements:**

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

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 November 11, 2016, the MEDC may not be able to proceed with any recommendation to the MSF.

**Acknowledged as received by:**

ArcelorMittal Tailored Blanks

By:

  
\_\_\_\_\_

Printed Name:

Todd Baker

Its:

President

Dated:

November 10, 2016

Michigan Economic Development Corporation

By:

Marcia Gebarowski  
Digitally signed by Marcia Gebarowski  
DN: cn=Marcia Gebarowski, o=MEDC,  
ou=Business Development,  
email=gebarowski@michigan.org, c=US  
Date: 2016.11.17 13:59:28 -0500

Printed Name:

Marcia Gebarowski

Its:

Snr. Business Dev't Project Manager

Dated:

November 10, 2016

## MEMORANDUM

**Date:** November 22, 2016

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

**From:** Jeremy Webb, Business Development Project Manager

**Subject:** Adient US, LLC (“Company” or “Applicant”)  
Michigan Business Development Program Performance-based Grant Request

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### Summary

This is a request from the Applicant for a \$2,000,000 performance-based grant. This project involves the creation of 115 Qualified New Jobs and a capital investment of up to \$97,858,000 in the City of Detroit, Wayne County.

The Applicant has demonstrated a need for the funding. Michigan is in competition with Wisconsin for this project. Johnson Controls, Inc., the Company's parent, is headquartered in Milwaukee. The Company has room to establish their headquarters in Milwaukee and will need minimal investment to get the building space ready for the employees. If the Company locates in Detroit, the costs skyrocket as they would need to rehabilitate the building. This, in addition to finding parking for the 500 total employees they plan on having at the headquarters and paying the Detroit payroll tax for its employees, puts Michigan at a large disadvantage. Incentive assistance is needed to help reduce the increased costs of establishing its headquarters in Michigan as well as compete with incentive offers from Wisconsin.

### Background

The Company's parent, Johnson Controls, Inc. (JCI), is a global multi industrial company headquartered in Milwaukee, Wisconsin. The automotive business of JCI has been spun off as an independent automotive company, Adient US, LLC. As a result of this spin off, the Company is looking to establish their headquarters in the City of Detroit.

The Applicant has not received any incentives from the MSF in the past.

The Applicant plans to establish their headquarters in the City of Detroit, make investments and create jobs related to the manufacturing of automotive components.

The MEDC legal unit has completed a civil and criminal background check for the entity and individuals related to this project.

### Considerations

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



- b) The project will be located in the City of Detroit. The City of Detroit has offered a “staff, financial, or economic commitment to the project” in the form of a property tax abatement.
- c) The Applicant has demonstrated a need for the funding. The Company has room to establish its headquarters with its parent company in Milwaukee, Wisconsin which is more cost effective than rehabilitating a building in downtown Detroit. Additionally, Wisconsin has provided the Company incentive offers to locate their headquarters there.
- d) The Applicant plans to create 115 Qualified New Jobs above a statewide base employment level of 1,240.
- e) Pursuant to the program guidelines, the following was taken into consideration for the proposed project: the project is not a retail project; involves out-of-state competition; has a net positive return to Michigan; has a high level of investment; is shovel-ready with the support of the MSF; will reuse an existing facility; prospect of near-term job creation; has a high wage level for new jobs; and is located in a distressed or targeted community.

**Recommendation**

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

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

**MICHIGAN STRATEGIC FUND**

**RESOLUTION 2016-**

**APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT TO Adient US, LLC**

**WHEREAS**, the Michigan legislature passed legislation establishing the 21<sup>st</sup> 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 21<sup>st</sup> 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**, Adient US, LLC (“Company”) has requested a performance based MBDP grant of up to \$2,000,000 (“Grant Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”); and

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan  
November 22, 2016

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MICHIGAN ECONOMIC  
DEVELOPMENT CORPORATION

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**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:** 11/10/2016

- 1. Company Name:** Adient US, LLC ("Company" or "Applicant")
  
- 2. Company Address:** 47700 Halyard Drive  
Plymouth, Michigan 48170
  
- 3. Project Address ("Project"):** 243 West Congress Street  
Detroit, Michigan 48226  
  
49200 & 47700 Halyard Drive  
Plymouth, Michigan 48170  
  
15800 Haggerty Road  
Plymouth, Michigan 48170  
  
45000 Helm Street  
Plymouth, Michigan 48170
  
- 4. MBDP Incentive Type:** Performance Based Grant
  
- 5. Maximum Amount of MBDP Incentive:** Up to \$2,000,000 ("MBDP Incentive Award")
  
- 6. Base Employment Level** 1,240 The number of jobs currently maintained in Michigan by the Company based on data submitted by the Company to the MEDC reflecting the Company's employment level in Michigan prior to the proposed project. The Base Employment Level, including identification of the Company data used to establish this level, shall be included in the final MBDP Incentive Award agreement ("Agreement") between the MSF and the Company.



