

**MICHIGAN STRATEGIC FUND
BOARD MEETING
MARCH 25, 2014
10:00 AM**

Adoption of Proposed MSF Meeting Minutes, February 25, 2014 – [Action Item]

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

Communications – [Information-Andrea Robach]

A. Old Business – [Action Item-Leslie Hornung]

Weber Shandwick Worldwide Contract Amendment

B. Consent Agenda – [Action Item]

Michigan Community Revitalization Program – Woodward Brown Associates, LLC – Joe Martin

2014 University RFP – Roselyn Zator & Paula Sorrell

2014 Entrepreneurial Support Services Specialized Services RFP – Roselyn Zator & Paula Sorrell

Job Creation MBT Credit Amendment - Magna Electronics – Josh Hundt

C. Community Vitality

Michigan Energy Office – RFP Award Recommendation – [Action Item-Robert Jackson]

Michigan Community Revitalization Program– [Action Items-Joe Martin]

- Grand Rapids Arena Place Development, LLC
- MidTowne Hospitality
- Joe Louis Arena Agreement

Brownfield TIF – 965 Wanda Project – [Action Item-Joe Martin]

D. Business Investment

Manufacturing Support Services RFP Award Recommendation – [Action Item – Jacob Schroeder]

Michigan Business Development Program

- Roskam Baking Company – [Action Item-Stacy Bowerman]
- BorgWarner, Inc. – [Action Item-Trevor Friedeberg]
- M1 Rail – [Action Item-Marcia Gebarowski]

E. Access to Capital – [Action Items-Eric Hanna]

Michigan Loan Guarantee Program - Program & Decision Document Approval

Sunset Manor, Inc. – Bond Inducement

Four Seasons Development – Bond Inducement

Lifecare, Inc. – Bond Authorizing - Roll Call Vote

Facility for Rare Isotope Beams (FRIB) – Bond Authorizing – Roll Call Vote

F. Administrative Items

Amendment of MSF Background Check Policy – [Action Item-Karla Campbell]

Amendment of Conflict of Interest Policy – [Action Item-Kevin Francart]

CDBG 2014 Action Plan – [Action Item-Deb Stuart]

MICHIGAN STRATEGIC FUND BOARD MEETING
February 25, 2014
PROPOSED MEETING MINUTES

A meeting of the Michigan Strategic Fund [MSF] Board was held on Tuesday, February 25, 2014, at the Facility for Rare Isotope Beams, Michigan State Campus, 640 South Shaw Lane, East Lansing, Michigan.

MEMBERS PRESENT:

Steve Arwood
Kevin Clinton
Craig DeNooyer
Michael A. Finney
Mike Jackson
Bill J. Martin
Terri Jo Umlor
Jody DePree Vanderwel
Shaun Wilson

MEMBERS ABSENT:

W. Howard Morris

CALL TO ORDER: Mr. Finney called the meeting to order at 10:07 am.

ADOPTION OF MSF PROPOSED MEETING MINUTES – DECEMBER 18, 2013:

Mr. Finney asked if there were any questions from the Board. There being none, Steve Arwood motioned approval for the December 18, 2013 MSF Board Proposed Meeting Minutes. Craig DeNooyer seconded the motion. **The motion carried – 9 ayes; 0 nays; 0 recused; 1 absent.**

PUBLIC COMMENT:

Mr. Mark Burnham of Michigan State University wished to thank everyone for coming, and stated Michigan State University was honored to have the MSF Board meeting onsite at the Facility for Rare Isotope Beams in light of the FRIB expansion project (listed under meeting agenda item 3, Access to Capital).

Mr. John Love asked to address the Board, stating his disapproval of the “Illych Redwing Hockey Arena” (said item not on the day’s meeting agenda). Mr. Love shared with the Board that it was his opinion that it was inappropriate to fund such an expensive project in a city which has declared bankruptcy. He further noted his concern regarding the affect the project will have on property taxes for residents, and that it is “unethical” for the MSF to fund the project, with the Fund as a beneficiary.

COMMUNICATION: Andrea Robach, MSF Board Relations Liaison, informed the Board of the following:

- 1) Addition of a briefing memo pertaining to the change in MSF Committee Structure, under agenda item A. Administrative.
- 2) Minacs Group, listed under consent agenda items, will be moved to the full Board agenda, with Marcia Gebarowski presenting.

ADMINISTRATIVE

Karla Campbell, MSF Fund Manager, presented the board with information regarding these agenda items.

Resolution 2014-001 Change in MSF Committee Structure

Staff Recommendation:

The MEDC recommends the MSF Board create and re-establish an Advisory Committee and delegate to the MSF President the authority to name and appoint Advisory Committee members who shall review and make recommendations to MEDC Staff and MSF Board delegates for the following programs: (i) the 21st Century Jobs Fund 2006 and 2008 Business Plan Competition rounds, as well as the predecessor programs, Michigan Technology Tri-Corridor Fund program and Michigan Life Sciences Corridor Fund program; (ii) the Company Formation and Growth Fund (retention of Pfizer assets program); (iii) those loans awarded under the Choose Michigan program; and (iv) any other programs or matters the MSF Board may authorize the Advisory Committee to review.

Board Discussion:

Mr. Finney asked if there were any questions from the Board. Mr. DeNooyer asked to confirm that the monetary thresholds for these items had not changed. Ms. Campbell confirmed that they had not. There being no further questions, Bill Martin motioned for the approval of Resolution 2014-001. Steve Arwood seconded the motion. **The motion carried: 9 ayes; 0 nays; 0 recused; 1 absent.**

Resolution 2014-002 Consent Agenda Process Approval

The Michigan Strategic Fund (MSF) and Michigan Economic Development Corporation (MEDC) staff requested authority to implement the use of a Consent Agenda at their November 2013 meeting. This request was approved by Resolution 2013-203.

Staff Recommendation:

Staff recommends that the Guidelines for the Consent Agenda be approved

Board Discussion:

Mr. Finney asked if there were any questions from the Board. There being none, Craig DeNooyer motioned for the approval of Resolution 2014-002. Bill Martin seconded the motion. **The motion carried: 9 ayes; 0 nays; 0 recused; 1 absent.**

[Mr. Wilson recused]

Resolution 2014-003, The Minacs Group (USA), Inc.

Marcia Gebarowski, Business Development, provided the Board with information regarding this agenda item. The Minacs Group (USA) Inc. (“Minacs”) is requesting an amendment to their MEGA job creation standard credit. The Company proposed opening operations in the City of Southfield, which was successfully done. The proposed space in Southfield has since exceeded capacity and the Company has had to add new jobs at other sites in the region including their facility in Farmington Hills and customer locations in Dearborn, Auburn Hills and Warren. There is a new opportunity for Minacs to add an additional 200 jobs in Michigan as a result of new contracts awarded. Per the Company’s amendment application, the decision to add these 200 additional jobs will be based on the Company’s ability to utilize their MEGA credit for all jobs created in the state and not isolated to the City of Southfield alone.

Staff Recommendation:

The MEDC Staff recommends that the Michigan Economic Growth Authority (MEGA) job creation credits awarded to The Minacs Group (USA) INC. by the MEGA on April 20, 2010, be amended.

Board Discussion:

Mr. Finney asked if there were any questions from the Board. Discussion ensued pertaining to the potential relocation of jobs from the State should the amendment not be approved. There being no further questions, Mike Jackson motioned for the approval of Resolution 2014-003. Craig DeNooyer seconded the motion.

The motion carried: 8 ayes; 0 nays; 1 recused; 1 absent.

[Mr. Wilson returns]

Resolution 2014-004 through 2014-010: February Consent Agenda

The following items were approved via Consent Agenda (**Resolution 2014-004**):

- Mid Towne Hospitality, LLC – MCRP Amendment – **Resolution 2014-005**
- Manufacturing Support Services – RFP
- MTRAC – Advanced Transportation Amendment **Resolution 2014-006**
- 2014 Business Incubator RFP’s – **Resolution 2014-006A, Resolution 2014-006B**
- SSBCI Loan Guarantee Program – **Request for Public Hearing Resolution 2014-007**
- Ratification of Request for Legal Representation – **Resolution 2014-008**
- McLaren Performance Technologies – MBT Credit Amendment – **Resolution 2014-009**
- AVL Powertrain Engineering – MBT Credit Amendment – **Resolution 2014-010**

Board Discussion:

Mr. Finney asked if there were any questions from the Board. There being none, Craig DeNooyer motioned for the approval of Resolution 2014-004 (and subsequently Resolutions 2014-005, -006, -007, -008, -009, and -010). Shaun Wilson seconded the motion. **The motion carried: 9 ayes; 0 nays; 0 recused; 0 absent.**

COMMUNITY VITALITY

Resolution 2014-011 Strathmore Apartments, LDHA, LLC –

Joe Martin, Manager, CRP & Brownfield Programs, provided the Board with information regarding this action item. Strathmore Apartments LDHA, LLC along with University Cultural Center Association (Co-Applicants) are requesting approval of a Michigan Community Revitalization Program (MCRP) incentive in the amount of \$3,500,000 in the form of a performance-based other economic assistance (equity contribution). The company anticipates that the project could result in eligible investment of \$21,602,000 and total capital investment in the amount of \$28,446,000 in the City of Detroit and the creation of three full-time jobs and one part-time job.

Staff Recommendation:

The MEDC staff recommends approval of an MCRP performance-based equity contribution under other economic assistance in the amount of \$3,500,000 for Strathmore Apartments LDHA, LLC. The commitment will remain valid until August 25, 2014 (180 days after approval) with approval for the MSF Fund Manager to extend the commitment an additional 180 days.

Board Discussion:

Mr. Finney asked if there were any questions from the Board. Discussion ensued pertaining to the deal structure, specifically the equity investment being made by the MSF. Mr. Finney called for Eric Hanna, and Michael Flanagan, both of the former Capital Markets team, to help answer questions from the Board regarding historical returns on prior equity investments made by the MEDC/MSF. Mr. Finney also asked Mr. Martin for a share equity balance sheet to be provided at the next meeting of the MSF Board. There being no further questions, Bill Martin motioned for the approval of Resolution 2014-011. Mike Jackson seconded the motion. **The motion carried: 9 ayes, 0 nays, 0 recused; 1 absent.**

Resolutions 2014-012 & 2014-013 – Ashley Owner, LLC - MCRP & Brownfield TIF

Joe Martin, Manager, CRP & Brownfield Programs, provided the Board with information regarding this action item. The project requests to use both the Brownfield Act 381 Program and the Michigan Community Revitalization Program (MCRP) for the project located at 1526 Centre Street, Detroit. The City of Detroit Brownfield Redevelopment Authority has submitted an Act 381 Work Plan (Work Plan) request for the approval of state school tax capture for eligible activities in the amount of \$482,075. Ashley Owner, LLC (Applicant) is requesting approval of an MCRP Performance-based Grant in the amount of \$1,000,000. The applicant anticipates that the project could result in eligible investment of \$6,048,710 and total capital investment in the amount of \$8,248,415 in the City of Detroit and the creation of 10 full-time and 30 part-time jobs.

Staff Recommendation:

The MEDC staff recommends approval of an MCRP performance-based grant in the amount of \$1,000,000 and approval of state school tax capture for the Act 381 eligible activities totaling \$482,075 described above. The commitment will remain valid until June 25, 2014 (120 days after approval) with approval for MSF Fund Manager to extend the commitment an additional 120 days.

Board Discussion:

Mr. Finney asked if there were any questions from the Board. There being none, and Mr. Martin having asked for the approval of both the MCRP and Brownfield TIF resolutions simultaneously, Steve Arwood motioned for the approval of Resolutions 2014-012 & 2014-013. Shaun Wilson seconded the motion. **The motion carried: 9 ayes; 0 nays; 0 recused; 1 absent.**

Resolutions 2014-014 & 2014-015 - Midland DTH, LLC – MCRP & Brownfield TIF

Joe Martin, Manager, CRP and Brownfield Programs, provided the Board with information regarding this action item. Midland DTH LLC is requesting to use both the Brownfield Act 381 Program and the Michigan Community Revitalization Program (MCRP) for the project located at 102-128 East Main Street and 108 Ashman Street in the City of Midland. The City of Midland Brownfield Redevelopment Financing Authority has submitted an Act 381 Work Plan (Work Plan) request for the approval of local and school tax capture for eligible activities in the amount of \$8,329,487. Additionally, Midland DTH LLC (Applicant) is requesting a Performance-Based Loan Incentive in the amount of \$4,780,000. The Applicant anticipates the project could result in approximately \$20,372,749 in eligible investment and \$22,966,749 in capital investment in the City of Midland.

Staff Recommendation:

The MEDC staff recommends approval of an MCRP performance-based loan in the amount of \$4,780,000 for Midland DTH LLC. The commitment will remain valid until August 25, 2014 (180 days after approval) with approval for the MSF Fund Manager to extend the commitment an additional 180 days. Staff also recommends approval of school tax capture for the Act 381 eligible activities totaling \$8,329,487 described above.

Board Discussion:

Mr. Finney asked if there were any questions from the Board. Discussion ensued pertaining to the type of housing which was being proposed by the company, and whether there was a market for a three bedroom apartment in the subject area. Mr. Martin clarified by confirming there is in fact a demand for that type of housing in the market area, as family units are looking for real estate located in the downtown area. There being no further questions, and Mr. Martin having asked for the approval of both the MCRP and Brownfield TIF resolutions simultaneously, Mike Jackson motioned for the approval of Resolutions 2014-014 & 2014-015. Steve Arwood seconded the motion. **The motion carried: 9 ayes; 0 nays; 0 recused; 1 absent.**

Resolution 2014-016 – Downtown Infrastructure Grants – CDBG

Chris Whitz, CDBG Manager, provided the Board with information regarding this action item.

Fourteen units of general local government (see Exhibit A) are requesting a total of \$7,600,176 in Community Development Block Grant (CDBG) funds for infrastructure improvements in their downtowns. The Community Development Block Grant (CDBG) program announced a competitive round of CDBG funding in August 2013. Eligible communities could submit Part I Applications for Downtown Infrastructure Grants (DIG). This was the fourth offering of the Downtown Infrastructure Grants since the program was introduced. The purpose of the DIG program is to assist low and moderate income communities seeking to improve the infrastructure quality of their downtown district. The MSF received 45 Part I Applications requesting \$18,766,057, with a total of \$6,777,618 in matching funds identified. The projects recommended have completed a full application and majority of their environmental review. This allows them to start construction immediately following the grant agreement being signed.

Staff Recommendation:

Staff recommends that grant agreements totaling \$7,600,176 be authorized for the fourteen projects listed in Exhibit A of the resolution.

Board Discussion:

Mr. Finney asked if there were any questions from the Board. There being none, Steve Arwood motioned for the approval of Resolution 2014-016. Craig DeNoyer seconded the motion. **The motion carried: 9 ayes; 0 nays; 0 recused; 1 absent.**

STATE BRANDING

Resolution 2014-TBD – Weber Shandwick Worldwide Contract Amendment

Leslie Horning, Senior Vice President, Marketing and Communications, provided the Board with information regarding this action item. By Resolution 2011-123, adopted on August 24, 2011, the MSF Board awarded the public relations contract to Weber Shandwick Worldwide, for the period of September 1, 2011 to September 30, 2014, at \$3,750,000, with two one-year additional extensions. Weber Shandwick Worldwide has successfully assisted MEDC in the development, planning and execution of media and public relations activities and promotional events in all MEDC's targeted geographic, industry and audience markets. To continue the success, we would like to increase the amount of the contract to include fiscal 2014 funding.

Staff Recommendation:

The MEDC recommends that the MSF increase the amount of the allocated funds to \$4,746,000, an increase of \$996,000 for fiscal year 2014.

Board Discussion:

Mr. Finney asked if there were any questions from the Board. Discussion ensued pertaining to the intended use for the funding requested; was this to finance a year extension, or additional money for the current year? Mr. Arwood asked for further clarification regarding the timeframe for which the money requested is to be used; Mr. DeNooyer noted a discrepancy between the briefing memo and the resolution. As Ms. Hornung was unable to provide the Board with the satisfactory answers, Bill Martin motioned to table this agenda item until further information can be provided. All members seconded the motion. **The motion to table this agenda item carried: 9 ayes, 0 nays; 0 recused; 1 absent.**

BUSINESS INVESTMENT

[Mr. Wilson recused]

Resolution 2014-017 – 2014 Entrepreneurial Support Services RFP – Award Recommendation

Roselyn Zator and Paula Sorrell of the Entrepreneurial Services team provided the Board with information regarding this action item. The MEDC requests that the MSF Board approve funding of \$6,450,000 to Grand Valley State University Michigan Small Business Development Center (GVSU MI-SBDC) for its Entrepreneurial Support Services Programs including its Business Acceleration Services Fund, SBIR/STTR Federal Grant Match Program, and the Consulting and Business Counseling Services for Companies.

Staff Recommendation:

MEDC Staff recommends that the MSF Board approve \$6.45 million to be awarded to Grand Valley State University Michigan Small Business Development Center for programs outlined in the resolution.

Board Discussion:

Mr. Finney asked if there were any questions from the Board. Discussion ensued pertaining to the scope of the issued RFP, and increasing the potential candidates. The Board questioned staff as to why we issue a RFP if we are continually awarding the funds to the same applicant year after year. Ms. Zator assured the Board that MEDC is looking into methods to appeal to a larger audience. There being no further questions, Steve Arwood motioned for the approval of Resolution 2014-017. Jody Vanderwel seconded the motion.

The motion carried: 8 ayes; 0 nays; 1 recused; 1 absent.

[Mr. Wilson returns]

[Mr. Finney recused; Mr. Arwood proceeded to conduct the meeting in Mr. Finney's absence]

Resolution 2014-018 – 2014 Early Stage Funding RFP – Award Recommendation

Roselyn Zator and Paula Sorrell of the Entrepreneurship Team provided the Board with information on this action item. The MEDC requests that the MSF Board approve funding of \$7,958,000 to Invest Michigan for its Early Stage Funding Program. On October 23, 2013 the MSF Board approved the release of the 2014 Early Stage Funding Programs Request for Proposals in the amount of \$7,958,000. Eight proposals were received. Invest Michigan scored the highest with the score of 84.6. Invest Michigan requested \$7,958,000 of which \$6,764,300 will be used for investments. Within this amount \$5,264,300 will be used for pre-seed equity and loan investments in early stage competitive edge technology companies, \$500,000 for pre-seed micro equity or loan investments of \$50,000 or less, and \$1,000,000 for grants to assist university technology commercialization projects.

Staff Recommendation:

MEDC recommends that the MSF Board approve \$7.958 million to be awarded to Invest Michigan.

Board Discussion:

Mr. Arwood asked if there were any questions from the Board. Discussion ensued pertaining to the change of the award recipient from the prior year's awardees, Ann Arbor SPARK, and the background on the awardee criteria. Ms. Zator informed the Board that Invest Michigan had new ideas for the use of the funding, especially in the area of post investment support. The Board also requested that staff provide a balance sheet of all fund performance over the past 5 years. There being no further questions, Craig DeNooyer motioned for the approval of Resolution 2014-018. Mike Jackson seconded this motion. **The motion carried: 8 ayes, 0 nays; 1 recused; 1 absent.**

[Mr. Finney returns]

BUSINESS GROWTH

Resolution 2014-019 – Kalitta Air, LLC – MBDP

Ken Murdoch, Business Development Manager, provided the Board with information regarding this action item. Attending in support of the proposed project is Peter Sanderlin of Kalitta Air, Gary Kellan of Oscoda Township Economic Development, and Jim Baier, Oscoda Township Supervisor. Mr. Sanderlin gave a brief overview of the project. Mr. Kellan thanked the MEDC for being such great partners. Mr. Baier thanked the Board, and noted that Oscoda Township is not in Oscoda County, but Ionia County, which has a far higher unemployment rate. He spoke to the tremendous positive affect this project will have on the community.

This is a request from the Applicant for a \$2 million Performance-based grant. This project involves the creation of 200 Qualified New Jobs, and a capital investment of up to \$9,730,431 in Oscoda Charter Township, Michigan. The Applicant is a Federal Aviation Administration certified provider of aircraft maintenance, repair and overhaul services. The Company will be constructing a new 80,000 square foot airplane hangar. The new hangar will be larger than the ones the Company currently uses and will allow the Company to offer nose to tail service and repair on B-747-400's, B747-8's and the Dreamliner aircrafts.

Staff Recommendation:

MEDC Staff recommends approval of the MBDP Proposal as outlined.

Board Discussion:

Mr. Finney asked if there were any questions from the Board. Discussion ensued pertaining to the positive impact this project, and Kalitta's business operations a whole have had on the community. The Board was especially complimentary to Mr. Sanderlin's advocacy for the training and employment of area high school students and tradesmen. There being no further questions, Steve Arwood motioned for the approval of Resolution 2014-019. Terri Jo Umlor seconded this motion. **The motion carried: 9 ayes; 0 nays; 0 recused; 1 absent.**

Resolution 2014-020 – Eberspaecher North America, Inc. – MBDP

Trevor Friedeberg, Business Development Manager, provided the Board with information regarding this action item. He introduced Scott Trujillo of Eberspaecher North America, Inc., and Timothy Anderson of Dickinson Wright. Mr. Trujillo provided the Board with a brief overview of the project time line.

This is a request from the Applicant for a \$4.5 million Performance-based grant. This project involves the creation of 545 Qualified New Jobs as a result of the project, and a capital investment of up to \$122 million in the City of Brighton. With an incentive award, the Company will invest and expand their upstream component manufacturing to replace steel bending, milling, and stamping components and supplies that are currently being purchased from elsewhere in the United States, as well as Canada, Germany, and South Africa. If located in Michigan, the Company would require a new 350,000+ square foot manufacturing facility.

Staff Recommendation:

MEDC Staff recommends approval of the MBDP Proposal as outlined.

Board Discussion:

Mr. Finney asked if there were any question from the Board. Discussion ensued pertaining to the terms of the proposed incentive, as out lined in the term sheet and resolution. There being no further questions, Craig DeNooyer motioned for the approval of Resolution 2014-020. Steve Arwood seconded this motion. **The motion carried: 9 ayes; 0 nays; 0 recused; 1 absent.**

ACCESS TO CAPITAL

Resolution 2014-021 – Detroit Ventures Partners Award – PMVDF

Michael Flanagan and Paula Sorrell, of the Entrepreneurship Team, provided the Board with information regarding this action item. MEDC Staff is requesting a modification to the award made to Detroit Venture Partners (“DVP”) through the Pure Michigan Venture Development Fund (“Program” or “VDF”), to allow DVP to have a final close of greater than \$50 million. On October 23, 2013, the MSF Board approved an award of \$2.25 million to Detroit Venture Partners through the Pure Michigan Venture Development Fund. Under the Program Guidelines, funds are required to have a target fund size no greater than \$50 million. DVP met this requirement with a \$50 million target fund size, as reflected in their Private Placement Memorandum provided at application. However, DVP has recently informed MEDC staff that it will exceed its initial target fund size of \$50 million and will likely have a final close that is closer to \$65 million.

Staff Recommendation:

Staff recommends that the MSF Board approve a resolution allowing Detroit Venture Partners to exceed its initial target fund size of \$50 million, which will have a positive economic impact on Detroit and Michigan generally.

Board Discussion:

Mr. Finney asked if there were any questions from the Board. Discussion ensued pertaining to the proposed increase to the current fund limits, and whether or not that changed the potential project scope. There was also discussion relevant to potential program applicants who may consider themselves slighted, as they did not apply for funding due to the current program cap. There being no further questions, Craig DeNooyer motioned for the approval of Resolution 2014-021. Steve Arwood seconded the motion. **The motion carried: 9 ayes; 0 nays; 0 recused; 1 absent.**

Resolution 2014-022 – Harvest Fresh Farms – Collateral Support Through SSBCI

Christopher Cook, Debt Capital Programs, provided the Board with information regarding this action item. Kilbourn Produce, LLC (“Kilbourn Produce”) is a new entity that is being formed in order to operate a new twelve acre greenhouse facility in Marshall. Kilbourn Produce will be a joint venture between two existing companies, Kilbourn Farms, Inc. (“Kilbourn”) and 2246690 Ontario Inc. o/a Darpa Systems & Technology (“Darpa”). The project is anticipated to cost \$11,930,000. Fifth Third Bank (“Bank”) has proposed an \$8,650,000 construction note in order to provide financing for the project, with the remainder of the cost be contributed as equity from Kilbourn and Darpa. Kilbourn Produce, Kilbourn, and Darpa will serve as co-borrowers for the proposed financing. The Bank is requesting that the MSF provide collateral support totaling up to \$4,316,350 in order to address an anticipated collateral shortfall for the project.

Staff Recommendation:

MEDC Staff recommends approval of the MBGF-CSP proposal as outlined in the resolution.

Board Discussion:

Mr. Finney asked if there were any questions from the Board. There being none, Mike Jackson motioned for the approval of Resolution 2014-022. Craig DeNooyer seconded the motion. **The motion carried: 9 ayes; 0 nays; 0 recused; 1 absent.**

Resolution 2014-023 – SSBCI Loan Guarantee Program Approval

Eric Hanna, Director, Debt Capital Programs, provided the Board with information regarding this action item. In September and October the MSF approved various components of a program called the “Small Business Loan Program” which was created for the purpose of expanding the access to capital for small businesses in Michigan both through a network of Community Development Financial Institutions

(“CDFI’s”) and through qualifying partner banks and other lenders. Because the program will function as a loan guarantee program and because some elements of the prior program structure created challenges to effective deployment and reporting this procedure will rescind those prior approvals and provide for a restructuring of the program

Staff Recommendation:

MEDC Staff recommends the approval of the program as outlined.

Board Discussion:

Mr. Finney asked if there were any questions from the Board. Brief discussion ensued. There being no further questions, Bill Martin motioned for the approval of Resolution 2014-023. Mike Jackson seconded the motion. **The motion carried: 9 ayes, 0 nays; 0 recused; 1 absent.**

Resolution 2014-024 – Canton Renewables, LLC –Sauk Hills Project – Bond Authorization

Eric Hanna, Director, Debt Capital Programs, provided the Board with information regarding this action item. Canton Renewables, LLC (the “Company”) is seeking financing for the costs of construction relating to a renewable natural gas facility at the Sauk Trail Hills Landfill located at, or adjacent to, 5011 South Lilley Road, Charter Township of Canton, Wayne County. The Company indicates it will produce renewable natural gas that will be derived from the biogas extracted from the solid waste landfill that can be used as a renewable energy resource. The project qualifies for private activity tax-exempt bond financing under the “solid waste facility” exemption. The Company indicates that the project will result in 2-3 permanent jobs.

Staff Recommendation:

Based upon a determination by Lewis & Munday, A Professional Corporation, and the State of Michigan Attorney General’s office that the project complies with state and federal law requirements, for tax exempt financing, staff recommends the adoption of a Bond Authorizing Resolution in the amount of not to exceed \$13,300,000.

Board Discussion:

Mr. Finney asked if there were any questions from the Board. There being none, Steve Arwood motioned for the approval of Resolution 2014-024. Craig DeNooyer seconded this motion. **The motion carried via a roll call vote: 9 ayes; 0 nays; 0 recused; 1 absent.**

Resolution 2014-025 – Sisters, Servants of the Immaculate Heart of Mary – Bond Authorization

Eric Hanna, Director, Debt Capital Programs, provided the Board with information regarding this action item. Sisters, Servants of the Immaculate Heart of Mary, Monroe, Michigan, Inc. (“IHM”) is requesting private activity bond financing to refund a taxable loan originally made by Allied Irish Banks (“AIB”) to IHM in 2000 for the construction, renovation and equipping of IHM’s Motherhouse. Construction began in 2000 and was complete in 2003. Currently, 165 Sisters work and reside in the Motherhouse. 243 additional persons are employed by IHM. The proposed refinancing involves no new construction or acquisition. It will be treated for federal income tax purposes as a “refunding” of outstanding indebtedness, which obviates the need for “reimbursement” or “inducement” by the MSF Board.

Staff Recommendation:

Based upon a determination by Clark Hill PLC and the State of Michigan Attorney General’s office that the refunding complies with state and federal requirements, for tax exempt financing, staff recommends the adoption of a Bond Authorizing Resolution in the amount not to exceed \$25,000,000.

Board Discussion:

Mr. Finney asked if there were any questions from the Board. There being none, Mike Jackson motioned

for the approval of Resolution 2014-025. Jody DePree Vanderwel seconded the motion. **The motion carried via a roll call vote: 9 ayes; 0 nays; 0 recused; 1 absent.**

Resolution 2014-026 – Lifecare, Inc. d/b/a Friendship Village – Bond Inducement

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

Lifecare, Inc. d/b/a Friendship Village is requesting private activity bond financing for a project consisting of constructing, installing, equipping, acquiring, and furnishing additions to existing skilled nursing and assisted living facility, renovations and upgrade to existing Alzheimer's & dementia unit, and renovations to other miscellaneous areas of the Friendship Village Campus.

Staff Recommendation:

After reviewing the Private Activity Bond application for Lifecare, Inc. d/b/a Friendship Village, staff recommends the adoption of an Inducement Resolution in the amount of \$14,000,000.

Board Discussion:

Mr. Finney asked if there were any questions from the Board. There being none, Steve Arwood motioned for the approval of Resolution 2014-026. Shaun Wilson seconded the motion. **The motion carried: 9 ayes; 0 nays; 0 recused; 1 absent.**

Resolution 2014-027 – Facility for Rare Isotope Beams (FRIB) – Bond Inducement

Eric Hanna, Director, Debt Capital Programs, provided the Board with information regarding this action item. He introduced Dr. Thomas Glasmacher, FRIB Project Manager, and Deborah Roberts from the State of Michigan Treasury Department. Mr. Finney acknowledged Michigan State University, thanking the FRIB at this time for hosting the February 2014 meeting of the Michigan Strategic Fund Board. Dr. Glasmacher then gave a brief overview of the proposed project and how the University beat out other competitors for the privilege of housing this technology. Ms. Roberts briefly outlined the financing, which though is facilitated through the MSF, was primarily processed through the State Department of Treasury.

The State is seeking to support the community share of the construction of the Facility for Rare Isotope Beams (FRIB) to be built on the campus of Michigan State University (MSU). The construction of the FRIB project involves more than \$600 million in direct investment, mainly from the Federal Government, and the operation of the FRIB is expected to create new employment in research and development for the State. MSU indicates the proposed facility will be approximately 220,160 square feet of a newly constructed facility to adjoin the existing National Superconducting Cyclotron Laboratory (NSCL). The project site is bounded by Wilson Road to the south, Bogue Street to the east and Shaw Lane to the north of the NSCL. The facility will consist of above ground and below ground facilities. The total civil construction cost is estimated to be \$165,000,000. Utilities have been relocated and site preparation is complete.

Staff Recommendation:

After reviewing the proposed project, staff recommends the adoption of an Inducement Resolution in the amount of not to exceed \$100,000,000 for the FRIB project.

Board Discussion:

Mr. Finney asked if there were any questions from the Board. There being none, Bill Martin motioned for the approval of Resolution 2014-027. Steve Arwood seconded the motion. The motion carried: 9 ayes; 0 nays; 0 recused; 1 absent.

Mr. Finney adjourned the meeting at 11:45 am.



MEMORANDUM

Date: March 25, 2014

To: MSF Board Members

From: Leslie Hornung, Senior Vice President
Marketing, Communications and Public Relations

Subject: Weber Shandwick Worldwide Contract Amendment

BACKGROUND

In accordance with Section 88b(5) of the Michigan Strategic Fund Act (the “Act”), 1984 PA 270, as amended, MCL 125.2088b(5) the Michigan Strategic Fund (“MSF”) may use up to five percent of the annual appropriation from the 21st Century Jobs Trust Fund for business development and marketing costs.

Section 88b(5) requires that the MSF Board select all vendors for business marketing expenditures under Chapter 8A of the Act by issuing a Request for Proposals (“RFP”).

The MSF Board approved issuance of a public relations and digital marketing RFP by Resolution 2011-093, adopted on June 22, 2011.

By Resolution 2011-123, adopted on August 24, 2011, the MSF Board awarded the public relations contract to Weber Shandwick Worldwide, for the period of September 1, 2011 to September 30, 2014, at \$3,750,000, with two one-year additional extensions.

The annual funds allocated for this contract have been within the appropriation for each given year. The year to year contract amounts have been:

FY2012 - \$3,684,004 (Note: \$1,563,070 of this amount was for paid media spend FY12 only)

FY2013 - \$1,449,250

FY2014 – Utilized FY12 and FY13 carry over funds of \$450,420 + \$996,000 requested amendment to contract.

This amendment will cover originally contracted PR efforts for the remainder of FY14, plus additional services to include:

- o Outbound media tour to meet with Think Tanks responsible for state rankings
- o One inbound automotive media tour
- o One water technology independent media tour
- o One industrial design independent media tour
- o Implementation and management of the Facebook sponsored post partner program
- o Support and implementation of building out the MEDC LinkedIn page and strategy

Weber Shandwick Worldwide has successfully assisted MEDC in the development, planning and execution of media, public relations, social media activities and promotional events for Pure Michigan travel, business attraction and talent promotion efforts. These efforts are intended to raise awareness and increase recognition of the all Michigan assets related to life, work and career. The efforts of Weber Shandwick have resulted in the publication and broadcast of Michigan business, talent attraction and tourism related articles and feature stories by print, broadcast and online media markets nationally and around the world.

To continue the success, we would like to increase the amount of the contract to include fiscal year 2014 funding.

RECOMMENDATION

The MEDC recommends that the MSF increase the amount of the allocated funds to \$6,130,254, an increase of \$996,000 for fiscal year 2014.

Weber Shandwick Travel PR Successes

- **National Pie Day Campaign** –To highlight Michigan’s culinary offerings and agriculture industry, Weber Shandwick developed a campaign to bring a slice of Michigan’s pie industry to national media outlets leveraging National Pie Day on January 23, 2013. A national TV segment was secured on FOX & Friends, the number one cable morning show, and pie deliveries were conducted to more than 40 New York-based TV, radio, print and online media. Day-of and continued campaign coverage included: Sirius XM, Elvis Duran and the Morning Show: New York Z100, The Chew, Conde Nast’s Jaunted, TravelandLeisure.com, TheDailyMeal.com, GQ, Zagat and more. To date the campaign has received over 46,000,000 media impressions and 861,127 social media impressions. For Pure Michigan’s social media outlets, National Pie Day garnered more than 800 new Pure Michigan Twitter followers, nearly 600 #PureMichiganPie tweets, 343 contestant entries, 5,416 blog views and a Facebook reach of more than 25,000. @GTPie also gained 488 Twitter followers due to the promotion.
- **Pure Michigan Mario Batali Partnership** - In the fall of 2011, Weber Shandwick launched a partnership with seasonal Michigan resident and celebrity chef, Mario Batali, to highlight the myriad four season offerings Michigan offers, as well as focusing on key vertical markets such as culinary. The partnership included a dynamic media day in Michigan on June 28, 2012, punctuated by the creation of three all-new “Made in Michigan” recipes by the chef. The plan was to achieve a quick surge of publicity to be sustained with long-lead coverage throughout the summer. To date, Pure Michigan’s partnership with Mario Batali has resulted in **more than 96 million impressions** including:
 - SMT which produced 30 television, radio and internet interviews
 - Culinary media tour of Batali’s favorite Northern Michigan foodie spots which yielded 21 media attendees including national travel and food writers as well as regional media; included a special one-hour cooking experience with Batali
 - PureMichigan.org chat where Batali shared tips on travel and cooking which brought 1,452 visits to the blog and answered 57 consumer questions
 - “Made in Michigan” day promotion on the official Pure Michigan social channels, including Facebook, Twitter, YouTube, Google+ and Pinterest, where live photos, updates and recipes were shared
 - Batali also shared updates on his Facebook and Twitter pages, tagging Pure Michigan
 - Two videos – Mario Batali’s Favorite Places in Northern Michigan and Mario Batali’s Recipes and Michigan-inspired Dishes – which have garnered nearly 16K views
- **NYLON Guys Feature Article** - After a year in the making (NYLON’s participation in the Detroit press trip, followed by several editor independent press trips), PR efforts resulted in a five-page feature in the January 2013 issue of *NYLON Guys*. “Street Style Detroit” encouraged readers to visit Detroit and took them on a journey through the unknowns and unique style of the city. Reaching more than 100,000 readers in print, as well as an additional 30,000 readers online, the article highlighted press trip stops such as The Heidelberg Project, Detroit’s Eastern Market, The Renaissance Center and Corktown. *NYLON Guy’s* influential article was one of the many resulting from press trips, which positioned Detroit as a “comeback city.”
- **Saveur** – As a result of continued work with *Saveur* editors and an independent press trip in fall 2012, part of Weber Shandwick’s ongoing independent press trip initiatives, “Upper Crust,” a

three page feature article about the culinary glories of Michigan's Route 41 ran in the October issue of *Saveur* (UVP: 258,998/Circ: 331,378). The article takes readers on a journey through the culinary glories of Michigan's Route 41. Regional delights from pasties to whitefish are highlighted throughout the piece, a recipe for Povitica is shared for readers to try at home and several accompanying images help tell the UP's culinary story.

- **Press trips** – Since 2012, Weber Shandwick has hosted over 75 media on group and independent Pure Michigan press trips.

Pure Michigan Social Media Growth 2011 – 2014

Facebook:

- January 2011 – 328,870 Fans
- January 2014 – 593,973 Fans

Twitter:

- January 2011 – 20,000 Followers
- January 2014 - 83,939 Followers

Pure Michigan Blog:

- January 2011 - 11,345 Visits
- January 2014 - 73,282 Visits

Launch of New Social Media Platforms

Pinterest: Launched January 2012

- As of January 2014, the Pure Michigan Pinterest page has 11,595 followers.
- Pure Michigan has pinned 581 images and created 34 boards on Pinterest.
- Pure Michigan's Pinterest content has been re-pinned 55,904 times.

Instagram: Launched July 2012

- As of January 2014, the Pure Michigan Instagram page has 81,418 followers. It is the most followed state tourism page in the country.
- 632,400+ have been tagged with the #puremichigan hashtag on Instagram.