- 7. Total Qualified New Job Creation:** 115 The minimum number of total Qualified New Jobs the Company shall be required to create at the project (above the Base Employment Level), in addition to satisfying other milestones if applicable, to be minimally eligible to receive the full amount of the MBDP Incentive Award. Each Qualified New Job must be performed for consideration by a Michigan resident (whose Michigan income taxes are withheld as required), and each Qualified New Job must be in excess of the Base Employment Level. The final terms and conditions of the requirements for the minimum number of Qualified New Jobs that must be created, including provisions addressing disbursements of portions of the MBDP Incentive Award, shall be included in the final Agreement.
- (above Base Employment Level)*
- a. Start Date for Measurement of Creation of Qualified New Jobs:** Date of Approval of MSF Award
- 8. Company Investment:** \$97,858,000 for the purchase of an existing building, renovations, furniture & fixtures, computers & IT, soft costs, or any combination thereof, for the Project.
- 9. Municipality supporting the Project:** City of Detroit
- a. Municipality Support.** One of the conditions of execution of the final Agreement is the requirement that the municipality shall have committed to provide: a property tax abatement in support of the project. The final terms and conditions demonstrating this support shall be included in the final Agreement.
- 10. Disbursement Milestones:** The final terms and conditions of each of the disbursements of any portion of the MBDP Incentive Award shall be included in the final Agreement, including that before any disbursement is made to the Company, the Company must have maintained: (i) the Base Employment Level (exclusive of the number of Qualified New Jobs then created) and (ii) any Qualified New Jobs created for which disbursements by the MSF have been made, and 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 \$865,000 Upon demonstrated creation of 50 Qualified New Jobs above the Base Employment Level and verification of final approval of municipality support by no later than April 30, 2018.
- b. Disbursement Milestone 2:** Up to \$692,000 Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 40 additional Qualified New Jobs (for a total of 90 Qualified New Jobs) above

the Base Employment Level, by no later than June 30, 2019.

- c. Disbursement Milestone 3:** Up to \$443,000 Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, upon demonstrated creation of 25 additional Qualified New Jobs (for a total of 115 Qualified New Jobs) above the Base Employment Level, and demonstrate that the Company has at least 300 jobs at 243 West Congress Street, Detroit, Michigan 48226 by no later than August 31, 2020.

**11. Term of Agreement:** Execution of Agreement to February 28, 2021

**12. Repayment Provisions:**

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

**13. Reporting Requirements:**

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

**14. Public Announcements:**

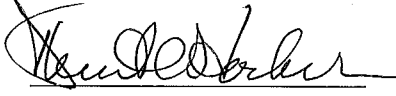
The Company shall not make, or cause, any announcement of the proposed MBDP Incentive Award parameters outlined in this letter before the date of approval by the MSF of the MBDP Incentive Award, unless prior authorized and coordinated with the MEDC. At the request and expense of the MSF or the MEDC,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

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 COB 11/9/2016, the MEDC may not be able to proceed with any recommendation to the MSF.

Adient US, LLC

By:



Printed Name:

DAVID C. HOCKER

Its:

VP. ENTERPRISE PROP GP.

Dated:

11-9-2016

**Acknowledged as received by:**

Michigan Economic Development Corporation

By:



Printed Name:

Jeremy J. Webb

Its:

Business Development Project Manager

Dated:

11/10/2016

## MEMORANDUM

**Date:** November 22, 2016

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

**From:** Jeremy Webb, Business Development Project Manager

**Subject:** ZFS Ithaca, LLC (“Company” or “Applicant”)  
Renaissance Zone Program – New Agricultural Processing Renaissance Zone Request

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### Summary

This is a request from the City of Ithaca for a new 15-year Agricultural Processing Renaissance Zone designation on behalf of the Company, beginning on January 1, 2017 and ending December 31, 2031. This project involves the creation of 74 Qualified New Jobs and a capital investment of up to \$123 million in the City of Ithaca, Gratiot County. In addition, staff anticipates bringing a Brownfield Work Plan forward for MSF approval in the coming months.

The Applicant has demonstrated a need for the funding. ZFS continually evaluates their soybean processing capacity as it relates to expansion. The Company is looking to expand its production footprint in Michigan or Wisconsin, Pennsylvania, and/or Nebraska. Evaluating the feasibility of the Ithaca site is a top priority and at this point, the Company is not able to move forward with the site for production without state assistance. As this project is very capital intensive, the Company needs state assistance to help offset some of those up-front costs.

### Background

The Applicant’s parent, Zeeland Farm Services, Inc., is a family-owned and operated business with 65 years of service to the agricultural and transportation industries. It was founded in 1950 as Meeuwsen Produce and Grain. In 1977, it was reorganized as Zeeland Farm Services, Inc. to provide customers with a wider variety of agricultural services. Over 200 employees, including 12 Meeuwsen family members, work at ZFS.

The parent company has an Agricultural Processing Renaissance Zone in Zeeland, Michigan which ends after tax year ending 2017. The parent company is in good standing. An assumed affiliate, Zeeland Bio-Based Products LLC, had a 21st CJF loan for Commercialization Business Plan Completion that has since closed out.

The Applicant plans to construct a new soybean processing plant and grain shipping, receiving and storage facility in the City of Ithaca, make investments and create jobs related to soybean processing.

The MEDC legal unit has completed a civil and criminal background check for the entity and individuals related to this project.

### **Considerations**

Under Section 8c(1) of the Michigan Renaissance Zone Act, the State Administrative Board (“SAB”) may designate an Agricultural Processing Renaissance Zone upon the recommendation of the MSF Board and the Michigan Commission of Agriculture and Rural Development (“MCARD”), which is housed within the Michigan Department of Agriculture and Rural Development (the “MDARD”) with the consent of the applicable city, village, or township and the county.

To support the Company’s project, the Township of North Star, the City of Ithaca, and the County of Gratiot have passed resolutions agreeing to an Agricultural Processing Renaissance Zone for a 15-year term. The MCARD has also passed an approving resolution on behalf of the Company.

In exchange for the benefits of a Renaissance Zone, the Company shall enter in to a development agreement with the MSF agreeing to the creation of up to 74 new full-time jobs and up to \$123 million in capital investment at the new facility by December 31, 2019.

### **Recommendation**

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

- a) Approval of the recommendation to the SAB for the designation of an Agricultural Processing Renaissance Zone for ZFS Ithaca, LLC at its site in the City of Ithaca for a term of 15 years, beginning January 1, 2017 and ending on December 31, 2031;
- b) Approval is subject to the execution of the Agricultural Processing Renaissance Zone Development Agreement between the MSF and the Company; and
- c) Commitment will remain valid for 120 days with approval for the MSF Fund Manager to extend the commitment an additional 60 days.