Annual Pure Michigan Moments Photo Contest

1st Annual Pure Michigan Moments Photo Contest:

- Contest Dates: October 22 – November 9, 2013
- 3,330 entries submitted
- 54,300 votes on entries
- 14,373 new Facebook fans acquired
- 800 sign-ups for the official Pure Michigan newsletter

2nd Annual Pure Michigan Moments Photo Contest:

- Contest Dates: November 1 – November 17, 2013
- 3,041 entries submitted
- 56,211 votes on entries
- 13,680 new Facebook fans acquired
- 571 sign-ups for the official Pure Michigan newsletter

Weber Shandwick Business PR Successes

- Weber Shandwick secured speaking opportunity for Mike Finney at the [2013 The Atlantic Washington Ideas Forum](#). Mike joined a panel of media and political and business leaders to discuss ideas on jumpstarting the economy, which allowed for Michigan's progress to be highlighted on a national scale.
- While Michigan did not move in **2012 Forbes Best States for Business rankings**, Weber helped to highlight changes in Michigan's business climate by placing an op-ed, [Governor Snyder on Reinventing Michigan: More than Meets the Eye](#), to coincide with the rankings (17,190,282 unique visitors per month)
- In July 2013, Michigan moved 4 spots up in **CNBC's Top States rankings**. Weber Shandwick helped to elevate awareness of Michigan's improved business climate once again through an op-ed placement, The [Comeback State: Michigan's Reinvention](#). (6,099,218 unique visitors per month)
- To counteract the negative news and perceptions surrounding Detroit's bankruptcy news, Weber Shandwick pitched positive stories about business and investment in the city, resulting in two stories on **money.cnn.com** (29,407,293 unique visitors per month). [Detroit's Stealth Business Boom](#) focused on the opportunity the city offered, by focusing on companies and residents moving back to the city. Following the announcement of the new sports arena in Detroit, with investment from the Michigan Economic Development Corporation, [New \\$444 million hockey arena is still a go in Detroit](#), addressed concerns over the funding by showing the economic impact the project could bring to the city.
- Efforts to highlight the Community Ventures program on a national scale resulted in a 2-part story in the **National Journal** (1,071,700 unique visitors per month) which included an op-ed from Governor Snyder, [How Michigan Has Flipped the Job Switch](#), on the program as well as an interview with Detroit, Travis Butler, who found employment through the program - [The Simple Power of a \\$12-an-hour Job](#)
- An effort was placed on highlighting changes in Michigan's business climate to influential site selection and industry trade magazines. As a result, Weber Shandwick has secured coverage in
 - **Chief Executive:** [State Economies Are Improving in the Upper Great Lakes](#)
 - **Business Xpansion:** [Michigan Advances Pro-Business Image](#)
 - **Chief Executive:** [Is Right to Work the Right Move](#)
- As a way to support entrepreneurs and tell the Michigan business story, individual success stories are used to highlight thriving businesses in Michigan. As a result of media outreach, Weber Shandwick secured national, top tier interviews and feature stories including:
 - Ferndale's Treat Dreams was featured in a print and online story in **Money Magazine** (1,908,509 circulation) and Money.Cnn.com. [Banker finds sweeter career: Making ice cream](#) shows how Scott went from a corporate career into an entrepreneur successfully and the growth of his business.
 - For **Inc.'s How I Did It** (716,872 monthly unique visitors), Weber Shandwick secured an interview with Michigan-based Warrior Sports and CEO Dave Morrow. [Why Warrior Sports Manufactures in Detroit](#) and focuses on why Dave chose to bring manufacturing back to the States, specifically the Midwest and Michigan, and how the robust manufacturing community is an asset to businesses, due to the quality and ability to operate smoothly compared to manufacturing overseas.
 - For [Fox & Friend's Who's Hiring](#), TRW was featured as a company hiring for more than 100 jobs for a broadcast (1.5 million viewers) and online video segment (4,256,031 unique visitors per month). The segment mentioned the resurging automotive industry and living in Michigan.

MICHIGAN STRATEGIC FUND

**RESOLUTION
2014-**

**WEBER SHANDWICK WORLDWIDE CONTRACT FOR PUBLIC RELATIONS AND
BUSINESS MARKETING AMENDMENT**

WHEREAS, Public Act 489 of 2000, MCL 12.251 to 12.260, created the Michigan Trust Fund Act, of which the 21st Century Jobs Trust Fund (“Trust Fund”) is established;

WHEREAS, Public Act 270 of 1984, MCL 125.2088b(4), provided for not more than five percent of the annual appropriations as provided by law from the Trust Fund may be used for business development and business marketing costs;

WHEREAS, on August 24, 2011, the Michigan Strategic Fund (“MSF”) approved the use of Weber Shandwick Worldwide as the vendor for the public relations and digital marketing program;

WHEREAS, the MSF and Weber Shandwick Worldwide desire to increase the amount of the contract, as amended, by \$996,000 to continue the public relations activities and promotional events in the targeted geographic, industry, and audience markets;

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

WHEREAS, the MEDC recommends that the MSF increase the contract amount to continue the public relations promotional activities.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board amends the Weber Shandwick Worldwide contract, as previously amended contract of \$5,134,254, by increasing the amount to not exceed \$6,130,254.00; and

BE IT FURTHER RESOLVED, that the MSF Fund Manager is authorized to execute the amendment to the Weber Shandwick Worldwide contract consistent with the terms of this resolution.

Ayes:

Nays:

Recused:

Detroit, Michigan
March 25, 2014



MEMORANDUM

Date: March 25, 2014

To: Michigan Strategic Fund

From: Joseph Martin, Manager, Community Revitalization and Brownfield Programs

Subject: The Private Bank and Woodward Brown Associates, LLC
Michigan Community Revitalization Program
Request for Reauthorization of Approval of a \$3,278,890 Performance-based Loan Participation

Action

MEDC staff is seeking reauthorization of the original approval of the Michigan Community Revitalization Program incentive in the amount of \$3,278,890 in the form of a performance-based loan participation for Woodward Brown Associates, LLC (Applicant) and The Private Bank (Lender).

Background

On September 25, 2013, the Michigan Strategic Fund board approved a \$3,278,890 performance-based loan participation for Woodward Brown Associates, LLC under the Michigan Community Revitalization Program (MCRP). The project involves construction of a new, 5-story mixed-used structure of approximately 88,000 square feet, to be known as the Balmoral, located on the corner of Woodward Avenue and Brown Street in the City of Birmingham. Uses of the new building will include commercial office, retail and residential. The first floor will include space for a drive-through to accommodate a bank or pharmacy tenant and will include a ramp to below grade parking. Floors two through four will be built for commercial office space, with a small portion devoted to residential space. The fifth floor will be used for residential units, including exterior patio space.

Please find attached a project area map and the original MSF approval.

The original approval provided a maximum of 120 days to complete all due diligence and finalize all MCRP transaction documents. During the allotted time period, a final agreement was not executed. MEDC Project Management staff has been working with the Applicant and the Lender to finalize the due diligence and other documentation necessary to execute an agreement. Staff received a copy of the underlying loan documents from the Lender and anticipates closing on the senior loan transaction in early April, which will permit the MSF to execute the participation agreement and purchase a share of the loan.

Recommendation

The MEDC staff recommends approval of the reauthorization of the MCRP commitment, as outlined above and in the attached briefing memo dated September 25, 2013, with the commitment to remain valid until July 23, 2014 (120 days after approval) with approval for the MSF Fund Manager to extend the commitment an additional 30 days.

PROJECT MAP





MEMORANDUM

Date: September 25, 2013

To: Michigan Strategic Fund Board

From: Joseph Martin, Manager, Community Revitalization and Brownfield Programs
Julius Edwards, Community Development Incentives
Stacy Esbrook, Community Assistance Team Specialist

Subject: Woodward Brown Associates, LLC
The Private Bank
Community Revitalization Program
Request for Approval of a \$3,278,890 Performance-based Other Economic Assistance

Request

Woodward Brown Associates, LLC (Applicant) and The Private Bank (Lender) are requesting approval of a Michigan Community Revitalization Program incentive in the amount of \$3,278,890 in the form of performance-based loan participation under other economic assistance. The Applicant anticipates that the project could result in eligible investment of \$17,691,761 and total capital investment in the amount of \$27,790,284 in the City of Birmingham and the creation of 200 jobs.

Background

Woodward Brown Associates, LLC is owned and managed by Harvey Weiss and Najib Samona. Mr. Weiss and Mr. Samona have partnered on multiple development projects within the past 10 years and created Development Alliance as a family owned and operated business, specializing in commercial, office, industrial and retail real estate development projects. The Alliance and its affiliates own and manage an extensive portfolio of retail, office and mixed-use space. The developments have ranged in size from a single free-standing building to more than 200,000 square feet of retail development.

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

The Applicant plans to construct a new, 5-story mixed-used structure of approximately 88,000 square feet, to be known as the Balmoral, located on the corner of Woodward Avenue and Brown Street in the City of Birmingham. Uses of the new building will include commercial office, retail and residential. The first floor will include space for a drive-through to accommodate a bank or pharmacy tenant and will include a ramp to below grade parking. Floors two through four will be built for commercial office space, with a small portion devoted to residential space. The fifth floor will be used for residential units, including exterior patio space.

The project is located in a downtown and qualifies for an MCRP award because it is a facility.

The project's statutory requirements are addressed in Appendix A and a project map is provided in Appendix B.

MCRP Proposed Award Details:

The project involves traditional funding sources of debt and equity and outside of the reimbursement of nearly \$800,000 in environmental activities through the Brownfield Tax Increment Financing does not feature the use of tax credit equity. The land has sat vacant and contaminated for a number of years and was purchased from Bank of America in April of 2010 for \$2.5 million, plus \$175,000 owed to City of Birmingham to complete necessary site work. The last physical building on the site was demolished in 2005, but was previously a commercial strip mall that featured multiple tenants including cleaners/laundry.

The development team has been working in earnest with The Private Bank over the last several years to meet the pre-lease requirements of 70% in order to close and begin construction on the site. The development team has a fully executed lease with a retail tenant on the main floor and three Letters of Intent (LOIs) that would meet the 70% pre-lease requirement. The Private Bank has agreed to provide construction financing and stabilization for a term of three years with interest only payments. The loan may be extended with mutual agreement for two additional one year interest only periods.

The senior debt is proposed to be originated, underwritten, documented and closed by The Private Bank. The Private Bank will size their share of the loan at 75% loan to value, which based on the appraisal, limited their contribution to \$19.5 million (or 70% loan to cost). The MCRP loan will provide 11.5% of the sources with the developer contributing, land, cash, and deferred developer fees to cover the remaining portions. The DSCR on a stabilized basis for The Private Bank Share is 1.30x and combined with the MCRP portion the DSCR equals 1.14x. The project is being underwritten using conservative rental rates. Rates may come in 10 to 15% higher depending on the final lease agreements.

Two primary factors have led the development team to approach staff to request the MCRP award. First, the urban development style, including the undergrounding parking has contributed an extra \$2.5 million that would not be otherwise found in a suburban building. The project will feature over 30 below grade parking spaces that average out to over \$65,000 per space. Secondly, the Class A commercial office space in Birmingham has not recovered since the downturn in 2007. Rental rates were generally hitting \$38.00 to \$42.00 per square foot pre-2007. To date, the project expects rates to come in between \$28.00 and \$32.00 for Class A tenants. The developer has agreed to defer all development fees. The return profile is just under 5% internal rate of return (IRR) to the equity investors. However, the development team and equity providers are not arm's length parties. If you factor in the payment of the deferred developer fee, the return is just under 9% IRR.

Sources

PRIVATE BANK SHARE (IN MILLIONS)	\$19.5
MCRP SHARE	\$ 3.2
DEVELOPER EQUITY	\$ 3.0
<u>DEFERRED DEVELOPER FEE</u>	<u>\$ 2.1</u>
TOTAL	\$27.8

MCRP Participation Details

Lender:	The Private Bank
Borrower:	Woodward Brown Associates, LLC
Loan:	Currently anticipated at \$22,778,890
MSF Share:	\$3,278,890, not to exceed 25% of the eligible investment
Private Bank Share:	Currently anticipated at \$19,500,000
MSF Interest Rate:	4% per annum
Term:	Shall match that of The Private Bank's loan, not to exceed seven years, including five years of monthly interest only payments.
Payments:	Annual payment of interest only for first five years, then principal and interest for remaining term amortized no greater than 25 years.
Collateral:	First position real estate mortgage and assignment of leases and rents. <i>Collateral will apply to The Private Bank share first then to the MSF Share.</i>
Guarantee:	The facility will be supported by the joint and several guaranty of the principal owners limited to 50% of the loan amount. <i>Guarantee will apply to The Private Bank share first then to the MSF Share.</i>
Amortization:	Not to exceed 25 years following the interest only period.
Funding:	The MSF will fund up to \$3,278,890 to occur upon completion of a soft/dry closing with the Private Bank on its financing. Construction disbursement to project will be made proportional to the Private Bank.
Fees:	1% commitment fee and all third party costs associated with closing of the MSFs loan.
Refinance:	The MSF Fund Manager is authorized to agree to a refinance event in an amount not to exceed the then outstanding principle of the MSF Share and a term not to exceed a total of 15 years from the closing of the original transaction.
Final Terms and Conditions:	Due to the complex nature of the transaction the MSF Fund Manager is authorized to agree to final terms and conditions so long as the following conditions are met: <ul style="list-style-type: none">• The MCRP Amount is not exceeded• The proposed costs, fees and financial returns contemplated above are not materially adversely impacted• No change in other conditions cause a violation of MCRP guidelines or the MSF Act

Recommendation

The MEDC staff recommends approval of an MCRP performance-based loan participation in the amount of \$3,278,890 for Woodward Brown Associates, LLC. The commitment will remain valid until January 23, 2014 (120 days after approval) with approval for the MSF Fund Manager to extend the commitment an additional 60 days.

APPENDIX A

MCRP PROGRAM AND ITS GUIDELINES

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

SOURCE OF INFORMATION

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

As required under the program, the following statutory criteria shall be considered by the MSF, as MEDC Staff believes each is reasonably applicable to proposed project:

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

The Balmoral project will add density and walkability to the very prominent corner of Woodward Avenue and Brown Street in downtown Birmingham. Located next to Peabody's restaurant, a regional draw to the area, the Balmoral will replace a vacant lot with five stories of commercial, retail and residential space. The City constructed a public parking deck directly west of the project site over ten years ago to support the development of the site. The highly anticipated completion of the Balmoral will fill the noticeable gap along Woodward Avenue and will provide the city with the long awaited return to their investment.

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

The Balmoral will attract and promote general pedestrian traffic throughout the downtown area and adjacent neighborhoods. The increase in downtown residents, employees and patrons resulting from this project will attract additional development to the downtown area.

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

The City of Birmingham and the Michigan Department of Environmental Quality have approved a Act 381 tax increment financing (TIF) plan in the amount of \$793,744 to address eligible brownfield activities on the property.

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

Two primary factors have led the development team to approach staff to request the MCRP award. First, the urban development style, including the undergrounding parking has contributed an extra \$2.5 million that would not be otherwise found in a suburban building. The project will feature over 30 below grade parking spaces that average out to over \$65,000 per space. Secondly, the Class A commercial office space in Birmingham has not recovered since the downturn in 2007. Rental rates were generally hitting \$38.00 to \$42.00 per square foot pre-2007. To date, the project expects rates to come in between \$28.00 and \$32.00 for Class A tenants. The developer has agreed to defer all development fees. The return profile is just under 5% IRR to the equity investors. However, the development team and equity providers are not arm's length parties. If you factor in the payment of the deferred developer fee, the return is just under 9% IRR.

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

The project will construct a new five-story building with underground parking on a Brownfield property. No historical, blighted or otherwise vacant buildings will be redeveloped as a result of this project.

F. Creation of jobs:

The project is expected to create 200 permanent full time jobs related to the commercial and restaurant/retail portions of the project. The average hourly wage is estimated to be \$24.

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

The project will be financed through TIF reimbursements, developer equity and traditional permanent debt.

H. Whether the project is financially and economically sound:

The development team has been working in earnest with The Private Bank over the last several years to meet the pre-lease requirements of 70% in order to close and begin construction on the site. The development team has a fully executed lease with a retail tenant on the main floor and three LOIs that would meet the 70% pre-lease requirement. The Private Bank has agreed to provide construction financing and stabilization for a term of three years with interest only payments. The loan may be extended with mutual agreement for two additional one year interest only periods.

The senior debt is proposed to be originated, underwritten, documented and closed by The Private Bank. The Private Bank will size their share of the loan at 75% loan to value, which based on the appraisal, limited their contribution to \$19.5 million (or 70% loan to cost). The MCRP loan will provide 11.5% of the sources with the developer contributing, land, cash, and deferred developer fees to cover the remaining portions. The DSCR on a stabilized basis for The Private Bank Share is 1.30x and combined with the MCRP portion the DSCR equals 1.14x. The project is being underwritten using conservative rental rates. Rates may come in 10 to 15% higher depending on the final lease agreements.

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

The project will convert a vacant gravel lot with five stories of commercial, retail and residential space, including underground parking. An additional 88,000 square feet of space will be added to the downtown as a result of this project.

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

The Balmoral will be a mix of commercial, retail and residential space in downtown Birmingham. By replacing the vacant gravel lot with a highly dense five-story building, the project will add to the walkability of the downtown.

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

No abandoned public buildings will be converted to private use as a result of this project.

L. Whether the project promotes sustainable development:

The Development will include sustainable/green building concepts such as energy efficient building envelope design, low VOC finishes, high performance glass, use locally produced construction materials whenever possible, energy recovery ventilation units, and water saving features.

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

The project will build a new structure and therefore will not rehabilitate a historic resource.

N. Whether the project addresses area-wide redevelopment:

The project contributes to the overall redevelopment and in-fill strategy within Oakland County to address long vacant, challenging development sites.

O. Whether the project addresses underserved markets of commerce:

Commercial office space is in high demand in the walkable downtown area of Birmingham.

P. The level and extent of environmental contamination:

The soil and groundwater contaminants will be remediated or capped in accordance with the approved Brownfield Plan on the eligible property.

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 eligible property is not a historic resource and is not subject to 36 CFR 67.

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

This project will not compete with or affect any existing Michigan businesses.

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

There are no additional criteria for consideration.

**MICHIGAN STRATEGIC FUND
RESOLUTION 2014-**

**APPROVAL OF A MICHIGAN COMMUNITY REVITALIZATION PROGRAM LOAN
PARTICIPATION AWARD TO WOODWARD BROWN ASSOCIATES, LLC**

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

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

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

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

WHEREAS, by Resolution No. 2013-151, at the request of Woodward Brown Associates, LLC (“Company”) and The Private Bank (“Lender”) and upon the recommendation of the MEDC, the MSF Board approved a performance based loan participation under the MCRP of up to \$3,278,890 (“2013 Approval”);

WHEREAS, the Company and Lender have pursued senior private lending and due to the complexities surrounding the closing of the senior loan, the MSF participation has not been able to close within the time frame authorized by the 2013 Approval;

WHEREAS, the Company has again requested a performance based loan participation under the MCRP of up to \$3,278,890 (“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 Company’s Award Request in accordance with the Term Sheet, subject to: (i) available funding, (ii) final due diligence performed to the satisfaction of the MEDC; and (iii) execution of the Transaction Documents by July 23, 2014 (“Time Period”), or this Resolution shall have no effect; provided however, at the sole discretion of the MSF Fund Manager, the Time Period may be extended for up to an additional 30 days (“MCRP Award Recommendation”);

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

BE IT FURTHER RESOLVED, the Board delegates to the MSF Fund Manager, in consultation with legal counsel and other MSF and MEDC staff the final terms for the payment and amortization schedule, collateral, interest rate on the lenders share, and guarantees.

ADOPTED

Ayes:

Nays:

Recused:

Lansing, Michigan
March 25, 2014

Exhibit A

MCRP Participation Details

Lender:	The Private Bank
Borrower:	Woodward Brown Associates, LLC
Loan:	Currently anticipated at \$22,778,890
MSF Share:	Not to exceed \$3,278,890
Private Bank Share:	Currently anticipated at \$19,500,000
MSF Interest Rate:	4% per annum
Term:	Shall match that of The Private Bank's loan, not to exceed 7 years, including 5 years of monthly interest only payments.
Payments:	Currently anticipated as monthly payment of interest only for first five years, then principal and interest for remaining term amortized no greater than 25 years.
Collateral:	Currently anticipated as first position real estate mortgage and assignment of leases and rents. <i>Collateral will apply to The Private Bank share first then to the MSF Share.</i>
Guarantee:	The facility is currently anticipated to be supported by the joint and several guaranty of the principal owners limited to 50% of the loan amount. <i>Guarantee will apply to The Private Bank share first then to the MSF Share.</i>
Amortization:	Not to exceed 25 years following the interest only period.
Funding:	The MSF will fund up to \$3,278,890 to occur upon completion of a soft/dry closing with the Private Bank on its financing. Construction disbursement to project will be made proportional to the Private Bank.
Fees:	1% commitment fee and all third party costs associated with closing of the MSFs loan.
Refinance:	The MSF Fund Manager is authorized to agree to a refinance event in an amount not to exceed the then outstanding principle of the MSF Share and a term not to exceed a total of 15 years from the closing of the original transaction.
MSF Delegation:	It is requested the Board delegate to the MSF Fund Manager, in consultation with legal counsel and other MSF and MEDC staff the final terms for the payment and amortization schedule, collateral, interest rate on the lenders share, and guarantees.



MEMORANDUM

Date: March 25, 2014
To: Michigan Strategic Fund Board
From: Paula Sorrell, Vice-President, Entrepreneurial Services
Subject: *FY 2014 University Technology and Commercialization Program (UTACP) Request for Proposals*

Action

The MEDC requests that the MSF Board approve and issue the 2014 University Technology and Commercialization Program (“UTACP”) Request for Proposals (“RFP”).

Background

Since 2011 the Michigan Strategic Fund (“MSF”) has provided funding to universities to encourage the State’s public universities to collaborate and identify the commercial potential in advanced technologies from individual institutions, facilitate the bundling of inventions into packages that could be of interest to the public sector, encourage business formation efforts and to increase the number of institution of higher education related start-up companies. The Michigan Economic Development Corporation (“MEDC”) provides administrative services for the university technology commercialization grants.

The MEDC requests that the MSF release the 2014 UTACP Request for Proposals (“RFP”) in the amount of \$3,000,000 to solicit proposals from organizations that have received prior MSF funding and require additional funding to support continuation of the programs. The talent and corporate relations programs have supported collaboration of 7 universities as well as enhanced business engagement activities that support industry and university collaboration. Since 2012, there have been 14 companies started, 109 jobs created and follow on funding of \$7,550,000. The MTRAC program is underway and has funded 13 projects in university labs with several more in the vetting process.

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

Issue RFP to the Public: March 28, 2014
Questions due from the Public: April 4, 2014
Answers posted to the MEDC web page: April 9, 2014
Applications Deadline: April 18, 2014

The MEDC recommends that the MSF Board approve appointing a Joint Evaluation Committee (“JEC”) to review the proposals submitted and make recommendations to the MSF Board. The following individuals are recommended to be appointed to the JEC to review proposals:

Denise Graves – University Relations Director, MEDC
Margaret McCammon – Portfolio Manager, MEDC
Amy Cell – Senior Vice President Talent Enhancement, MEDC
Hugo Braun – Co-Founder, North Coast Technology Investors
Tony Grover – Founder and Managing Director, RPM Ventures

Martin Dober – Vice President, Invest Detroit

David Chen – Coulter Program Director and Director of Translational Research, University of Virginia

The MEDC recommends that the MSF Board approve the scoring and evaluation criteria attached as Exhibit B to the resolution to be used by the JEC members in their review of proposals submitted in response to the RFP.

Recommendation

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

- 1) Allocation of \$3.0 million for the program;
- 2) Approval of the RFP attached as Exhibit A to the resolution;
- 3) Appointment of the JEC listed above; and
- 4) Approval of the scoring and evaluation criteria attached as Exhibit B to the resolution appointing the JEC and approving the scoring criteria.

MICHIGAN STRATEGIC FUND

**PROPOSED RESOLUTION
2014-**

**APPROVAL OF UNIVERSITY TECHNOLOGY ACCELERATION AND
COMMERCIALIZATION REQUEST FOR PROPOSALS; JOINT EVALUATION
COMMITTEE; SCORING AND EVALUATION CRITERIA; AND FUNDING ALLOCATION**

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

WHEREAS, pursuant to MCL 125.2088o, the MSF shall create and operate a technology transfer acceleration program;

WHEREAS, the MSF desires to focus a Request for Proposals (“RFP”) on proposals submitted by non-profit organizations or Michigan institutions of higher education to 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, the MSF has reviewed a RFP form, which includes provisions required by MCL 125.2088o and establishes a competitive proposal process for awarding grants to non-profit organizations or Michigan institutions of higher education related to University Technology Acceleration and Commercialization. A copy of this RFP form is attached to this Resolution as Exhibit A;

WHEREAS, the MSF desires to issue the University Technology Acceleration and Commercialization RFP;

WHEREAS, the MEDC recommends and the MSF desires to appoint the following individuals a Joint Evaluation Committee (“JEC”) to review proposals submitted in response to the UTACP RFP:

Denise Graves – University Relations Director, MEDC
Margaret McCammon – Portfolio Manager, MEDC
Amy Cell – Senior Vice President, Talent Enhancement, MEDC
Hugo Braun – Co-Founder, North Coast Technology Investors
Tony Grover – Founder and Managing Director, RPM Ventures
Martin Dober – Vice President, Invest Detroit
David Chen – Coulter Program Director and Director of Translational Research, University of Virginia;

WHEREAS, the MEDC also recommends and the MSF desires to approve the scoring and evaluation criteria contained in Exhibit B for use by the JEC in its review of proposals (the “UTACP RFP Scoring Criteria”); and

WHEREAS, the MEDC recommends and the MSF Board wishes to allocate \$3,000,000 for the UTACP RFP (the “Funding Allocation”).

NOW, THEREFORE, BE IT RESOLVED, the MSF Board 1) authorizes the issuance of the UTACP RFP as set forth in Exhibit A to this resolution; 2) approves the JEC as set forth above; 3) approves the UTACP RFP Scoring Criteria as set forth in Exhibit B to this resolution; and 4) approves the Funding Allocation; and

BE IT FURTHER RESOLVED, that the MSF the MSF Fund Manager, in coordination with MEDC staff, to modify the UTACP RFP as may be necessary or appropriate, if the modifications are not materially adverse to the interests of the MSF.

Ayes:

Nays:

Recused:

Detroit, Michigan
March 25, 2014

EXHIBIT A

REQUEST FOR PROPOSALS

Michigan Strategic Fund

UNIVERSITY TECHNOLOGY ACCELERATION COMMERCIALIZATION PROGRAM (UTACP)

RFP-CASE-87800

REMINDER

Please check your proposal to make sure you have included all of the specifications and required documents listed in the Request for Proposals. Please email one document that includes contact page, check list page, and proposal.

APPLICANTS ARE RESPONSIBLE FOR ASSURING THAT THE FOLLOWING IDENTIFYING INFORMATION APPEARS IN THE SUBJECT LINE OF YOUR EMAIL: “RFP-CASE-87800” with Company Name.

The MSF will not respond to telephone inquiries, or visitation by Applicants or their representatives. APPLICANTS OR ANY OF THEIR AUTHORIZED REPRESENTATIVES MAY NOT INITIATE CONTACT WITH MEDC OR MSF STAFF OR ANY MEMBER OF THE APPOINTED JOINT EVALUATION COMMITTEE (JEC), OTHER THAN THE CONTACT LISTED BELOW, FOR ANY REASON DURING THE RFP OR PROPOSAL EVALUATION PROCESS. Applicant’s sole point of contact concerning the RFP is below and any communication outside of this process may result in disqualification.

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

IMPORTANT DUE DATES

- **April 4, 2014 3:00 p.m.:** Questions from potential Applicants are due via email to contractsandgrants@michigan.org. Please note: The Michigan Strategic Fund (“MSF”) will not respond to questions that are not received by the above date and time. In addition, questions that are phoned, faxed or sent through regular mail will not be accepted.
- **April 9, 2014, by close of business:** Responses to all qualifying questions will be posted on the MSF’s website, <http://www.michiganadvantage.org/Public-Notices-Requests-for-Proposals>
- **April 18, 2014, at 3:00 p.m.:** Electronic versions of your Proposal due to the MSF via email to contractsandgrants@michigan.org. **Proposals will not be accepted via U.S. mail or any other delivery method.**

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REQUEST FOR PROPOSAL
UNIVERSITY TECHNOLOGY ACCELERATION AND COMMERCIALIZATION PROGRAM
RFP-CASE-87800

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

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

SECTION I
WORK STATEMENT

A) PURPOSE

Section 88o of the Michigan Strategic Fund Act requires the MSF to create and operate a program to accelerate technology transfer from Michigan’s institutions of higher education to the private sector for commercialization of competitive edge technologies and bioeconomy technologies.

Through this 2014 University Technology Acceleration and Commercialization Program (“UTACP”) RFP, the MSF Board desires to allocate up to \$3 million (“Award Amount”), disbursed over one to two years, to non-profit organizations or Michigan universities that fulfill the ELIGIBILITY and QUALIFICATIONS below.

This RFP is focused on providing funding for organizations that have received prior MSF funding and require additional funding to support the continuation of successful university technology acceleration and commercialization programs.

B) BACKGROUND STATEMENT AND OBJECTIVES

Since 2011 the MSF has provided funding to collaborating universities to operate a program **to accelerate technology transfer from Michigan’s institutions of higher education to the private sector for commercialization of competitive edge technologies and bioeconomy technologies.** The MSF through this RFP continues to encourage this activity.

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

C) ELIGIBILITY

- **Only Michigan non-profit organizations and universities that FULFILL one of the following criteria are eligible to apply and must be able to provide documented success. DO NOT APPLY IF YOU DO NOT FULFILL ONE OF THE FOLLOWING CRITERIA:**

Technology Transfer Talent Network Program —This RFP seeks applications from university programs that have received prior MSF/MEDC funding for Technology Transfer Talent Network Programs. These programs being a collaboration between 2 or more universities with specific plans to continue to spin-out start-up companies from the universities and/or a specific plan to partner with companies to engage the resources of the universities (including undergraduate students, graduate students, faculty and technology). Examples of programs in this area include but are not limited to:

1. Mentor-in-residence program
2. Tech Transfer Fellows program
3. Post-doc Fellowship program
4. CEO-in-residence program
5. Talent database
6. Fellows Entrepreneurship Bootcamp

Corporate Relations Network Program — This RFP seeks applications from university programs that have received prior MSF/MEDC funding for Corporate Relations Network Programs. These programs being a collaboration between two or more universities to continue to work with industry and to focus on startups and small sized businesses in the state to retain student talent and to connect industry to the critical university assets that can enhance their growth and productivity. Examples of programs in this area include but are not limited to:

1. Small company innovation program
2. Technology commercialization assistance
3. Small company internship program
4. Faculty database portal
5. Michigan information transfer source
6. Enhancement of business engagement offices on campuses

Success metrics in the programs identified above will result in additional companies created, additional jobs created, follow-on funding by the companies created, or the organization leveraged the program funding and received additional funding to support technology commercialization activities.

Michigan Translational Research and Commercialization Administration and Training— This RFP seeks nonprofit organizations to administer and maintain the Coulter process for the MTRAC program. The organization will also coach, manage and monitor the stakeholders within the program as it relates to the Coulter process. Activities include however are not limited to:

1. Coaching of key stake holders including Commercialization Program Directors (“CPDs”), Academic PI’s, and the Oversight Committee members

2. Participating at the quarterly oversight committee reviews to monitor project progress
3. Participating at the annual project selection meetings for each program
4. Monitoring the project selection criteria and scoring process
5. Coordinate CPDs, PI's and Tech Transfer attendance and training at semiannual Coulter meetings
6. Advise each program in putting together a qualified Oversight Committee as well as advise program directors in raising follow on funding and the creation of a sustainable program
7. Collaborate with the MEDC on contracts and program management to ensure adherence to the Coulter process

D) QUALIFICATIONS

IF ELIGIBLE, APPLICANTS MUST ALSO SATISFY the following criteria:

- Encourage and work with the State of Michigan's public universities to identify the commercial potential in advanced technologies from individual institutions of higher education AND;
- Facilitate the bundling of inventions from individual institutions of higher education into packages that could be of interest to private sector firms looking for commercialization opportunities AND;
- Encourage business formation efforts in institutions of higher education technology transfer offices to increase the number of related start-up companies AND;
- Work with institutions of higher education in encouraging the institutions to provide their faculty with incentives for participating in technology transfer and commercialization activities AND;
- Facilitate the use of the applied research expertise within universities by qualified businesses.

- **Technology Sectors**

Proposals submitted **MUST** be to foster the growth of Michigan's technology based economy by supporting early stage companies and entrepreneurs to create jobs and commercialize product(s) within one or more of the competitive edge technology sectors defined in Section 125.2088a of the MSF Act, as amended, and as approved by the MSF Board, including Advanced Automotive, Manufacturing, Materials, Information, and Agricultural Processing Technology, Alternative Energy, Homeland Security and Defense Technology, Life Sciences, and Other Innovative Technologies.

- **Non-Profit and University Entities**

Only non-profit organizations and Michigan universities are eligible to receive funding through this RFP. To be eligible as a non-profit corporation, an applicant must, at the time the award is made, be: (i) a non-profit corporation duly organized under the laws of Michigan; or (ii) a foreign non-profit corporation duly authorized to transact business in Michigan. The principal site for the applicant's management must be a facility located in Michigan. Such a facility must be either: (i) owned or leased by the non-profit organization; or (ii) owned or leased by an organization collaborating on the project. If the principal site is owned or leased by a collaborating organization, the organization must meet the "principal site of the project" requirement for a non-profit corporation, as defined in this section. Eligible non-profit organizations must be authorized to conduct business in the State of Michigan. Universities must be Michigan universities.

- **Leverage and Match**

The MSF Board encourages applicants to leverage other resources as a condition of the award. Each proposal must provide specific financial or in-kind contribution committed to, or available for, the direct support of the proposed plan. Although the proportion or the amount of the leveraged resources is not specified in this RFP, applicants are highly encouraged to maximize the contribution committed for their organization. Cash match is favored. A 1:1 match is preferred. Other State of Michigan grant funds are not eligible for match. Letters of financial commitment and proposal support are not required in the proposal though may be requested during the award process.

- **Award and Grant Agreements**

All grant agreements approved by the MSF Board will contain a provision that the Auditor General has access to the books and records, including financial records and all other information and data relevant to the terms of the grant agreement related to the use of the funds.

Successful proposals approved for funding by the MSF Board are subject to the final execution of a legal grant agreement and successful completion of a due diligence review including, among other things: criminal and civil background checks of the applicant. Background checks will include, without limitation, affiliates, subsidiaries, officers, directors, managerial employees, and any person who directly or indirectly holds a pecuniary interest in that business entity of 20 percent or more.

Insufficient or inappropriate proposals will not be funded.

- **Award Reporting Requirements**

Progress Reports are due every six (6) months, due in October and April throughout the term of the grant agreement, though metrics reporting is for five (5) years. After the term of the grant agreement the reports are annual reports. For Progress Reports, grantees must report on Milestones, Budget, and Metrics. For the annual reporting, grantees must report on metrics. The grantee is responsible for timely submission of reports that must be submitted electronically through the MEDC Portal.

Monthly Metrics are due monthly and include the following: dollars leveraged (match dollars), new companies created, companies expanded, companies served, jobs created, jobs retained, new investments in companies served (MEDC Funds, federal funds, venture capital, angel funds, bank/loan, owner investment, new sales, other), companies/people attending events. The grantee is responsible for timely submission of reports that must be submitted electronically through MEDC's Google Docs process.

Delayed, incomplete, or incorrect reporting filed may result in a loss of funding.

Annual site visits are conducted by the MEDC Grant Manager.

- **Overhead Rates**

The overhead rate (indirect administration costs) for the award recipient is limited to reflect actual overhead, but not greater than 15 percent of the Award Amount over the lifetime of the grant agreement. Preference will be given to proposals that are able to leverage outside funding sources to reduce overhead expenses for the award recipient.

SECTION II PROPOSAL FORMAT

To be considered, each Applicant must submit a COMPLETE proposal in response to this RFP using the format specified. APPLICANTS MUST NOT COMMUNICATE REGARDING THIS RFP WITH MEDC

PERSONNEL OR JEC MEMBERS DURING THE ENTIRE PROCESS THROUGH THE APPROVAL OF THE MSF BOARD APPROVAL. FAILURE TO COMPLY WITH THIS DIRECTIVE WILL RESULT IN DISQUALIFICATION FROM CONSIDERATION.

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

A) COMPLETE PROPOSAL

- 1) Contact Page – State the Organization’s full name, address, and phone and facsimile number. Also included should be contact information, including phone number, email, cell phone number, and fax numbers. Also include signature of the authorized signor of the applicant organization.
- 2) Check List Page – Include a checklist of the required sections of the proposal, as listed in this Section II-A) 3 a-h and an indication that the section is included in the proposal. And include as indicated in Section III.O. below the following: “Applicant certifies that it is not an Iran-linked business as defined in MCL 129.312.”
- 3) Proposal (up to 10 pages) – Provide a proposal and include the required elements a-h, as described here. **In the Proposal clearly identify the following sections as headers.**

a) Eligibility

The Applicant must clearly identify how they are eligible to apply under one of the following criteria:

Technology Transfer Talent Network Program—This RFP seeks applications from university programs that have received prior MSF/MEDC funding for Technology Transfer Talent Network Programs. These programs being a collaboration between 2 or more universities with specific plans to continue to spin-out start-up companies from the universities and/or a specific plan to partner with companies to engage the resources of the universities (including students, grad students, faculty and technology). Examples of programs in this area include but are not limited to:

- i. Mentor-in-residence program
- ii. Tech Transfer Fellows program
- iii. Post-doc Fellowship program
- iv. CEO-in-residence program
- v. Talent database
- vi. Fellows Entrepreneurship Bootcamp

Corporate Relations Network— This RFP seeks applications from university programs that have received prior MSF/MEDC funding for Corporate Relations Network Programs. These programs being a collaboration between 2 or more universities to continue to work with industry and to focus on start-up and small sized businesses in the state to retain student

talent and to connect industry to the critical university assets that can enhance their growth and productivity. Examples of programs in this area include but are not limited to:

- i. Small company innovation program
- ii. Technology commercialization assistance
- iii. Small company internship program
- iv. Faculty database portal
- v. Michigan information transfer source
- vi. Enhancement of business engagement offices on campuses

Success metrics in the programs identified above will result in additional companies created, additional jobs created, follow-on funding by the companies created, or the organization leveraged the program funding and received additional funding to support technology commercialization activities.

Michigan Translational Research and Commercialization Administration and Training— This RFP seeks nonprofit organizations to administer and maintain the Coulter process for the MTRAC program. The organization will also coach, manage and monitor the stakeholders within the program as it relates to the Coulter process. Activities include however are not limited to:

- i. Coaching of key stake holders including Commercialization Program Directors (CPDs), Academic PI's, and the Oversight Committee members
- ii. Participating at the quarterly oversight committee reviews to monitor project progress
- iii. Participating at the annual project selection meetings for each program
- iv. Monitoring the project selection criteria and scoring process
- v. Coordinate CPDs, PI's and Tech Transfer attendance at semiannual Coulter meetings
- vi. Advise each program in putting together a qualified Oversight Committee as well as advise program directors in raising follow on funding and the creation of a sustainable program
- vii. Collaborate with the MEDC on contracts and program management to ensure adherence to the Coulter process

b) Executive Summary

The Executive Summary should summarize the information provided in response to paragraphs (a) above and (c) through (h) below. And specifically indicate:

- **THE NAME OF THE APPLICANT ORGANIZATION**
- **THE ELIGIBILITY CRITERIA (See Section a) above) AND PROOF OF SUCCESS**
- **THE AMOUNT OF FUNDS REQUESTED**
- **THE AMOUNT OF MATCHING FUNDS**
- **THE TERM (up to 2 years)**
- **THE PURPOSE OF THE FUNDING**
- **TARGETED NUMBERS FOR:**
 - **Companies Created**
 - **Jobs Created**
 - **Increase Investment/Revenue**

c) Purpose of Funds

The Applicant must clearly indicate whether the organization is a non-profit or university. The Applicant must clearly describe how the proposed use of funds will be used to foster the growth of Michigan's technology based economy and support the purpose of this RFP detailed below:

- Encourage and work with the State's public universities to identify the commercial potential in advanced technologies from individual institutions of higher education AND;
- Facilitate the bundling of inventions from individual institutions of higher education into packages that could be of interest to private sector firms looking for commercialization opportunities AND;
- Encourage business formation efforts in institution of higher education technology transfer offices to increase the number of institution of higher education related start-up companies AND;
- Work with institutions of higher education in encouraging the institutions to provide their faculty with incentives for participating in technology transfer and commercialization activities AND;
- Facilitate the use of the applied research expertise within institutions of higher education by qualified businesses.

d) Past Experience

The Applicant should indicate past experience with university technology acceleration and commercialization, and specifically discuss how the ELIGIBILITY CRITERIA that the Applicant fulfilled and its success will play a role in this project.

e) Team

Summarize key personnel, their time commitment to the project, their specific responsibilities, and their value. Identify collaborative partners, their responsibilities, and value.

f) Milestones/Deliverables

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

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

g) Budget Request

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

expense line-items. Preference is that this funding should not overlap other MSF Board approved funding. And if requesting funding that does overlap other MSF approved funding, applicant must provide explicit justification for this overlap.

h) Economic Impact

Identify the targeted number of companies created, jobs created, and increases in investment/revenue resulting from the services. Include justification and assumptions related to these expectations. You will be held responsible for delivering these specific numbers in your semi-annual Progress Reports. Explain how you define success and will deliver a successful program. Identify how you will make an economic development impact.

B) PROPOSAL SUBMITTAL

Submit an electronic version of your proposal (one document that includes contact page, check list page and proposal) to the MSF via email to contractsandgrants@michigan.org not later than **3:00 p.m. on April 18, 2014**. The MSF has no obligation to consider any proposal that is not timely received. **Proposals will not be accepted via U.S. mail or any other delivery method.**

APPLICANTS ARE RESPONSIBLE FOR ASSURING THAT THE FOLLOWING IDENTIFYING INFORMATION APPEARS IN THE SUBJECT LINE OF YOUR EMAIL: *"RFP-CASE-87800" with Company Name.*

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

A) QUESTIONS

Questions from Applicants concerning the specifications in this RFP must be received via e-mail no later than **3:00 pm on April 4, 2014**. Questions must be submitted to:

Contracts and Grants
contractsandgrants@michigan.org

B) PROPOSALS

To be considered, Applicants must submit a complete response to this RFP, using the format provided in Section II of this RFP, by **3:00 p.m. on April 18, 2014**. No other distribution of proposals is to be made by the Applicant.

C) ECONOMY OF PREPARATION

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

D) SELECTION CRITERIA

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

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

1) Step I – Initial evaluation for compliance

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

- Timely submission of the proposal
- Eligibility
- Executive Summary
- Purpose
- Past Experience
- Team
- Milestones/deliverables
- Budget
- Economic impact – Expected number of businesses created, jobs created, and private investment leveraged.
- Proposal signed physically or electronically by an official of the Applicant authorized to bind the Applicant to its provisions.
- Proposals satisfy the form and content requirements of this RFP.

2) Step II – Criteria for Satisfactory Proposals

a.) During the second step of the selection process, proposals will be considered by a Joint Evaluation Committee (“JEC”) comprised of individuals selected by the MSF. Only those proposals that satisfy the technical requirements described in this RFP, as determined in the sole discretion of the JEC, will be considered for evaluation in Step II. The JEC reserves the right to request additional information from any Applicant.

b.) *Competence, Experience and Staffing Capacity* – The proposal should indicate the ability of the Applicant to meet the requirements of this RFP, especially the time constraints, quality, and recent projects similar to that described in this RFP. The proposal should indicate the competence of the personnel whom the Applicant intends to assign to the project, including education and experience, with particular reference to experience on projects similar to that described in this RFP and qualifications of Applicant’s Project Manager and the Project Manager’s dedicated management time, as well as that of other key personnel working on this project.

		Weight
1.	ELIGIBILITY	Y/N
2.	Executive Summary	10
3.	Purpose	15
4.	Past Experience	15
5.	Team	15
6.	Milestones/Deliverables	15
7.	Budget	15
8.	Economic Impact	15
TOTAL		100

c.) During the JEC's review, Applicants may be required to make oral presentations of their proposals to the JEC. These presentations provide an opportunity for the Applicants to clarify the proposals. The MEDC will schedule these presentations, if required by the JEC. Only those Applicants that score 70 points or higher on the written review will be invited for an oral presentation if the JEC determines that an oral presentation is necessary.

E) TAXES

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

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

F) CONFLICT OF INTEREST

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

Except as otherwise disclosed in the proposal, the Applicant affirms that to the best of its knowledge there exists no actual or potential conflict between the Applicant, the Applicant's project manager(s) or its family's business or financial interests ("Interests") and the MSF or MEDC. In the event of any change in the RFP, the Applicant will inform the MSF and the MEDC regarding possible conflicts of interest which may arise as a result of such change and agrees that all conflicts shall be resolved to the MSF's satisfaction or the Applicant may be disqualified from consideration under this RFP. As used in this Section, "conflict of interest" shall include, but not be limited to, the following:

1. Giving or offering a gratuity, kickback, money, gift, or anything of value to an official, officer, or employee of the MSF or the MEDC with the intent of receiving an award from the MSF or favorable treatment under a contract;
2. Having or acquiring at any point during the RFP process or during the term of the award, any contractual, financial, business or other interest, direct or indirect, that would conflict in any manner or degree with Applicant's performance of its duties and responsibilities to the MSF under the award or otherwise create the appearance of impropriety with respect to the award or performance of the award; or

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

G) BREACH OF CONTRACT

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

H) FALSE INFORMATION

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

I) DISCLOSURE

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

J) CLARIFICATION/CHANGES IN THE RFP

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

K) ELECTRONIC RECEIPT OF PROPOSALS

AN ELECTRONIC VERSION OF YOUR PROPOSAL MUST BE RECEIVED AND TIME-STAMPED BY THE MSF TO contractsandgrants@michigan.org, ON OR BEFORE **3:00 p.m. on April 18, 2014**. Applicants are responsible for timely submission of their proposal. THE MSF HAS NO OBLIGATION TO CONSIDER ANY PROPOSAL THAT IS NOT RECEIVED BY THE APPOINTED TIME.

L) RESERVATION OF MSF DISCRETION

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

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

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

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

M) PROTEST PERIOD

If an Applicant wishes to initiate a protest of the award recommendation, the Applicant must submit a protest in writing by 5:00 p.m. within seven (7) calendar days from the date of the notice of award sent by the MSF. The written protest should include the RFP number, clearly state the facts believed to constitute an error in the award recommendation, and describe the desired remedy. Only the information provided within the protest period will be considered in arriving at a decision. The MSF is not required to take into consideration any material filed by any party after the protest deadline. The MSF Fund Manager or MSF Chairperson will provide a written decision to the protesting party after investigating the matter or, if more information is needed, will schedule an informal meeting before issuing a decision. This decision is final.

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

1. Failure of an Applicant to properly complete proposal return envelope instructions;
2. Failure of a Applicant to submit the proposal by the due date and time;
3. Failure of a Applicant to provide samples, descriptive literature or other required documents by the date and time specified;
4. Failure of a Applicant to submit a protest within the time stipulated in the notice to award or as determined by the MSF.

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

N) JURISDICTION

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

O) ADDITIONAL CERTIFICATION

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

Applicants must include the following certification in the proposal:

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

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

Proposal Evaluation Form

2014 University Technology and Commercialization Program (UTACP) RFP

Name of Applicant: _____

Name of Reviewer: _____

Criteria	Reviewer's Comments	Points
<p>Eligibility:</p> <ul style="list-style-type: none"> • Technology Transfer Talent Network- Received prior funding <ul style="list-style-type: none"> ○ Mentor-in-residence program ○ Tech Transfer Fellows program ○ Post-doc Fellowship program ○ CEO-in-residence program ○ Talent database ○ Fellows Entrepreneurship Bootcamp • Corporate Relations Network Program-Received prior funding <ul style="list-style-type: none"> ○ Small company innovation program ○ Technology commercialization assistance program ○ Small company internship program ○ Faculty database portal ○ Michigan information transfer source ○ Enhancement of business engagement office on campuses • MTRAC Training Program <ul style="list-style-type: none"> ○ Coaching of key stake holders including Commercialization Program Directors (CPDs), Academic PI's, and the Oversight Committee members ○ Participating at the quarterly oversight committee reviews to monitor project progress ○ Participating at the annual project selection meetings for each program ○ Monitoring the project selection criteria and scoring process ○ Coordinate CPDs, PI's and Tech Transfer attendance and training at the semiannual Coulter meetings ○ Advise each program in putting together a qualified Oversight Committee as well as advise program directors in raising follow on funding and the creation of a sustainable program ○ Collaborate with the MEDC on contracts and program management to ensure adherence to the Coulter process 		<p>Y/N</p> <p>Score: _____</p>
<p>Executive Summary:</p> <p>Overview</p> <ul style="list-style-type: none"> • NAME OF THE APPLICANT ORGANIZATION • ELIGIBILITY CRITERIA • AMOUNT OF FUNDS REQUESTED • AMOUNT OF MATCHING FUNDS • TERM • PURPOSE • The TARGETED NUMBERS FOR: <ul style="list-style-type: none"> ○ Companies Created ○ Jobs Created ○ Increase Investment/Revenue 		<p>Max. Possible Points: 10</p> <p>Score: _____</p>
<p>Purpose:</p> <ul style="list-style-type: none"> • The Applicant must clearly indicate that it is a university/non-profit • The Applicant must clearly describe how the proposed use of funds will: <ul style="list-style-type: none"> ○ encourage and work with the State's public universities to identify the commercial potential in advanced technologies from individual institutions of higher education ○ facilitate the bundling of inventions from individual institutions of higher education into packages that could be of interest to private sector firms looking for commercialization opportunities ○ encourage business formation efforts in institutions of higher education technology transfer offices to increase the number of related start-up companies 		<p>Max. Possible Points: 15</p> <p>Score: _____</p>

Exhibit B

<ul style="list-style-type: none">○ encourage institutions of higher education to provide their faculty with incentives for participating in technology transfer and commercialization activities○ facilitate the use of the applied research expertise within universities by qualified businesses		
Past Experience: <ul style="list-style-type: none">• The Applicant should indicate past experience with university technology commercialization, and specifically discuss how the ELIGIBILITY CRITERIA that the Applicant fulfilled and its success will play a role in this project.		Max. Possible Points: 15 Score: _____
Team: <ul style="list-style-type: none">• Identified key players• Identified collaborators		Max. Possible Points: 15 Score: _____
Milestones/Deliverables: <ul style="list-style-type: none">• Identified meaningful milestones/deliverables• Achievable and leading to economic impact		Max. Possible Points: 15 Score: _____
Budget: <ul style="list-style-type: none">• Identified meaningful budget for proposal• Organization budget clearly indicates need for funding• Demonstrate matching funds		Max. Possible Points: 15 Score: _____
Economic Impact: <ul style="list-style-type: none">• Realistic assumptions and expectations based on industry knowledge and past reported performance• Identified targeted metrics:<ul style="list-style-type: none">○ Companies Created○ Jobs Created○ Increase Investment/Revenue		Max. Possible Points: 15 Score: _____
Total Score:		Max. Possible Points: 100 Score: _____



MEMORANDUM

Date: March 25, 2014
To: Michigan Strategic Fund Board
From: Michael Flanagan, Director, Equity Programs
Subject: *FY 2014 Entrepreneurial Support Specialized Services Request for Proposals*

Action

The MEDC requests that the MSF release the 2014 Entrepreneurial Support Specialized Services (“ESSS”) Request for Proposals (“RFP”) in the amount of \$8,954,672. The purpose of this ESSS RFP is to award grants to non-profit organizations that provide specialized support services to assist companies and institutions in commercializing competitive-edge technologies. Specifically, this ESSS RFP allows for applicants to submit proposals under one or more of the following program areas:

- **Talent Programs**—This RFP seeks multiple organizations that provide support services to companies on a statewide or regional basis that are specifically designed to promote the availability and quality of entrepreneurial talent in Michigan in the competitive-edge technology sectors.
- **Enhancement to the Entrepreneurial Ecosystem**—This RFP seeks multiple organizations to provide enhancement programs and services to the entrepreneurial ecosystem, serving entrepreneurs as well as early stage and growth companies in Michigan in competitive-edge technology sectors.
- **Federal Grant Matching Fund**—This RFP seeks multiple organizations to manage federal grant matching fund programs. These programs will provide commercialization matching funds to early stage technology companies, that are working in collaboration with Michigan universities and/or federal labs, and which receive federal awards for technology research and commercialization. This fund would exclude matching for the SBIR/STTR grant program to prevent overlap with other MEDC funded grant matching programs, and would also exclude any federal awards that are funding basic research.
- **Loan Enhancement Programs for Tech Companies** —This RFP seeks organizations that can create and administer loan enhancement programs that work in collaboration with private lenders, and/or provide alternative loan financing directly to early stage technology companies. The intended target of the program should be technology companies that have successfully passed the commercialization stage and require working capital financing to fund new customer acquisition and order fulfillment. Qualified applicants may include, but are not limited to, alternative lenders that offer purchase order financing or factoring, niche banks with technology lending practices, and/or non-profits with expertise in direct lending or the administration of loan enhancement

programs. The MSF is seeking to provide funding support for creative approaches that offer clear justification on the need and the appropriate structure of state support. The MSF seeks to fill an identified funding gap for technology companies that are considered too early for traditional bank financing because of their limited track record and revenue, but will gain revenue as a direct result of a program loan. For profit entities considering application will need to form or partner with a non-profit entity to meet the requirements of this RFP.

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

- Issue RFP to the Public: March 26, 2014
- Questions due from the Public: April 4, 2014
- Answers posted to the MEDC web page: April 8, 2014
- Applications Deadline: April 30, 2014

The MEDC requests the MSF approve the Proposal Evaluation Form (attached as Exhibit B) and the following Joint Evaluation Committee (“JEC”) comprised of MEDC staff and external partners to review the proposals submitted and make award recommendations to the MSF Board:

- Amy Cell, Senior Vice President, Talent Enhancement, MEDC
- Michael Flanagan, Director, Equity Programs, MEDC
- Pamela Lewis, Senior Program Officer, New Economy Initiative (NEI)
- Jack Miner, Director, Venture Center, University of Michigan
- Nataliya Stasiw, Senior Associate, Equity Programs, MEDC

Background

Through the 21st Century Jobs Fund program, the Michigan Strategic Fund (“MSF”) provides funding for entrepreneurship and innovation projects. Pursuant to Section 88k(2) of the MSF Act, the MSF shall award grants and loans from the 21st century jobs fund trust for basic research, applied research, university technology transfer, and commercialization of products, processes, and services to encourage the development of competitive edge technologies to create jobs in this state.

Since 2011, the MSF has approved over \$17 million in grants to support entrepreneurial support service providers. The proposed 2014 ESSS RFP, included as Exhibit A to the accompanying resolution, would solicit applications for funding under the above-listed program areas.

Recommendation

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

- 1) Allocation of \$8,954,672 for the program from the 2014 21st Century Jobs Fund and from prior years’ remaining dollars;
- 2) Approval of the RFP attached as Exhibit A to the accompanying resolution;
- 3) Approval of the scoring and evaluation criteria attached as Exhibit B for the review of proposals;
- 4) Approval of the proposed Joint Evaluation Committee members.

**MICHIGAN STRATEGIC FUND
RESOLUTION**

2014-

**ENTREPRENEURIAL SUPPORT SPECIALIZED SERVICES REQUEST FOR
PROPOSALS; JOINT EVALUATION COMMITTEE; AND
SCORING AND EVALUATION CRITERIA**

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 MSF, including those powers, duties, and functions provided under MCL 125.2088k;

WHEREAS, the Act requires that proposals received in response to requests for proposals issued pursuant to MCL 125.2088k be reviewed by a joint evaluation committee (“JEC”);

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

WHEREAS, the MEDC recommends that the MSF Board issue the Entrepreneurial Support Specialized Services Request for Proposals (the “Entrepreneurial Services RFP”) attached as Exhibit A to this resolution;

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

WHEREAS, the MEDC recommends and the MSF desires to appoint the following individuals a Joint Evaluation Committee (“JEC”) to review proposals submitted in response to the Entrepreneurial Services RFP:

Amy Cell, Senior Vice President, Talent Enhancement, MEDC,
Michael Flanagan, Director, Equity Programs, MEDC,
Pamela Lewis, Senior Program Officer, New Economy Initiative,
Jack Miner, Director, Venture Center, University of Michigan, and
Nataliya Stasiw, Senior Associate, Equity Programs, MEDC;

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

NOW, THEREFORE, BE IT RESOLVED, the MSF Board 1) authorizes the issuance of the Entrepreneurial Services RFP as set forth in Exhibit A to this resolution; 2) approves the JEC as set forth above; and 3) approves the Entrepreneurial Services RFP Scoring Criteria as set forth in Exhibit B to this resolution; and

BE IT FURTHER RESOLVED, that the MSF authorizes the MSF Fund Manager to modify the Entrepreneurial Services RFP and the Entrepreneurial Services RFP Scoring Criteria as may be necessary or appropriate, so long as the modifications are not materially adverse to the interests of the MSF.

Ayes:

Nays:

Recused:

Detroit, Michigan
March 25, 2014

EXHIBIT A

REQUEST FOR PROPOSALS

Michigan Strategic Fund

ENTREPRENEURIAL SUPPORT SPECIALIZED SERVICES

RFP-CASE-00087810

REMINDER

Please check your proposal to make sure you have included all of the specifications and required documents listed in the Request for Proposals. Please email one document that includes contact page, check list page, and proposal.

APPLICANTS ARE RESPONSIBLE FOR ASSURING THAT THE FOLLOWING IDENTIFYING INFORMATION APPEARS IN THE SUBJECT LINE OF YOUR EMAIL: "RFP-CASE-00087810" with Company Name.

The MSF will not respond to telephone inquiries, or visitation by Applicants or their representatives. APPLICANTS OR ANY OF THEIR AUTHORIZED REPRESENTATIVES MAY NOT INITIATE CONTACT WITH MEDC OR MSF STAFF OR ANY MEMBER OF THE APPOINTED JOINT EVALUATION COMMITTEE (JEC), OTHER THAN THE CONTACT LISTED BELOW, FOR ANY REASON DURING THE RFP OR PROPOSAL EVALUATION PROCESS. Applicant's sole point of contact concerning the RFP is below and any communication outside of this process may result in disqualification.

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

IMPORTANT DUE DATES

- **April 4, 2014 3:00 p.m.:** Questions from potential Applicants are due via email to contractsandgrants@michigan.org. Please note: The Michigan Strategic Fund ("MSF") will not respond to questions that are not received by the above date and time. In addition, questions that are phoned, faxed or sent through regular mail will not be accepted.
- **April 8, 2014, by close of business:** Responses to all qualifying questions will be posted on the MSF's website, <http://www.michiganadvantage.org/Public-Notices-Requests-for-Proposals>
- **April 30, 2014, at 3:00 p.m.:** Electronic versions of your Proposal due to the MSF via email to contractsandgrants@michigan.org. **Proposals will not be accepted via U.S. mail or any other delivery method.**

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REQUEST FOR PROPOSAL
ENTREPRENEURIAL SUPPORT SERVICES
RFP-CASE-00087810

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

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

SECTION I
WORK STATEMENT

A) PURPOSE

Public Act 215 of 2005, Section 88k(2) allows the Strategic Economic Investment and Commercialization (“SEIC”) Board to award grants and loans from the 21st Century Jobs Fund for “... basic research, applied research, university technology transfer and commercialization of products, processes and services to encourage the development of competitive-edge technologies to create jobs in the state.” Under Executive Order 2010-8, the Governor ordered the SEIC Board abolished and all powers, duties and functions of the SEIC Board transferred to the Michigan Strategic Fund (“MSF”).

Through this 2014 Entrepreneurial Support Specialized Services Request for Proposals, the MSF Board desires to allocate up to \$8,954,672 (“Award Amount”), expected to be disbursed over 2 years, to non-profit organizations/Michigan universities that provide entrepreneurial support services and programs AND fulfill the ELIGIBILITY and QUALIFICATIONS below.

B) BACKGROUND STATEMENT AND OBJECTIVES

Since 2011 the MSF has provided funding to entrepreneurial support service providers to stimulate the creation and continued growth of technology-based businesses and jobs by capitalizing on the State of Michigan's growing base of high technology industry, its skilled labor force, its nationally recognized university system, its SmartZones, and its business incubators. The MSF through this RFP continues to encourage this activity.

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

C) ELIGIBILITY

Only non-profit organizations and public institutions of higher education are eligible for funding under this RFP. Additionally, to be eligible the Applicant must:

- Submit an Entrepreneurial Support Specialized Service proposal that focuses on one of the following program areas (in bold), AND fulfill 1-6 criteria below. **NOTE:** For those Applicants that apply under more than one of the below program areas, please submit **only one application for all program areas.**

Talent Programs—This RFP seeks multiple organizations that provide support services to companies on a statewide or regional basis that are specifically designed to promote the availability and quality of entrepreneurial talent in Michigan in the competitive-edge technology sectors. Examples of programs in this area include but are not limited to:

- entrepreneur in residence programs
- entrepreneur in training
- entrepreneurial internships programs
- executive entrepreneurial talent recruitment and placement
- C-level peer networking
- access to national and global peer networks, etc.

Enhancement to the Entrepreneurial Ecosystem—This RFP seeks multiple organizations to provide enhancement programs and services to the entrepreneurial ecosystem, serving entrepreneurs as well as early stage and growth companies in Michigan in competitive-edge technology sectors. Examples of programs in this area include but are not limited to:

- federal grant writing assistance for tech companies
 - statewide technology business plan competitions
 - federal grant training and matching programs for tech companies: for example SBIR/STTR assistance for writing grants and support for awardees in their commercialization efforts
 - collaborative due diligence operations for early-stage tech and/or angel funds
 - entrepreneurial and early-stage tech investment training
 - a program that can demonstrate services and support to early stage technology companies and entrepreneurs and enhances Michigan’s entrepreneurial ecosystem by:
 - continuing an existing successful program that creates new tech companies, new early stage tech jobs, and creates follow-on funding to tech companies
- OR
- coordinates with existing successful programs to fill a known gap in the ecosystem that creates new tech companies, new early stage tech jobs, and creates follow-on funding to tech companies

Federal Grant Matching Fund—This RFP seeks multiple organizations to manage federal grant matching fund programs. These programs will provide commercialization matching funds to early stage technology companies, that are working in collaboration with Michigan universities and/or

federal labs, and which receive federal awards for technology research and commercialization. This fund would exclude matching for the SBIR/STTR grant program to prevent overlap with other MEDC funded grant matching programs and would also exclude any federal awards that are funding basic research.

Loan Enhancement Programs for Tech Companies — This RFP seeks organizations that can create and administer loan enhancement programs that work in collaboration with private lenders, and/or provide alternative loan financing directly to early stage technology companies. The intended target of the program should be technology companies that have successfully passed the commercialization stage and require working capital financing to fund new customer acquisition and order fulfillment. Qualified applicants may include, but are not limited to, alternative lenders that offer purchase order financing or factoring, niche banks with technology lending practices, and/or non-profits with expertise in direct lending or the administration of loan enhancement programs. The MSF is seeking to provide funding support for creative approaches that offer clear justification on the need and the appropriate structure of state support. The MSF seeks to fill an identified funding gap for technology companies that are considered too early for traditional bank financing because of their limited track record and revenue, but will gain revenue as a direct result of a program loan. For profit entities considering application will need to form or partner with a non-profit entity to meet the requirements of this RFP.

1. Have a statewide reach and focus; **AND**
2. Actively engage the Michigan SmartZone network and Michigan Institutions of higher education; **AND**
3. Demonstrate a proven ability to provide business acceleration services to competitive edge technology companies; **AND**
4. Have a working knowledge of Michigan's entrepreneurial ecosystem, strong relationships with the ecosystem, and a platform for collaboration that demonstrates the ability to market and successfully execute the proposed programs; **AND**
5. Have the administrative ability and desire to provide efficient, transparent operations and funding details on a systematic basis; **AND**
6. Provide, at a minimum, the performance metrics required by PA215 of 2005, and other metrics that may be specified by the MEDC and/or MSF.

The preference is given to those that have a minimum three (3) years of experience providing entrepreneurial support services to competitive edge technology companies.

The preference is given to organizations that exhibit a successful track record of fund raising to support operations from sources in addition to the MEDC, and demonstrate a plan to do so going forward. Bonus points may be awarded to organizations who obtain matching funds from other sources that directly coincides with an MEDC grant award, to assist in supporting programs, services, and grantee operations.

D) QUALIFICATIONS

IF ELIGIBLE, MUST ALSO FULFILL the following criteria:

- **Technology Sectors**

Proposals submitted MUST be to foster the growth of Michigan's technology based economy by supporting early stage companies and entrepreneurs to create jobs and commercialize product(s) within one or more of the competitive edge technology sectors defined in Section 125.2088a of the MSF Act, as amended, and as approved by the MSF Board, including Advanced Automotive, Manufacturing, Materials, Information, and Agricultural Processing Technology, Alternative Energy, Homeland Security and Defense Technology, Life Sciences, and Other Innovative Technologies.

- **Non-Profit and University Entities**

Only non-profit organizations and Michigan universities are eligible to receive funding through this RFP. To be eligible as a non-profit corporation, an applicant must, at the time the award is made, be: (i) a non-profit corporation duly organized under the laws of Michigan; or (ii) a foreign non-profit corporation duly authorized to transact business in Michigan. The principal site for the applicant's management must be a facility located in Michigan. Such a facility must be either: (i) owned or leased by the non-profit organization; or (ii) owned or leased by an organization collaborating on the project. If the principal site is owned or leased by a collaborating organization, the organization must meet the "principal site of the project" requirement for a non-profit corporation, as defined in this section. Eligible non-profit organizations must be authorized to conduct business in the State of Michigan. Universities must be Michigan universities.

- **Leverage and Match**

The MSF Board encourages applicants to leverage other resources as a condition of the award. Each proposal must provide specific financial or in-kind contribution committed to, or available for, the direct support of the proposed plan. Although the proportion or the amount of the leveraged resources is not specified in this RFP, applicants are highly encouraged to maximize the contribution committed for their organization. Cash match is favored. At least a 1:1 match is preferred. Other State of Michigan grant funds are not eligible for match. Letters of financial commitment and proposal support are not required in the proposal though may be requested during the award process.

- **Award and Grant Agreements**

All grant agreements approved by the MSF Board will contain a provision that the Auditor General has access to the books and records, including financial records and all other information and data relevant to the terms of the grant agreement related to the use of the funds.

Successful proposals approved for funding by the MSF Board are subject to the final execution of a legal grant agreement and successful completion of a due diligence review including, among other things: criminal and civil background checks of the applicant. Background checks will include, without limitation, affiliates, subsidiaries, officers, directors, managerial employees, and any person who directly or indirectly holds a pecuniary interest in that business entity of 20 percent or more.

Insufficient or inappropriate proposals will not be funded.

- **Award Reporting Requirements**

Progress Reports are due every six (6) months, due in October and April throughout the term of the grant agreement, though metrics reporting is for five (5) years. After the term of the grant agreement the reports are annual reports. For Progress Reports, grantees must report on Milestones, Budget, and Metrics. For the annual reporting, grantees must report on metrics. The grantee is responsible for

timely submission of reports that must be submitted electronically through the MEDC Portal.

Monthly Metrics are due monthly and include the following: dollars leveraged (match dollars), new companies created, companies expanded, companies served, jobs created, jobs retained, new investments in companies served (MEDC Funds, federal funds, venture capital, angel funds, bank/loan, owner investment, new sales, other), companies/people attending events. The grantee is responsible for timely submission of reports that must be submitted electronically through MEDC's Google Docs process.

Delayed, incomplete, or incorrect reporting filed will likely result in a loss of funding to the incubator/accelerator.

Annual site visits are conducted by the MEDC Grant Manager.

- **Overhead Rates**

The overhead rate (indirect administration costs) for the award recipient is limited to reflect actual overhead, but not greater than 15 percent of the Award Amount over the lifetime of the grant agreement. Preference will be given to proposals that are able to leverage outside funding sources to reduce overhead expenses for the award recipient.

E) PREFERENCES

Public Act 215 of 2005, Section 88k provides that the following preferences will be included in the scoring and evaluation of proposals responding to this RFP (also see Section III.D.2)b.):

- A preference for proposals that can contribute to the development of economic diversification or the creation of employment opportunities in this state;
- A preference for collaborations between institutions of higher education, Michigan nonprofit research institutions, Michigan nonprofit corporations, and qualified businesses; and
- A preference for proposals that meet 1 or more of the following: (i) Forecast revenues within 2 years; (ii) Have outside investments from investors with experience and management teams with experience in the industry targeted by the proposal; and (iii) Have outside directors with expertise in the industry targeted by the proposal.

SECTION II PROPOSAL FORMAT

To be considered, each Applicant must submit a COMPLETE proposal in response to this RFP using the format specified. APPLICANTS MUST NOT COMMUNICATE REGARDING THIS RFP WITH MEDC PERSONNEL OR JEC MEMBERS DURING THE ENTIRE PROCESS THROUGH THE APPROVAL OF THE MSF BOARD APPROVAL. Applicant's proposal must be submitted in the format outlined below. There should be no attachments, enclosures, or exhibits other than those required in the RFP or considered by the Applicant to be essential to a complete understanding of the proposal. All proposals must be signed by an individual authorized by the Applicant to submit the application on its behalf. Each section of the proposal should be clearly identified with appropriate headings:

A) COMPLETE PROPOSAL

- 1) **Contact Page** – State the Organization’s full name, address, and phone and facsimile number. Also included should be contact information, including phone number, email, cell phone number, and fax numbers. Also include signature of the authorized signor of the applicant organization.
- 2) **Check List Page** – Include a checklist of the required sections of the proposal, as listed in this Section II-A) 3 a-i and an indication that the section is included in the proposal. And include as indicated in Section III.O. below the following: “Applicant certifies that it is not an Iran-linked business as defined in MCL 129.312.”
- 3) **Proposal (up to 10 pages)** – Provide a proposal and include the required elements a-h, as described here. **In the Proposal clearly identify the following sections as headers.**

a) Eligibility

The Applicant must clearly identify how they are eligible to apply under one of the program areas and fulfills all criteria identified in Section I.C.above.

b) Executive Summary

The Executive Summary should summarize the information provided in response to paragraphs (a) above and (c) through (i) below. And specifically indicate:

- **THE NAME OF THE APPLICANT ORGANIZATION**
- **THE PROGRAM AREA UNDER THE ELIGIBILITY CRITERIA (See Section I.C. above) that the applicant is addressing**
- **THE AMOUNT OF FUNDS REQUESTED**
- **THE AMOUNT OF MATCHING FUNDS**
- **THE TERM (up to 2 years)**
- **THE PURPOSE OF THE FUNDING**
- **TARGETED NUMBERS FOR:**
 - **Companies Created**
 - **Jobs Created**
 - **Increase Investment/Revenue**
- **PREFERENCES**

c) Purpose of Funds

The Applicant must clearly indicate whether the organization is a non-profit or university. The Applicant must clearly describe what the applicant proposes to do with the funding and how the proposed use of funds will be to foster the growth of Michigan’s technology based economy and clearly identify the specific competitive edge technology sectors that the Applicant will serve.

d) Past Experience

The Applicant should indicate past experience with entrepreneurial support services and programs, and specifically discuss how the ELIGIBILITY CRITERIA that the Applicant fulfilled and its success will play a role in this project.

e) Team

Summarize key personnel, their time commitment to the project, their specific

responsibilities, and their value. Identify collaborative partners, their responsibilities, and value.

f) Milestones/Deliverables

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

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

g) Budget Request

Attach a schedule of all expenses covering each of the services and activities identified in your proposal. Specifically identify THE AMOUNT OF FUNDS REQUESTED, the TERM REQUESTED, PUBLIC AND/OR PRIVATE LEVERAGED FUNDS, and what the Applicant proposes to do with FUNDS APPLIED THROUGH THIS RFP and the TIMING OF THE FUNDS. Progress Reports are due in April and October so proposals should include 6-month budgets of relevant line items that align with these dates. Include the budget in a table format with column headings, Start of grant—4/1/2014-9/30/2014, 10/1/2014-3/31/2015, etc. and rows should include the expense line-items. Preference is that this funding should not overlap other MSF Board approved funding. And if requesting funding that does overlap other MSF approved funding, applicant must provide explicit justification for this overlap.

h) Economic Impact

Identify the targeted number of companies created, jobs created, and increases in investment/revenue resulting from the services. Include justification and assumptions related to these expectations. You will be held responsible for delivering these specific numbers in your semi-annual Progress Reports. Explain how you define success and will deliver a successful program. Identify how you will make an economic development impact and be sustainable.

i) Preferences

Address/summarize how the proposal contributes to the development of economic diversification or the creation of employment opportunities in this state. Address/summarize collaborations between institutions of higher education, Michigan nonprofit research institutions, Michigan nonprofit corporations, and qualified businesses. Address/summarize how the proposal meets 1 or more of the following: (i) Forecast revenues within 2 years; (ii) Have outside investments from investors with experience and management teams with experience in the industry targeted by the proposal; and (iii) Have outside directors with expertise in the industry targeted by the proposal.

B) PROPOSAL SUBMITTAL

Submit an electronic version of your proposal (one document that includes contact page, check list page and proposal) to the MSF via email to contractsandgrants@michigan.org not later than **3:00 p.m. on April 30, 2014**. The MSF has no obligation to consider any proposal that is not timely received. **Proposals will not be accepted via U.S. mail or any other delivery method.**

APPLICANTS ARE RESPONSIBLE FOR ASSURING THAT THE FOLLOWING IDENTIFYING INFORMATION APPEARS IN THE SUBJECT LINE OF YOUR EMAIL: *"RFP-CASE-00087810" with Company Name.*

SECTION III RFP PROCESS AND TERMS AND CONDITIONS

A) QUESTIONS

Questions from Applicants concerning the specifications in this RFP must be received via e-mail no later than **3:00 pm on April 4, 2014**. Questions must be submitted to:

Contracts and Grants
contractsandgrants@michigan.org

B) PROPOSALS

To be considered, Applicants must submit a complete response to this RFP, using the format provided in Section II of this RFP, by **3:00 p.m. on April 30, 2014**. No other distribution of proposals is to be made by the Applicant.

C) ECONOMY OF PREPARATION

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

D) SELECTION CRITERIA

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

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

1) Step I – Initial evaluation for compliance

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

- Timely submission of the proposal
- Eligibility
- Executive Summary
- Purpose
- Past Experience
- Team
- Milestones/deliverables
- Budget
- Economic impact – Expected number of businesses created, jobs created, and private investment leveraged.
- Preferences
- Proposal signed physically or electronically by an official of the Applicant authorized to bind the Applicant to its provisions.
- Proposals satisfy the form and content requirements of this RFP.

2) Step II – Criteria for Satisfactory Proposals

a.) During the second step of the selection process, proposals will be considered by a Joint Evaluation Committee (“JEC”) comprised of individuals selected by the MSF. Only those proposals that satisfy the technical requirements described in this RFP, as determined in the sole discretion of the JEC, will be considered for evaluation in Step II. The JEC reserves the right to request additional information from any Applicant.

b.) *Competence, Experience and Staffing Capacity* – The proposal should indicate the ability of the Applicant to meet the requirements of this RFP, especially the time constraints, quality, and recent projects similar to that described in this RFP. The proposal should indicate the competence of the personnel whom the Applicant intends to assign to the project, including education and experience, with particular reference to experience on projects similar to that described in this RFP and qualifications of Applicant’s Project Manager and the Project Manager’s dedicated management time, as well as that of other key personnel working on this project.

		Weight
1.	ELIGIBILITY	Y/N
2.	Executive Summary	5
3.	Purpose	15
4.	Past Experience	10
5.	Team	15
6.	Milestones/Deliverables	10
7.	Budget	10
8.	Economic Impact	20
9.	Preferences	15
TOTAL		100

c.) During the JEC’s review, Applicants may be required to make oral presentations of their proposals to the JEC. These presentations provide an opportunity for the Applicants to

clarify the proposals. The MEDC will schedule these presentations, if required by the JEC. Only those Applicants that score 70 points or higher on the written review will be invited for an oral presentation if the JEC determines that an oral presentation is necessary.

E) TAXES

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

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

F) CONFLICT OF INTEREST

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

Except as otherwise disclosed in the proposal, the Applicant affirms that to the best of its knowledge there exists no actual or potential conflict between the Applicant, the Applicant's project manager(s) or its family's business or financial interests ("Interests") and the MSF or MEDC. In the event of any change in the RFP, the Applicant will inform the MSF and the MEDC regarding possible conflicts of interest which may arise as a result of such change and agrees that all conflicts shall be resolved to the MSF's satisfaction or the Applicant may be disqualified from consideration under this RFP. As used in this Section, "conflict of interest" shall include, but not be limited to, the following:

1. Giving or offering a gratuity, kickback, money, gift, or anything of value to an official, officer, or employee of the MSF or the MEDC with the intent of receiving an award from the MSF or favorable treatment under a contract;
2. Having or acquiring at any point during the RFP process or during the term of the award, any contractual, financial, business or other interest, direct or indirect, that would conflict in any manner or degree with Applicant's performance of its duties and responsibilities to the MSF under the award or otherwise create the appearance of impropriety with respect to the award or performance of the award; or
3. Currently in possession of or accepting during the RFP process or the term of the award anything of value based on an understanding that the actions of the Applicant or its affiliates or Interests on behalf of the MSF will be influenced.

G) BREACH OF CONTRACT

Except as otherwise disclosed in an exhibit to Applicant's proposal, Applicant is not in material default or breach of any contract or agreement that it may have with the State of Michigan or any of its departments, commissions, boards or agencies, or any other public body in the State of Michigan. Further, Applicant represents and warrants that it has not been a party to any contract with the State

or any public body that was terminated within the previous five (5) years because the Applicant failed to perform or otherwise breached an obligation of such contract.

H) FALSE INFORMATION

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

I) DISCLOSURE

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

J) CLARIFICATION/CHANGES IN THE RFP

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

K) ELECTRONIC RECEIPT OF PROPOSALS

AN ELECTRONIC VERSION OF YOUR PROPOSAL MUST BE RECEIVED AND TIME-STAMPED BY THE MSF TO contractsandgrants@michigan.org, ON OR BEFORE **3:00 p.m. on April 30, 2014**. Applicants are responsible for timely submission of their proposal. THE MSF HAS NO OBLIGATION TO CONSIDER ANY PROPOSAL THAT IS NOT RECEIVED BY THE APPOINTED TIME.