**MICHIGAN STRATEGIC FUND**

**RESOLUTION  
2016-**

**AGRICULTURAL PROCESSING RENAISSANCE ZONE:  
ZFS Ithaca, LLC**

**WHEREAS**, Section 8c of the Michigan Renaissance Zone Act, 1996 PA 376, as amended (the “Act”), authorizes the State Administrative Board to designate up to 30 renaissance zones for agriculture processing facilities (an “Agricultural Processing Renaissance Zone”) upon the recommendations of the Michigan Strategic Fund (“MSF”) and the Michigan Commission of Agriculture and Rural Development (“MCARD”) and the consent of the local unit of government in which the proposed renaissance zone will be located;

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

**WHEREAS**, the MEDC and the MCARD received an application from the City of Ithaca (the “City”) for an Agricultural Processing Renaissance Zone designation for ZFS Ithaca, LLC (the “Company”) for their project in the City (the “Application”);

**WHEREAS**, the Company qualifies as an agricultural processing facility under the Act and the City, Gratiot County, and the Township of North Star have consented to the designation of an Agricultural Processing Renaissance Zone in their jurisdiction for the Company;

**WHEREAS**, on November 10, 2016, MCARD recommended the State Administrative Board approve the designation of an Agricultural Processing Renaissance Zone for the Company; and

**WHEREAS**, the MEDC recommends that the MSF Board approve the Application for recommendation to the State Administrative Board for designation of an Agricultural Processing Renaissance Zone for the property parcels described in the Application for a period of fifteen (15) years, effective December 31, 2016 for property tax purposes and January 1, 2017 for all other purposes, subject to the following conditions:

1. A development agreement consistent with the terms of this Resolution is executed between the Michigan Strategic Fund, the real property owner(s), and the Company within 120 days of this Resolution, or within 180 days should the MSF Fund Manager authorize an extension not exceeding 60 additional days; and
2. On or before November 22, 2017, the Company shall have commenced the project outlined in the Application by having started construction on the facility.

**NOW, THEREFORE, BE IT RESOLVED**, that the MSF Board approves for recommendation to the State Administrative Board an Agricultural Processing Renaissance Zone for ZFS Ithaca, LLC as described in the Application for the property parcels described in the Application for a period of fifteen (15) years effective December 31, 2016 for property tax purposes and January 1, 2017 for all other purposes, subject to the following conditions:

1. A development agreement consistent with the terms of this Resolution is executed between the Michigan Strategic Fund, the real property owner(s), and the Company

within 120 days of this Resolution, or within 180 days should the MSF Fund Manager authorize an extension not exceeding 60 additional days; and

2. On or before November 22, 2017, the Company shall have commenced the project outlined in the Application by having started construction on the facility.

**BE IT FURTHER RESOLVED**, that the MSF Board authorizes the Fund Manager to negotiate the final terms and conditions of and to execute the development agreement and any other related documents necessary to effectuate the terms of this Resolution on behalf of the MSF; and

**BE IT FURTHER RESOLVED**, that the MSF Board authorizes the MSF President or Fund Manager to transmit the MSF's recommendation to the State Administrative Board.

Ayes:

Nays:

Recused:

Lansing, Michigan  
November 22, 2016

## MEMORANDUM

**Date:** November 22, 2016

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

**From:** David Kurtycz, Business Development Project Manager

**Subject:** East Jordan Foundry, LLC (“Company” or “Applicant”)  
*Alternative State Essential Services Assessment Request*

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### Summary

This is a request from the Company for a five year, Alternative State Essential Services Assessment. This project will result in \$68.1 million in Qualified Investments in Eligible Personal Property in Warner Township, Antrim County. Total project investment is estimated at \$ 125.0 million. Additionally, the project involves the retention of up to 410 total jobs.

The Company evaluated locations in Michigan, Indiana, Kentucky and Oklahoma for a new foundry. The investment will be transformational for Northern Michigan adding new technologies including a molding line that will have quick pattern change and auto-pouring technologies which will allow the Company to better serve its customers, require new skills for workers and result in a more environmentally friendly outcome.

### Background

East Jordan Foundry, LLC is a subsidiary of EJ USA, Inc. and will make the investment in property, building, and equipment in EJ USA, Inc. behalf. EJ USA, Inc. designs, manufactures and distributes manhole covers and gratings for water, sewer, drainage, telecommunications and utility networks. Worldwide presence includes over 40 sales offices, 10 manufacturing facilities and multiple research and development centers. EJ USA, Inc. started in Charlevoix in 1883.

The company has decided that the old foundry line needs to be scrapped and a new technologically and environmentally efficient line needs to be developed. They plan on constructing a new state of the art facility in Warner Township, Antrim County. Their new technologies including a molding line that will have quick pattern change and auto-pouring technologies. The transition to the utilization of electric melt will result in the use of less fossil fuel and reduce their carbon footprint. The estimated total investment of \$ 125 million in a rural area of the state will also create construction jobs and retain 410 jobs at the company.

The Company plans to demolish its iron foundry that has been on the shores of Lake Charlevoix since 1883. The headquarters will remain on the lake. The demolition of the existing foundry to ground level which will allow for the redevelopment of nearly 3,000 feet of lake-front property located on the South Arm of Lake Charlevoix. The redevelopment of this property would be a catalyst for creating additional businesses and jobs for the area for a positive economic impact.

The Applicant has not received any incentives from the MSF in the past.

The MEDC legal unit has completed a civil and criminal background check for the entity and individuals related to this project.

**Considerations**

- a) The Applicant is an “Eligible Claimant”, as defined in Public Act 92 of 2014, which will claim an exemption for Eligible Personal Property.
- b) The Applicant is eligible for a five year, Alternative State Essential Services Assessment based on the following:
  - a. The Project will be transformational because it brings new technologies, reduce their carbon footprint, brings construction jobs, retains existing jobs in Northern Michigan, allow for the redevelopment of waterfront property and
  - b. The Project will result in Qualified Investments of \$25 Million to \$100 Million in Eligible Personal Property.
- c) The Qualified Investments will be made after MSF approval and completed within three years of commencement of the Project. The project is expected to commence on April 1, 2017.
- d) The Applicant agrees to pay a one-time administrative fee in the amount of \$ 4,085 payable to the MEDC upon completion of the first performance milestone.
- e) The Applicant has demonstrated a need for the funding. Multiple sites were evaluated to construct the new foundry. The incentive will help offset construction, energy, and logistical cost as compared to competing states. The investment will be transformational for Northern Michigan to retain 410 jobs as well as introduce new technologies and be more environmentally friendly.
- f) The Applicant plans to retain 410 jobs in Michigan.
- g) Pursuant to the program guidelines, the following was taken into consideration for the proposed project: The project will not only result in significant investment and job retention in Michigan, but will also bring a new technology. The project will result in a net-positive return to this state; the investment will be placed in a new facility; level of investment is high; there was out-of-state competition throughout the United States for this investment.

**Alternative State Essential Services Assessment Value Breakdown**

The 5 year Alternative State Essential Services Assessment is estimated to be worth \$408,535. The requested Alternative State Essential Services Assessment breaks down as follows:

|                                 | Years 1 – 5<br>(2.4 mills) | Total      |
|---------------------------------|----------------------------|------------|
| Alternative State ESA<br>Amount | \$ 408,535                 | \$ 408,535 |

**Recommendation**

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

- a) Approval of the Alternative State Essential Services Assessment for up to five years for up to \$68.1 million in Qualified Investments in Eligible Personal Property;
- b) Closing the Alternative State Essential Services Assessment, is subject to satisfactory completion of due diligence (collectively, “Due Diligence”) and finalization of all transaction documents; and
- c) Commitment will remain valid for 120 days with approval for MSF Fund Manager to extend the commitment an additional 60 days.

**MICHIGAN STRATEGIC FUND**

**RESOLUTION  
2016-**

**East Jordan Foundry, LLC  
ALTERNATIVE STATE ESSENTIAL SERVICE ASSESSMENT APPROVAL**

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

**WHEREAS**, the Michigan legislature passed legislation, 2014 PA 80, to revise the personal property tax system so as to allow individuals, small businesses and large businesses to thrive and create jobs in the State of Michigan, but which needed to be approved by the qualified electors of the State of Michigan;

**WHEREAS**, on August 5, 2014, the qualified electors of the State of Michigan approved the legislation to revise the personal property tax system. This revision took effect January 1, 2015. The approval also enacted 2014 PA 92 and 2014 PA 93, the State Essential Services Assessment Act (“SESA”) and the Alternative State Essential Services Assessment Act (“Alternative SESA”);

**WHEREAS**, the SESA Exemption and the Alternative SESA authorized the creation and operation of the SESA Exemption and Alternative SESA Program by the Michigan Strategic Fund (“MSF”) pursuant to MCL 211.1059;

**WHEREAS**, on October 28, 2014, the MSF Board approved the SESA Exemption and Alternative SESA Program Guidelines.

**WHEREAS**, East Jordan Foundry, LLC (the “Company”) has requested that the MSF Board approve an Alternative SESA of up to 5 years for a minimum qualifying investment of \$25.0 million and a maximum qualifying investment of \$68.1 in eligible personal property, as defined in the SESA Exemption and Alternative SESA Program Guidelines, in the Township of Warner (the “Alternative SESA Request”);

**WHEREAS**, the MEDC recommends that the MSF Board 1) approve Alternative SESA Request; 2) require a onetime administrative fee in the amount of \$4,085 payable to the MEDC upon completion of the first performance milestone; and 3) authorize the MSF Fund Manager to execute all final documents necessary to effectuate the Alternative SESA Request; and

**WHEREAS**, the MSF Board desires to 1) approve Alternative SESA Request; 2) require a onetime administrative fee in the amount of \$4,085 payable to the MEDC upon completion of the first performance milestone; and 3) authorize the MSF Fund Manager to execute all final documents necessary to effectuate the Alternative SESA Request.

**NOW, THEREFORE, BE IT RESOLVED**, the MSF Board 1) approves Alternative SESA Request; 2) requires a onetime administrative fee in the amount of \$4,085 payable to the

MEDC upon completion of the first performance milestone; and 3) authorizes the MSF Fund Manager to execute all final documents necessary to effectuate the Alternative SESA Request.

Ayes:

Nays:

Recused:

Lansing, Michigan  
November 22, 2016

## MEMORANDUM

**Date:** November 22, 2016

**To:** Michigan Strategic Fund Board

**From:** Christine Whitz, Director, Community Development Block Grant Program

**Subject:** *Community Development Block Grant Program  
Infrastructure Capacity Enhancement (ICE) Funding Round*

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### **Request**

Michigan Economic Development Corporation (MEDC) staff requests approval to set aside up to \$20,000,000 in Community Development Block Grant (CDBG) funds for eligible projects in the Infrastructure Capacity Enhancement (ICE) funding round.

### **Background**

The purpose of the ICE program is to accelerate economic development and provide benefit to low and moderate income communities. The program is designed to assist these communities with making necessary improvements or upgrades to their existing public infrastructure systems. Activities eligible for funding include projects that upgrade existing public infrastructure systems either by replacing deteriorating or obsolete systems or by adding needed capacity to existing, but burdened systems. These activities may include: water lines and related facilities; sanitary and storm sewer lines and related facilities; wastewater treatment plants and related activities, and engineering and road replacement related to these activities.