L) RESERVATION OF MSF DISCRETION

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

- 1) reject any and all proposals;
- 2) waive any errors or irregularities in the application process or in any proposal;
- 3) reissue the RFP;

- 4) negotiate with any Applicant for a different award amount;
- 5) reduce or expand the scope of the project, and reissue the RFP or negotiate with any Applicant regarding the revised project
- 6) extend the term of the project and add additional funding as necessary or appropriate; or
- 7) defer or abandon the project.

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

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

M) PROTEST PERIOD

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

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

1. Failure of an Applicant to properly complete proposal return envelope instructions;
2. Failure of a Applicant to submit the proposal by the due date and time;
3. Failure of a Applicant to provide samples, descriptive literature or other required documents by the date and time specified;
4. Failure of a Applicant to submit a protest within the time stipulated in the notice to award or as determined by the MSF.

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

N) JURISDICTION

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

O) ADDITIONAL CERTIFICATION

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

Applicants must include the following certification in the proposal:

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

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

Proposal Evaluation Form 2014 Entrepreneurial Support Specialized Services RFP

Name of Applicant: _____

Name of Reviewer: _____

Criteria	Reviewer's Comments	Points
<p>Eligibility: Focusing on one or more of the following areas:</p> <ul style="list-style-type: none"> • Talent Programs • Enhancement to Entrepreneurial Ecosystem • Federal Grant Matching Fund • Loan Enhancement Programs for Tech Companies <p>AND</p> <ul style="list-style-type: none"> • Applicant is a non-profit organization or public institution of higher education. • Has a statewide reach and focus. • Actively engages the Michigan SmartZone network and Michigan Institutions of higher education. • Demonstrates a proven ability to provide business acceleration services to competitive edge technology companies. • Has a working knowledge of Michigan's entrepreneurial ecosystem, strong relationships with the ecosystem, and a platform for collaboration that demonstrates the ability to market and successfully execute the proposed programs. • Has the administrative ability and desire to provide efficient, transparent operations and funding details on a systematic basis. • Will provide, at a minimum, the performance metrics required by PA215 of 2005, and other metrics that may be specified by the MEDC and/or MSF. 		Y/N
<p>Executive Summary: Overview</p> <ul style="list-style-type: none"> • NAME OF THE APPLICANT ORGANIZATION • ELIGIBILITY CRITERIA • AMOUNT OF FUNDS REQUESTED • AMOUNT OF MATCHING FUNDS • TERM • PURPOSE • The TARGETED NUMBERS FOR: <ul style="list-style-type: none"> ○ Companies Created ○ Jobs Created ○ Increase Investment/Revenue 		Max. Possible Points: 5 Score: _____
<p>Purpose:</p> <ul style="list-style-type: none"> • The Applicant must clearly indicate whether the organization is a non-profit or university. • The Applicant must clearly describe how the proposed use of funds will be to foster the growth of Michigan's technology based economy and clearly identify the specific competitive edge technology sectors that the Applicant will serve. 		Max. Possible Points: 15 Score: _____
<p>Past Experience:</p> <ul style="list-style-type: none"> • The Applicant should indicate past experience with entrepreneurial support services and programs, and specifically discuss how the ELIGIBILITY CRITERIA that the Applicant fulfilled and its success will play a role in this project. 		Max. Possible Points: 10 Score: _____
<p>Team:</p> <ul style="list-style-type: none"> • Identified key players • Identified collaborators • Track record and relevant expertise of identified key players and collaborators 		Max. Possible Points: 15 Score: _____

Exhibit B

<p>Milestones/Deliverables:</p> <ul style="list-style-type: none">• Identified meaningful milestones/deliverables• Achievable and leading to economic impact		<p>Max. Possible Points: 10 Score: _____</p>
<p>Budget:</p> <ul style="list-style-type: none">• Identified meaningful budget for proposal• Organization budget clearly indicates need for funding		<p>Max. Possible Points: 10 Score: _____</p>
<p>Economic Impact:</p> <ul style="list-style-type: none">• Realistic assumptions and expectations based on industry knowledge and past reported performance• Identified targeted metrics:<ul style="list-style-type: none">○ Companies Created○ Jobs Created○ Increase Investment/Revenue		<p>Max. Possible Points: 20 Score: _____</p>
<p>Preferences:</p> <ul style="list-style-type: none">• Contributes to the development of economic diversification or the creation of employment opportunities in this state• Promotes collaborations between institutions of higher education, Michigan nonprofit research institutions, Michigan nonprofit corporations, and qualified businesses• Meets 1 or more of the following: (i) Forecasts revenues within 2 years; (ii) Has outside investments from investors with experience and management teams with experience in the industry targeted by the proposal; and (iii) Has outside directors with expertise in the industry targeted by the proposal.• Has a minimum three (3) years of experience providing entrepreneurial support services to competitive edge technology companies and can document success.• Exhibits a successful track record of fund raising to support operations from sources in addition to the MEDC, and demonstrates a plan to do so going forward. Bonus points may be awarded to organizations that obtain matching funds from other sources that directly coincides with an MEDC grant award, to assist in supporting programs, services, and grantee operations.		<p>Max. Possible Points: 15 Score: _____</p>
<p>Total Score:</p>		<p>Max. Possible Points: 100 Score: _____</p>

**MICHIGAN STRATEGIC FUND
RESOLUTION**

2014-

**ENTREPRENEURIAL SUPPORT SPECIALIZED SERVICES RFP
FUNDING ALLOCATION**

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 MSF, including those powers, duties, and functions provided under MCL 125.2088k;

WHEREAS, at its March 25, 2014 meeting, the MSF Board authorized the issuance of the Entrepreneurial Support Specialized Services Request for Proposals (the “Entrepreneurial Services RFP”); and

WHEREAS, the MEDC recommends and the MSF Board wishes to allocate \$8,954,672 to the Entrepreneurial Services RFP as follows: \$4,300,000 from the FY 2014 appropriation from the 21st Century Jobs Fund for innovation and entrepreneurship; \$500,000 in undisbursed funds from the 2006 Business Plan Competition; \$593,981 in undisbursed funds from the 2008 Business Plan Competition; \$585,000 in undisbursed funds from the Company Formation and Growth Fund (Retention Pfizer Assets); \$2,665,000 in undisbursed funds from the 2010 Centers of Energy Excellence program; \$185,691 in previously allocated but uncommitted funds from the 2012 Entrepreneurial Service Provider RFP; and \$125,000 in previously allocated but uncommitted funds from the Centers of Innovation Program (the “Funding Allocation”).

NOW, THEREFORE, BE IT RESOLVED, the MSF Board approves the Funding Allocation; and

BE IT FURTHER RESOLVED, the MSF Board requests that the State Treasurer \$4,300,000 from the FY 2014 appropriation from the 21st Century Jobs Fund for innovation and entrepreneurship to the MSF.

Ayes:

Nays:

Recused:

Detroit, Michigan
March 25, 2014



MEMORANDUM

Date: March 25, 2014

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

From: Joshua Hundt, Director, Development Finance

Subject: Magna Electronics Technology, Inc. (“Company” or “Applicant”)
Job Creation MBT Credit Amendment

Request

This is a request from the Company for an amendment to its existing Job Creation MBT Credit. The amendment is required to accurately reflect how the Company hires Qualified New Jobs related to the original Job Creation MBT Credit.

Background

Magna Electronics Technology, Inc. (“Magna Electronics”) is a wholly owned operating unit of Magna International. The Company provides innovative electronic systems through manufacturing facilities and engineering divisions located around the world.

Magna International and subsidiaries claim to be the most diversified automotive supplier in the world. Magna International and subsidiaries design, develop, and manufacture technologically advanced automotive systems, assemblies, modules and components, and engineers and assembles complete vehicles; primarily for sale to original equipment manufacturers of cars and light trucks.

On April 19, 2011, the MEGA Board approved a 5 year 100 percent Job Creation MBT Credit (Resolution 2011-056) for the Company to expand its manufacturing operations for a new passenger vehicle back-up camera initiative and create jobs in Grand Blanc Township, Genesee County. The Job Creation MBT Credit is for a maximum of 385 Qualified New Jobs with a Base Employment Level of 293.

The Company is in the process of applying for its 2012 Annual Tax Credit Certificate from the Michigan Economic Development Corporation.

The Company is requesting an amendment to its existing tax credit to allow job creation with an additional Employer Identification Number (EIN) that is utilized by Magna Electronics Technology, Inc. The Company utilizes one EIN for the purposes of salaried employees and a separate EIN for the purposes of hourly employees. Without the inclusion of both EINs for the purposes of creating Qualified New Jobs the Company would not receive the anticipated and intended value of the Job Creation MBT Credit.

Recommendation

MEDC Staff recommends the following amendments to the Job Creation MBT Credit Tax Credit (Resolution 2011-056):

- a) Amend the definition of Company to include an additional Employer Identification Number 98-0442576 for purposes of Base Employment and Qualified New Jobs.
- b) All other terms and conditions will remain the same.

Michigan Economic Development Corporation

MICHIGAN STRATEGIC FUND

Resolution 2014-

**Magna Electronics Technology, Inc.
STANDARD CREDIT (AMENDMENT #1)**

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

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

WHEREAS, in Resolution 2011-056, adopted on April 19, 2011, the MEGA Board authorized a Tax Credit for Magna Electronics Technology, Inc. (the “Company”) of 100 percent for a period of five consecutive years, beginning no later than the Company’s tax year ending December 31, 2012 to expand its manufacturing operations for a new passenger vehicle back-up camera initiative and create job in Grand Blanc Charter Township, Genesee County (the “Project”);

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

- (i) Amend the definition of Company to include an additional Employer Identification Number of 98-0442576 for purposes of base employment and qualified new jobs.

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

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

BE IT FURTHER RESOLVED, that all other provisions of Resolution 2011-056, are reaffirmed and the MSF authorizes the MSF Fund Manager to implement the terms of this resolution.

ADOPTED

Ayes:

Nays:

Recused:

March 25, 2014
Detroit, Michigan



MEMORANDUM

Date: March 14, 2014
To: Michigan Strategic Fund Board
From: Robert Jackson, Deputy Director, Michigan Energy Office
Subject: Advanced Energy Acceleration Services RFP – Funding Recommendation

Action

The MEDC requests that the MSF Board approves funding of \$2,500,000 to the NextEnergy Center for its Advanced Energy Acceleration Services Program.

Background

On December 18, 2013 the MSF Board approved the release of the Advanced Energy Acceleration Services Request for Proposals in the amount of \$2,500,000. The JEC, Scoring Instructions, and Evaluation Form were approved by the MSF Fund Manager (Exhibit A). One proposal was received (NextEnergy Center). The written reviews were completed and the JEC met to discuss, agree to a consensus score and to provide a funding recommendation to the MSF Board. The NextEnergy Center proposal received a score of 85.

Recommendation

MEDC Staff recommends that the MSF Board approve \$2.5 million to be awarded to NextEnergy Center for the Advanced Energy Acceleration Services program.

Advance Energy Acceleration Services (\$2,500,000 for one year, with option for two one year renewals): NextEnergy would provide advanced energy acceleration program services to Michigan businesses including:

- supply chain, value chain, and technology roadmapping services
- technology demonstration and commercialization support
- industry and venture development
- industry convening

Prior to this, NextEnergy managed a similar program from January 2011 through June 2013 that resulted in \$1.08B in new business quoted, \$89M in plant or capital expansion, 443 patents and copyrights, and nearly 67 products commercialized. NextEnergy projects the following outcomes from this project:

NextEnergy Impact	2014 Desired Outcomes
Specific investment of public and private funds (e.g., federal, industry, philanthropy, and private) in Michigan-based entities, assets, and infrastructure	\$20 Million

Jobs created or retained	115
Private investment leveraged (above)	20% of total leverage
New business quoted/won	\$300 million quoted; \$50 Million won
Capital investment and plant expansion	\$ 50 Million
Number of patents, copyrights and trademarks filed	100
Licensing agreements entered	6
Products commercialized	6

MICHIGAN STRATEGIC FUND

RESOLUTION

2014-

APPROVAL OF AWARD UNDER THE ENERGY ACCELERATION SERVICES RFP

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, on December 28, 2013, the MSF Board authorized the issuance of a request for proposals (“RFP”) for awarding a grant to a non-profit corporation to provide energy acceleration services to businesses in Michigan (the “Energy Acceleration Services RFP”);

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

WHEREAS, one proposal was received in response to the Energy Acceleration Services RFP;

WHEREAS, the JEC scored proposal in accordance with the scoring and evaluation criteria approved by the MSF Board;

WHEREAS, the MEDC recommends that the MSF award a grant of up to \$2.5 million to NextEnergy to provide energy acceleration services as provided in the Energy Acceleration Services RFP (the “NextEnergy Grant”); and

WHEREAS, the MSF Board wishes to approve the NextEnergy Grant.

NOW, THEREFORE, BE IT RESOLVED, the MSF Board approves the NextEnergy Grant;

BE IT FURTHER RESOLVED, the MSF Board may, at its sole discretion, extend the term of the NextEnergy Grant for up to an additional three years and may increase the amount of the NextEnergy Grant, subject to available funds for so long as the NextEnergy Grant is active; and

BE IT FURTHER RESOLVED, that MSF Fund Manager or the MSF Chairperson, with only one required to act and in coordination with MEDC Staff, is authorized to the negotiate final terms and conditions of the NextEnergy Grant and to execute all documents necessary to effectuate the NextEnergy Grant.

Ayes:

Nays:

Recused:

Detroit, Michigan
March 25, 2014

MEMORANDUM

Date: February 13, 2014

To: Karla Cambell, MSF Fund Manager

From: Robert Jackson, Deputy Director, Michigan Energy Office



Subject: Advanced Energy Acceleration Services RFP – JEC & Scoring Criteria Approval

Procedural Background and Action Requested

At its December 18, 2013 meeting, the Michigan Strategic Fund (MSF) Board authorized issuance of the Advanced Energy Acceleration Services Request For Proposals (AEAS RFP), which RFP included provisions requiring a JEC and setting the base scoring and evaluation criteria. Resolution 2011-164 authorizes the MSF Fund Manager to take all necessary or appropriate actions to administer any transaction or program approved by the MSF Board. In accordance with that delegation of authority, the Michigan Economic Development Corporation (MEDC) is requesting that the MSF Fund Manager approve the Joint Evaluation Committee (JEC) Members, the JEC Proposal Evaluation Form and JEC Instructions for the the AEAS RFP that was approved in December 2013.

The MEDC anticipates the following timeline for the AEAS grant:

- Proposals Due: January 17, 2014
- Joint Evaluation Committee (JEC) Review Process Completed: February 21, 2014
- Results of JEC Review to MSF Board: February 25, 2014
- Project Start Date: March 1, 2014

The MEDC requests the MSF approve a JEC comprised of MEDC Staff and external partners to review the proposals submitted and make award recommendations to the MSF Board, including:

- Frank Murray, Director - New York State Energy Research and Development Authority
- Maurice Kaya, VP - Hawaii Renewable Energy Development Venture
- Martin Dober, Invest Detroit
- Nadia Abunasser, Federal & Development Projects Manager - MEDC
- Roger Doherty, Engineer - Michigan Energy Office

The MEDC requests the MSF Fund Manager approve the attached The JEC Instructions (Attached as Exhibit A to the resolution) and the JEC Proposal Evaluation Form (Attached as Exhibit B to the resolution) to be used by the JEC to evaluate proposals.

Background

The Advanced Energy Acceleration Services grant will provide funding to accomplish the following:

- Commercialization of New and Innovative Technologies - Provide support for advanced energy technology development by validating new and emerging alternative energy technologies and connecting them to funding sources for further research and development. The grant will also provide resources for technology demonstrations such as: testing, validation and research-laboratory space. The recipient will support the commercialization of technology by leveraging industry, federal, and philanthropic resources.
- Industry and Venture Development - Assist energy ventures by performing commercialization gap analysis (market landscape, technology or supply chain needs, etc). Assess strengths and weaknesses and decide appropriate level of support to start-up companies. Help existing Michigan suppliers to transition into energy industry by connecting them to specific opportunities that fit their expertise. Connecting global alternative energy equipment manufacturers to opportunities for strategic partnerships in Michigan.
- Supply Chain Mapping - Increase understanding of industry sector supply chains. Conduct analysis of Michigan's energy technology development and product manufacturing market with the goal of outlining all major contributors and understanding the full economic impact value of the market.
- Technology Roadmapping - Help guide Michigan companies by looking at market driving influences, where R&D is being conducted, existing technology roadmaps, and development of future performance and/or cost requirements and/or targets.
- Industry Convening - Convene industry-sector stakeholders to work toward common goals. Deepen sector knowledge and intelligence through industry focused events.
- Technical Assistance in Advanced Energy Sectors (i.e. smart grid, power electronics, energy storage, energy efficiency, etc.)

Recommendation

Staff makes the following recommendations with respect to the program:

1. Approval of the JEC Members.
2. Approval of the JEC Instructions (Exhibit A) and the JEC Proposal Evaluation Form (Exhibit B).

Approved:



Karla Campbell, MSF Fund Manager

EXHIBIT A

**REVIEWER SCORING INSTRUCTIONS
FOR
ADVANCED ENERGY ACCELERATION SERVICES GRANT PROGRAM**

Using the Reviewer Score Sheet, identify strengths and weaknesses in each project proposal. Be sure to complete a Reviewer Score Sheet for each provided proposal. Please use the general comments sections of the form to provide candid comments on each proposal and identify critical deficiencies or needed information.

All completed Reviewer Score Sheets should be electronically provided to the Program Manager prior to meeting of the Joint Evaluation Committee (JEC) and a signed paper copy of each form is to be provided to the Program Manager on completion of the JEC recommendations for funding (see below).

General Background

Public Act 215 of 2005, Section 88k(2) and Executive Order 2010-8, allows the MSF Board to award grants and loans from the 21st Century Jobs Fund for "...basic research, applied research, university technology transfer and commercialization of products, processes and services to encourage the development of competitive-edge technologies to create jobs in the state." The RFP, attached for your reference, solicited applications for funding to accomplish the following:

- Commercialization of New and Innovative Technologies - Provide support for advanced energy technology development by validating new and emerging alternative energy technologies and connecting them to funding sources for further research and development. The grant will also provide resources for technology demonstrations such as: testing, validation and research-laboratory space. The recipient will support the commercialization of technology by leveraging industry, federal, and philanthropic resources.
- Industry and Venture Development - Assist energy ventures by performing commercialization gap analysis (market landscape, technology or supply chain needs, etc.). Assess strengths and weaknesses and decide appropriate level of support to start-up companies. Help existing Michigan suppliers to transition into energy industry by connecting them to specific opportunities that fit their expertise. Connecting global alternative energy equipment manufacturers to opportunities for strategic partnerships in Michigan.
- Supply Chain Mapping - Increase understanding of industry sector supply chains. Conduct analysis of Michigan's energy technology development and product manufacturing market with the goal of outlining all major contributors and understanding the full economic impact value of the market.
- Technology Roadmapping - Help guide Michigan companies by looking at market driving influences, where R&D is being conducted, existing technology roadmaps, and development of future performance and/or cost requirements and/or targets.

- Industry Convening - Convene industry-sector stakeholders to work toward common goals. Deepen sector knowledge and intelligence through industry focused events.
- Technical Assistance in Advanced Energy Sectors (i.e. smart grid, power electronics, energy storage, energy efficiency, renewable energy, communications and controls, etc.)

The Michigan Energy Office (MEO) will oversee the Award. Funding (in the form of a grant) will be awarded to one non-profit organization. All applications have undergone a prescreening process to determine if they were eligible for grant funding prior to be advanced to the review committee for scoring.

Application Content and Format

The applicants were required to follow the instructions given in Section II within the Advanced Energy Acceleration Services RFP.

Proposal Scoring and Evaluation Criteria

The applications are evaluated using a numerical scoring technique ranging from zero (0) to one hundred (100) with those having the highest total score being considered for funding. Each application is evaluated using the same set of criteria, with each criterion assigned a value from zero (for unacceptable or exceptionally poor/weak) to a maximum designated value (for exceptionally or uniquely good/strong). [The maximum value allowed for each criterion is given on the Reviewer Score Sheet.] A total score for the application is obtained by summing the values assigned to each criterion.

The minimum value that can be assigned to each criterion is zero (0), which should be used if you believe the proposed project is incapable of achieving, or fails to meet the definition/requirement of the particular criterion.

The maximum value that can be assigned to each criterion is designated on the form. The maximum value should be used if the proposed project is likely to achieve an exceptional outcome for the particular criterion based on your professional judgment and experience.

The Reviewer Score Sheet contains the four criterion used for evaluating the applications. You are asked to assign each criterion a value from zero (0) to its allowed maximum. Use your professional judgment and experience in assigning a value to each criterion. Please use the general comments section following each criterion to provide candid comments on each proposal and identify critical deficiencies or needed information.

Experience of Organization & Project Team (0-30)

Applicants must be able to staff a project team that clearly possesses talent and experience in conducting the type of work proposed. The narrative should identify the authorized contact person and key personnel to be involved with this project, by name and title, and provide their qualifications.

If other organizations will be playing a role in the proposed project in coordination with this grant, applicant must provide sufficient background information on them in order to give the Reviewer a reasonable understanding of their qualifications. Applicant must describe how the organization will coordinate with other organizations to accomplish set goals.

Organization should have experience in the following areas:

- Leveraging industry, federal, and philanthropic resources at to support Advanced Energy Technology commercialization: AND
- Attracting/leveraging federal funding with Michigan entities to support technology demonstrations, collaborative research and development, industry, and venture growth within Advanced Energy Technology; AND
- Supporting the MEDC and regional economic development authorities with business attraction, retention and growth of advanced energy companies; AND
- Supporting Advanced Energy Technology commercialization with both early stage and mature companies; AND
- Providing technology testing, demonstration and validation services to support commercialization of Advanced Energy Technologies; AND
- Advanced Energy asset mapping, cluster development strategy and industry convening; AND
- Development and execution of industry focused events to accelerate activities within Advanced Energy Technologies.

Proposal Quality & Completeness (0-15)

Proposal(s) should follow the format detailed under Section II of the RFP. Proposal(s) should be scored based on the degree of completeness, level of detail, and overall quality of information contained within the proposal documents.

Work Plan (0-15)

Proposal(s) should:

1. Describe in narrative form the work plan and project schedule with required tasks for accomplishing the work proposed.
2. Clearly define the project objectives.
3. Provide a discussion of the proposed timeline which is correlated with the task required to complete the work. For each task identified include a title and planned completion date, milestone should be quantitative and show progress toward budget period and/or project goals.
4. Indicate and justify the estimated number of staff (managers/supervisors) that will spend time working on the project, and provide a description of the work to be performed.

Project Deliverables (Metrics) (0-25)

Proposal should describe how the project will be measured and evaluated to determine success. Projected metrics should include (but not be limited to) the following:

- Jobs Created or Retained (#)
- Private Investment Leveraged (\$)
- New Business Quoted/Won (\$)
- Capital Investment (\$)

- Plant Expansions (\$)
- Patents, Copyrights, Trademarks Filed (#)
- Licensing Agreements Entered (#)
- Products Commercialized (#)
- Related Events Hosted and Attendance (#)
- Companies Served (#)
- Technical Evaluations (#)
- Company/Opportunity Evaluations (#)
- Business to Business Connections (#)
- Introductions to Private Investors (#)
- Engagements with Local Economic Development Agencies (#)

Score proposal(s) overall impact of the project based on the projected metrics and the ability to measure those projected metrics.

Project Feasibility and Likelihood of Success (0-15)

Use your own professional experience to score the proposed project on the likelihood of success and feasibility to achieve the purpose, outcomes, and tasks required by this RFP within the established timeframe.

Preferences

Section 88k of the MSF Act requires that a preference be given to those proposals that satisfy certain additional metrics articulated in the Act. Each metric is listed below together with the number of additional points each preference is worth should the proposal satisfy the requirement. These points are in addition to the points awarded through the initial 100 point review:

- A preference for proposals that can contribute to the development of economic diversification or the creation of employment opportunities in the State of Michigan (5 points)
- A preference for collaborations between institutions of higher education, Michigan nonprofit research institutions, Michigan nonprofit corporations, and qualified businesses (5 points)
- A preference for proposals that meet 1 or more of the following: (i) Forecast revenues within 2 years; (ii) Have outside investments from investors with experience and management teams with experience in the industry targeted by the proposal; and (iii) Have outside directors with expertise in the industry targeted by the proposal. (5 points)

Overall Score

For each application, sum the values assigned to each criterion plus the values for preferences to achieve the Overall Score. Please note that the maximum score possible is 115.

Conclusions/Recommendations

For each application, provide any final comments, conclusions, or recommendations regarding the proposed project. Specifically indicate any significant strengths or weaknesses not otherwise addressed, or failed to be captured by the scoring. Additionally list any missing information critical to properly evaluating what otherwise appears to be a high scoring fundable project.

Overall Recommendation and Justification

On the front page of the Reviewer Score Sheet, please indicate if you recommend or do Not Recommend the application for further funding consideration. Provide the justifications for your recommendation in the space provided.

Project Summary

On the front page of the Reviewer Score Sheet, please provide a brief summary of the proposed project based on your review of the application.

Reviewer Signature

Print your name, provide the date the review was completed, and sign in the spaces provided on the front page of the Reviewer Score Sheet.

EXHIBIT B

ADVANCED ENERGY ACCELERATION SERVICES

Reviewer Score Sheet for Candidate Application

Proposal Tracking Number: _____ Date of Review: _____

Name of Proposal:

Project Summary:

Recommend

Not Recommend

Justification:

Name of Reviewer:

Signature of Reviewer:

ADVANCED ENERGY ACCELERATION SERVICES
Reviewer Score Sheet

Proposal Tracking Number: _____

Reviewer: _____ Date of Review: _____

1. Experience of Organization and Project Team.

A. Score the proposal on the effectiveness and adequacy of the project's management structure and the experience and qualifications of the organization and project team.

SCORE (Out of 30, where 0=unacceptable, 15=average/typical and 30=exceptional):

Score:

Comments:

2. Proposal Quality and Completeness

A. Score the proposal based on the degree of completeness, level of detail, and overall quality of information contained within the proposal documents.

SCORE (Out of 15, where 0=unacceptable and 15=exceptional):

Score:

Comments:

ADVANCED ENERGY ACCELERATION SERVICES
Reviewer Score Sheet

Proposal Tracking Number: _____

Reviewer: _____ Date of Review: _____

3. Work Plan

A. Score the proposal based on the overall quality of the Work Plan to implement the project.

SCORE (Out of 15, where 0=unacceptable and 15= exceptional):

Score:

Comments:

4. Project Deliverables (Metrics)

A. Score the project on the overall magnitude of impact based on proposed metrics.

SCORE (Out of 25, where 0=unacceptable and 25=exceptional):

Score:

Comments:

5. Project Feasibility and Likelihood of Success

A. Score the proposed project on the likelihood of success and feasibility to achieve the purpose, outcomes, and tasks required by this RFP within the established timeframe.

ADVANCED ENERGY ACCELERATION SERVICES
Reviewer Score Sheet

Proposal Tracking Number: _____

Reviewer: _____ Date of Review: _____

SCORE (Out of 15, where 0=unacceptable and 15=exceptional):

Score:

Comments:

TOTAL SCORE

(out of 100)

Preferences: If applicant satisfies any of the preferences below, those points shall be added to the applicant's total score achieved through the initial evaluation and scoring phase of this RFP:

1. Does proposal demonstrate that project can contribute to the development of economic diversification or the creation of employment opportunities in the State of Michigan? (5 points)

Score:

2. Does proposal demonstrate collaboration between application and institutions of higher education, Michigan nonprofit research institutions, Michigan nonprofit corporations, and qualified businesses? (5 points)

Score:

ADVANCED ENERGY ACCELERATION SERVICES
Reviewer Score Sheet

Proposal Tracking Number: _____

Reviewer: _____ Date of Review: _____

3. Does proposal meet one or more of the following: (i) Forecast revenues within 2 years; (ii) Have outside investments from investors with experience and management teams with experience in the industry targeted by the proposal; or (iii) Have outside directors with expertise in the industry targeted by the proposal? (5 points)

Score:

PREFERENCES SCORE _____ **(out of 15)**

OVERALL SCORE _____ **(Total Score + Preferences Score)**

Conclusions/Recommendations (use additional sheets as needed):



MEMORANDUM

Date: March 25, 2014

To: Michigan Strategic Fund Board

From: Joseph Martin, Manager, Community Revitalization and Brownfield Programs
Mary Kramer, Community Development Incentives
Ryan Kilpatrick, Community Assistance Team Specialist

Subject: Arena Place Development, LLC
Mercantile Bank of Michigan
Michigan Community Revitalization Program
Request for Approval of a \$4,500,000 Performance-Based Other Economic Assistance (Loan Participation)

Request

The Arena Place Development, LLC (Company) along with Mercantile Bank of Michigan (Lender) is requesting approval of a Michigan Community Revitalization Program incentive in the amount of \$4,500,000 in the form of a performance-based other economic assistance (loan participation). The Company anticipates that the project could result in eligible investment of \$35,189,000 and total capital investment in the amount of \$44,000,000 in the City of Grand Rapids and the creation of 65 full-time and 150 part-time jobs.

Background

Orion Construction will be the developer and general contractor of the project. John Wheeler at Orion Construction will be the primary developer contact and Roger Rekhopf at Orion Construction will be the lead contact for construction management. Financing has been secured through Mercantile Bank.

Although the Company has not received any incentives from the MSF previously, Orion Construction has participated in several projects that have previously received Brownfield Michigan Business Tax Credits and/or Brownfield Tax Increment Financing. Recently completed developments by this firm that involved these financing tools include:

- St. Clair County Convention Center – General Contractor – New Convention Center
- Flat Iron Building – Construction Management – Historic Renovation
- Maru Sushi & Grill – Construction Management - Restaurant

The Company plans to construct a mixed-use office, retail, and residential high rise (11-story) located in Downtown Grand Rapids' Arena South District adjacent to Van Andel Arena. The project site, currently a city surface parking lot, is approximately one acre in size and is located at 158 Weston Street SW in the City of Grand Rapids. The project will include approximately 101 (one and two bedroom) market rate residential rental units, 16,000 square feet of flexible retail and restaurant space, four floors of parking, and also seven floors of commercial office space (108,000 square feet). Specifically, the floor breakdown is as follows:

- First Floor: retail and restaurant space, and also 13 parking/loading spaces on west side of the building (set behind retail and restaurant);
- Second Floor: 64 parking spaces;
- Third Floor: 90 parking spaces;
- Fourth Floor: 80 parking spaces;

- Fifth Floor: apartments and commercial office space;
- Sixth through Tenth Floors: apartments and commercial office space; and
- Eleventh Floor: conference room & patio.

The project is located in a downtown and qualifies for an MCRP award because it is a facility.

The project’s statutory requirements are addressed in Appendix A and a project map is provided in Appendix B.

FINANCING OPPORTUNITY – MCRP LOAN PARTICIPATION

The project anticipates the use of two separate loan facilities seeking MSF participation in coordination with Mercantile Bank as the senior lender. Mercantile Bank, along with the Borrower, have requested the MSF participate up to \$2,500,000 on a \$36,500,000 construction to permanent loan facility. The MSF would participate in all payments in proportion to its interest in the loan, but would allow the collateral to apply first to Mercantile’s share in an event of liquidation. The second facility involves a \$2,000,000 term loan to be repaid through tax increment revenues from the City of Grand Rapids Downtown Development Authority. Approximately, \$2,900,000 in tax increment revenue is available to the Company. It is anticipated that all \$2,000,000 of this second facility will be participated to the MSF. The funding into the project on both loans will be on a pro-rata basis. The second facility would be fully subordinate to facility #1 in terms of payment from cash flow from the project and the real estate mortgage during liquidation.

SUMMARY OF DEVELOPMENT SOURCES:

Construction to Perm Loan	\$	36,500,000
TIF Loan	\$	2,000,000
Developer Equity	\$	4,500,000
Deferred Developer Fee	\$	<u>1,000,000</u>
TOTAL	\$	44,000,000

Whether the project is financially and economically sound:

The project has two distinct components: (1) 101 market-rate apartments that are being projected by the developer to deliver rates at \$2 per square foot and a 5% vacancy; (2) 100,000 square feet of rentable office space all of which have signed letters of intent, and roughly 16,000 square feet of retail on the ground level with 6,800 leased. Approximately, 58,700 square feet of office space will be leased to Miller Johnson (law firm), 26,000 to Hanon McKendry (branding and marketing firm) and 14,500 to Meritage Hospitality (quick service and casual dining) for office space and the 6,800 to operate a restaurant.

The project is being underwritten assuming a more conservative \$1.80 per square foot rate on the residential rental and the remaining retail space remaining vacant. Under these more conservative scenarios, the project has a DSCR of 1.16x. If the remaining retail space is absorbed and rental rates for housing hits \$2 per square foot the coverage rises to 1.22x.

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

The development team has been able to secure conventional permanent financing for the project in excess of 75% and has been able to raise another \$4,500,000 (over 10% of the total development costs) in equity to contribute to the project. However, a large part of the need for MCRP involvement is being driven by the desire for a more compact urban feel with the integrated parking structure versus a surface lot. On a stabilized basis the cash on cash return to the developer with the MCRP award is around 10%.

MSF Facility MCRP Loan Participation and Servicing Agreement

Under “other economic assistance”

Borrower: Arena Place Development, LLC

FACILITY ONE

Lender: Mercantile Bank

Loan Amount: Currently estimated at \$36,500,000
In no instance will the MSF participate in the loan facility exceeding \$40,000,000

Lender Share: Currently estimated at \$34,000,000
(Mercantile may participate up to \$5,000,000 of Lender Share to Firstbank pending a proposed merger between Mercantile and Firstbank.)

MSF Share: Not to exceed \$2,500,000

Payment: Currently projected up to 27 Months of interest only, followed by monthly P&I for up to 81 months based on 22 year amortization.

Interest Rate: On the Lender Share, four options have been presented to the borrower on the Lender Share from a floating rate based on WSJ Prime to fixed rate with an appropriate spread over costs of fund

On the MSF share 3.00% per annum

Collateral: Currently anticipated to be a mortgage lien on the property, assignment of leases and rents and assignment of the TIF Revenues (with TIF revenues subordinate to facility #2)

The MSF Share in collateral proceeds will be subordinate to the Senior Lender in an event of borrower default.

Guarantee: Currently anticipated to be the unlimited unsecured personal guarantees of project investors with reductions based on lease up and DSC calculation coverage being attained

The MSF Share of the guarantees will be subordinate to the Senior Lender

Loan Fee: One-time fee equal to 1.00% of the MSF’s Share of the loan paid to the MSF

MSF Disbursement: The MSF will disburse to Mercantile the MSF Share following closing of the Loan

FACILITY TWO

Lender: Mercantile Bank

Loan Amount: Currently anticipated at \$2,000,000

Lender Share: Currently estimated at \$0

MSF Share: Currently estimated at \$2,000,000

- Payment:** Currently projected up to 24 Months of interest only during construction, followed by repayment through TIF reimbursements from the borrower based on the full amortization of the TIF stream (currently projected for 11 years)
- Interest Rate:** On the MSF share 3.00% per annum
- Collateral:** Assignment of TIF Revenue Stream senior to Facility One
Additionally, the collateral is anticipated to be a mortgage lien on the property and assignment of leases and rents (subordinate to Facility One)
- Guarantee:** Currently anticipated to be the unlimited unsecured personal guarantees of project investors with reductions based on lease up and DSC calculation coverage being attained
The MSF Share guarantee will be subordinate to Facility One
- Loan Fee:** One-time fee equal to 1.00% of the MSF's Share of the loan.
- MSF Disbursement:** The MSF will disburse to Mercantile the MSF Share following closing of the Loan

DELEGATION AUTHORITY

- MSF Delegation:** It is requested the Board delegate to the MSF Fund Manager, in consultation with legal counsel and other MSF and MEDC staff the final terms for the payment and amortization schedule, collateral, interest rate on the lenders share, and guarantees for the two loan facilities.

Recommendation

The MEDC staff recommends approval of an MCRP performance-based other economic assistance (loan participation) in the amount of \$4,500,000 for Arena Place Development, LLC. The commitment will remain valid until July 23, 2014 (120 days after approval) with approval for the MSF Fund Manager to extend the commitment an additional 60 days.

APPENDIX A

MCRP PROGRAM AND ITS GUIDELINES

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

SOURCE OF INFORMATION

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

As required under the program, the following statutory criteria shall be considered by the MSF, as MEDC Staff believes each is reasonably applicable to proposed project:

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

The Arena Place Project is the first component of the community vision for the development of an area known as Arena South. The project will add 101 market rate residential units to downtown Grand Rapids and include office, retail, and restaurant space, increasing density through all aspects of living, working, and playing. The project promotes mixed use development by combining residential, office, retail, and restaurant space in one project. This mixed use destination promotes pedestrian friendly space and scale, landscaping, and street activity that will enhance area walkability.

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

The project will catalyze additional revitalization in the community by increasing economic and social activity in the community. The project will improve connections between downtown destinations by offering residents and visitors increased living, retailing and restaurant, and office space options.

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

The Grand Rapids Downtown Development Authority (DDA) will support the project financially through tax increment financing at an estimated net value to the project of \$2.9 million. Items to be covered include, but are not limited to public infrastructure improvements like sanitary sewer, sidewalks, tree grates, and relocation of an electrical signal box, and also elevators and barrier free items.

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

The project site is currently used as a one acre surface parking lot.

E. Creation of jobs:

It is expected that 65 full-time and 150 part-time jobs will be created as a result of the project. The average hourly wage is estimated to be \$25 for the full-time jobs.

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

The project is expected to attract \$39,500,000 in private sector investments including \$4.5 million in developer equity, \$34 million in senior debt and \$1 million in deferred developer fees.

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

The project involves the development of a one-acre surface parking lot to include 101 residential dwellings and approximately 250,000 square feet of commercial/retail space, dramatically increasing the density in this area of the downtown to more than 100 units per acre.

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

The project promotes mixed use development by combining residential, office, retail, and restaurant space in one project. This mixed use destination promotes pedestrian friendly space and scale, landscaping, and street activity that will enhance area walkability.

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

The project will convert a publicly owned parking lot to a privately owned, 11-story mixed-used building.

J. Whether the project promotes sustainable development:

The project promotes sustainable development through redevelopment of urban infill space, increased density, mixed uses, sound environmental construction practices, and high efficiency windows and mechanical systems.

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

The project does not involve the rehabilitation of a historic resource.

L. Whether the project addresses area-wide redevelopment:

The project addresses the area wide redevelopment of Arena South District in downtown Grand Rapids. According to a visioning study that was commissioned by the Grand Rapids DDA, preliminary results strongly indicate local community support for projects that have or enhance: pedestrian friendly design; mixed-use activities and active street levels; and improve connections between downtown destinations. The DDA fully supports this project as fulfilling the above criteria.

M. Whether the project addresses underserved markets of commerce:

The project addresses underserved markets of commerce in downtown Grand Rapids through the creation of demand based market rate housing as a first step in catalyzing additional development called for in the City's Arena South Vision Study.

N. The level and extent of environmental contamination:

Results of the Phase II Environmental Investigation conducted by Rose & Westra, Inc. indicate the presence of metals, petroleum products, coal and creosote as left behind during the era of heavy rail traffic around and across the subject property.

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

The project for consideration is not a historic resource.

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

A housing study commissioned by the City of Grand Rapids and conducted by Zimmerman Volk in 2012 indicates a demand of up to 5,000 new market rate dwelling units per year for the next five years in the downtown and near downtown neighborhoods. This project is not expected to create undue competition for other housing projects in the City.

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

No other additional criteria are necessary for review.

APPENDIX B



MICHIGAN STRATEGIC FUND

RESOLUTION 2014-

**APPROVAL OF A MICHIGAN COMMUNITY REVITALIZATION PROGRAM
LOAN PARTICIPATION AWARD FOR ARENA PLACE DEVELOPMENT, LLC**

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

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

WHEREAS, on December 21, 2011, by Resolution No. 2011-185, the MSF (i) created the MCRP, (ii) adopted the guidelines for the MCRP, as later amended (“Guidelines”), and (iii) approved the MSF Fund Manager to negotiate the final terms and conditions of the written agreements to be used to memorialize MCRP awards on the MSF’S behalf in accordance with the Guidelines (“Transaction Documents”);

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

WHEREAS, Mercantile Bank (“Lender”) has provided two loan commitments to Arena Place Development, LLC and /or related entities (“Proposed Borrower”) of up to \$36,500,000 for Facility One and \$2,000,000 for Facility Two toward financing construction activities and infrastructure improvements to real property (“Project”);

WHEREAS, the Lender and the Proposed Borrower have requested a performance based loan participation award from the MSF under the MCRP for the Project in an amount not to exceed up to \$2,500,000 for Facility One and \$2,000,000 for Facility Two (“Award Request”), along with other general terms and conditions for the Award Request which are outlined in the term sheet attached as Exhibit A (“Term Sheet”);

WHEREAS, the MEDC recommends that the MSF approve the Award Request in accordance with the Term Sheet, subject to: (i) available funding, (ii) final due diligence performed to the satisfaction of the MEDC; and (iii) execution of the Transaction Documents within 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 60 days (“MCRP Award Recommendation”); and

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

BE IT FURTHER RESOLVED, the Board delegate to the MSF Fund Manager, in consultation with legal counsel and other MSF and MEDC staff the final terms for the payment and amortization schedule, collateral, interest rate on the lenders share, and guarantees for the two loan facilities.

ADOPTED

Ayes:

Nays:

Recused:

Lansing, Michigan
March 25, 2014

Exhibit A

Terms Sheet

MSF Facility	MCRP Loan Participation and Servicing Agreement Under “other economic assistance”
Borrower:	Arena Place Development, LLC
<u>FACILITY ONE</u>	
Lender:	Mercantile Bank
Loan Amount:	Currently estimated at \$36,500,000 In no instance will the MSF participate in the loan facility exceeding \$40,000,000
Lender Share:	Currently estimated at \$34,000,000 (Mercantile may participate up to \$5,000,000 of Lender Share to Firstbank pending a proposed merger between Mercantile and Firstbank.)
MSF Share:	Not to exceed \$2,500,000
Payment:	Currently projected up to 27 Months of interest only, followed by monthly P&I for up to 81 months based on 22 year amortization.
Interest Rate:	On the Lender Share, four options have been presented to the borrower on the Lender Share from a floating rate based on WSJ Prime to fixed rate with an appropriate spread over costs of fund On the MSF share 3.00% per annum
Collateral:	Currently anticipated to be a mortgage lien on the property, assignment of leases and rents and assignment of the TIF Revenues (with TIF revenues subordinate to facility #2) <i>The MSF Share in collateral proceeds will be subordinate to the Senior Lender in an event of borrower default.</i>
Guarantee:	Currently anticipated to be the unlimited unsecured personal guarantees of project investors with reductions based on lease up and DSC calculation coverage being attained <i>The MSF Share of the guarantees will be subordinate to the Senior Lender</i>
Loan Fee:	One-time fee equal to 1.00% of the MSF’s Share of the loan paid to the MSF
MSF Disbursement:	The MSF will disburse to Mercantile the MSF Share following closing of the Loan

FACILITY TWO

Lender:	Mercantile Bank
Loan Amount:	Currently anticipated at \$2,000,000
Lender Share:	Currently estimated at \$0
MSF Share:	Currently estimated at \$2,000,000
Payment:	Currently projected up to 24 Months of interest only during construction, followed by repayment through TIF reimbursements from the borrower based on the full amortization of the TIF stream (currently projected for 11 years)
Interest Rate:	On the MSF share 3.00% per annum
Collateral:	Assignment of TIF Revenue Stream senior to Facility One <i>Additionally, the collateral is anticipated to be a mortgage lien on the property and assignment of leases and rents (subordinate to Facility One)</i>
Guarantee:	Currently anticipated to be the unlimited unsecured personal guarantees of project investors with reductions based on lease up and DSC calculation coverage being attained <i>The MSF Share guarantee will be subordinate to Facility One</i>
Loan Fee:	One-time fee equal to 1.00% of the MSF's Share of the loan.
MSF Disbursement:	The MSF will disburse to Mercantile the MSF Share following closing of the Loan

DELEGATION AUTHORITY

MSF Delegation:	It is requested the Board delegate to the MSF Fund Manager, in consultation with legal counsel and other MSF and MEDC staff the final terms for the payment and amortization schedule, collateral, interest rate on the lenders share, and guarantees for the two loan facilities.
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MEMORANDUM

Date: March 25, 2014

To: Michigan Strategic Fund

From: Joseph Martin, Manager, Community Revitalization and Brownfield Programs

Subject: Mid Towne Hospitality, LLC and Mercantile Bank of Michigan
Michigan Community Revitalization Program
Amendment Request to the \$3,000,000 Performance-based Loan Participation

Action

MEDC staff is seeking an amendment of the Michigan Community Revitalization Program incentive in the amount of \$3,000,000 in the form of a performance-based loan participation for Mid Towne Hospitality, LLC (Applicant) and Mercantile Bank of Michigan (Lender).

Background

On August 28, 2013, the Michigan Strategic Fund board approved a \$3,000,000 performance-based loan participation for Mid Towne Hospitality, LLC under the Michigan Community Revitalization Program (MCRP). The project was again reauthorized on February 25, 2014 as a final agreement was not executed during the allotted time period. The total loan amount, including the MSF Share, is expected to reach \$19,134,043.

During the review of the Mercantile loan documents it was noted that the MSF did not grant authority to be subordinate to a second \$4,254,130 loan facility as requested in the Mercantile loan documents and approved by their loan committee. This \$4,254,130 loan facility will be paid from receipt of brownfield tax increment revenues as opposed to the project revenues, thus not altering the ability for the project to service debt on the MSF share. Under the proposed loan documents, the MSF's \$3,000,000 share will now be subordinate to \$20,388,173 in Mercantile debt. In exchange for the additional subordination, MEDC staff has required that the brownfield tax increment revenues in excess of the \$4,254,130 be used as security for the MSF Share of the loan. Total tax increment revenues available are estimated to reach \$7,500,000, allowing roughly \$3,250,000 in collateral to secure the MSF share. It is anticipated that pending MSF approval of this amendment, the loan and participation transaction documents will close almost immediately thereafter.

The project involves the demolition of a surface parking lot to make room for the construction of a five story, 148 room hotel with a two-level, 200-car parking garage under it. The project is located at 433 Dudley Place NE and 431 Paris Avenue NE in the City of Grand Rapids. The total square footage of the hotel will be over 94,000 square feet while the parking deck will be approximately 72,200 square feet. Please find attached a project area map and the original MSF approval.

Recommendation

The MEDC staff recommends approval of the amendment to the MCRP commitment, as outlined above and in the attached briefing memo dated August 28, 2013, with the commitment to remain valid until May 26, 2014 with approval for the MSF Fund Manager to extend the commitment an additional 30 days.

PROJECT MAP





MEMORANDUM

DATE: August 28, 2013

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

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

SUBJECT: Approval of Michigan Community Revitalization Request for \$3,000,000 in a Performance-Based Loan Participation award to:

Mid Towne Hospitality, LLC (“Borrower” or “Applicant”)
545 Michigan Street, Suite 301
Grand Rapids, Michigan 49503
http://thirdcoastdev.com/?page_id=20

Mercantile Bank of Michigan (“Lender”)
310 Leonard St NW
Grand Rapids, MI 49504
<https://www.mercbank.com/>

MCRP PROGRAM AND ITS GUIDELINES

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

SOURCE OF INFORMATION

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

HISTORY OF THE APPLICANT AND PROJECT

Third Coast Development Partners, LLC (“Third Coast”) is a Grand Rapids based real estate development company formed by Brad Rosely and Dave Levitt. Third Coast is the development entity behind Mid Towne Village, which is a multi-phase project that consisted of razing a blighted neighborhood including the demolition of 50 homes near Michigan Street’s intersection with College Avenue. The overall Mid Towne Village project is currently subject to an Act 381 work plan approved July 13, 2004 by the Michigan Economic Growth Authority (MEGA) for \$3,440,162. A Single Business Tax Brownfield Tax Credit was subsequently approved October 4, 2004 for \$31,627,612 in eligible investment and a credit of \$2,000,000.

On October 16, 2007, the SBT credit approval was amended to multiphase the project into four phases and extends the time to complete eligible investment to ten years. Certificates of completion were issued for Phase I and Phase II in November 2007 and January 2009 respectively, for credits totaling \$1.3 million. The first two phases are now home to the West Michigan’s Women’s Health Center, Park Row Condos and the 545 Michigan Street mixed use building. An SBT amendment request is currently under

consideration to combine the remaining two phases (III and IV) into a single phase (III) and utilize the remaining \$700,000 in credits to construct a five-story, 94,000 square foot, 148 room hotel on Lot A, which is also subject to the MCRP below.

Mid Towne Hospitality, LLC was formed in in June 2013 specifically for the development of the 148 unit Hampton Inn & Suites proposed below. The managing entity behind Mid Towne Hospitality, LLC is Lodgco Management, LLC, which currently manages the operations of 16 hotels across Michigan and is affiliated with Hilton, Marriott, Wyndam, and InterContinental Hotel Group. Third Coast has been retained to undertake the development work including securing the financing and construction contract, but is only a minority investor at 15%.

PROJECT DESCRIPTION

The Applicant plans to demolish a surface parking lot to make room for a 5 story, 148 room hotel with a two-level, 200-car parking garage under it. The total square footage of the hotel will be over 94,000 square feet while the parking deck will be approximately 72,200. The project is located at 433 Dudley Place NE and 431 Paris Avenue NE in the City of Grand Rapids (see Exhibit A).

- a) The project is “blighted property” as authorized under the program. While the findings of Blight outlined the conditions of the property at the time the MEGA approvals occurred, these are not the current conditions on the property since the blighted properties were demolished as part of the predevelopment activities following MEGA approval. No vertical construction has occurred on the site to date. The property still meets the definition of blighted property as it “has been declared a public nuisance in accordance with a local housing, building, plumbing, fire or other related code or ordinance.” Furthermore, the property is still subject to the original authorizing brownfield plan.
- b) The Applicant plans to make eligible investment of \$14,577,035 to the project for new construction, machinery/equipment/fixtures and site improvements, as authorized under the program. The project will be located in City of Grand Rapids. The City of Grand Rapids has offered a “staff, financial, or economic commitment to the project” in the form of tax increment financing through an amendment to an existing brownfield plan that is currently valued at \$3.5 million, but is being requested to increase to \$10.9 million.
- c) The project is located in a downtown or traditional commercial center. Preference was given to project based on the development team’s historical success on the other phases of the whole project and also the developer’s gap. The revenue generated from operating a hotel on this site, with a parking garage to accommodate the guests, does not meet the required debt coverage ratios necessary to secure financing. Fund assistance is necessary to reduce the debt obligation of the project to provide an acceptable return on investment for the financial institutions and investors.

FINANCING OPPORTUNITY – MCRP LOAN PARTICIPATION

MSF Facility MCRP Loan Participation and Servicing Agreement
Under “other economic assistance”

Borrower: Mid Towne Hospitality, LLC

Lender: Mercantile Bank

Loan Amount: \$19,134,043

Lender Share: \$16,134,043

MSF Share: \$3,000,000

Payment Terms: Not to exceed 84 Months

On the Lender Share monthly payment of interest only during construction (up-to 15-months) followed by monthly principal and interest amortized over 19 years

On the MSF Share monthly payment of interest only during first three years followed by monthly principal and interest amortized over 19 years with a balloon payment of all remaining principal due no later than the 84th month

Interest Rate: On the Lender Share, a fixed rate of 300 bps above the cost of the lender's funds

On the MSF share 1.00% per annum

Collateral: Currently, anticipated to be a mortgage lien on the property, the MSF Share in collateral will be subordinate to the Senior Lender in an event of default

Guarantee: Currently, anticipated to be the unlimited unsecured personal guarantees of project investors. The MSF Share guarantee will be subordinate to the Senior Lender

Loan Fee: One-time fee equal to 1.00% of the MSF's Share of the loan

Funding: The MSF will fund up to \$3,000,000 to be disbursed following closing of the Loan

SUMMARY OF DEVELOPMENT SOURCES:

Mercantile Bank Mortgage	\$	16,134,043
MCRP Participated Loan Amount	\$	3,000,000
Mercantile Bank TIF Bridge Loan	\$	4,254,130
Brownfield Tax Credit Equity	\$	630,000
Owner Equity	\$	<u>3,000,000</u>
TOTAL	\$	27,018,173

Whether the project is financially and economically sound:

Following attainment of stabilized operating levels it is anticipated that the project will produce cash flow to service its debt at a rate of 1.10 to 1.00, which is based on relatively conservative estimates. MEDC staff is proposing a three (3) year interest only period to assist with construction and the project reaching a stabilized occupancy level. By 2017, the borrower projects an increase in average daily room rates from \$129 up to \$145 and increased average occupancy up to 65% from the 55% stabilized value. If this is achieved the DSCR will achieve 1.50x.

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

The development team has been able to secure conventional permanent financing for the project in excess of 75% and has been able to raise another \$3,000,000 (over 10% of the total development costs) in equity to contribute to the project. However, most of the gap is being driven by the desire for a more compact urban feel with the parking structure versus a surface lot. The parking structure is adding \$7.5 million in additional infrastructure costs. The Lender was willing to provide a \$4.2 million in a non-revolving line of credit secured by tax increment finance payments (not part of this request). However, this left a remaining gap to be filled by the existing MEDC credits and the MCRP loan participation. Additionally, during our review we have been able to get the development team to reduce the estimated development cost through value engineering and increase the equity contribution to the project by \$500,000. The resulting overall return to the investors is 7 to 10%.

MICHIGAN STRATEGIC FUND CONSIDERATIONS

As required under the program, the following criteria shall be considered by the MSF, as MEDC Staff believes each is reasonably applicable to proposed project:

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

A large customer base of the hotel is anticipated to be patient and patient families of the ambulatory surgical centers located in the Women's Health Center building which is adjacent to this site. These guests of the hotel will be able to walk from their surgery room to their hotel and one of the three restaurants that are in or adjacent to the development.

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

With 148 rooms, this hotel will provide a constant stream of guests into the area which will increase demand for the nearby services. In addition, the 200 car parking ramp will provide enough parking for not only the hotel, but for all walkable properties surrounding the hotel. This increased demand for services and ability to commute and park close to the nearby businesses will promote private investment to the area.

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

Local TIF contribution of approximately \$10.4 million is being sought through an amendment to the Brownfield Plan and the Act 381 Work Plan.

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

The project is part of a Brownfield Plan that determined the property as blighted.

E. Creation of jobs:

This hotel will create an estimated 40 full-time and 10 part-time jobs. The average hourly wage for the jobs is estimated to be approximately \$14 for the full-time jobs and \$10 for the part-time jobs.

- F. The level of private sector and other contributions, including, but not limited to, federal funds and federal tax credits:**
An anticipated investment of \$27.0 million will be required for land acquisition, construction, furniture and fixtures and all other associated expenses to this project, which is Phase three of the overall development. A total of \$37 million has been invested into the first two phases described above.
- G. Whether the project increases the density of the area:**
The project will increase density of the area by allowing a hotel option for patients visiting the Michigan Street corridor, which has been dubbed the Medical Mile in the City of Grand Rapids.
- H. Whether the project promotes mixed-use development and walkable communities:**
This project further promotes mixed-use development and walkability because hotel patrons will be able to easily walk to the West Michigan's Women's Health Center and the 545 Michigan Street building that houses three restaurants, which are adjacent to the project site.
- I. Whether the project converts abandoned public buildings to private use:**
The project does not convert abandoned public buildings to a private use.
- J. Whether the project promotes sustainable development:**
The building is proposed to be a LEED certified building that incorporates sustainable development characteristics such as a green roof.
- K. Whether the project involves the rehabilitation of a historic resource:**
The project does not involve the rehabilitation of historic resources.
- L. Whether the project addresses area-wide redevelopment:**
This project addresses area-wide redevelopment, as the hotel component will complement the residential, medical, office and retail components adjacent to the property.
- M. Whether the project addresses underserved markets of commerce:**
This project will fulfill the need for a hotel in the area. The demand is driven by a large customer base of patients and their families in the nearby regional hospital and in the ambulatory surgical centers located at the adjacent Women's Health Center building.
- N. The level and extent of environmental contamination:**
The site does not have any know environmental contamination.
- O. If the rehabilitation of the historic resource will meet the federal Secretary of the Interior's standards for rehabilitation and guidelines for rehabilitating historic buildings (36 CFR 67):**
The project does not involve the rehabilitation of a historic resource, as the site is a surface parking lot.
- P. Whether the project will compete with or affect existing Michigan businesses within the same industry:**
The project is not competing with or affecting other Michigan businesses. Due to the continued expansion of the Medical Mile Corridor in Grand Rapids, it is filling the need for additional lodging for friends and family of medical patients.

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

There is no need to consider additional criteria.

INCENTIVE OPPORTUNITY

This project involves \$14,577,035 in eligible investment and total capital investment of up to \$27,018,173 in the City of Grand Rapids. The requested incentive amount from the MSF is \$3,000,000 in the form of performance based loan participation.

Please see below for more information on the recommended action.

RECOMMENDATIONS

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

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

**MICHIGAN STRATEGIC FUND
RESOLUTION 2014-**

**APPROVAL OF A MICHIGAN COMMUNITY REVITALIZATION PROGRAM LOAN
PARTICIPATION AWARD TO MID TOWNE HOSPITALITY, LLC**

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

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

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

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

WHEREAS, by Resolution No. 2013-134, at the request of Mid Towne Hospitality, LLC (“Company”) and Mercantile Bank of Michigan (“Lender”) and upon the recommendation of the MEDC, the MSF Board approved a performance based loan participation under the MCRP of up to \$3 million (“2013 Approval”);

WHEREAS, by Resolution No. 2014-005, at the request of the Company and Lender, and upon recommendation of the MEDC, the MSF Board approved again a performance based loan participation under the MCRP of up to \$3,000,000 after the initial transaction failed to close within the allotted timeframe (“2014 Approval”);

WHEREAS, the Company and Lender have requested an amendment to the performance based loan participation under the MCRP of up to \$3 million (“Award Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”);

WHEREAS, the MEDC has recommended to the MSF approve the Company’s Award Request in accordance with the Term Sheet, subject to: (i) available funding, (ii) final due diligence performed to the satisfaction of the MEDC; and (iii) execution of the Transaction Documents by May 26, 2014 (“Time Period”), or this Resolution shall have no effect; provided however, at the sole discretion of the MSF Fund Manager, the Time Period may be extended for up to an additional 30 days (“MCRP Award Recommendation”);

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

BE IT FURTHER RESOLVED, the Board delegates to the MSF Fund Manager, in consultation with legal counsel and other MSF and MEDC staff the final terms for the payment and amortization schedule, collateral, interest rate on the lenders share, and guarantees.

ADOPTED

Ayes:

Nays:

Recused:

Detroit, Michigan

March 25, 2014

EXHIBIT A

LOAN FACILITY

MSF Facility MCRP Loan Participation and Servicing Agreement
Under “other economic assistance”

Borrower: Mid Towne Hospitality, LLC

Lender: Mercantile Bank

Loan Amount: Currently estimated at \$19,134,043

Lender Share: Currently estimated at \$16,134,043

MSF Share: Not to exceed \$3,000,000

Payment Terms: Match the Lender, anticipated to be 96 Months

On the Lender Share payment terms are currently projected as monthly payments of interest only during construction (up-to 15-months) followed by monthly principal and interest amortized over 19 years

On the MSF Share monthly payment of interest currently anticipated during first three years followed by monthly principal and interest amortized over 19 years with a balloon payment of all remaining principal due the 96th month

Interest Rate: On the Lender Share the interest rate is currently anticipated at a fixed rate of 3% above the cost of the Lender’s funds

On the MSF share 1.00% per annum

Collateral: Currently anticipated to be a mortgage lien on the property and tax increment revenues.

The MSF Share in the mortgage will be subordinated to the Senior Lender in an event of default. Additionally, \$4,254,130 under a second Mercantile debt facility will be senior to the MSF share of the mortgage in an event of default.

The MSF share of the loan will also take security in tax increment revenues subordinate to the second Mercantile loan facility estimated at \$4,254,130.

Guarantee: Currently, anticipated to be the unlimited unsecured personal guarantees of project investors. The MSF Share of guarantee will be subordinated to the Senior Lender

Fee: The MSF shall be paid a one-time fee equal to 1.00% of the MSF’s Share of the loan. The Lender may charge the borrower for this fee.

Funding: The MSF will fund up to \$3,000,000 to be disbursed following closing of the Loan and other performance criteria

MSF Delegation: It is requested the Board delegate to the MSF Fund Manager, in consultation with legal counsel and other MSF and MEDC staff the final terms for the payment and amortization schedule, collateral, interest rate on the lenders share, and guarantees.



MEMORANDUM

Date: March 25, 2014

To: Michigan Strategic Fund Board

From: Mark Morante, Senior Vice President
Joseph Martin, Manager, Community Revitalization and Brownfield Programs

Subject: Joe Louis Agreement
Michigan Community Revitalization Program
Request for Approval of a \$6,000,000 Other Economic Assistance

Request

The city of Detroit and its Downtown Development Authority is requesting approval of a Michigan Community Revitalization Program incentive in the amount not to exceed \$6 million of performance-based "economic assistance" for the purpose of demolishing Joe Louis Arena (JLA) once the Detroit Red Wings have vacated the facility and moved to the new multi-purpose event center to be built on the NW corner of Woodward and I-75. It is anticipated that the project will result in eligible investment of at least \$24 million for a commercially viable project.

Background

As part of the overall negotiations between the State, the City, its DDA and Olympia Development and Ilitch Holdings on the development of the new multi-purpose event center, agreement has been reached to demolish JLA once the new arena is ready for use. Final City Council approval, needed no later than April 1, of the land transfer agreement (city owned land to be transferred to the DDA) is conditioned upon the MSF/State providing the funds necessary to demolish JLA pursuant to the overall negotiations mentioned above. On July 27, 2013 the MSF Board approved the bond inducement for the multi-purpose event center. The same resolution also approved the catalyst development project under Section 19(3) of the DDA Act to allow the use of school taxes for use in retiring debt obligations associated with financing the event center.

By demolishing JLA, the city (who owns it) will not have an unproductive asset to deal with but rather have a cleared downtown riverfront site readied for redevelopment. JLA situated downtown just south of Cobo Hall and north of high-rise riverfront residential buildings with direct access to the People Mover will likely be viewed as a prime piece of real estate with several potential commercial redevelopment uses that will lead to increased tax base, jobs and residents.

Staff acknowledges that this MCRP request is being brought to the Board earlier than typical MCRP project recommendations are. However, it is necessary that the commitment to pay for the demolition of JLA needs to be affirmed by the MSF Board prior to April 1 to allow the land transfers to occur. Further, the use of MCRP funds to prepare and market the site for new construction requires an approval prior to what the redevelopment project is going to be. Safeguards to ensure the redevelopment project meets MCRP eligibility requirements will be part of the conditions of disbursement of any funds for demolition.

Deal Structure and Conditions for Disbursement

The proposed deal structure would reserve \$6,000,000 of MCRP funds for the demolition of JLA as this is the current estimate of the costs. As the final cost will not be known until sometime in 2016 at the earliest, the MSF Fund Manager and the MSF President would be empowered to jointly approve an

increase in the amount of the Economic Assistance Award based on the final JLA Redevelopment Project budget, provided that the Economic Assistance Award shall not exceed the lesser of (i) the costs of demolition of the JLA, (ii) 25% of the eligible investment for the JLA Redevelopment Project, and (iii) \$10,000,000. And of course, the Economic Assistance Award, and any increase, is subject to termination of funding by the State of Michigan legislature or government via a negative supplemental. The Economic Assistance Award would not be disbursed unless the following conditions precedent have been satisfied:

A. The City or any other person acceptable to the City and the MSF Fund Manager (the “*Applicant*”) shall submit to the Manager of the Brownfield Program and MCRP, an Application and all required attachments for the Economic Assistance Award for the JLA Redevelopment Project not later than six months after the date that the Detroit Red Wings vacate the JLA (the “*Events Center Commencement Date*”). The Application shall comply with the Guidelines and the Michigan Strategic Fund Act and include a description of the eligible property to be financed and a minimum eligible investment for the JLA Redevelopment Project of at least \$24,000,000 of hard costs. If the eligible investment for the redevelopment plan of the JLA property will be less than \$24,000,000, the Economic Assistance Award shall be reduced to an amount not greater than 25% of the project’s eligible investment. The Application shall include documentation establishing that the project is located on eligible property and a project description that includes a project pro forma. The Manager of the Brownfield Program and MCRP shall review the Application and determine that the Application satisfies the Guidelines.

B. The Economic Assistance Award shall be used solely to finance the costs of demolition of the JLA. The contracts related to the demolition and the project budget for the demolition of the JLA, and any modifications thereto, shall be approved by the Manager of the Brownfield Program and MCRP. The final amount of the Economic Assistance Award shall not exceed the costs of demolition of the JLA as determined by the final budget approved by the MSF Fund Manager with the Application. The Economic Assistance Award shall be paid to the Applicant at the time of the execution of the contracts related to the demolition or pursuant to the payment schedules set forth in such contracts.

C. The City and Detroit Brownfield Redevelopment Authority (“*DBRA*”) shall adopt a brownfield redevelopment plan and submit a work plan to the MCRP, each satisfactory to the MSF Fund Manager and the MSF President in connection with the JLA Redevelopment Project pursuant to the Brownfield Redevelopment Act, Public Act 381 of 1996, as amended (“*Act 381*”), and the DBRA shall enter into a reimbursement agreement with the MSF wherein the DBRA agrees to reimburse the amounts advanced by the MSF under the Economic Assistance Award to fund eligible costs of the JLA Redevelopment Project as permitted by Act 381, provided that the reimbursement obligation of the DBRA shall be limited to the tax increment revenues captured by the DBRA relating to the JLA Redevelopment Project.

D. The Events Center shall be completed and the Detroit Red Wings shall have commenced occupancy of the Events Center in accordance with the concession and management agreement relating to the Events Center among Detroit DDA, ODM and Detroit Red Wings, Inc.

E. The City shall complete an RFP process for the JLA Redevelopment Project which sets forth a redevelopment plan for a taxable commercial purpose consistent with the surrounding area, including but not limited to Cobo Hall. The MSF Fund Manager, in coordination with MEDC Staff, shall designate a representative to participate in the evaluation of all proposals for redevelopment of the JLA. The redevelopment plan shall demonstrate an ability to complete the redevelopment of the JLA and the required eligible investments within five (5) years after the Events Center Commencement Date.

F. The MSF shall enter into an agreement with the Applicant in form satisfactory to the MSF Fund Manager setting forth the terms and conditions of the Economic Assistance Award as required by this resolution, the Guidelines and the Michigan Strategic Fund Act (the “*Funding Agreement*”). The Funding Agreement shall specify that, in addition to the reimbursement obligations of the DBRA under the brownfield reimbursement agreement as described above, the Applicant shall be subject to a penalty and shall repay all amounts advanced under the Economic Assistance Award if any proceeds of the Economic Assistance Award are (i) used for development of a stadium, arena or casino as prohibited by Section 88c3 of the Michigan Strategic Fund Act or (ii) not used for demolition of the JLA.

Recommendation

The MEDC staff recommends approval of an MCRP performance-based economic assistance in the amount of \$6,000,000 and directs the MSF Fund Manager to reserve \$6,000,000 of MCRP funds for the JLA Redevelopment Project. Staff also recommends the MSF Fund Manager and the MSF President may jointly approve an increase in the amount of the Economic Assistance Award based on the final JLA Redevelopment Project budget, provided that the Economic Assistance Award shall not exceed the lesser of (i) the costs of demolition of the JLA, (ii) 25% of the eligible investment for the JLA Redevelopment Project, and (iii) \$10,000,000. The Economic Assistance Award, and any increase, is subject to termination of funding by the State of Michigan legislature or government. The Economic Assistance Award shall not be disbursed unless the following conditions set forth in the resolution have been satisfied.

**MICHIGAN STRATEGIC FUND
RESOLUTION 2014-
APPROVAL OF A MICHIGAN COMMUNITY REVITALIZATION PROGRAM ECONOMIC
ASSISTANCE AWARD FOR JOE LOUIS ARENA REDEVELOPMENT PROJECT**

WHEREAS, the Michigan legislature amended the Michigan Strategic Fund Act, Act 270 of 1984, as amended, MCL 125.2011 et. seq., to add Chapter 8C (being MCL 125.2090a – MCL 125.2090d, as later amended) to enable the Michigan Strategic Fund (“*MSF*”) to create and operate the Michigan Community Revitalization Program (“*MCRP*”) to provide incentives in the form of grants, loans and other economic assistance for redevelopment of communities in Michigan;

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

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

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

WHEREAS, the MSF, MEDC and the City of Detroit Downtown Development Authority (“*Detroit DDA*”) have been working with Olympia Development of Michigan, LLC (“*ODM*”) on a public-private partnership for the construction of a multi-purpose 18,000 seat events center to be located in the City of Detroit which will serve as the new home arena of the Detroit Red Wings and as a year-round venue for a wide range of sports and entertainment events (the “*Events Center Project*”);

WHEREAS, on July 15, 2013 the MSF (i) adopted an inducement resolution in the amount of \$450,000,000 for the issuance of bonds to finance the construction of the Events Center Project and (ii) approved a request from the Detroit DDA as required by the Downtown Development Authority Act, Act 197 of 1975, as amended, to amend the Detroit DDA’s development plan to incorporate a “catalyst development project plan” relating to the Events Center Project;

WHEREAS, the City Council of the City of Detroit (the “*City*”) adopted a resolution on February 4, 2014 approving certain land transfers by the City of Detroit and the City of Detroit Economic Development Corporation to the Detroit DDA which are necessary for the Events Center Project, provided that certain issues relating to the use of the Joe Louis Arena (“*JLA*”) by Olympia Entertainment, Inc. are satisfied and approved by the Detroit City Council prior to April 1, 2014;

WHEREAS, one of the conditions to the City’s approval of such land transfers is an agreement that, upon the vacation of the JLA by the Detroit Red Wings, the MSF will, at the City’s request, finance the demolition of the JLA upon terms and conditions mutually agreeable to the City and the MSF;

WHEREAS, in order to satisfy the City's condition to such land transfer as specified above, the MSF desires to provide economic assistance through an MCRP award in an amount presently estimated not to exceed \$6,000,000 (the "*Economic Assistance Award*") to finance the demolition the JLA in connection with the redevelopment of the JLA property (the "*JLA Redevelopment Project*") after the Detroit Red Wings relocate to the new Events Center;

WHEREAS, the Guidelines for the MCRP require that the applicant must submit to the MSF an application (the "*Application*") for community revitalization incentives for eligible investments on eligible property in accordance with the requirements of Section 90b of the Michigan Strategic Fund Act;

WHEREAS, the City is not able to file an Application for the Economic Assistance Award because the redevelopment plans and the corresponding project pro-forma have not yet been determined;

WHEREAS, this Board desires to delegate to the MSF Fund Manager and the MSF President, in consultation with legal counsel and other MSF and MEDC staff, the authority to make such findings as required to determine if the JLA Redevelopment Project complies with the Guidelines and Section 90b of the Michigan Strategic Fund Act; and

WHEREAS, MEDC staff recommends that the MSF approve the Economic Assistance Award, subject to satisfaction of the conditions set forth in this resolution ("*MCRP Award Recommendation*");

NOW, THEREFOR, BE IT RESOLVED BY THE MSF BOARD:

1. Subject to satisfaction of the conditions precedent set forth below, the MSF Board approves the MCRP Award Recommendation for the JLA Redevelopment Project in the amount of \$6,000,000 and directs the MSF Fund Manager to reserve \$6,000,000 of MCRP funds for the JLA Redevelopment Project. The MSF Fund Manager and the MSF President may jointly approve an increase in the amount of the Economic Assistance Award based on the final JLA Redevelopment Project budget, provided that the Economic Assistance Award shall not exceed the lesser of (i) the costs of demolition of the JLA, (ii) 25% of the eligible investment for the JLA Redevelopment Project, and (iii) \$10,000,000. The Economic Assistance Award, and any increase, is subject to the availability of MCRP funds. The Economic Assistance Award shall not be disbursed unless the following conditions precedent have been satisfied:

A. The City or any other person acceptable to the City and the MSF Fund Manager (the "*Applicant*") shall submit to the Manager of the Brownfield Program and MCRP, an Application and all required attachments for the Economic Assistance Award for the JLA Redevelopment Project within six months after the date that the Detroit Red Wings vacate the JLA (the "*Events Center Commencement Date*"). The Application shall comply with the Guidelines and the Michigan Strategic Fund Act and include a description of the eligible property to be financed and a minimum eligible investment for the JLA Redevelopment Project of at least \$24,000,000 of hard costs. If the eligible investment for the redevelopment plan of the JLA property will be less than \$24,000,000, the Economic Assistance Award shall be reduced to an amount not greater than 25% of the project's eligible investment. The Application shall include documentation establishing that the project is located on eligible property and a project description that includes a project pro forma. The Manager of the Brownfield Program

and MCRP shall review the Application and determine that the Application satisfies the Guidelines.

B. The Economic Assistance Award shall be used solely to finance the costs of demolition of the JLA. The contracts related to the demolition and the project budget for the demolition of the JLA, and any modifications thereto, shall be approved by the Manager of the Brownfield Program and MCRP. The final amount of the Economic Assistance Award shall not exceed the costs of demolition of the JLA as determined by the final budget approved by the MSF Fund Manager with the Application. The Economic Assistance Award shall be paid to the Applicant at the time of the execution of the contracts related to the demolition or pursuant to the payment schedules set forth in such contracts.

C. The City and Detroit Brownfield Redevelopment Authority (“DBRA”) shall adopt a brownfield redevelopment plan and submit a work plan to the MCRP, each satisfactory to the MSF Fund Manager and the MSF President in connection with the JLA Redevelopment Project pursuant to the Brownfield Redevelopment Act, Public Act 381 of 1996, as amended (“Act 381”), and the DBRA shall enter into a reimbursement agreement with the MSF wherein the DBRA agrees to reimburse the amounts advanced by the MSF under the Economic Assistance Award to fund eligible costs of the JLA Redevelopment Project as permitted by Act 381, provided that the reimbursement obligation of the DBRA shall be limited to the tax increment revenues captured by the DBRA relating to the JLA Redevelopment Project.

D. The Events Center shall be completed and the Detroit Red Wings shall have commenced occupancy of the Events Center in accordance with the concession and management agreement relating to the Events Center among Detroit DDA, ODM and Detroit Red Wings, Inc.

E. The City shall complete an RFP process for the JLA Redevelopment Project which sets forth a redevelopment plan which shall include a taxable commercial purpose consistent with the surrounding area, including but not limited to Cobo Hall. The MSF Fund Manager, in coordination with MEDC Staff, shall designate a representative to participate in the evaluation of all proposals for redevelopment of the JLA. The redevelopment plan shall demonstrate an ability to complete the redevelopment of the JLA and the required eligible investments within five (5) years after the Events Center Commencement Date.

F. The MSF shall enter into an agreement with the Applicant in form satisfactory to the MSF Fund Manager setting forth the terms and conditions of the Economic Assistance Award as required by this resolution, the Guidelines and the Michigan Strategic Fund Act (the “Funding Agreement”). The Funding Agreement shall specify that, in addition to the reimbursement obligations of the DBRA under the brownfield reimbursement agreement as described above, the Applicant shall be subject to a penalty and shall repay all amounts advanced under the Economic Assistance Award if any proceeds of the Economic Assistance Award are (i) used for development of a stadium, arena or casino as prohibited by Section 88c3 of the Michigan Strategic Fund Act or (ii) not used for demolition of the JLA.

2. Subject to compliance with paragraph 1 above, the MSF Fund Manager, in coordination with MEDC Staff, is authorized to negotiate the final terms and conditions of, and sign, the Funding Agreement and any other Transaction Documents necessary to effectuate the MCRP Award Recommendation.

3. If the Funding Agreement and any other Transaction Documents for the Economic Assistance Award are not executed and delivered within twelve months after the Events Center Commencement Date ("*Time Period*"), then 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 180 days.



MEMORANDUM

Date: March 25, 2014

To: Michigan Strategic Fund Advisory Committee

From: Stacy Esbrook, Community Assistance Team Specialist
Joseph Martin, Manager, MCRP and Brownfield

Subject: City of Ferndale Brownfield Redevelopment Authority
Community Development Program — 965 Wanda Act 381 Work Plan Approval

Request

The City of Ferndale Brownfield Redevelopment Authority is seeking approval of local and school tax capture for MSF eligible activities and interest in the amount of \$717,829.

Background

The tax increment revenues will be used to offset the costs to redevelop a vacant industrial building into a new industrial space for use by Brass Aluminum Forging and the addition of a new industrial building on approximately 20.41 acres of property located at 965 Wanda Street in the City of Ferndale. The property is currently owned by 965 Wanda LLC. Brass Aluminum Forging Enterprises, LLC, the parent company of 965 Wanda, LLC, specializes in the production of brass, copper and aluminum forgings for products that include valve bodies, weapon components, and air/hydraulic fittings. They have not previously received incentives from the MSF.

The project includes the interior demolition and renovation of the existing 212,281 square foot industrial building, demolition of an unused guard shack, and new construction of a 100,000 square foot industrial building. Roughly half of the renovated building will be occupied by Brass Aluminum Forging, who will be expanding from their existing location on Wanda. The other half of the building will serve as expansion space for two other existing Ferndale businesses.

Approximately 50 permanent full-time jobs are anticipated to be created by the primary tenant Brass Aluminum Forging, and approximately 50 additional jobs will be created by other tenants of the building. A majority of the newly created jobs will be skilled manufacturing and will have average hourly wages of \$14. A few of the jobs will be engineering and supervisory averaging \$78,000 per year. The total capital investment will be approximately \$8,600,000.

Property Eligibility

The project is located within the boundaries of the City of Ferndale, which is a Qualified Local Governmental Unit, and has been determined to be a facility as verified by Michigan Department of Environmental Quality (DEQ). The property is the subject of a Brownfield Plan, duly approved by the City of Ferndale on September 23, 2013.