### **National Objective:**

In order to qualify for CDBG funding, populations of communities must be at least 51 percent low and moderate income as determined by census data provided by the U.S. Department of Housing and Urban Development or an income survey.

### **Screening Guidelines:**

All eligible projects must meet the following criteria:

- Project shall be located in a Community listed on the CDBG Low-Moderate Income Community Customer list and the project must benefit the entire Community.
- Project shall be for an existing system capital replacement or upgrade, not system expansion or maintenance.
- Community shall have a locally approved Capital Improvements Plan (CIP) and the proposed project shall be specifically identified within the CIP as a non-maintenance capital expenditure.
- Project shall include only eligible CDBG activities and Community must own or be able to obtain an easement to the property needed for the project.
- Community shall contribute a minimum cash match equal to 10% of the total project cost excluding administration. In-kind contributions are ineligible to count as match. (Cash match requirement equal to 10% total project cost excluding administration may be waived for Communities certified in the MEDC's Redevelopment Ready Communities Program)
- Community shall demonstrate a management/maintenance plan for the proposed project for its useful life.
- Project must be completed by December 31, 2018.



- Grant request must be between \$500,000 and \$2,000,000. (One grant request per Community)

Priority for funding approval may be given to projects as follows:

- Project is documented as a public health need or emergency by an administrative corrective action order of a State department, such as Michigan Department of Environmental Quality (MDEQ) or the Michigan Department of Health and Human Services (MDHHS)
- Plans and specifications are complete and sealed by an engineer at time of application
- Community is certified or actively advancing in the Redevelopment-Ready Communities Program
- Community is a Master or Select community in Michigan's Main Street Program
- Community's percentage of committed cash match exceeding the required 10%

**Recommendation**

MEDC Staff recommends the following:

- The MSF authorizes no more than \$20,000,000 be used for the Infrastructure Capacity Enhancement (ICE) funding round.

The MSF President or the MSF Fund Manager, in coordination with MEDC Staff, are authorized to approve funding for specific applicants and execute CDBG grant agreements as provided in the previously adopted delegation of authority (Resolution 2014-122)

**MICHIGAN STRATEGIC FUND**

**RESOLUTION 2016- \_\_\_\_\_**

**APPROVAL OF INFRASTRUCTURE CAPACITY ENHANCEMENT FUNDING ROUND**

**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 2015 Program Guidelines, as amended (the “Criteria”). The MSF, by Resolution 2015-039, authorized and approved the Consolidated Plan and the Criteria and the MSF, by Resolution 2015-039, authorized and approved the 2015 Application Guide 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;

**WHEREAS**, MEDC staff is recommending the use of CDBG funding for the Infrastructure Capacity Enhancement funding round; and

**WHEREAS**, the CDBG program staff will review any presented applications and proposed Projects in light of the Criteria, Guide and HUD regulations and will assure the Project is eligible for funding, are not speculative in nature, are economically sound, are ready to proceed, and requirement that at least 51% of the project beneficiaries are low and moderate income persons.

**NOW, THEREFORE, BE IT RESOLVED**, that the MSF allocates \$20,000,000 from the Michigan CDBG program for the purpose of funding Communities’ proposed projects related to the Infrastructure Capacity Enhancement (ICE) funding round contingent upon the MSF’s continued receipt of CDBG funds, and availability of adequate funds; and

**BE IT FURTHER RESOLVED**, that the MSF Board authorizes the MSF President and/or the MSF Fund Manager to approve ICE grants in accordance with the delegation of authority approved by Resolution 2014-122.

Ayes:

Nays:

Recused:

Lansing, Michigan  
November 22, 2016

**MEMORANDUM**

**Date:** November 22, 2016

**To:** Michigan Strategic Fund Board

**From:** Brittney Hoszkiw, Community Assistance Team Specialist  
Julius Edwards, Incentive Structuring and Underwriting Manager  
Mary Kramer, Brownfield and MCRP Specialist

**Subject:** The Metropolitan Hotel Partners, LLC - Request for Approval Michigan Community Revitalization Program Direct Loan

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**Request**

The Element Detroit at the Metropolitan Building project is for the redevelopment of the 98,000 square foot historic Metropolitan Building into a mixed-use, approximately 110-room extended stay hotel, which will accommodate about 7,000 square feet of third-party retail. The proposed project will be undertaken in a collaborative effort between The Means Group, Inc. and the Roxbury Group LLC. The project will redevelop one parcel on 0.2 acres of property located at 33 John R Street in the City of Detroit. The project is located in a traditional commercial center and qualifies for a Michigan Community Revitalization Program (MCRP) award because it is a historic resource.

The Metropolitan Hotel Partners, LLC (Applicant) is requesting approval of a MCRP incentive in the amount of \$6,500,000 in the form of a performance-based loan.

The project is able to secure debt financing equal to 39.7% of the required capital, while the developer and historic tax credit are contributing 27.7% of the project capital needs as equity. Additional New Markets Tax Credit equity and Starwood “Key Money” contribution cover another 8.6%. The remaining \$6,500,000 or 19.1% will be filled with a Michigan Community Revitalization Program loan is needed to complete the financial needs to move the project forward. The MCRP award is necessary to provide the project with acceptable return for the investment group. MCRP detailed structure is provided in **Appendix A**.

The Applicant anticipates that the project will result in total capital investment in the amount of \$34,056,974, along with the creation of approximately 30 permanent full-time equivalent jobs with an average hourly wage of \$16.00.