Other State and Local Assistance to the Project

The Department of Environmental Quality has approved reimbursement of environmental Eligible Activities and in the amount of \$265,240.

Tax Capture Breakdown

There are 72.8109 non-homestead mills available for capture, with school millage equaling 24 mills (32.96%) and local millage equaling 48.8109 mills (67.04%). The requested tax capture for MSF eligible activities breaks down as follows:

School tax capture (32.96%)	\$ 236,596
Local tax capture (67.04%)	<u>\$ 481,233</u>
TOTAL	\$ 717,829

Cost of MSF Eligible Activities

Demolition	\$ 505,800
Lead and Asbestos Abatement	16,200
Contingency (15%)	<u>+ 78,300</u>
Sub-Total	\$ 600,300
Interest (3%)	<u>+ 114,029</u>
Sub-Total	\$ 714,329
Brownfield/Work Plan Preparation	<u>+ 3,500</u>
TOTAL	\$ 717,829

Recommendation

The MEDC recommends approval of the request by City of Ferndale Brownfield Redevelopment Authority to capture local and school taxes for the MSF eligible activities totaling \$717,829 described above. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at \$236,596.

KEY STATUTORY CRITERIA

Act 381 requires the following information to understand and explain the benefits of the project.

a) Overall Benefit to the Public:

The City of Ferndale will benefit from the redevelopment of 965 Wanda by renovating a contaminated and vacant building within its industrial district, in an area where development has stalled in recent years. The project will remediate a contaminated facility and will provide additional, needed space for Brass Aluminum Forging, a growing Michigan company.

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

This project is expected to create approximately 100 new, full-time jobs in manufacturing and warehousing in the City of Ferndale.

c) Area of High Unemployment:

The City of Ferndale unadjusted jobless rate was 6.7% in December 2013.

d) Level and Extent of Contamination Alleviated:

Environmental investigations conducted on the Property have identified soil impacted with benzo(a)anthracene, benzo(a)pyrene, benzo(b)fluoranthene, dibenzo(a,h)anthracene, indeno(1,2,3-cd)pyrene, and 1,2,4-trimethylbenzene in soils at concentrations exceeding the applicable Part 201 standards. These soils will be removed and disposed of in an appropriate landfill.

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

The project is not qualifying as functionally obsolete or blighted.

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

State participation in the brownfield work plan is important to offset the costs associated with the redevelopment of the vacant and deteriorating building. The environmental costs associated with this redevelopment are \$315,331 and the non-environmental costs associated with abating the brownfield conditions are \$717,829.

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

No new Brownfields will be created by this project.

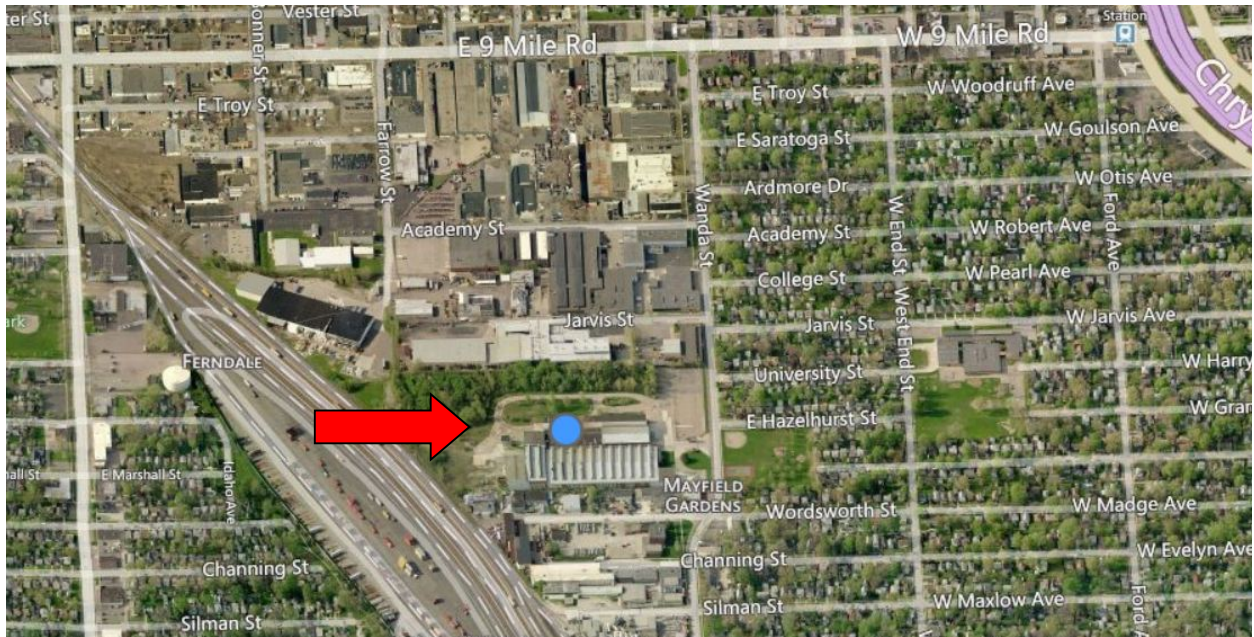
h) Whether the Project is Financially and Economically Sound:

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

i) Other Factors Considered:

No additional factors need to be considered for this project.

MAP OF PROJECT AREA



**RESOLUTION 2014-
MICHIGAN STRATEGIC FUND**

**City of Ferndale Brownfield Redevelopment Authority
965 Wanda Project
Ferndale**

At the meeting of the Michigan Strategic Fund (“MSF”) held on March 25, 2014 in Lansing, Michigan.

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

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

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

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

WHEREAS, the City of Ferndale Brownfield Redevelopment Authority (the “Authority”) has submitted a work plan for property located at 965 Wanda Street within the City of Ferndale, known as the 965 Wanda Project (the “Project”);

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

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

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

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board authorizes the Authority to capture taxes levied for school operating purposes in substantially the same proportion as the 32.96% to 67.04% ratio currently existing between school and local taxes for non-homestead properties, to reimburse the cost of demolition and lead and asbestos abatement, as presented in the revised Work Plan dated March 6, 2014. Any change in millage that increases the capture percentage of school operating taxes by more than 5 percentage points must be approved by the MSF Board. The authorization is based on the Authority capturing all available local operating mills for the term of the capture period. The authorization for the capture of taxes

levied for school operating purposes is based on a maximum of \$600,300 for the principal activity costs of non-environmental activities and a contingency, a maximum of \$114,029 in interest, and a maximum of \$3,500 for Brownfield/Work Plan preparation, and with the capture of taxes levied for school operating purposes being limited to a maximum of \$236,596.

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

BE IT FURTHER RESOLVED, that the MSF Board is authorizing that capture of taxes levied for school operating purposes for the payment of interest, up to a maximum of \$114,029 related to the eligible activities for the Project.

Ayes:

Nays:

Recused:

March 25, 2014
Detroit, Michigan



MEMORANDUM

Date: March 25, 2014
To: Michigan Strategic Fund Board
From: Jacob Schroeder, Director, Pure Michigan Business Connect Services
Subject: *Manufacturing Support Services Recommended Contractor*

Action

The MEDC requests that the MSF Board award funding in the amount of \$1.38 Million to the Michigan Manufacturing Technology Center (MMTC) to maintain Manufacturing Support Services.

Background

The evaluated Manufacturing Support Services RFP was purposed to identify a contractor to provide 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 has been evaluated by a Joint Evaluation Committee ("JEC"), scored (see attached documentation), and is being recommended to provide the following services:

- Matchmaking assistance in support of Pure Michigan Business Connect ("PMBC") initiatives.
- Research and consultation as it relates to the MEDC's Economic Gardening (second stage growth) program.
- Consulting and training related to process improvement and efficiency.
- Provide business outreach and services in support of the MEDC 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 \$2.3 million annually.

The MMTC currently provides and seeks to continue to provide services in the four areas requested by the MSF as well as in support of other MEDC business development efforts.

The JEC was made up of the following members:

- Eric Shreffler-MEDC
- Robert Luce-Detroit Regional Chamber
- Dan Radomski-Next Energy
- Christine Roeder-MEDC

Recommendation

MEDC Staff recommends that the MSF Board award the allocated \$1.38 million for the program to MMTC as suggested by the JEC.

Michigan Economic Development Corporation

**MICHIGAN STRATEGIC FUND
RESOLUTION**

2014-

MANUFACTURING SERVICES RFP AWARD

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 February 25, 2014 meeting, the MSF issued a request for proposals seeking a Michigan non-profit organization to provide services to companies in the Michigan manufacturing and other related industries (the “Manufacturing Services RFP”);

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

WHEREAS, one proposal was received in response to the Manufacturing Services RFP;

WHEREAS, the JEC scored the proposal in accordance with the scoring and evaluation criteria approved by the MSF Fund Manager;

WHEREAS, the MEDC recommends that the MSF award a grant of up to \$1.38 million to Michigan Manufacturing Technology Center (“MMTC”) to provide energy acceleration services as provided in the Manufacturing Services RFP (the “MMTC Grant”); and

WHEREAS, the MSF Board wishes to approve the MMTC Grant.

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

BE IT FURTHER RESOLVED, that MSF Fund Manager or the MSF Chairperson, with only one required to act and in coordination with MEDC Staff, is authorized to the negotiate final terms and conditions of the MMTC Grant and to execute all documents necessary to effectuate the MMTC Grant.

Ayes:

Nays:

Recused:

Detroit, Michigan
March 25, 2014

Proposal Evaluation Form 2014 Manufacturing Support Services

Name of Applicant: Michigan Manufacturing Technology Center (MMTC)

Name of Reviewer: JEC-Eric Shreffler, Dan Radomski, Rob Luce, Christine Roeder

Criteria	Reviewer's Comments	Points
<p>Statement of Work:</p> <ul style="list-style-type: none"> • Does the applicant effectively demonstrate the capacity and ability to provide the following: <ul style="list-style-type: none"> ○ Assist Pure Michigan Business Connect (PMBC) in matchmaking requests, including the broad search efforts as related to supplier summits ○ Provide services to Michigan manufacturers that allow those businesses operate more effectively in order to create and retain jobs ○ Support those firms (described in the above bullet) with a particular emphasize on 2nd stage growth companies ○ Have the ability to provide manufacturing specific research and search engine optimization (SEO) to support the MEDC's Economic Gardening/Second Stage Growth Accelerator program 	<p>-Demonstrated capability of delivering. -High level of confidence in continuing this type of work. -BDM's comfortable and often use MMTC services. -Sometimes overlap with Community Colleges. -Challenges w/ turnover. -Helpul w/ research. -Matchmaking outside of PMBC.</p>	<p>Max. Possible Points: 30 Score: 27</p>
<p>Bidder Information:</p> <ul style="list-style-type: none"> • Have a statewide reach and focus • Identified milestones/deliverables • Deliverables result in positive economic impact 	<p>-Some of the best services in relation to NIST.</p>	<p>Max. Possible Points: 10 Score: 9</p>
<p>Prior Experience:</p> <ul style="list-style-type: none"> • The Applicant should indicate past experience with Manufacturing Support Services, and specifically discuss how the STATEMENT OF WORK that the Applicant fulfilled and its success will play a role in this project 	<p>-MMTC 23 vs. the required 10.</p>	<p>Max. Possible Points: 30 Score: 30</p>
<p>Staffing:</p> <ul style="list-style-type: none"> • Identified key players • Identified collaborators • Have the administrative ability and desire to provide efficient, transparent operations and funding details on a systematic basis 	<p>-Turnover has been an issue but still providing a high level of service. -Subcontract out when appropriate. -Key players respected</p>	<p>Max. Possible Points: 10 Score: 9</p>
<p>Financial Stability:</p> <ul style="list-style-type: none"> • Have access to additional, non-MSF, funding to support operations • Leverage federal and/or private sector funding sources to support the program/services 	<p>-Rely on both State and Federal (NIST) funds. -Also rely on private funding.</p>	<p>Max. Possible Points: 20 Score: 20</p>
<p>Total Score:</p>		<p>Max. Possible Points: 100 Score: 95</p>
<p>Preferences: If applicant satisfies any of the preferences below, those points shall be added to the applicant's total score achieved through the initial evaluation and scoring phase of this RFP. Each preference is worth five (5) points if the preference is satisfied by applicant. If not satisfied by applicant then a score of zero (0) shall be assigned.</p>		
<p>1. Does proposal demonstrate that project can contribute to the development of economic diversification or the creation of employment opportunities in the State of Michigan?</p>		<p>Possible Points: 5 Preference Points: <u>5</u></p>
<p>2. Does proposal demonstrate collaboration between application and institutions of higher education, Michigan nonprofit research institutions, Michigan nonprofit corporations, and qualified businesses?</p>		<p>Possible Points: 5 Preference</p>

Exhibit A

		Points: <u>5</u>
3. Does proposal meet one or more of the following: (i) Forecast revenues within 2 years; (ii) Have outside investments from investors with experience and management teams with experience in the industry targeted by the proposal; or (iii) Have outside directors with expertise in the industry targeted by the proposal?		Possible Points: 5 Preference Points: <u>5</u>
Preferences Score:		Score: <u>15</u>
OVERALL PROPOSAL SCORE (Total Score + Preferences Score)		Score: <u>110</u>

The JEC recommends awarding the specified contract to the Michigan Manufacturing Technology Center (MMTC).

Proposal Evaluation Form 2014 Manufacturing Support Services

Name of Applicant: Michigan Manufacturing Technology Center (MMTC)


Name of Reviewer: JEC-Eric Shreffler, Dan Radomski, Rob Luce, Christine Roeder

Criteria	Reviewer's Comments	Points
<p>Statement of Work:</p> <ul style="list-style-type: none"> • Does the applicant effectively demonstrate the capacity and ability to provide the following: <ul style="list-style-type: none"> ○ Assist Pure Michigan Business Connect (PMBC) in matchmaking requests, including the broad search efforts as related to supplier summits ○ Provide services to Michigan manufacturers that allow those businesses operate more effectively in order to create and retain jobs ○ Support those firms (described in the above bullet) with a particular emphasize on 2nd stage growth companies ○ Have the ability to provide manufacturing specific research and search engine optimization (SEO) to support the MEDC's Economic Gardening/Second Stage Growth Accelerator program 	<p>-Demonstrated capability of delivering. -High level of confidence in continuing this type of work. -BDM's comfortable and often use MMTC services. -Sometimes overlap with Community Colleges. -Challenges w/ turnover. -Helpful w/ research. -Matchmaking outside of PMBC.</p>	<p>Max. Possible Points: 30</p> <p>Score: <u>27</u></p>
<p>Bidder Information:</p> <ul style="list-style-type: none"> • Have a statewide reach and focus • Identified milestones/deliverables • Deliverables result in positive economic impact 	<p>-Some of the best services in relation to NIST.</p>	<p>Max. Possible Points: 10</p> <p>Score: <u>9</u></p>
<p>Prior Experience:</p> <ul style="list-style-type: none"> • The Applicant should indicate past experience with Manufacturing Support Services, and specifically discuss how the STATEMENT OF WORK that the Applicant fulfilled and its success will play a role in this project 	<p>-MMTC 23 vs. the required 10.</p>	<p>Max. Possible Points: 30</p> <p>Score: <u>30</u></p>
<p>Staffing:</p> <ul style="list-style-type: none"> • Identified key players • Identified collaborators • Have the administrative ability and desire to provide efficient, transparent operations and funding details on a systematic basis 	<p>-Turnover has been an issue but still providing a high level of service. -Subcontract out when appropriate. -Key players respected</p>	<p>Max. Possible Points: 10</p> <p>Score: <u>9</u></p>
<p>Financial Stability:</p> <ul style="list-style-type: none"> • Have access to additional, non-MSF, funding to support operations • Leverage federal and/or private sector funding sources to support the program/services 	<p>-Rely on both State and Federal (NIST) funds. -Also rely on private funding.</p>	<p>Max. Possible Points: 20</p> <p>Score: <u>20</u></p>
<p>Total Score:</p>		<p>Max. Possible Points: 100</p> <p>Score: <u>95</u></p>
<p>Preferences: If applicant satisfies any of the preferences below, those points shall be added to the applicant's total score achieved through the initial evaluation and scoring phase of this RFP. Each preference is worth five (5) points if the preference is satisfied by applicant. If not satisfied by applicant then a score of zero (0) shall be assigned.</p>		
<p>1. Does proposal demonstrate that project can contribute to the development of economic diversification or the creation of employment opportunities in the State of Michigan?</p>		<p>Possible Points: 5</p> <p>Preference Points: <u>5</u></p>
<p>2. Does proposal demonstrate collaboration between application and institutions of higher education, Michigan nonprofit research institutions, Michigan nonprofit corporations, and qualified businesses?</p>		<p>Possible Points: 5</p> <p>Preference</p>

Exhibit A

3. Does proposal meet one or more of the following: (i) Forecast revenues within 2 years; (ii) Have outside investments from investors with experience and management teams with experience in the industry targeted by the proposal; or (iii) Have outside directors with expertise in the industry targeted by the proposal?		Points: 5 Possible Points: 5 Preference Points: 5
Preferences Score:		Score: 15
OVERALL PROPOSAL SCORE (Total Score + Preferences Score)		Score: 110

The JEC recommends awarding the specified contract to the Michigan Manufacturing Technology Center (MMTC).


R. Hill
Bill. Huse
Christine M. W. J. J.



MEMORANDUM

Date: March 25, 2014

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

From: Stacy Bowerman, Manager, Development Finance

Subject: Roskam Baking Company (“Company” or “Applicant”)
Job Creation MBT Credit Amendment

Request

This is a request from the Company for an amendment to its existing Job Creation MBT Credit. The amendment is required to accurately reflect how the Company hires Qualified New Jobs related to the original Job Creation MBT Credit.

Background

The Company is a baking company that contracts to manufacture croutons, cereal, snack mixes and dry mix products for major food companies. They also manufacture and sell their own branded products. The Company is a family owned business operating in Michigan since 1923.

On June 16, 2009, the MEGA Board approved a 10 year 100 percent Job Creation MBT Credit (Resolution 2009-103) for the Company to expand their operations in the City of Kentwood, Kent County. The Job Creation MBT Credit is for a maximum of 1,500 Qualified New Jobs with a Base Employment Level of 657, provided the Company creates 1,000 Qualified New Jobs and invests \$25 million by year six of the credit.

The Company is requesting an amendment to its existing tax credit to allow job creation at all Roskam Baking facilities in Kent County. The Company’s hiring practice is to place experienced staff on new product lines. As a result, the new hires backfill the vacated positions and are placed at other Roskam Baking sites within Kent County. Expanding the Project Site to include the Company’s related entities and allow job creation within Kent County will allow the Company to claim the actual new hires as a result of the original project.

Recommendation

MEDC Staff recommends the following amendments to the Job Creation MBT Credit Tax Credit (Resolution 2009-103):

- a) Amend the definition of Company to include Rothbury Farms, Inc., The Broadmoor, LTD, Starr Puff Bakery, LLC, Advanced Food Technologies, Inc., IFT Custom Blends, LLC and Pac-Tech Packaging Division, LLC for purposes of base employment and qualified new jobs.
- b) Amend the Project Description to include the expansion of manufacturing operations in Kent County.
- c) Amend the number of years the company is authorized to collect the tax credit from 10 consecutive tax years to 9 consecutive tax years
- d) All other terms and conditions will remain the same.

Michigan Economic Development Corporation

MICHIGAN STRATEGIC FUND

Resolution 2014-

**ROSKAM BAKING COMPANY
STANDARD CREDIT (AMENDMENT #1)**

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

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

WHEREAS, in Resolution 2009-103, adopted on June 16, 2009, the MEGA Board authorized a Tax Credit for Roskam Baking Company (the “Company”) of 100 percent for a period of ten consecutive years, beginning no later than the Company’s tax year ending December 31, 2010 to expand its current operations and create jobs at 5353 Broadmoor in the City of Kentwood, Kent County (the “Project”);

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

- (i) Amend the definition of Company to include Rothbury Farms, Inc., The Broadmoor, LTD, Starr Puff Bakery, LLC, Advanced Food Technologies, Inc., IFT Custom Blends, LLC and Pac-Tech Packaging Division, LLC for purposes of base employment and qualified new jobs.
- (ii) Amend the Project Description to include the expansion of manufacturing operations in Kent County.
- (iii) Amend the number of years the company is authorized to collect the tax credit from 10 consecutive tax years to 9 consecutive tax years

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

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

BE IT FURTHER RESOLVED, that all other provisions of Resolution 2009-103, are reaffirmed and the MSF authorizes the MSF Fund Manager to implement the terms of this resolution.

ADOPTED

Ayes:

Nays:

Recused:

March 25, 2014
Detroit, Michigan



MEMORANDUM

Date: March 25, 2014

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

From: Trevor Friedeberg, Development Finance Manager

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

Request

This is a request from the Applicant for a \$3,200,000 Performance-based grant. This project involves the creation of 180 Qualified New Jobs, with the potential for up to 200 total jobs as a result of the project, and a capital investment of up to \$11,000,000 in the City of Auburn Hills, Oakland County.

Background

The Applicant is a global product leader in powertrain solutions focusing on developing leading powertrain technologies that improve fuel economy, emissions and performance. The Company is headquartered in Auburn Hills, Michigan.

In September 2003, the Applicant received a 100 percent standard Job Creation MBT tax credit for 10 years, for up to 90 net new employees, beginning tax year ending 2005. The credit was estimated to be worth \$2.6 million. The Applicant has not collected on the credit since 2007. The credit will be forgone as part of this MBDP request.

With assistance from the State and City of Auburn Hills, the Company will add on additional square footage to expand their PowerTrain Technical Center in Auburn Hills, Michigan. The Applicant plans make investments and create jobs related to Motor Vehicle Transmission and Power Train Parts Manufacturing to support this expansion.

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 at 3800 Automation Avenue in the City of Auburn Hills, Oakland County. The City of Auburn Hills has offered a “staff, financial, or economic commitment to the project” in the form of tax abatement on real and/or personal property related to the project.
- c) The Applicant has demonstrated a need for the funding. The company has been offered incentive packages from several states, including those located in the South, Mid-West, and New England areas.
- d) The Applicant plans to create 180 Qualified New Jobs above a statewide base employment level of 865.
- e) Pursuant to the program guidelines, the following was taken into consideration for the proposed project: involves out-of-state competition; has a net positive return to Michigan; has a prospect of

Michigan Economic Development Corporation

near-term job creation; will offer employer benefits; and the project has strong links to Michigan suppliers.

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 further subject to the following terms and conditions:
 - a. Commitment will remain valid for 120 days with approval for MSF Fund Manager to extend the commitment an additional 60 days;
 - b. MSF Fund Manager, in coordination with MEDC staff, can negotiate final milestone performance terms from that contained in the Term Sheet, and additional and other terms so long as the additional and other terms are not otherwise materially adverse to the MSF, to accommodate final signing of the Transaction Documents.

MICHIGAN STRATEGIC FUND

RESOLUTION 2014-

**APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT TO
BORGWARNER INC.**

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

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

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

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

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

WHEREAS, BorgWarner Inc. (“Company”) has requested a performance based MBDP grant of up to \$3.2 million (“Grant Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”);

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

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

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

Ayes:

Nays:

Recused:

Detroit, Michigan
March 25, 2014



**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: 3/7/2014

- | | | |
|---|--|--|
| 1. Company Name: | BorgWarner Inc. ("Company" or "Applicant") | |
| 2. Company Address: | 3850 Hamlin Road
Auburn Hills, Michigan 48236 | |
| 3. Project Address: | 3800 Automation Avenue
Auburn Hills, Michigan 48236 | |
| 4. MBDP Incentive Type: | Performance Based Grant | |
| 5. Maximum Amount of MBDP Incentive: | Up to \$3,200,000 ("MBDP Incentive Award") | |
| 6. Base Employment Level | 865 | The number of jobs currently maintained in Michigan by the Company and BorgWarner Thermal Systems, Inc., BorgWarner Thermal Systems of Michigan, Inc., BorgWarner Powdered Metals, Inc., BorgWarner Emissions Systems of Michigan, Inc., BorgWarner Transmission Systems, Inc., BorgWarner TorqTransfer Systems, Inc., BorgWarner Morse TEC, Inc., and BorgWarner Turbo Systems of Michigan, Inc. based on data submitted by the Company to the MEDC reflecting the Company's statewide employment level in Michigan prior to the proposed project. The Base Employment Level, including identification 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:
<i>(above Base Employment Level)</i> | 180 | The minimum number of total Qualified <u>New</u> Jobs the Company shall be required to create in Michigan (above the Base Employment Level), in addition to satisfying other milestones if |

applicable, to be minimally eligible to receive the full amount of the MBDP Incentive Award. Each Qualified New Job must be performed for consideration by a Michigan resident (whose Michigan income taxes are withheld as required), and each Qualified New Job must be in excess of the Base Employment Level. The final terms and conditions of the requirements for the minimum number of Qualified New Jobs that must be created, including provisions addressing disbursements of portions of the MBDP Incentive Award, shall be included in the final Agreement.

a. Start Date for Measurement of Creation of Qualified New Jobs: November 15, 2013 (Date of Signed Offer Letter)

8. Company Investment: The company will invest \$11,000,000 in building renovations and furniture and fixtures, or any combination thereof, for the Project.

9. Municipality supporting the Project: The City of Auburn Hills

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

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

a. Disbursement Milestone 1: Up to \$1,000,000 Upon demonstrated creation of 60 Qualified New Jobs above the Base Employment Level and verification of final approval of municipality support by no later than February 28, 2015.

b. Disbursement Milestone 2: Up to \$1,000,000 Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 60 additional Qualified New Jobs (for a total of 120 Qualified New Jobs) above the Base Employment Level, by no later than February 28, 2016.

- c. Disbursement Milestone 3:** Up to \$1,200,000 Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, and upon demonstrated creation of 60 additional Qualified New Jobs (for a total of 180 Qualified New Jobs) above the Base Employment Level, by no later than February 28, 2017.

11. Term of Agreement: Execution of Agreement to February 28, 2019

12. Repayment Provisions:

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

13. Reporting Requirements:

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

14. Public Announcements:

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

15. Pre-Closing Requirements BorgWarner, Inc. MEGA (#214):

The Company shall forego the MEGA Tax Credit (#214) originally approved on September 16, 2003. The Company shall enter into a termination agreement with the Michigan Strategic Fund stating prior to execution of the final Agreement.

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

If the Company is interested in the MEDC pursuing a recommendation to the MSF for a possible MBDP Incentive Award for the Company along the above parameters, please sign and date this Term Sheet. If the MEDC does not receive the signed Term Sheet from the Company by March 7, 2014, the MEDC may not be able to proceed with any recommendation to the MSF.

BorgWarner Inc.

By: DocuSigned by:
Scott D. Gallett
D3A35D8351814E8...

Printed Name: Scott D. Gallett

Its: V.P. Marketing & Public Relations

Dated: 3/12/2014

Acknowledged as received by:

Michigan Economic Development Corporation

By: DocuSigned by:
Trevor Friedeberg
2786B059D0DE488...

Printed Name: Trevor Friedeberg

Its: Development Finance Manager

Dated: 3/12/2014



MEMORANDUM

Date: March 25, 2014

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

From: Mark Morante, Senior Advisor – Strategic Projects

Subject: *M-1 Rail (“Applicant”)*
Michigan Business Development Program Performance-based Loan Request

Request

This is a request from the Applicant for a \$10 million performance-based loan. This project involves a Qualified Investment of \$70 million and a total of up to 41 new jobs in the City of Detroit, Wayne County.

Background

The Applicant was formed by private sector and philanthropic leaders in 2008, as a result of Super Bowl XL when the need for reliable transit alternatives became more evident, to provide connections to key Detroit destinations within the Downtown, Midtown and New Center areas. The Applicant completed numerous feasibility studies to identify the most suitable design and scope for the alternative transportation mode.

In late 2011, the Applicant worked with the Federal Transit Authority, the State of Michigan, the City of Detroit, Southeast Michigan Council of Governments (SEMCOG) and a range of stakeholders to validate the capital and operating costs for a modern streetcar project; to confirm existing private and philanthropic funding, secure new commitments; and to develop the complex financial and organizational structures required to implement this unique public-private partnership. The validation process concluded in the spring of 2012 with a commitment to move forward with the proposed streetcar system by the Applicant. In addition, MDOT is partnering with the Applicant to deliver the project. MDOT is planning the reconstruction of 2 bridges and approximately 2.7 miles of Woodward along the streetcar route. This construction approach reduces both the combined costs and the disruption to local business and residents and short-term maintenance cost of the streetcar system.

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

The Applicant plans to construct and operate an approximately 3 mile circulating streetcar route along Woodward Avenue (M-1) from Larned Street in the Central Business District to Grand Boulevard in the New Center area in the City of Detroit. Eleven proposed stations along the new transit line were strategically selected to connect with DDOT and SMART bus routes, the Detroit People Mover, Megabus and Amtrak Service.

Considerations

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

Michigan Economic Development Corporation

- 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 pledged Downtown Development Authority tax increment financing (TIF) revenues in annual payments of \$900,000 for 10 years.
- c) The Applicant has demonstrated a need for the funding: The Applicant has a commitment by the private and philanthropic sector to fund most of the cost to build, operate, and maintain this important infrastructure project for up to ten years, in addition to the \$25 million federal Transportation Investment Generating Economic Recovery (TIGER) grant awarded in 2010. The Applicant has capital commitments from donors, governmental entities, and an anticipated new markets tax credit financing transaction to fund construction. Without the performance-based loan, the Applicant could not obtain affordable financing against certain donor commitments to allow the project to move forward.
- d) The Applicant plans to make a \$70 million Qualified Investment with a total project investment of \$131 million. The project will also result in up to 41 new jobs.
- e) Pursuant to the program guidelines, the following was taken into consideration for the proposed project: The feasibility studies indicate the M-1 Rail line will have a \$2 billion economic impact on the metro-Detroit economy. The investment will begin in spring 2014 and job creation is expected to commence in 2016.

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 further subject to the following terms and conditions:
 - a. Commitment will remain valid for 180 days with approval for MSF Fund Manager to extend the commitment an additional 90 days;
 - b. MSF Fund Manager, in coordination with MEDC staff, can negotiate final milestone performance terms from that contained in the Term Sheet, and additional and other terms so long as the additional and other terms are not otherwise materially adverse to the MSF, to accommodate final signing of the Transaction Documents.

EXECUTIVE SUMMARY

In response to a growing need for mass transit in Detroit's core employment center, M-1 RAIL, a non-profit organization, was formed by local community and business leaders who want to bring a modern streetcar system to Detroit. This is the first time in the United States that a public/private/philanthropic group will partner with local, state and federal governments to build a streetcar system.

The M-1 RAIL project consists of the design, build, operation and maintenance of a streetcar system in the public right of way along 3.3 miles of Woodward Avenue in Detroit, Michigan. The project includes stations, vehicle storage and maintenance facility, streetcars, overhead catenary, various sub-systems and supporting electrical distribution. M-1 RAIL will provide premium transit service with 7.5-10 minute frequencies during peak hours. Ridership is expected to grow to 3 million trips annually.

The streetcar system will facilitate connection to DDOT and SMART bus routes, the Transit Windsor Tunnel Bus, Detroit People Mover, Megabus intercity bus and existing Amtrak service to Ann Arbor.

Fixed rail transit is a proven catalyst for economic development. Transit-oriented development multipliers range from 4 or 5 up to 75 times every dollar invested. Using a conservative multiplier of 16, M-1 will catalyze over \$2 billion in economic development.

The jobs created by the economic development along the line through new investment is the most significant impact of the project. Residents and visitors will have convenient access to cultural institutions and entertainment districts. The system will connect residents along the route to jobs in their neighborhoods. The transit-oriented development strategy seeks to create complete districts and neighborhoods - with density growing around the streetcar line.

Woodward Avenue is considered the economic and civic core of the region, the epicenter of Detroit's economic recovery and is home to the most exciting and visionary urban reinvention efforts in America today. This corridor includes the world headquarters of companies including General Motors, Chrysler, and Quicken Loans; a major research university; two of the Midwest's largest and most important medical centers; world class cultural, sports and entertainment destinations, including the Detroit Tigers' and Lions' stadiums; and stable mixed income neighborhoods.

The M-1 RAIL project will connect each of the City's assets along the Woodward corridor - encouraging new investment and development around the rail stations while providing the connections needed to accelerate the growth of existing clusters.

LOCATION

Woodward Avenue (between Congress and Grand Boulevard),
Detroit Michigan 48226

STATUS

Construction to commence and financial closing to occur
in Q2/Q3 2014

REQUEST

CDE NMTC allocation of \$30.0M (from one or multiple CDEs)

COMMUNITY IMPACTS

- **M-1 RAIL will** provide premium, timely transit service for more than 13,000 low income residents to medical facilities, shopping, free entertainment venues, one university and 1 community college.
 - **M-1 RAIL will** create more than 700 union labor construction jobs.
 - **M-1 RAIL will** facilitate dense residential and commercial development by significantly reducing the need for parking.
 - **M-1 RAIL is** a critical component of the City, County and State's redevelopment plans for the area.
-

LEVERAGE LOAN SOURCES (BY M-1 RAIL)

Proceeds from and/or bridge loans for:

- Foundation grants totaling \$43 million including:
 - \$35-38 million from the Kresge Foundation
 - Chrysler Foundation
 - Ford Foundation
 - Hudson-Webber Foundation
- State & local government grants/programs totaling \$24 million
- Corporate & other philanthropic pledges of \$30-32 million from the following donors:
 - Bank of America
 - Blue Cross Blue Shield of Michigan
 - Chevrolet Division of GM
 - Compuware Corporation
 - Detroit Medical Center
 - Ford Motor Company Fund
 - Henry Ford Health System
 - Ilitch Holdings (owners of the Detroit Tigers & Red Wings)
 - Penske Corporation
 - Quicken Loans, Inc.
 - Wayne State University



CONTACT

JENI NORMAN
Chief Financial Officer

M-1 RAIL

1426 Woodward Avenue
Detroit, Michigan 48226

Email: Jenilyn.Norman@m1rail.org

Phone: 248.376.8594

MICHIGAN STRATEGIC FUND

RESOLUTION 2014-

**APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM LOAN TO
M-1 RAIL**

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

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

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

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

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

WHEREAS, M-1 Rail (“Company”) has requested a performance based MBDP loan of up to \$10 million (“Loan 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 Loan 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 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 (“MBDP Award Recommendation”).

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

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

Ayes:

Nays:

Recused:

Detroit, Michigan
March 25, 2014

M-1 Rail ("Applicant" or "Company")
MBDP Loan Terms and Requirements for M-1 Rail

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

Incentive - \$10 million Michigan Business Development Program ("MBDP") Performance-based Loan

Project – The M-1 Rail consists of the design, build, operation and maintenance of a streetcar system in the public right of way along approximately 3 miles of Woodward Avenue in Detroit, Michigan. The Project includes stations, a vehicle storage and maintenance facility, streetcars, overhead catenary, various sub-systems and supporting electrical distribution.

Qualified Investment: \$70 million - The required Qualified Investment made after April 1, 2014 in Michigan, including, but not limited to, buildings, machinery and equipment, fixtures, or any combination thereof, related to the Project. The final terms and conditions of the Qualified Investment shall be included in the final Loan Agreement (Agreement).

Disbursement Milestones: The final terms and conditions of each of the disbursements of any portion of the MBDP Performance-based Loan shall be included in the final Agreement, including that before any disbursement is made to the Applicant, the Applicant must be in compliance with all terms and conditions of the final Agreement, including:

- **Disbursement Schedule:**
 - **Milestones:**
 - **Disbursement Milestone 1:** \$5 million disbursement upon demonstration of a combined \$10 million contributed to and received by M-1 Rail for the Project on or after April 1, 2014, from one or more of the following: Kresge Foundation, Blue Cross Blue Shield, Henry Ford Health Systems, Hudson Webber Foundation, Quicken Loans, Penske, Wayne State University, Chevrolet Division of General Motors, Compuware, Detroit Medical Center, Ford Center, Mitch Holdings, or other similar or related corporate or non-profit entity to the satisfaction of the MSF Loan Manager by no later than March 30, 2015. Additionally, by no later than March 30, 2015, the Applicant shall have a fully executed agreement with M-2 Rail requiring and limiting, among other things, the use of MBDP Loan funds for buildings, machinery and equipment, fixtures, or any combination thereof for the Project.
 - **Disbursement Milestone 2:** \$5 million disbursement upon completion of Disbursement Milestone 1, and upon demonstration of an additional \$20 million (for a combined total of \$30 million) contributed to and received by M-1 Rail for the

Project on or after April 1, 2014, from one or more of the following: Kresge Foundation, Blue Cross Blue Shield, Henry Ford Health Systems, Hudson Webber Foundation, Quicken Loans, Penske, Wayne State University, Chevrolet Division of General Motors, Compuware, Detroit Medical Center, Ford Foundation, Illitch Holdings, or other similar or related corporate or non-profit entity to the satisfaction of the MSF Loan Manager by no later than April 30, 2016. Additionally, by no later than April 30, 2016, the Applicant and M-2 Rail shall have a fully executed lease agreement with the Michigan Department of Transportation and/or the Detroit Department of Transportation for the streetcar rail system.

- MSF / JW*
- Performance Milestone 3: No Disbursement Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, upon verification through documentation satisfactory to the MSF Loan Manager from the Applicant and M-2 Rail that the \$50 million in Qualified Investment has been completed. Additionally, Applicant shall demonstrate commencement of revenue operations of a functioning streetcar rail system by no later than April 30, 2017 as follows:
 - A minimum of 3 miles of track service;
 - A minimum of 4 operating street cars; and
 - A minimum of 8 stations.
 - Interest Rate:
 - Normal Rate - 2%
 - Default Rate - 7%
 - Term of Loan
 - Through December 31, 2028
 - Repayment Terms
 - Annual payment of interest only until the first Detroit Downtown Development Authority (DDA) TIF payment is received by the Applicant, no later than December 1, 2018; upon receipt of the first DDA payment to the Applicant, annual payments of principal and interest shall commence amortized over 10 years.
 - \$1 million principal reduction due to MSF within 30 days upon Applicant receiving proceeds from the sale of at least \$30 million of New Market Tax Credits. The final terms and conditions demonstrating this shall be included in the final Agreement.
 - Early Payment of Principal: The Applicant may pay at any time without penalty the principal plus accrued interest in full prior to the end of the term.
 - Project Budget: \$131,957,023 in land costs, new construction, machinery and equipment, other personal property, or any combination thereof, for the Project.
 - Municipality Support & Pre-Closing Requirement - Prior to the execution of the final Agreement the Applicant and the DDA shall have entered into an agreement for the commitment of not less than \$9 million in tax increment revenues related to the Project. The final terms and conditions demonstrating this support shall be included in the final Agreement.
 - Security - Assignment and security interest to the MSF of the agreement of the Detroit DDA to make payments to the Applicant of \$9,000,000 over ten years in Tax Increment Revenues.
 - Repayment Events:
 - Events causing accelerated payback of outstanding balance (principal plus accrued interest):

- Failure to meet a Milestone: The failure to meet a Milestone, that is not cured within the applicable time to cure;
 - Failure to make any payment (interest or principal) on time, that is not cured within the applicable time to cure;
 - Abandonment of the Project or cessation of revenue operations of the streetcar rail system;
 - Use of loan proceeds for acts that are prohibited by the Michigan Strategic Fund Act;
 - Submission of materially incorrect information to support loan disbursement request;
 - Material misrepresentation by the Applicant, any material breach by the Applicant or the Applicant is in default, violation, breach or non-compliance with the MEDC or other state agencies; and any violation of Representations and Warrants to the MSF by the Applicant;
 - Voluntary bankruptcy, involuntary bankruptcy or insolvency;
 - Cross default of the Applicant on any contribution agreement used to satisfy a Disbursement Milestone where contributed funds are required to be repaid.
- Forgiveness of Loan Proceeds– None
 - Closing Costs for MBDP Loan: The closing costs, payable upon execution of the Agreement and invoiced by the MEDC, shall be \$25,000 or .25% of the principal balance. Final invoice will be presented with Agreement for signature. Payment must be received before the Agreement will be fully executed by the MSF and prior to any disbursement of funds.
 - Reporting Requirements:
 - MBDP Progress Reports – no later than October 10th of each year during through 2029, the Applicant shall submit to the Loan Manager an annual Progress Report through September 30th. Progress Reports are an all-encompassing report and shall include a description of the Milestones achieved during the preceding 12 months and submission of all data required for the MSF to comply with annual reporting requirements to the Michigan legislature under the Michigan Strategic Fund Act;
 - Disbursement Requests & Milestone Reports through the completion of all milestones;
 - Audited Financial Statements, including a balance sheet, and income statement provided by August 1st of each year through and including 2018;
 - Project Status Reports will be provided to the Loan Manager on the first of the following months: each March and September starting after the first disbursement and continuing until all funds have been repaid to the MSF or the Loan is terminated, whichever is sooner. The Project Status Report will include a narrative on the status of the Project construction, update on timing including estimated timeline to reach each milestone and copies of any and all lien waivers received.