**Background**

The Metropolitan building was built in 1924 and finished in 1925. It stands at 15 stories and was once occupied by shops, offices, and the facilities of jewelry manufacturers and wholesalers leading it to also be known as the “Jeweler’s Building.” The manufacture of luminous watch dials in the building left behind several toxic substances that have thwarted redevelopment plans. Architects Weston and Ellington designed it in a Neo-Gothic style. The exterior of the building is faced with brick, granite, and terra cotta. The

Metropolitan Building closed in 1977 and has remained vacant ever since. The property was acquired by the City of Detroit Downtown Development Authority (DDA) and in March of 2010 they had to install safety scaffolding and netting on the building to prevent having parts of the façade fall to the ground.

The development team proposes to convert the Metropolitan into a hospitality-driven mixed-use project. In doing so, it will undertake an historic restoration of the building's exterior and interior lobby elements and full renovation of the interior to include approximately 110 extended-stay guestrooms under the Element by Westin brand. The team is in possession of an approved franchise agreement through Starwood Hotels & resorts. The guestrooms will be located on floors three through fourteen of the Building. The Hotel will offer an appropriate mix of rooms to accommodate the extended-stay corporate traveler and double-bedded rooms popular with the weekend traveler. Approximately 2,000 square feet of space will be dedicated meeting facilities, capable of multiple style configurations. The Element will provide a breakfast bar and lounge located on the first and second floor of the hotel and a 24-hour grab-and-go pantry, where guests can select from high quality healthy snacks, beverages as well as fresh and frozen meals, and groceries that guests prepare in their in-room kitchens. In addition to the hospitality offerings referenced, the Metropolitan will accommodate third-party retail, principally located on the ground floor, John R frontage of the building as well as in the lower level.

Metropolitan Hotel Partners, LLC is a commercial real estate development company formed for the purpose of this project. It is a joint venture between The Means Group, Inc. and the Roxbury Group LLC, both Detroit-based real estate companies. The Means Group, led by Eric Means, is a construction and property management company with over 40 years of combined experience between its senior leaders. The Means Group has not received MSF incentives in the past. The Roxbury Group has received MSF incentives in the past, including MCRP incentives and Brownfield MBT tax credits. With MSF assistance, the Roxbury Group has completed the David Whitney Building, the Auburn, and the Milliken State Park Outdoor Adventure Center. They also have two MSF-incented projects under construction – the Plaza Midtown and Griswold Lofts development. All MSF projects are currently in full compliance.

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

### **Recommendation**

MEDC staff recommends approval of the following:

- A) A MCRP performance-based loan in the amount of \$6,500,000 for The Metropolitan Hotel Partners LLC.

## APPENDIX A

### FINANCING OPPORTUNITY –MCRP PERFORMANCE-BASED DIRECT LOAN

The project is seeking a \$6,500,000 Michigan Strategic Fund (MSF) Investment in the Element Detroit at the Metropolitan Building in the form of a MCRP Performance-Based Loan. The loan is anticipated to be a seven year loan, with interest only payments for up to 36 months, with principal and interest payments for the remainder based on a 300 month amortization schedule. It is anticipated that the loan will be subordinate to The Huntington Bank and Develop Michigan, Inc. (DMI) loans. Huntington Bank is also expected to provide financing to bridge the Historic Tax Credit Equity. The anticipated financing structure for the project is as follows:

#### **SUMMARY OF DEVELOPMENT SOURCES:**

|                        |                     |               |
|------------------------|---------------------|---------------|
| Huntington Bank Loan   | \$ 5,000,000        | 14.7%         |
| DMI Loan               | \$ 8,500,000        | 25.0%         |
| MCRP Loan              | \$ 6,500,000        | 19.1%         |
| Deferred Developer Fee | \$ 1,650,000        | 4.9%          |
| Developer Equity       | \$ 4,500,000        | 13.2%         |
| Historic TC Equity     | \$ 4,944,814        | 14.5%         |
| NMTC Equity            | \$ 2,162,160        | 6.3%          |
| Starwood “Key Money”   | \$ 800,000          | <u>2.3%</u>   |
| <b>TOTAL</b>           | <b>\$34,056,974</b> | <b>100.0%</b> |

#### LOAN FACILITY

|                         |  |
|-------------------------|--|
| <b>MSF Facility</b>     | MCRP Performance-Based Direct Loan   |
| <b>Borrower:</b>        | Metropolitan Hotel Partners, LLC   |
| <b>MSF Loan:</b>        | Up to the lesser of 25% of “Eligible Investment” or \$6,500,000.   |
| <b>Term:</b>            | Anticipated to be 84 months  |
| <b>Interest Rate:</b>   | Up to 5%   |
| <b>Repayment Terms:</b> | Up to 36 months interest-only payments with principal and interest due thereafter on a 300 month amortization. The balance is due at maturity. |
| <b>Collateral:</b>      | To be determined, subject to the NMTC structure  |
| <b>Guarantee:</b>       | Anticipated to be limited guarantees, subject to the NMTC structure.   |

**Fee:** One-time fee equal to 1% of the MCRP Incentive

**Funding:** The MSF will fund up to \$6,500,000 to be disbursed following execution of all necessary financing documentation for the project as determined by the MSF's Fund Manager and completion of other performance criteria.

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

- Documentation of commitment of Historic Tax Credit Investor, including equity pay-in schedule
- Documentation of commitment of New Market Tax Equity/Investor(s)
- Evidence of Senior financing commitment
- Final development budget
- Executed copy of final Hotel Franchise Agreement
- Executed construction documents with a Guaranteed Maximum Price Contract
- Evidence of Historic Part 1 and Part 2 approval
- Documentation of tax abatement certificate (if applicable)

## **APPENDIX B – Programmatic Requirements & Screening Guidelines**

### **MCRP Program and its 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. The total eligible investment for this project is estimated to be \$28,013,125.

### **Source of Information**

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

As required under the MCRP, the following statutory criteria is being considered by the MSF:

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

The redevelopment of the Metropolitan Building is critically important to the City of Detroit. The iconic building has been vacant for almost 40 years (since 1977) and its activation is a significant milestone for Detroit's "come back." Fortunately the building's structural integrity is sound and the building can be restored even after decades of neglect and damage. It would have been a significant loss to the downtown landscape to lose such a large historic building.

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

In addition to addressing another blighted and dilapidated building in the neighborhood, hotels carry a huge economic multiplier as it relates to the spin-off business for restaurants and other stores in the community. This increased demand will be served in part by the 3rd-party retail in the building. These uses in turn add value to the surrounding neighborhood which is mostly multifamily and office, catalyzing future development.

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

The Downtown Development Authority sold the building to the development team for \$250,000. Average purchase price for downtown Detroit properties is approximately \$50 per square foot, which would make the fair market value of the property around \$5.5 million. The City of Detroit is showing its support by extending a tax abatement under the Obsolete Property Revitalization Act (OPRA) which could result in approximately \$6,700,000.

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

The development team is in the process of securing \$5,000,000 in senior financing from Huntington Bank, as well as a bridge loan for the Historic Tax Credit Equity for approximately \$4,500,000. It is anticipated that Develop Michigan, Inc. will be providing approximately

\$8,500,000 in financing. New Markets Tax Credit Equity of approximately \$2,162,160 is expected to be received. Starwood Key Money of \$800,000 is a part of the franchise arrangement. The remaining gap will be filled by an up to \$6,500,000 MCRP loan with an anticipated seven year term, bearing an interest rate of up to five percent. It is anticipated that the project will have access to additional capital by the end of the term to replace the MCRP loan.

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

The Metropolitan Building is located in an historic district and the development team intends to follow the guidelines and standards as set forth by the Secretary of the Interior for the redevelopment.

**F. Creation of jobs:**

This project is expected to create 30 full-time positions. The average hourly wage is estimated to be \$16.00.

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

This project has leveraged \$13.5 million, or approximately 40% loan-to-cost. The development team is contributing \$4.5 million in cash equity and is deferring their developer fee of \$1.65 million and will be paid through excess cash flow after debt service and equity returns are paid. The project is leveraging Federal Historic Tax Credits and New Market Tax Credits, which is providing \$7.1 million in equity, or 20% of the project cost. Starwood, the hotel flag, is also providing \$800,000 in “key money” (will function like a grant).

**H. Whether the project is financially and economically sound:**

Following stabilization of the property, it is anticipated that the project will be able to achieve a debt service coverage ratio of greater than 1.25 to 1.00. Additionally, the project will have the financial support of the owners.

Staff reviewed all rental and expense assumptions and have determined that there is adequate market demand to support the project. A current market study produced by W.R. Hopping & Co., Inc., shows demand trending upward for hotels in downtown Detroit for the past several years, with a positive trend forecast for the future. The Element at the Metropolitan Building should have an edge on the competition as extended-stay hotels typically show better occupancy and rental rates than non-extended-stay hotels.

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

This project will increase the density of the area by restoring an unused, 98,000 square foot blighted property into a reactivated space.

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

The project will include 7,000 square feet of retail which will encourage foot traffic on the site, and provide for a mix of uses. The footprint of the building is not changing.



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

This is a blighted property being restored for private commercial use.

**L. Whether the project promotes sustainable development:**

Not only will fixtures and materials of energy efficiency be used, the project is restoring an already existing structure.

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

The project involves the rehabilitation of a historic resource, the Metropolitan Building.

**N. Whether the project addresses area-wide redevelopment:**

The project is in the continuing efforts of revitalizing the city and will spark spin-off projects for area-wide redevelopment.

**O. Whether the project addresses underserved markets of commerce:**

The project's main purpose is to bring an extended-stay hotel into the city, a resource of which does not exist and therefore addresses an underserved market of commerce.

**P. The level and extent of environmental contamination:**

The previous owner, the City of Detroit Downtown Development Authority, addressed contamination previously; only small amounts of asbestos remain of which will be addressed during the project.

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

The rehabilitation of the Metropolitan Building, a historic resource, will meet the federal Secretary of the Interior's standards for rehabilitation and guidelines for rehabilitating historic buildings (36 CFR 67) during this project.