If the Applicant is interested in the MEDC pursuing a recommendation to the MSF for a possible MBDP Incentive Award for the Applicant along the above parameters, please sign and date this Term Sheet. If the MEDC does not receive the signed Term Sheet from the Applicant by March 13, 2014 the MEDC may not be able to proceed with any recommendation to the MSF.

M-1 Rail

By: 
Printed Name: JENLYN NORMAN

Its: CFO

Dated: 3/13/14

Acknowledged as received by:

Michigan Economic Development Corporation

By: 
Printed Name: Marcia Giebarowski

Its: Sr. DFM

Dated: 3/13/14



MEMORANDUM

Date: March 25, 2014
To: Michigan Strategic Fund Board
From: Eric Hanna, Director Debt Capital Programs
Subject: *Approve the Michigan Loan Guarantee Program and Decision Document*

Request

In February the MSF approved a request to hold a public hearing on the Michigan Loan Guarantee Program (“MLGP”) guidelines. The meeting was held at 9AM on March 11, 2014 and there was no attendance. Staff also received no comments via phone or email on the proposed and posted guidelines.

The program is a 21st Century Jobs Investment funded companion to the Loan Guarantee Program (“LGP”) which is funded with federal State Small Business Credit Initiative (“SSBCI”) dollars. Having a companion program allows the MSF to respond to transactions that are desirable but do not meet one or more federal rules. Those rules could include but are not limited to the maximum guarantee amount, the obligation to meet federal lender and borrower assurance standards, and some “use of proceeds” or “business type” restrictions which are unique to the federal program.

Background

Traditionally lending small loan sizes to business customers has either been relegated by for-profit financial institutions to non-profit lenders, has been compartmentalized into signature style personal loans or credit cards, or has required significant government intervention most commonly in the form of an SBA Guarantee or even the full provision of capital for the loans as in the SBA’s 25 year PILOT program, the SBA Micro Lending Program. These types of loans without such government intervention are generally unprofitable to administer. This represents a gap in the private markets which can be addressed using tools developed by the MEDC and the MSF.

Small businesses are important creators of jobs and are a critical component of effective Community Development. They participate in creating personal wealth, add economic diversity and density to neighborhoods and build strong decision making among owners and employees which produces multiple positive public and social outcomes.

For these reasons, staff has worked with participating non-profit lenders to establish the two contemplated programs which will operate in tandem just as many of the MSF’s Access to

Capital tools operate. These programs will follow the three tenets the MEDC uses to evaluate effective programs in this space including:

- The identification of a market failure or inefficiency which is sustained and consistent.
- The use of a small amount of public capital to facilitate more significant levels of private lending or investing.
- The use of private party decision making with respect to the underwriting and evaluation process of the final business risks in the space.

Most of the participating lenders in this space tend to focus on providing technical assistance and education as a core part of the loan delivery system. They have determined that it is in their interest to surround the borrower with legal, financial, marketing, and operational support as well as the loan capital because those borrowers who respond to such support have a remarkably higher success rate and correlating repayment rate on the loans. This technical support vertical is the highest value product these lenders provide. Recently, the MEDC has begun working with the foundation community to continue to enable this technical/educational work and staff anticipates future involvement in this aspect of the lending segment.

Recommendation

MEDC Staff makes the following recommendations with respect to the program(s):

- Approve the program and authorize the proposed Program Guidelines for the “Michigan Loan Guarantee Program which will incorporate the following;
 - Authorize that returns from the Michigan Loan Guarantee Program be returned to the MSDF for use in MSDF programs;
 - Authorize the Fund Manager or MSF Chair, in coordination with program staff, to approve and further modify all documents necessary to implement and operate the program;
 - Authorize delegations of authority consistent with the delegations previously authorized by the MSF for MSDF detailed further in the resolution.
- Approve the Decision Document for the MSDF-MLGP.

MICHIGAN STRATEGIC FUND

**RESOLUTION
2014-**

**APPROVAL OF THE MICHIGAN LOAN GUARANTEE PROGRAM AND
DELEGATION OF AUTHORITY**

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

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

WHEREAS, pursuant to MCL 125.2088d(1) the MSF created the Michigan Supplier Diversification Fund (“MSDF”) as a loan enhancement program;

WHEREAS, under Section 125.2005(7) of the Act, the MSF Board may delegate to its president, vice-president, staff or others those functions and authority the MSF Board deems necessary or appropriate;

WHEREAS, the MEDC recommends the creation and operation of the Michigan Loan Guarantee Program (the “MLGP” or “Program”) under the MSDF and approval of the attached guidelines to be utilized for the MLGP (the “MLGP Guidelines”);

WHEREAS, pursuant to MCL 125.2088c(5), the MSF held a public hearing on March 11, 2014 to offer persons an opportunity to present data, views, questions and arguments on the MLGP and the MLGP Guidelines;

WHEREAS, the MSF Board desires to: (i) create and operate the Program under the MSDF and (ii) adopt the attached MLGP Guidelines;

WHEREAS, the MSF Board desires to authorize the Chairperson of the MSF Board to (1) approve the awards to be funded under the MLGP in accordance with existing MSDF delegation of authority, as provided in Resolution 2012-37; (2) negotiate the final terms and conditions of the award in accordance with the MLGP Guidelines; and (3) execute all documents necessary to effectuate the awards made under the MLGP (the “Delegation of Authority”);

WHEREAS, as part of the 21st Century Jobs Trust fund initiative, and pursuant to MCL 125.2088h(1), the jobs for Michigan investment fund was created as a permanent fund authorized by the state constitution (“Investment Fund”);

WHEREAS, pursuant to MCL 125.2088h(3) and MCL 125.2088h(7), the MSF Board shall direct the investment and reinvestment of the Investment Fund as provided under Chapter 8A of the MSF Act (“Chapter 8A”);

WHEREAS, pursuant to MCL 125.2088h(5)(b) and (c), the Investment Fund consists of, among other things, return on investments, return on principal, payments made, or other money received by or payable to the MSF under agreements related to loans or investments by the MSF under Chapter 8A;

WHEREAS, the MEDC recommends that the MSF fund the MLGP using \$3,000,000 from the Investment Fund and that repayments to the MSF from awards authorized under the MLGP be returned to the MSDF for future use under the MSDF; and

WHEREAS, the MSF Board desires to approve using \$3,000,000 from the Investment Fund and that repayments to the MSF from awards authorized under the MLGP be returned to the MSDF for future use under the MSDF (the “Allocation of Funding”).

NOW, THEREFORE, BE IT RESOLVED, the MSF hereby approves: (i) the creation and operation of the Program under the MSDF; (ii) the adoption of the attached MLGP Guidelines; (iii) the Allocation of Funding; and (iv) the Delegation of Authority;

BE IT FURTHER RESOLVED, subject to the control and direction of the MSF Board, the MEDC will provide the administrative services to the MSF for the MLGP; and

BE IT FURTHER RESOLVED, Resolution 2013-176 is rescinded in its entirety.

Ayes:

Nays:

Recused:

Detroit, Michigan
March 25, 2014

Exhibit A

**“Michigan Loan Guarantee Program” a part of the
Michigan Supplier Diversification Fund**

- The program may guarantee up to 95% of a loan issued by a lender which generally includes insured depository institutions (“IDI’s”), credit unions, Community Development Finance Institutions (“CDFI’s) and Regional Revolving Loan Funds.
- If the guaranteed loan is made by an IDI to another lender, the program will complete a review of the credit decision by the IDI along with the proposed loan types and structures which the borrowing lender will use for its final customer.
- The level of MSF guarantee will be determined on a case by case basis with loans serving borrowers in low to moderate income communities receiving consideration for higher levels of guarantee.
- The program shall determine on a case by case basis whether it shall fund the guarantee in advance to a holding account or whether it shall pay claims on the guarantee as claims arise.
- Applications shall be first come first serve and shall describe the community and economic development merits of the proposed transaction. The program shall evaluate those merits in balance with the financial risk of loss it is being asked to assume.
- The program reserves the right to disqualify borrowers based on the nature of the business activity or use of proceeds should such nature or use be prohibited by the MSF Act, or as otherwise determined by the program, including if in the view of the program the loan opportunity does not meet a public purpose such as facilitating planned job growth, capital investment or additional tax revenue.
- The program generally requires but may waive on a case by case basis personal and other guarantees of owners and affiliates of the final small businesses receiving loan proceeds whether such proceeds are direct or pass through proceeds of a guaranteed loan.
- The program may charge a closing fee of up to 3% of the guarantee amount at the time of closing and may charge additional annual fees in its sole determination depending on the risk and policy merits of the proposed transaction.
- The program shall comply with all laws, policies, regulations, guidelines, and rules as prescribed by the MSF or other applicable law. Such requirements shall be documented and current as of the execution date of the Loan Guarantee Agreement.

MICHIGAN STRATEGIC FUND

**RESOLUTION
2014-**

**APPROVAL OF THE DECISION DOCUMENT FOR THE
MICHIGAN LOAN GUARANTEE PROGRAM**

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

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

WHEREAS, pursuant to MCL 125.2088d(1) the MSF created the Michigan Supplier Diversification Fund (“MSDF”) as a loan enhancement program;

WHEREAS, at its September 25, 2013 meeting, the MSF Board authorized the notice of a public hearing to be held regarding the creation and operation of the Michigan Loan Guarantee Program and related guidelines under the MSDF (the “MLGP” or “Program”);

WHEREAS, pursuant to the public notice, a public hearing was held on March 11, 2014 as required by MCL 125.2088c(5), and the MSF Board offered the public an opportunity to present data, views, questions and arguments regarding the MLGP;

WHEREAS, on March 25, 2014, the MSF approved the creation and operation of the MLGP and related guidelines; and

WHEREAS, consistent with the requirements of MCL 125.2088c(5), the MSF Board desires to produce a final decision document which describes the basis for its decision approving the MLGP (the “Decision Document”).

NOW, THEREFORE, BE IT RESOLVED, the MSF Board approves the attached Decision Document and authorizes the MSF Chairperson to sign it.

Ayes:

Nays:

Recused:

Detroit, Michigan
March 25, 2014

MSF Decision Document

Issue

Approval of the Michigan Loan Guarantee Program

Background

As provided for in MCL 125.2088d, the Michigan Strategic Fund (“MSF”) shall create and operation a loan enhancement program. On May 20, 2009 the MSF approved the Michigan Supplier Diversification Fund (“MSDF”) as a loan enhancement program. The MSF Board wishes to create and operate the Michigan Loan Guarantee Program as a subprogram of the MSDF. The Michigan Loan Guarantee Program is designed to increase the availability of capital to Community Development Finance Institutions (“CDFI”) and similarly oriented small business lenders, which are the typical financiers of underserved small and micro businesses. The Michigan Loan Guarantee Program will limit losses for the capital provider enabling it to stabilize the yield on the loans at a rate that is affordable to the underlying borrowers and allows the guaranteed lender to manage the other regulatory and policy risks associated with this type of lending.

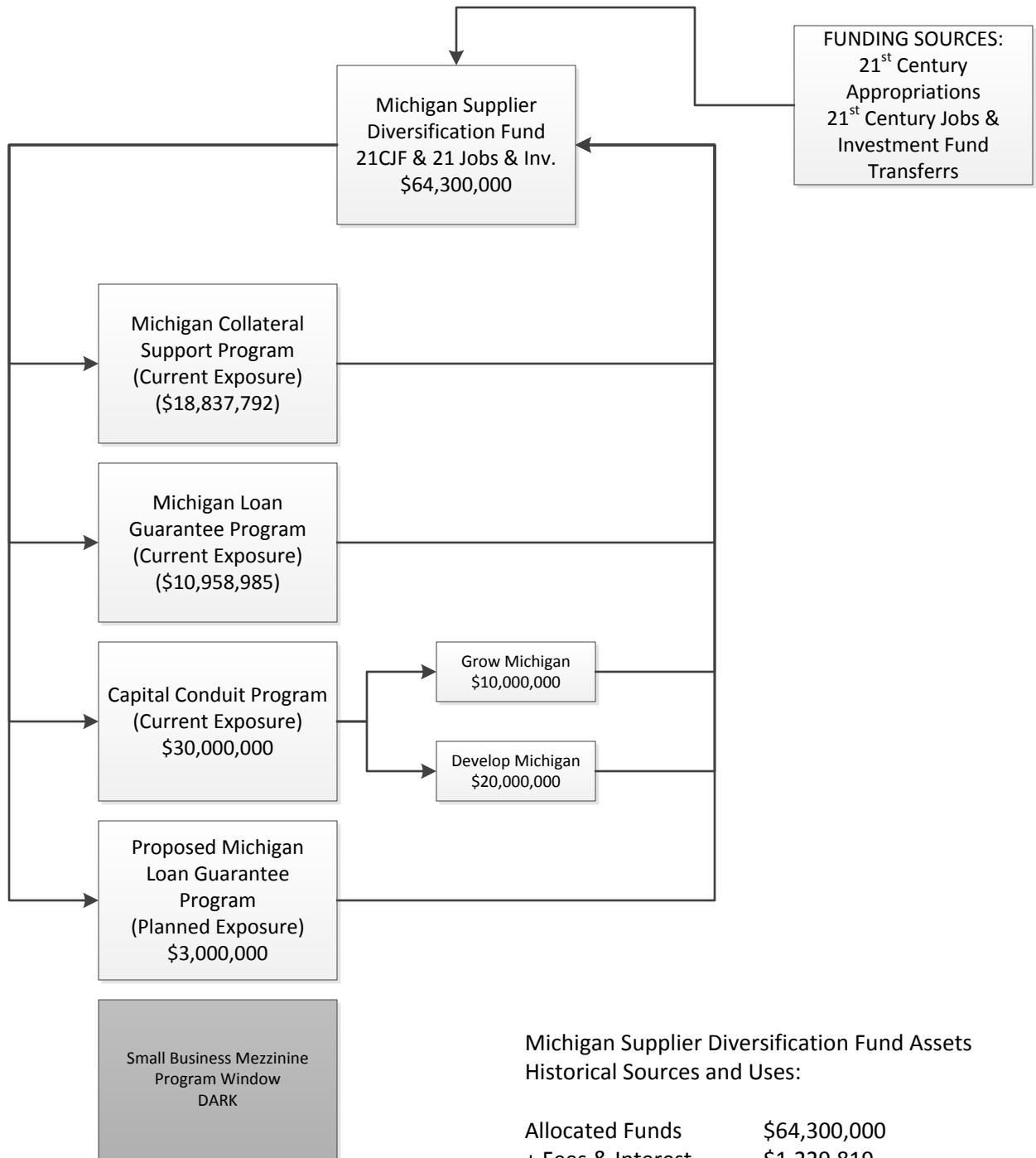
Public Hearing

A public hearing was held on March 11, 2014 to allow interested persons the opportunity to express data, views, questions, and arguments regarding the proposed Small Business Loan Program. There were no participants at the public hearing and no comments on the proposed and posted guidelines were received via phone or e-mail.

Decision

At its March 25, 2014 meeting, the MSF Board agreed that there was a need to create the Michigan Loan Guarantee Program and approved creation and operation of the Michigan Loan Guarantee Program.

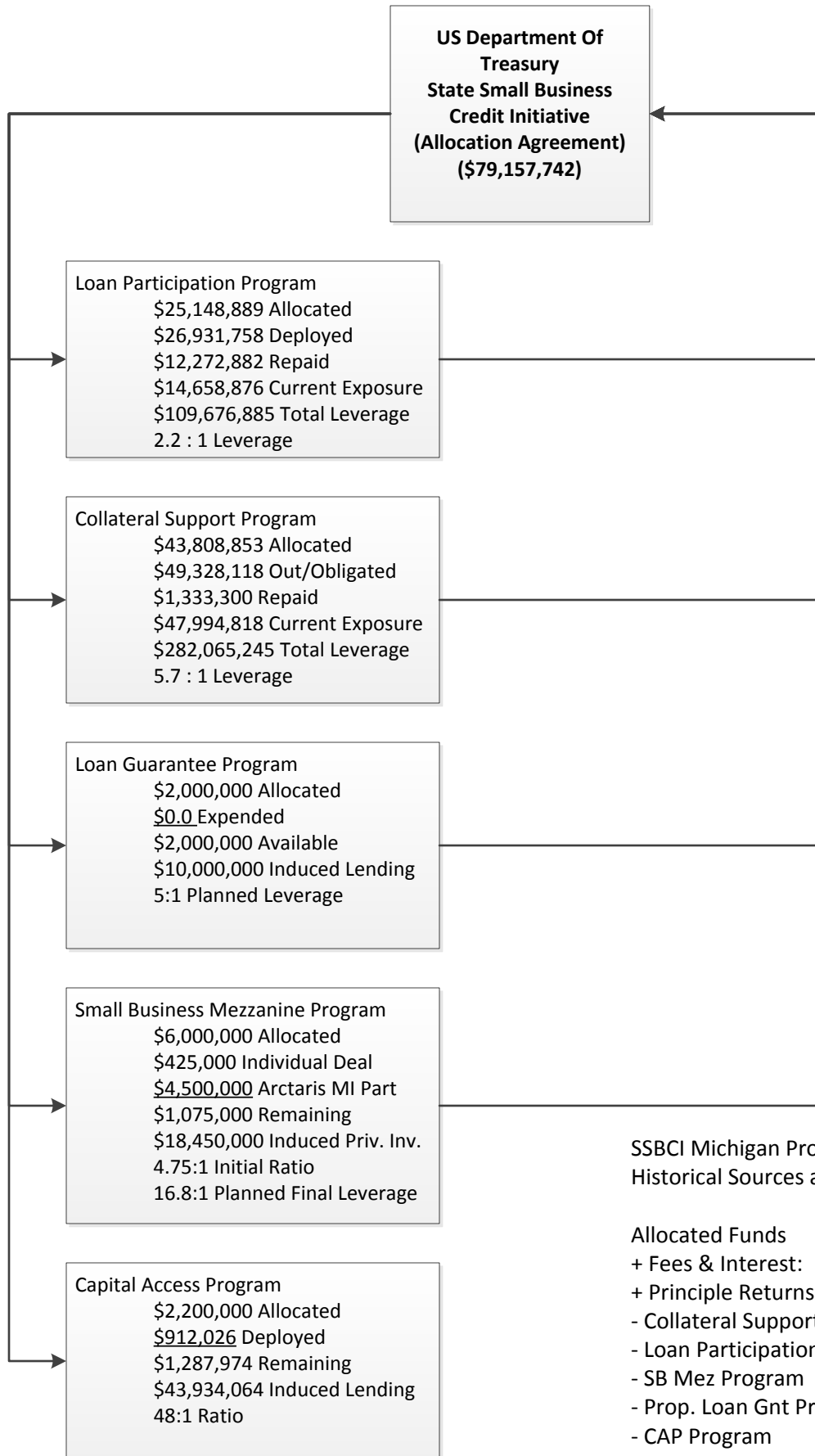
Michael A. Finney, Chairperson
Michigan Strategic Fund Board



**Michigan Supplier Diversification Fund Assets
Historical Sources and Uses:**

Allocated Funds	\$64,300,000
+ Fees & Interest	\$1,229,819
+ Principal Returns	\$13,007,002
- Collateral Support	\$26,349,292
- Loan Participation	\$12,477,513
- Capital Conduit	\$30,000,000
- Prop. Loan Guarantee	\$3,000,000
- Historical Losses	<u>\$0.0</u>

Total Net Available: \$6,710,016



SSBCI Michigan Program Assets
Historical Sources and Uses

Allocated Funds	\$79,157,742
+ Fees & Interest:	\$1,693,218
+ Principle Returns	\$16,723,158
- Collateral Support	\$49,328,118
- Loan Participation	\$26,931,758
- SB Mez Program	\$4,925,000
- Prop. Loan Gnt Program	\$0.0
- CAP Program	\$912,026
- Costs	\$664,783
- Historical Losses	<u>\$0.0</u>

Total Net Available: 14,812,433



MEMORANDUM

Date: March 25, 2014

To: Michigan Strategic Fund Board

From: Eric Hanna, Director, Debt Capital Programs

Subject: *Private Activity Bond – Bond Inducement
Sunset Manor, Inc.
Non-Profit - \$20,000,000 – New*

Request:

Sunset Manor, Inc. (“Sunset”), is requesting private activity bond financing for a project located in the Charter Township of Georgetown, Ottawa County, consisting of the construction and equipping of 40 new skilled nursing beds, 24 assisted living units and a therapy pool. The new facilities will be added to Sunset’s existing independent living facility known as Waterford Place.

The project will commence in February 2014 and is anticipated to attain substantial completion by August of 2015. Upon completion, the project is estimated to create a total of approximately 30 full and 86 part-time positions.

Background:

Sunset Manor, Inc., is a Michigan nonprofit corporation, which was incorporated in 1968, and is tax-exempt under Section 501(c)(3) of the Internal Revenue Code. Sunset owns several skilled nursing and licensed assisted living facilities and independent living apartments in western Michigan. Sunset owns and operates independent senior living facilities under the name of Waterford Place and Sunset Village, and licensed home for the aged, skilled nursing and dementia care units as Sunset Manor and Brookcrest. Sunset offers life-lease arrangements which provide residents with assurance that care will be provided to them through all phases of life during their senior years.

Plan of Finance:

Ziegler Investment Banking/Senior Living has assisted Sunset in soliciting and negotiating offers from prospective lenders to purchase the proposed bonds. RBS Citizens, N.A. (the “Bank”) has been selected and will purchase all of the Bonds at a variable rate of interest equal to 72% of LIBOR plus a specified spread. The Bank has agreed to hold the Bonds for an initial ten-year period. Using the Bank’s variable rate formula as of the beginning of March, 2014, the interest rate on the Bonds would be 1.34% versus a taxable conventional loan interest rate based on LIBOR of 1.86%. At the tax-exempt rate, financing \$20 million, it is anticipated Sunset Manor, Inc. will realize interest cost savings of approximately \$608,724 by financing the project with tax-exempt bonds. Those savings would total approximately \$105,445 in the first year.

Sunset has committed to contributing \$500,000 of its own funds to the Project.

Recommendation:

After reviewing the Private Activity Bond application for Sunset Manor, Inc., staff recommends the adoption of an Inducement Resolution in the amount of \$20,000,000.



Google earth

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MICHIGAN STRATEGIC FUND

INDUCEMENT RESOLUTION

2014-

Sunset Manor, Inc.

WHEREAS, Sunset Manor, Inc. (“the “Company”), a Michigan non-profit corporation, is presently located at 725 Baldwin Street, Jenison, Michigan;

WHEREAS, the Company desires to construct and equip 40 new skilled nursing beds, 24 assisted living units and a therapy pool in the Charter Township of Georgetown, Ottawa County;

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

WHEREAS, the Company has advised the MSF that the cost of the Project will not exceed Twenty Million Dollars (\$20,000,000);

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

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

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

1. The MSF intends to provide the Loan to the Company subject to the conditions of this Resolution.
2. The Loan shall be designated for the Project in accordance with the Company’s Tax-Exempt Application Form dated February 12, 2014.
3. The maximum principal amount of the bonds (the "Bonds") expected to be issued to provide the Loan to finance the Project shall not exceed Twenty Million Dollars (\$20,000,000). The Company shall be obligated to make loan repayments in an amount sufficient to assure full repayment of the Bonds, establish appropriate reserves and pay costs and expenses relating to the issuance of the Bonds and the making of the Loan.
4. The MSF's obligation to issue the Bonds and make the Loan shall be conditioned upon a) the ability of the MSF to issue, sell and deliver the bonds under applicable federal and state laws; and b) any prioritization, fee schedules or other requirements or limitations implemented by the MSF or the State Treasurer.
5. The MSF's obligation to make the Loan and issue the Bonds contemplated by this Resolution shall expire two years after the date of this Resolution.
6. The Loan may be evidenced by a promissory note and secured by such instruments as are in form and substance satisfactory to the MSF, the Attorney General of the State of Michigan (the “Attorney General”) and bond counsel to the MSF, including a loan agreement, indenture, first mortgage, security agreement and such additional security as may be required by the MSF or purchaser of the Bonds.
7. Subject to compliance with this Resolution, the MSF will authorize a bond resolution approving the issuance of the Bonds (the “Bond Resolution”) for the purpose of making the Loan and funding the reserves and costs associated with the issuance and administration of the Bonds, and enter into a loan agreement and related documents with the Company and a bond purchase agreement with a bond purchaser, which documents shall be subject to the approval of the Attorney General and bond counsel to the MSF.
8. The Bonds shall not be general obligations of the MSF but shall be payable as to principal and interest solely

from the proceeds of the payments to be made by the Company to the MSF (or to a trustee appointed by the MSF pursuant to the Bond Resolution), as provided in the Bond Resolution. The agreements relating to the Loan and the issuance of the Bonds shall contain such provisions as will be necessary to make absolutely certain that under no circumstances will the Bonds or this Resolution be a debt or obligation of the State of Michigan or a general obligation of the Michigan Strategic Fund, nor will the State of Michigan be liable on the Bonds.

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

10. The staff of the MSF is authorized and directed to initiate the proceedings described in this Resolution and to enter into negotiations, subject to the approval of the MSF, with a bond purchaser for the sale of the Bonds.

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

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

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

ADOPTED

Ayes:

Nays:

Recused:

Lansing, Michigan



MEMORANDUM

Date: March 25, 2014

To: Michigan Strategic Fund Board

From: Eric Hanna, Director, Debt Capital Programs

Subject: *Private Activity Bond – Bond Inducement
Four Seasons Development, LLC – Manufacturing
\$2,300,000*

Request:

Four Seasons Development, LLC (“Four Seasons”), is seeking financing in a maximum principal amount of \$2,300,000 for an approximately 32,184 square foot expansion of an existing 71,253 square foot manufacturing facility in Saginaw, Michigan (the “Project”).

Background:

Four Seasons, a real estate development company, is headquartered in Saginaw, Michigan. It presently owns and leases to Means Industries, Inc. (“Means Industries”), a 71,253 square foot manufacturing facility located at 3715 E. Washington Road, Saginaw, Michigan. Means Industries is a subsidiary of Amsted Industries, an international company with 45 facilities in 11 countries, which manufactures industrial, railroad and vehicular products. Means Industries is a recognized leader in developing innovative products that improve the performance and safety of trucks, high-performance cars (such as police cars), and sport utility vehicles. It is the highest volume manufacturer of a variety of products serving the automotive industry, including clutch plates, welded subassemblies, clutch hubs, one-way clutches/mechanical diodes, and complex engineered stampings.

The proposed expansion is necessary to accommodate new equipment necessary for the Means Industries’ patented Mechanical Diode Clutches and next generation controllable Mechanical Diodes, as well as research and development. The new process will replace obsolete product lines. The new plant expansion will permit the retention of approximately 18 production jobs and create as many as 5 engineering support positions for the new process.

Plan of Finance:

Financing will be provided through the purchase by PNC Bank, National Association (the “Bank”), of the tax-exempt bonds proposed to be issued by the Michigan Strategic Fund in the principal amount of \$2,300,000 (the “Bonds”). The Bank will hold the Bonds for its own account. The Obligor on the Bonds will be Four Seasons. Means Industries will not be directly liable on the Bonds but will execute a covenant agreement certifying as to the use of the Project for manufacturing purposes. If the Bonds are issued in a principal amount of \$2,100,000, the gross cash flow savings at a LIBOR-based tax-exempt rate over ten years would be \$153,966 versus a conventional LIBOR-based taxable rate, with a net present value savings of \$75,596.

Recommendation:

After reviewing the Private Activity Bond Application for Four Seasons Development, LLC, staff recommends the adoption of an Inducement Resolution in the amount of \$2,300,000 for this project.

Michigan Economic Development Corporation

300 North Washington Square | Lansing, MI 48913 | 888.522.0103 | MichiganAdvantage.org | michigan.org



3715 E Washington Rd, Saginaw, MI 48601, USA

Buena Vista Charter Township

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Google earth

feet
meters



MICHIGAN STRATEGIC FUND

INDUCEMENT RESOLUTION

2014-

Four Seasons Development, LLC

WHEREAS, Four Seasons Development, LLC, (the "Company") a Michigan limited liability company, presently located at 1674 Champagne Drive North, Saginaw, Michigan;

WHEREAS, the Company desires to add an approximately 32,184 square foot addition, building improvements, and the acquisition and installation of machinery and equipment to be located at 3715 E. Washington Road, Saginaw, Saginaw County;

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

WHEREAS, the Company has advised the MSF that the cost of the Project will not exceed Two Million Three Hundred Thousand Dollars (\$2,300,000);

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

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

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

1. The MSF intends to provide the Loan to the Company subject to the conditions of this Resolution.
2. The Loan shall be designated for the Project in accordance with the Company's Tax-Exempt Application Form dated February 28, 2014.
3. The maximum principal amount of the bonds (the "Bonds") expected to be issued to provide the Loan to finance the Project shall not exceed Two Million Three Hundred Thousand Dollars (\$2,300,000). The Company shall be obligated to make loan repayments in an amount sufficient to assure full repayment of the Bonds, establish appropriate reserves and pay costs and expenses relating to the issuance of the Bonds and the making of the Loan.
4. The MSF's obligation to issue the Bonds and make the Loan shall be conditioned upon a) the ability of the MSF to issue, sell and deliver the bonds under applicable federal and state laws, b) receipt of an allocation from the State Treasurer pursuant to 1988 PA 496 as it relates to limitations on the issuance by states of private activity bonds under the Code, and c) any prioritization, fee schedules or other requirements or limitations implemented by the MSF or the State Treasurer.
5. The MSF's obligation to make the Loan and issue the Bonds contemplated by this Resolution shall expire two years after the date of this Resolution.
6. The Loan may be evidenced by a promissory note and secured by such instruments as are in form and substance satisfactory to the MSF, the Attorney General of the State of Michigan (the "Attorney General") and bond counsel to the MSF, including a loan agreement, indenture, first mortgage, security agreement and such additional security as may be required by the MSF or purchaser of the Bonds.
7. Subject to compliance with this Resolution, the MSF will authorize a bond resolution approving the issuance of the Bonds (the "Bond Resolution") for the purpose of making the Loan and funding the reserves and costs associated with the issuance and administration of the Bonds, and enter into a loan agreement and related documents with the Company and a bond purchase agreement with a bond purchaser, which documents shall be subject to the approval of the Attorney General and bond counsel to the MSF.

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

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

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

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

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

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

ADOPTED

Ayes:

Nays:

Recused:

Lansing, Michigan



MEMORANDUM

Date: March 25, 2014

To: Michigan Strategic Fund Board

From: Eric Hanna, Director, Debt Capital Programs

Subject: *Private Activity Bond – Bond Authorizing
Lifecare, Inc. d/b/a Friendship Village
Non-Profit – Not to Exceed \$14,000,000 – New*

Request:

Lifecare, Inc. d/b/a Friendship Village is requesting private activity bond financing for a project consisting of constructing, installing, equipping, acquiring, and furnishing the following:

- (1) Approximately 20,500 square feet of additions to its existing skilled nursing and assisted living facility located at 1400 North Drake Road, City of Kalamazoo, Kalamazoo County, Michigan (“Friendship Village Campus”) to house 16 private resident rooms and required support services, a fitness/wellness center, and a new entrance;
- (2) Renovations of and upgrades to the existing buildings at the Friendship Village Campus to house 61 private resident rooms, a 21-bed Alzheimer’s and dementia unit, additional and expanded support services for such rooms and units and for assisted living residents at the Friendship Village Campus requiring Alzheimer’s and dementia-related care; and
- (3) Renovations of, upgrades to, and expansions of interior and exterior common areas, facades, fire alarm and suppression systems, access drives, and parking areas at the Friendship Village Campus.

The project commenced in August 2013 and is anticipated to attain substantial completion by July 31, 2015. The project is estimated to create a total of approximately 16 new jobs at project completion. The current number of employees is 285.

Background:

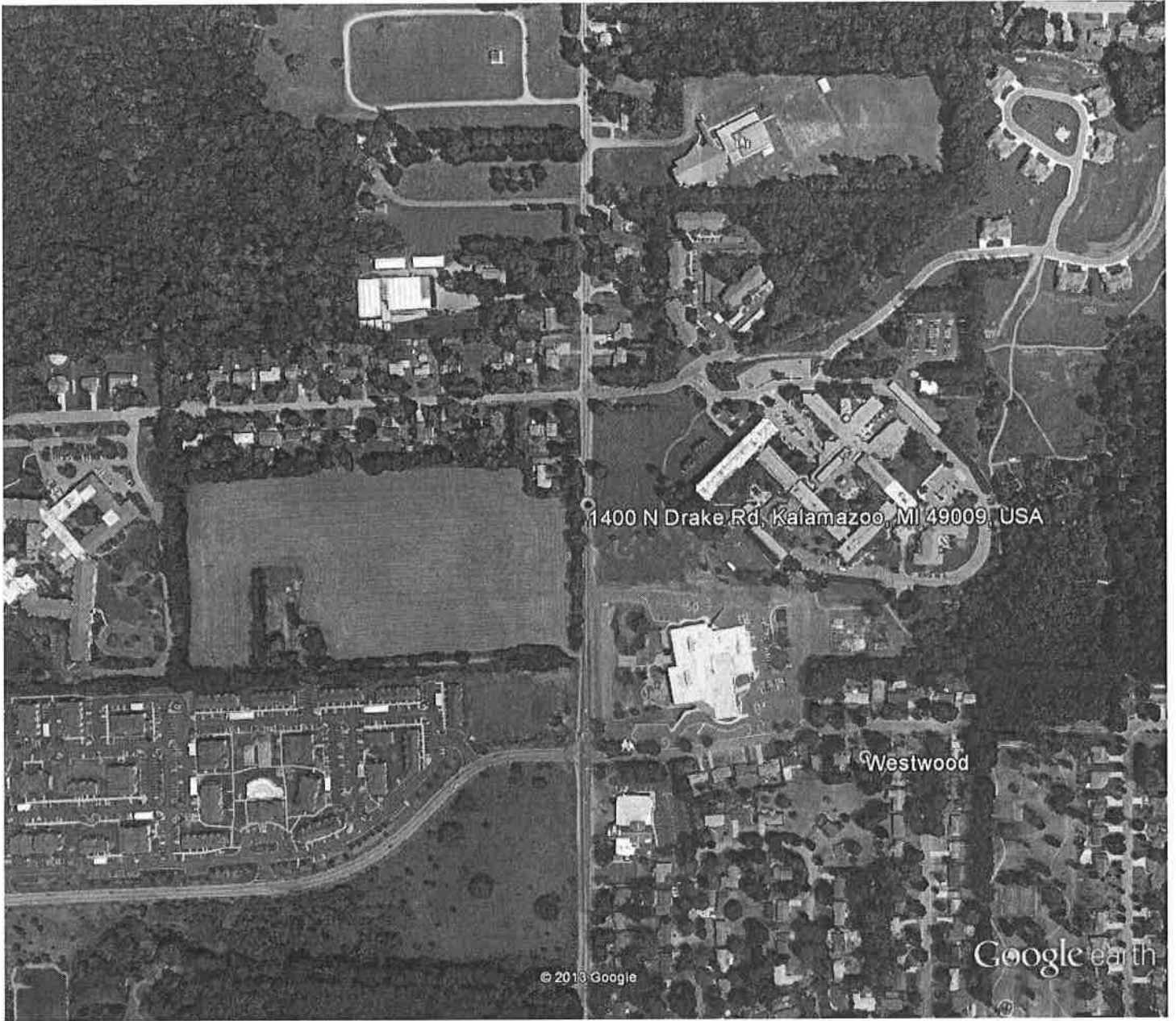
Lifecare, Inc. d/b/a Friendship Village is a 501(c)(3) non-profit continuing care retirement community established in 1971 in the State of Michigan. Lifecare, Inc. d/b/a Friendship Village is governed by a local volunteer Board of Directors.

Plan of Finance:

Fifth Third Bank has committed to purchase 100% of the bonds in a private placement/direct purchase. Lifecare, Inc. d/b/a Friendship Village will realize interest cost savings of approximately 20% by financing the project through tax-exempt bonds. If the bond issuance amount is \$14,000,000 at an initial fixed rate of 3.81% per annum, those savings would total approximately \$133,000 in the first year.

Recommendation:

Based upon a determination by Warner Norcross & Judd LLP and the State of Michigan Attorney General's office that the project complies with state and federal law requirements, for tax exempt financing, staff recommends the adoption of a Bond Authorizing Resolution in the amount of not to exceed \$14,000,000.



1400 N Drake Rd, Kalamazoo, MI 49009, USA

Westwood

Google earth

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Google earth



RESOLUTION TO AUTHORIZE THE ISSUANCE OF THE MICHIGAN STRATEGIC FUND LIMITED OBLIGATION REVENUE BONDS (LIFECARE, INC. PROJECT), SERIES 2014 (THE "BONDS")

Resolution 2014-__

Background

A. The Michigan Strategic Fund (the "Fund") is authorized by 1984 PA 270, as amended (the "Act"), to issue bonds for the purpose of making loans to pay the costs of a project (as described in the Act).