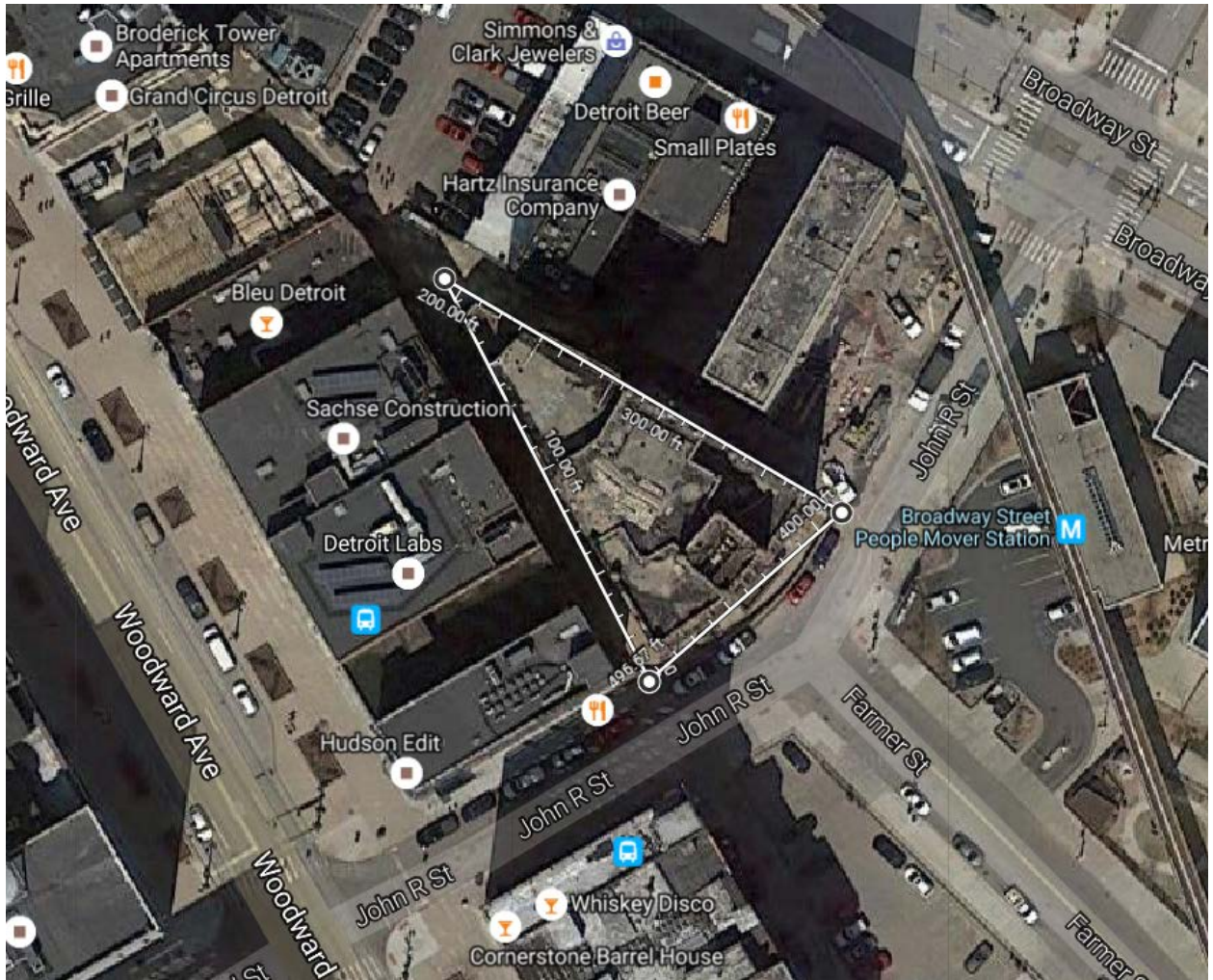
**R. Whether the project will compete with or affect existing Michigan businesses within the same industry:**

Based on a review of the market study and trends in the market, there appears to be more than sufficient demand to support the proposed project and not negatively impact existing hospitality establishments in the downtown area.

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

No additional criteria need to be considered.

## APPENDIX C – Project Map and Renderings



## Renderings



**MICHIGAN STRATEGIC FUND  
RESOLUTION 2016-**

**APPROVAL OF A MICHIGAN COMMUNITY REVITALIZATION PROGRAM  
PERFORMANCE-BASED DIRECT LOAN AWARD TO  
METROPOLITAN HOTEL PARTNERS, LLC, OR OTHER RELATED  
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 2090-1(3), 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**, Metropolitan Hotel Partners, LLC or such entities formed or to be formed in the furtherance of the Element Detroit at the Metropolitan Building Project (“Applicant” or “Borrower”) have requested a Performance-Based Direct Loan award from the MSF under the MCRP for the Project in an amount not to exceed up to \$6,500,000 (“Award Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”);

**WHEREAS**, the MEDC has recommended that the MSF approve the Award Request in accordance with the Term Sheet and Guidelines, subject to: (i) available funding, (ii) final due diligence performed to the satisfaction of the MEDC; and (iii) execution of the Transaction Documents for the Award Request within 180 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 90 days (the foregoing, collectively, the “MCRP Award Recommendation”).

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

**ADOPTED**

Ayes:

Nays:

Recused:

Lansing, Michigan  
November 22, 2016

## Exhibit A

### “Term Sheet”

#### LOAN FACILITY

|                          |  |
|--------------------------|--|
| <b>MSF Facility</b>      | MCRP Performance-Based Direct Loan   |
| <b>Borrower:</b>         | Metropolitan Hotel Partners, LLC   |
| <b>MSF Loan:</b>         | Up to the lesser of 25% of “Eligible Investment” or \$6,500,000.   |
| <b>Term:</b>             | Anticipated to be 84 months  |
| <b>Interest Rate:</b>    | Up to 5%   |
| <b>Repayment Terms:</b>  | Up to 36 months interest-only payments with principal and interest due thereafter on a 300 month amortization.   |
| <b>Collateral:</b>       | To be determined, subject to the NMTC structure  |
| <b>Guarantee:</b>        | Anticipated to be limited guarantees, subject to the NMTC structure.   |
| <b>Fee:</b>              | One-time fee equal to 1% of the MCRP Incentive   |
| <b>Funding:</b>          | The MSF will fund up to \$6,500,000 to be disbursed following execution of all necessary financing documentation for the project as determined by the MSF’s Fund Manager and completion of other performance criteria.   |
| <b>Other Conditions:</b> | <p>The MSF’s investment will be contingent upon receipt and review of the following:</p> <ul style="list-style-type: none"><li>- Documentation of commitment of Historic Tax Credit Investor, including equity pay-in schedule</li><li>- Documentation of commitment of New Market Tax Equity/Investor(s)</li><li>- Evidence of Senior financing commitment</li><li>- Final development budget</li><li>- Executed copy of final Hotel Franchise Agreement</li><li>- Executed construction documents with a Guaranteed Maximum Price Contract</li><li>- Evidence of Historic Part 2 approval</li><li>- Documentation of tax abatement certificate (if applicable)</li></ul> |