B. Lifecare, Inc., a Michigan non-profit corporation (the "Obligor"), has requested a loan from the Fund to assist the Obligor in: (1) financing and refinancing the costs of constructing, installing, equipping, acquiring, and furnishing: (a) approximately 20,500 square feet of additions to the Obligor's existing skilled nursing and assisted living facility located at 1400 North Drake Road, City of Kalamazoo, Kalamazoo County, Michigan ("Friendship Village Campus") to house 16 private resident rooms and required support services, a fitness/wellness center, and a new entrance; (b) renovations of and upgrades to the existing buildings at the Friendship Village Campus to house 61 private resident rooms, a 21-bed Alzheimer's and dementia unit, additional and expanded support services for such rooms and units and for assisted living residents at the Friendship Village Campus requiring Alzheimer's- and dementia-related care; and (c) renovations of, upgrades to, and expansions of interior and exterior common areas, facades, fire alarm and suppression systems, access drives, and parking areas at the Friendship Village Campus (the "Project"); and (2) paying all or a portion of the costs of issuing such bonds. The Project is owned and operated by the Obligor to support its purposes as a non-profit provider of a continuum of care and housing for the elderly.

C. The Obligor has requested the Fund to issue the Bonds in one or more series in a principal amount not to exceed \$14,000,000 pursuant to this resolution (the "Resolution") and a bond purchase and loan agreement (the "Bond Purchase and Loan Agreement") among the Obligor, the Fund, and the Bank (as defined herein) relating to the Bonds to obtain funds which will be loaned to the Obligor pursuant the Bond Purchase and Loan Agreement to pay costs of the Project and all or a portion of the costs of issuing the Bonds.

D. The Bonds will be issued as fully registered bonds in the denomination of \$100,000 and \$5,000 increments in excess thereof.

E. The Bonds will be purchased by Fifth Third Bank (the "Bank"), pursuant to the Bond Purchase and Loan Agreement.

NOW, THEREFORE, Be It Resolved by the Board of the Fund:

SECTION 1. Issuance of Bonds; Limited Obligation. For the purpose of making the loan requested by the Obligor, the issuance of the Bonds is authorized.

The terms of the Bonds shall be substantially in the form contained in the Bond Purchase and Loan Agreement, with the changes permitted or required by action of the Fund and the Bond

Purchase and Loan Agreement. The Bonds shall bear the manual or facsimile signature of a member of the Fund's Board of Directors (a "Member") or of a person authorized by Board Resolution to sign Bond documents on behalf of the Fund (an "Authorized Officer"), and the official seal of the Fund (or a facsimile of the seal) shall be impressed or imprinted on the Bonds. The Bonds and the interest and any premium on the Bonds are not a debt or obligation of the State of Michigan or a general obligation of the Fund within the meaning of any constitutional or statutory limitation and do not constitute a charge against the credit or taxing powers of the State of Michigan or the general funds or assets of the Fund (including funds relating to other Fund loans or activities), but shall be limited obligations of the Fund payable solely from the revenues derived from the Bond Purchase and Loan Agreement.

SECTION 2. Approval, Execution and Delivery of Documents. The forms of the following documents, on file with the staff of the Fund and on which have been endorsed by the staff of the Fund the date of adoption of this Resolution, are approved:

a. Bond Purchase and Loan Agreement

Any Member and Authorized Officer are authorized to execute and deliver the Bond Purchase and Loan Agreement and any Member or Authorized Officer is authorized to execute and deliver the remaining documents identified in this Section, in substantially the forms approved, with any changes as are considered necessary or desired by him or her, permitted by the Act or otherwise by law, and not materially adverse to the Fund.

SECTION 3. Completion of Document Terms. Any Member may approve the initial interest rate applicable to the Bonds, which shall not be more than 10.0% per annum, and the principal amount of the Bonds, which shall not be greater than \$14,000,000. Approval of those terms shall be evidenced by the Member's execution of the Bond Purchase and Loan Agreement.

SECTION 4. Sale and Delivery of the Bonds. A Member or an Authorized Officer shall execute, seal, and deliver the Bonds upon receipt of the following documents and payment of the purchase price for the Bonds:

- a. an opinion of bond counsel to the Fund acceptable to the Fund and the Attorney General of the State of Michigan (the "Attorney General"),
- b. an opinion of counsel to the Obligor and necessary certificates and representations of the Obligor acceptable to the Fund, the Attorney General, and bond counsel, and
- c. an approving opinion of the Attorney General.

Upon receipt, the proceeds of the Bonds shall be paid over to the Obligor in accordance with the Bond Purchase and Loan Agreement.

SECTION 5. Authorization of Filings, Submissions and Other Documents. Any Member or Authorized Officer, as well as counsel to the Fund, is authorized to apply for or submit, execute, and deliver the other certificates, documents, opinions, and papers to any party or governmental agency as may be required by the Bond Purchase and Loan Agreement, or as may be necessary to effectuate the valid issuance, sale and delivery of the Bonds as tax-exempt bonds and otherwise as contemplated by those documents.

SECTION 6. Conflict and Effectiveness. All resolutions or other proceedings of the Fund in conflict with this Resolution are repealed to the extent of the conflict. This Resolution shall become effective upon adoption. If the Bonds are not delivered to their original purchaser on or before April 30, 2014, the authority granted by this Resolution shall lapse.

Adopted.

Ayes:

Nays:

March 25, 2014 Meeting
Detroit, Michigan



MEMORANDUM

Date: March 25, 2014

To: Michigan Strategic Fund Board

From: Eric Hanna, Director, Debt Capital Programs
Diane Cranmer, Private Activity Bond Specialist

Subject: *Bond Authorizing Resolution
Facility for Rare Isotope Beams (FRIB)
Not to Exceed \$100,000,000 – New*

Request:

The State is seeking to support the community share of the construction of the Facility for Rare Isotope Beams (FRIB) to be built on the campus of Michigan State University (MSU). The construction of the FRIB project involves more than \$600 million in direct investment, mainly from the Federal Government, and the operation of the FRIB is expected to create new employment in research and development for the State. MSU indicates the proposed facility will be approximately 220,160 square feet of a newly constructed facility to adjoin the existing National Superconducting Cyclotron Laboratory (NSCL). The project site is bounded by Wilson Road to the south, Bogue Street to the east and Shaw Lane to the north of the NSCL. The facility will consist of above ground and below ground facilities. The total civil construction cost is estimated to be \$165,000,000. Utilities have been relocated and site preparation is complete.

MSU estimates that in the next 10 years, approximately 400 full-time jobs will be created. It is estimated that 180 jobs will be created at FRIB and 200 in related industries. At the present time approximately 95 new jobs have been created since the project started. The jobs created have been in the technical divisions, construction and management. MSU also estimates that when construction of the facility begins, more than 5,000 one year construction jobs will be created.

Background:

The FRIB facility will be a national user facility for nuclear science, funded by the U.S. Department of Energy Office of Science (DOE-SC), MSU and the State of Michigan. MSU indicates FRIB will enable scientists to make discoveries about the properties of rare isotopes in order to understand the physics of nuclei, nuclear astrophysics, fundamental interactions and to explore applications of rare isotopes beneficial for society. FRIB will be the world's leading rare isotope facility and serve an anticipated user community of approximately 1,500 scientists.

MSU indicates it receives financial assistance from the US Department of Energy (DOE) through a Cooperative Agreement to design and establish FRIB. The DOE and MSU together provide oversight

over the FRIB project. At the completion of the FRIB project, DOE will provide financial assistance to MSU to operate FRIB as a national user facility, where scientists can perform research free of charge as long as their requests for facility use time are positively reviewed and selected by an international peer advisory panel and as long as the scientists agree to publish their research.

Structure of the Bond Transaction:

One of the conditions of the federal funding for the project is a community or state “share” or contribution to the project. It is proposed that the MSF issue bonds for the community or state share of the project in the amount of approximately \$90,960,100, supported by an annual appropriation of approximately \$7.3 million or an amount sufficient to make all payments on the bonds until they are fully paid.

It should be highlighted that unlike other revenue bonds, a reimbursement agreement among the MSF, the State Budget office, Michigan Department of Treasury and MSU provides that:

- The State Budget Office will agree to request an appropriation each year that the bonds are outstanding; and
- The Michigan Department of Treasury agrees to use the appropriation only for the payment of the bonds.

No further contractual obligations exist between the MSF, the State, and MSU which relate to the payment of the bonds. A failure to appropriate debt service payments will result in the default of the MSF on its obligations, but the default will carry no legal remedy in a manner similar to other revenue bonds issued by the MSF. Bond buyers are assuming the “appropriation risk” when they purchase the bonds. Some impact to the bond rating on other State of Michigan appropriation risk debt could also be expected in the event the state legislature fails to appropriate funds necessary to pay debt service on the bonds. According to Robert W. Baird, the financial advisor on the transaction, the largest single component of State of Michigan debt carries some form of appropriation risk. This risk being viewed collectively by rating agencies and bond buyers creates an incentive for the legislature to appropriate funds in order to protect the rating on that debt and preserve the ability to issue such debt at competitive rates in the future.

Pursuant to MCL 125.2023 (1)(a), the MSF can issue bonds and give the proceeds of those bonds to MSU pursuant to a grant or other agreement where MSU agrees to use the proceeds for the construction of the FRIB. The money will only be paid to MSU on a reimbursement basis in order to comply with the requirements of the appropriation act. The documentation will require that the FRIB facility be constructed in accordance with federal specifications.

Financial Advisor:	Robert W. Baird
Senior Managing Underwriter:	Citigroup Global Markets Inc.
Trustee:	U.S. Bank National Association
Underwriter’s Counsel:	Dickinson Wright PLLC
Bond Counsel:	Miller, Canfield, Paddock and Stone, P.L.C.
MSF Counsel:	Office of Attorney General

Recommendation:

Based upon a determination by Miller, Canfield, Paddock and Stone, P.L.C. and the State of Michigan Attorney General's office that the project complies with state and federal law requirements, for tax exempt financing, staff recommends the adoption of a Bond Authorizing Resolution in the amount not to exceed \$100,000,000.

RESOLUTION TO AUTHORIZE THE ISSUANCE OF THE MICHIGAN
STRATEGIC FUND LIMITED OBLIGATION REVENUE BONDS (FACILITY FOR
RARE ISOTOPE BEAMS PROJECT),
SERIES 2014 (THE “BONDS”)

Resolution 2014-__

Background

A. The Michigan Strategic Fund (the “Fund”) is authorized by 1984 PA 270, as amended (the “Act”), to issue bonds for the purpose of making grants.

B. Michigan State University (the “University”), has requested a grant to assist the University in constructing the Facility for Rare Isotope Beams (the “Project”) which will be located on the campus of the University in East Lansing, Michigan. The Project will be a new national user facility for the production of large quantities of a wide variety of rare isotopes.

C. The State of Michigan has requested the Fund to issue the Bonds in the aggregate principal amount of not to exceed \$95,000,000 pursuant to this resolution (the “Resolution”) and a bond indenture (the “Indenture”), between the Fund and U.S. Bank National Association, as trustee (the “Trustee”) relating to the Bonds to obtain funds which will be granted to the University pursuant to a reimbursement agreement among the Fund, the Department of Treasury, the State Budget Office, and the University (the “Reimbursement Agreement”), to pay costs of the community share of the Project.

D. The Bonds will be issued as fully registered bonds in the denomination of \$5,000 and integral multiples thereof.

E. The Bonds will be underwritten by Citigroup Global Markets Inc. (the “Underwriter”) and purchased pursuant to a purchase contract between the Underwriter and the Fund (the “Purchase Contract”).

NOW, THEREFORE, Be It Resolved by the Board of the Fund:

SECTION 1. Issuance of Bonds; Limited Obligation. For the purpose of making the grant requested by the University, the issuance of the Bonds is authorized.

The terms of the Bonds shall be substantially in the form contained in the Indenture, with the changes permitted or required by action of the Fund or the Indenture. The Bonds shall have interest rates, as described in the Indenture and shall mature not more than 30 years from the date of issuance and be subject to redemption as described in the Indenture.

The Bonds shall bear the manual or facsimile signature of a member of the Fund's Board of Directors (a "Member") or of a person authorized by Board Resolution to sign Bond documents on behalf of the Fund (an "Authorized Officer"), and the official seal of the Fund (or a facsimile of the seal) shall be impressed or imprinted on the Bonds. The Bonds and the interest and any premium on the Bonds are not a debt or obligation of the State of Michigan or a general obligation of the Fund within the meaning of any constitutional or statutory limitation and do not constitute a charge against the credit or taxing powers of the State of Michigan or the general funds or assets of the Fund (including funds relating to other Fund loans or activities), but shall be limited obligations of the Fund payable solely and only from the security pledged under the Indenture.

SECTION 2. Approval, Execution and Delivery of Documents. The forms of the following documents, on file with the staff of the Fund and on which have been endorsed by the staff of the Fund the date of adoption of this Resolution, are approved:

- a. Reimbursement Agreement
- b. Indenture
- c. Purchase Contract

Any Member and Authorized Officer are authorized to execute and deliver the Purchase Contract and any Member or Authorized Officer is authorized to execute and deliver the remaining documents identified in this Section in substantially the forms approved, with any changes as are considered necessary or desired by him or her, permitted by the Act or otherwise by law, and not materially adverse to the Fund.

SECTION 3. Completion of Document Terms. Any Member may approve the interest rates applicable to the Bonds, which shall not be more than 7% per annum, and the principal amount of the Bonds, which shall not be greater than \$95,000,000. Approval of those terms shall be evidenced by the Member's execution of the Purchase Contract.

SECTION 4. Sale and Delivery of the Bonds. A Member or an Authorized Officer shall execute, seal, and deliver the Bonds upon receipt of the following documents and payment of the purchase price for the Bonds:

- a. an opinion of bond counsel to the Fund acceptable to the Fund and the Attorney General of the State of Michigan (the "Attorney General"),
- b. an opinion of counsel to the University and necessary certificates and representations of the University acceptable to the Fund, the Attorney General, and bond counsel, and

c. an approving opinion of the Attorney General.

Upon receipt, the proceeds of the Bonds shall be paid over to the Trustee to be credited in accordance with the Indenture.

SECTION 5. Designation of Certain Parties. The Trustee's acceptance of duties as trustee shall be evidenced by its execution of the Indenture.

SECTION 6. Preliminary Official Statement and Official Statement. The use and distribution by the Underwriter of a Preliminary Official Statement to solicit offers to purchase the Bonds, in the form on file with the Fund and on which an Authorized Officer shall endorse the date of adoption of this Resolution, is approved. The use and distribution of an Official Statement in substantially the same form as the Preliminary Official Statement is approved. Any Member or Authorized Officer is authorized to approve changes in the Preliminary Official Statement or Official Statement as may be necessary or desirable, permitted by the Act or otherwise by the law, and not materially adverse to the Fund.

SECTION 7. Authorization of Filings, Submissions and Other Documents. Any Member or Authorized Officer, as well as counsel to the Fund, is authorized to apply for or submit, execute, and deliver the other certificates, documents, opinions, and papers to any party or governmental agency as may be required by the Indenture, the Reimbursement Agreement, or the Purchase Contract, or as may be necessary to effectuate the valid issuance, sale and delivery of the Bonds as tax-exempt bonds and otherwise as contemplated by those documents.

SECTION 8. Conflict and Effectiveness. All resolutions or other proceedings of the Fund in conflict with this Resolution are repealed to the extent of the conflict. This Resolution shall become effective upon adoption. If the Bonds are not delivered to their original purchaser on or before May 26, 2014, the authority granted by this Resolution shall lapse.

Adopted.

Ayes:

Nays:

March 25, 2014 Meeting
Detroit, Michigan

2013-0056949-A/MSF FRIB Project/Resolution
0001123149S045



MEMORANDUM

Date: March 25, 2014

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

From: Karla Campbell, MSF Fund Manager

Subject: *Amended MSF Background Review Policy for Publicly Traded Companies*

Request

This request is primarily to amend the MSF Background Review Policy regarding the type of review on publicly traded companies that have filed all of its required SEC filings.

Background

On August 28, 2013 the MSF Board approved the current MSF Background Review Policy. In addition to other provisions, the MSF Background Review Policy (“Policy”) requires that “All applicants shall provide [MEDC] staff with a completed certification form, including all requested information to correctly identify the applicant, and the following: the Chief Executive Officer, or the similarly situated position in charge of the applicant’s executive operations; the Chief Financial Officer, or the similarly situated person in charge of the applicant’s financial affairs; the Chief Operating Officer, or the similarly situated person in charge of the applicant’s daily operations; and the person that is responsible for managing the incentive for the applicant (collectively, “Key Individuals”).”

Additionally, the Policy requires that a background check, covering the previous five (5) calendar year period, via Westlaw, LexisNexis, Google, or any other internet search engine shall be conducted on all applicants and all Key Individuals.

Publicly traded companies have voiced concern over the current policy due to the requests on the certification form for the personal information of high profile individuals, the availability of company annual reports online, and the perceived oversight redundancy as Securities and Exchange Commission (“SEC”) regulated entities. There is information on officers and directors in reports filed with the SEC.

Under the background review policy in place prior to August 28, 2013, publicly traded companies (and their subsidiaries) subject to SEC oversight, had a background check on the applicant entity, but this review was not conducted on Key Owners and Personnel.

Recommendation

After consulting with the Chief Compliance Officer and the Office of the Attorney General, staff recommends:

Approval of an amendment of the MSF Background Review Policy, as follows:

- a) If an applicant (or its parent company) is publicly traded, and has filed all of its required SEC filings, a certification form shall not be required and a background check, covering the previous five (5) calendar year period, shall be conducted by reviewing the applicant’s (or, as applicable, its

parent company's) public filings with the SEC (e.g. annual reports and current event reports); provided, however, that if the applicant (or, as applicable, its parent company) has not filed all of its required SEC filings, then a certification form shall be required and processed as required for other entities.

- b) Administrative change in Section 6(a)(iii) to add "in consultation with the MEDC General Counsel" and in Section 7 the correction of a typo.
- c) Maintain all other provisions of the MSF Background Review Policy, including authority for MSF Chairperson and the MSF Fund Manager, with only one required to act, to request additional reviews on potential awardees at their discretion.

MICHIGAN STRATEGIC FUND

RESOLUTION 2014-

Background Review Policy Amendment

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

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

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

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

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

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

WHEREAS, on August 28, 2013 by Resolution 2013-143, the MSF established consistent review guidelines for Section 88c(4), Section 88k(6), and Section 88r(5) and for all other programs under the MSF Act that have requirements toward prohibiting incentive awards to awardees with certain criminal convictions and civil liabilities (the “Background Review Policy”);

WHEREAS, the MEDC recommends that the MSF Board amend the current MSF Background Review Policy for administrative purposes and for publicly traded companies or subsidiaries of publicly traded companies (a “Company”) by utilizing a review of their public filings for the past five years, to ensure the Company is in compliance with the Michigan Strategic Fund statute;

WHEREAS, if the Company is not current with their public filings, then the current Background Review Policy requiring a certification form shall be followed (collectively the “Recommendation”); and

WHEREAS, the MSF wishes to approve the Recommendation as set forth on the attached Exhibit A.

NOW, THEREFORE, BE IT RESOLVED, the MSF approves and adopts the Recommendation and the Background Review Policy as set forth on the attached Exhibit A.

Ayes:

Nays:

Recused:

Detroit, Michigan
March 25, 2014

Exhibit A

BACKGROUND REVIEW POLICY

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

1. **Certification Form.** All applicants shall provide staff with the completed certification form, including all requested information to correctly identify the applicant, and the following: the Chief Executive Officer, or the similarly situated position in charge of the applicant's executive operations; the Chief Financial Officer, or the similarly situated person in charge of the applicant's financial affairs; the Chief Operating Officer, or the similarly situated person in charge of the applicant's daily operations; and the person that is responsible for managing the incentive for the applicant (collectively, "Key Individuals").
2. **Background Check.** A background check, covering the previous five (5) calendar year period, via Westlaw, LexisNexis, Google, or any other internet search engine shall be conducted on all applicants and all Key Individuals.
3. **Joint Ventures/Business Combinations.** If an applicant is comprised of one or more business entities, such as a joint venture, or other business combination, each of the involved business entities comprising the business combination shall be considered an applicant for purposes of the Background Review process, and each, and their respective Key Individuals, are subject to the above guidelines.
4. **Publicly Traded Applicants (or their parent companies).** If an applicant (or its parent company) is publicly traded, and has filed all of its required SEC filings, a certification form shall not be required and a background check, covering the previous five (5) calendar year period, shall be conducted by reviewing the applicant's (or, as applicable, its parent company's) public filings with the SEC (e.g. annual reports and current event reports); provided, however, that if the Applicant (or, as applicable, its parent company) has not filed all of its required SEC filings, then a certification form shall be required and processed as set forth in Paragraphs 1-3 above.
5. **Findings of a criminal conviction described under Section 88c(4)(a) and 88k(6)(a)** (dealing with state contract or subcontract). If a background check results in a finding of any offense listed in Section 88c(4)(a) or 88k(6)(a), the potential award may not continue to proceed through the process toward a final written agreement.
6. **Findings of a criminal conviction or civil liability described under Section 88c(4)(b) and 88k(6)(b)** (dealing with criminal or civil liabilities, that negatively reflect on business integrity, based on certain described events):
 - a. If a background check results in a finding of any offense listed in Section 88c(4)(b) or 88k(6)(b):
 - i. the applicant may submit, in writing, to the MSF Chairperson and the MSF Fund Manager, mitigating circumstances that it believes support that the particular finding does not negatively reflect on the business integrity of the applicant or the Key Individuals, as applicable.

- ii. The MSF Chairperson and the MSF Fund Manager may, but are not obligated to, consider the mitigating circumstances; and
- iii. For the potential award to continue to proceed through the process toward a final written agreement, the results of the background check must be satisfactory to either: (i) both the MSF Chairperson and the MSF Fund Manager in consultation with the MEDC General Counsel, or (ii) the MSF Board.

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

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

For purposes of defining an Applicant, incentives that flow through a financial institution from the MSF for the benefit of a borrower, the background check will be performed on the borrower and the Key Individuals of the borrower.

Provided, however, that municipalities, non-profit entities and institutions of higher education, and their boards of directors and Key Owners and Personnel, may be exempted from the background check process, in part or in whole except for Paragraph 7, at the discretion and approval of the MSF Chairperson and the MSF Fund Manager.

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



STATE OF MICHIGAN
OFFICE OF THE CHIEF COMPLIANCE OFFICER
LANSING

RICK SNYDER
GOVERNOR

KEVIN FRAN CART, ESQ.
CHIEF COMPLIANCE OFFICER

MEMORANDUM

March 17, 2014

TO: Michigan Strategic Fund Board of Directors

FROM: Kevin L. Francart
Chief Compliance Officer

RE: Conflict of Interest Policy governing the MSF Board of Directors.
OCCO#20140004

The Chief Compliance Officer (CCO) is required to assist the MSF Board with the creation, implementation, monitoring, and enforcement of various policies and procedures to prevent illegal, unethical, or improper conduct on the part of MSF Fund Board members. One of the policies the CCO is charged with recommending is a Conflict of Interest Policy. The attached Conflict of Interest Policy is recommended for your approval and would replace policies previously adopted by the Strategic Economic Investment and Commercialization Board in 2007 and the MSF Board in 2008.

The Michigan Strategic Fund Act (MSF Act), MCL 125.2006, requires an MSF Board member who has a conflict of interest related to any matter before the MSF Board to disclose the conflict of interest as soon as possible and in any event before the MSF Board takes any action with respect to the matter. However, the MSF Act does not define what constitutes a conflict of interest, leaving that determination up to this Board subject to common conflict of interest principles. This Policy is drafted with those principles in mind and with the scope of the policy being guided by the Lobbyists, Lobbying Agents, and Lobbying Activities Act, MCL 4.411 *et seq.*; the Contracts of Public Servants with Public Entities Act, MCL 15.321 *et seq.*; and the Standards of Conduct for Public Officers and Employees Act, MCL 15.341 *et seq.*

The attached Policy is separated into three sections. The first section introduces the policy and sets forth its purpose, which is to foster public confidence in the integrity of the MSF, promote transparency, and protect the MSF's interests in matters before it that an MSF Board member may have, or appear to have, an interest in. The second section defines, among other things, what a conflict of interest is and what a private interest is. The chief distinction in the second section is the definition of private interest. The determination of the level and type of interest is crucial to the final determination of the existence of a conflict of interest because, to be prohibited by this Policy, a private interest on the part of an MSF Board member must be of such substance as to induce action on their part to promote the matter for their own personal benefit. The third section sets forth the procedures to be followed to comply with the requirements of the

MSF Act such as disclosure and notice, and recusals. I anticipate that the procedures contained in the Policy will be supplemented with a more detailed procedure to be promulgated with the assistance of MSF/MEDC staff once the Policy is adopted and practices can be formalized.

I would like this Board to note that the drafting of this Policy was assisted through the close collaboration with both the Attorney General's office, by Assistant Attorney General Jarrod Smith, and the MEDC Legal Division, by Senior Corporate Counsel Christin Armstrong. The assistance provided by both is greatly appreciated.

MICHIGAN STRATEGIC BOARD

RESOLUTION

2014-

APPROVAL OF CONFLICT OF INTEREST POLICY

WHEREAS, Public Act 270 of 1984 (the “Act”) created the Michigan Strategic Fund (the “MSF”) to perform a variety of functions, including, but not limited to, the following: to help diversify the economy of this state, to 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, to meet the growing competition for business enterprises, to preserve existing jobs, to create new jobs, and to reduce the cost of business and production;

WHEREAS, pursuant to MCL 125.2007, the MSF may do all things necessary or convenient to achieve the objectives and purposes of MSF, the Act or other laws that relate to the purposes and responsibilities of the MSF; and

WHEREAS, the MSF Board desires to adopt the attached Conflict of Interest Policy.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board adopts the attached Conflict of Interest Policy as a policy of the MSF Board;

BE IT FURTHER RESOLVED, all previously adopted Conflict of Interest policies are hereby rescinded in their entirety.

Ayes:

Nays:

Recusals:

Detroit, Michigan
March 25, 2014

Michigan Strategic Fund
Board Conflict of Interest Policy

Article I: Purpose:

This Conflict of Interest policy is designed to foster public confidence in the integrity of the Michigan Strategic Fund (MSF), promote transparency, and protect the MSF's interests when it is contemplating a matter that might actually or appear to benefit the Private Interest of a MSF Board member.

A Conflict of Interest is a real or seeming incompatibility between one's private interests and one's public or fiduciary duties, as more fully described below.

Section 6 of the Michigan Strategic Fund Act, MCL 125.2006, requires an MSF Board member who has a Conflict of Interest related to any matter before the MSF Board to disclose the Conflict of Interest before the MSF Board takes any action with respect to the matter. The disclosure becomes a part of the record of the MSF Board's official proceedings. The MSF Board member with the Conflict of Interest is prohibited from doing all of the following with respect to the matter that is the basis of the Conflict of Interest:

- (a) Voting in the MSF Board's proceedings related to the matter.
- (b) Participating in the MSF Board's discussion of and deliberation on the matter.
- (c) Being present at the meeting when the discussion, deliberation, and voting on the matter takes place.
- (d) Discussing the matter with any other MSF Board member.

Section II: Definitions:

As used in this Policy:

(1) **"Business"** means: For the purposes of this policy, Business means a corporation, partnership, sole proprietorship, firm, enterprise, franchise, association, organization, self-employed individual, holding company, joint stock company, receivership, trust, activity, or entity which is organized for profit or nonprofit purposes.

(2) **"Business with which the MSF Board member is Associated"** means: For the purposes of this policy, a Business with which the MSF Board Member is Associated means a Business in which any of the following applies:

- (a) The MSF Board member is a partner, member, director, officer, or employer.
- (b) A member of the MSF Board member's Immediate Family is a partner, member, director, officer, or employer.

(c) The MSF Board member or a member of the MSF Board member's Immediate Family is a stockholder of close corporation stock worth \$1,000.00 or more at fair market value or which represents more than 5% equity interest, or is a stockholder of publicly traded stock worth \$10,000.00 or more at fair market value or which represents more than 10% equity interest.

(3) **"Compensation"** means: For the purposes of this policy, Compensation means anything of monetary value received or to be received from a person or Business, whether in the form of a fee, salary, commission, service, forbearance, forgiveness, or another form of recompense.

(4) **"Conflict of Interest"** means: For the purposes of MSF Board members, Conflict of Interest means any of the following:

(a) A situation in which the MSF Board member is an Employee of the Business receiving a loan, grant, investment, or other expenditure under the Michigan Strategic Fund Act, MCL 125.2001 *et seq.*

(b) A situation in which the Private Interest of a MSF Board member influences the judgment of the MSF Board member in the performance of his or her duties or responsibilities to the MSF.

(c) A situation in which the Private Interest of a MSF Board member would lead a reasonable person, either knowing all of the circumstances, or having similar knowledge and experience, to conclude that the Private Interest may influence the judgment of the MSF Board member in the performance of his or her duties or responsibilities to the MSF, thus giving the appearance of improper influence.

(5) **"Employee"** means: For the purposes of this policy, Employee has the same meaning as defined by the Michigan Department of Treasury pursuant to Rule 206.2, 1999 AC, R 206.2. Essentially, if a Business is required to withhold from the MSF Board Member as an employee for federal income tax purposes, that MSF Board member is an employee of that Business for the purposes of this Policy.

(6) **"Gift"** means: For the purposes of this policy, Gift means a payment, advance, forbearance, or the rendering or deposit of money, services, or anything of value, the value of which exceeds the thresholds permitted by the Lobbyists, Lobbying Agents, and Lobbying Activities Act, MCL 4.411 *et seq.*, as adjusted, in any 1-month period, unless consideration of equal or greater value is received therefor. Gift includes a payment, advance, forbearance, or the rendering or deposit of money, services, or anything of value to aid the defense of an MSF Board member against a legal action not directly related to the governmental duties of the official. Gift does not include the following:

(a) A campaign contribution otherwise reported as required by the Michigan Campaign Finance Act, MCL 169.201 *et seq.*

(b) A Loan made in the normal course of business by an institution as defined in chapter 1 of the Banking Code, MCL 487.11101 *et seq.*, a national bank, a bank chartered under the laws of another state, a branch bank, an insurance company issuing a loan or receiving a mortgage in the normal course of business, a premium finance company, a mortgage company, a small loan company, a state or federal credit union, a savings and loan association, a community development financial institution, or a licensee as defined by the Motor Vehicle Sales Finance Act, MCL 492.101 *et seq.*

(c) A gift received from a member of the MSF Board member's Immediate Family or a member of a spouse's Immediate Family.

(d) A breakfast, luncheon, dinner, or other refreshment consisting of food and beverage provided for immediate consumption, the value of which does not exceed the thresholds permitted by the Lobbyists, Lobbying Agents, and Lobbying Activities Act, MCL 4.411 *et seq.*, as adjusted, in any 1-month period and is not reasonably expected to influence the MSF Board member's performance of official duties or responsibilities to the MSF.

(e) A contribution to a legal defense fund that is registered with the secretary of state under the legal defense fund act and whose purpose is to defend an MSF Board member against any criminal, civil, or administrative action, that arises directly out of the conduct of the MSF Board member's governmental duties.

(7) **"Immediate Family"** means: For the purposes of this policy, Immediate Family means a grandparent, parent, parent-in-law, stepparent, sibling, sibling-in-law, spouse, child, or stepchild of an MSF Board member, or an individual claimed by that MSF Board member or that MSF Board member's spouse as a dependent for federal income tax purposes.

(8) **"Loan"** means: For the purposes of this policy, Loan means a transfer of money, property, or anything of ascertainable value in exchange for an obligation, conditional or not, to repay in whole or in part.

(9) **"Private Interest"** means: For the purposes of this policy, Private Interest means any of the following:

(a) An interest in any matter before the MSF Board in which the MSF Board member, a Business with which the MSF Board member is Associated, or his or her Immediate Family member, has a direct or indirect interest in the proceeds or benefits of the matter before the MSF Board. To be prohibited by this Policy a Private Interest on the part of a MSF Board member must be of such substance as to induce action on his or her part to promote the matter for his or her own personal benefit. In the following cases the Private Interest would be *de minimis*, and as such, there is no Conflict of Interest, based on current legal parameters:

(i) A contract, loan, grant, investment, or other expenditure, between the MSF and any of the following:

(A) A Business in which a MSF Board member or a member of the MSF Board member's Immediate Family is a stockholder of close corporation stock worth \$999.99 or less at fair market value or which represents 5% or less equity interest, or is a stockholder of publicly traded stock worth \$9,999.99 or less at fair market value or which represents 10% or less equity interest.

(B) A Business which is a trust, where a MSF Board member or a member of the MSF Board member's Immediate Family is a beneficiary under the trust, is a stockholder of close corporation stock worth \$999.99 or less at fair market value or which represents 5% or less equity interest, or is a stockholder of publicly traded stock worth \$9,999.99 or less at fair market value or which represents 10% or less equity interest.

(ii) Voting in the MSF Board's proceedings; participating in the MSF Board's discussion of and deliberation on the matter; being present at the meeting when the discussion, deliberation, and voting on the matter takes place; and discussing the matter with any other MSF Board member regarding any of the following:

(A) A Business with which the MSF Board member or his or her Immediate Family member is Associated, and that Business's interest would be **indirect** and amount to 2% or less of that Business's annual revenue. An indirect interest is a pecuniary benefit to the Business but one in which the Business is not receiving the proceeds or benefits of the matter before the MSF Board (1) directly from the MSF, (2) as a direct pass through from the MSF, or (3) dependent on the outcome of the MSF Board's decisions regarding the matter.

(B) A Business which is a trust, where a MSF Board member or a member of the MSF Board member's Immediate Family is a beneficiary under the trust, and that Business's interest would be **indirect** and amount to 2% or less of that Business's annual revenue. An indirect interest is a pecuniary benefit to the Business but one in which the Business is not receiving the proceeds or benefits of the matter before the MSF Board (1) directly from the MSF, (2) as a direct pass through from the MSF, or (3) dependent on the outcome of the MSF Board's decisions regarding the matter.

(C) An interest in a matter before the MSF Board in which the MSF Board member or his or her Immediate Family member has received Compensation, a Gift, or a Loan, the value of which is less than the

thresholds permitted by the Lobbyists, Lobbying Agents, and Lobbying Activities Act, MCL 4.411 *et seq.*, from the person or Business which has the direct or indirect interest in the proceeds or benefits of the matter before the MSF Board.

(b) An interest in any matter before the MSF Board in which the MSF Board member's employment, service, or other legal duties or obligations are incompatible or would conflict with the discharge of the MSF Board member's official duties as a member of the MSF Board, or when that employment or service may tend to impair the MSF Board member's independence of judgment or action in the performance of his or her official duties.

(c) An interest in any matter before the MSF Board in which the MSF Board member or his or her Immediate Family member has received Compensation, a Gift, or a Loan, from the person or Business which has a direct or indirect interest in the proceeds or benefits of the matter before the MSF Board, and the value of which may tend to impair the MSF Board member's independence of judgment or action in the performance of his or her official duties, or the value exceeds the thresholds permitted by the Lobbyists, Lobbying Agents, and Lobbying Activities Act, MCL 4.411 *et seq.*, The Michigan Secretary of State publishes the adjusted amounts each year. MSF Board members will be provided with the adjusted amounts annually.

Section III: Procedures:

(1) Disclosure: An MSF Board member who has a Conflict of Interest related to any matter before the MSF Board must disclose the Conflict of Interest, and the incident or circumstances that caused the Conflict of Interest, in writing to the MSF Fund Manager. The MSF Fund Manager will notify the remaining MSF Board members to facilitate compliance with the requirements of Section 6 of the Michigan Strategic Fund Act, MCL 125.2006(5). If a MSF Board member has a conflict of interest pursuant to a professional ethical rule or his or her employer's conflict of interest policy that does not constitute a Conflict of Interest under this Policy that Board member may recuse himself or herself. If a MSF Board member recuses himself or herself pursuant to a professional ethical rule or his or her employer's conflict of interest policy the requirements of this Section (Section III) apply.

(2) Recusal: An MSF Board member who has a Conflict of Interest related to any matter before the MSF Board will not:

(a) Participate in the MSF Board's discussions and deliberations on the matter.

(b) Be present at any meeting when the discussion, deliberation, and voting on the matter takes place. If the MSF Board member is physically present at the meeting location he or she will leave the room. If the MSF Member is attending the meeting by

teleconference he or she will ensure that they cannot hear or see, as the case may be, the discussions, deliberations, and voting on the matter.

(c) Other than to the extent necessary to comply with subsections (1) and (3), discuss the matter with any other MSF Board Member, or MSF or Michigan Economic Development Corporation Staff. Further, the MSF Board member may discuss the matter with the Chief Compliance Officer or Attorney General's office in order to solicit advice regarding the Conflict of Interest.

(d) Vote in the MSF Board's proceedings related to the matter.

(3) Record: The written disclosure of the Conflict of Interest and the details of any incident or circumstances that caused the Conflict of Interest will be kept in accordance with Section 6 of the Michigan Strategic Fund Act, MCL 125.2006.

(4) MSF Board Member Notice: As soon as practicable, the MSF Fund Manager will provide notice to all MSF Board members of the Businesses and the subject matter coming before the MSF Board at its next meeting in order to allow the MSF Board Members time to conduct a conflict check, give the required Conflict of Interest notice, and comply with the recusal requirements.

MEMORANDUM

DATE: March 25, 2014
TO: Michigan Strategic Fund Board Members
FROM: Deborah Stuart, Community Development Incentives Director
SUBJECT: *Community Development Block Grant Program- 2014 Consolidated Plan*

Action:

Staff recommends the following the MSF authorizes the Fund Manager to submit the final CDBG 2014 Action Plan as part of the Consolidated Plan, in coordination with the MSHDA, to HUD for their consideration.

Background:

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

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

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

Please note the public comment period for the Plan started on March 7th and will be completed on April 30th. Any public comments received that would be appropriate to be implemented and would require substantial changes to the Action Plan will be brought back to the MSF Board for consideration at the April MSF meeting.

RECOMMENDATION

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

- The MSF authorizes the Fund Manager to submit the final CDBG 2014 Action Plan as part of the Consolidated Plan, in coordination with the MSHDA, to HUD for their consideration.

MICHIGAN STRATEGIC FUND

RESOLUTION 2014-

**APPROVAL OF STATE OF MICHIGAN CONSOLIDATED PLAN FOR HOUSING AND
COMMUNITY DEVELOPMENT PROGRAM YEAR 2014 (JULY 1, 2014 – JUNE 30, 2015);
ONE YEAR ACTION PLAN**

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

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

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

WHEREAS, the Criteria are contained in the Michigan Consolidated Plan for Housing and Community Development Program Year 2014 (July 1, 2014 – June 30, 2015); One Year CDBG Action Plan ("Consolidated Plan") which by federal rule must be submitted to the U. S. Department of Housing and Urban Development ("HUD");

WHEREAS, the Fund Manager desires to submit to HUD in conjunction with the Michigan State Housing Development Authority the Michigan Consolidated Plan for Housing and Community Development Program Year 2014, covering the planning and application aspects of HUD's CDBG, Emergency Shelter Grant (ESG), HOME Investment Partnership (HOME) and Housing Opportunities for Persons with AIDS (HOPWA) formula programs; and

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

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board authorizes the Fund Manager, in coordination with the Michigan State Housing Development Authority and in consultation with the Department of the Attorney General, to submit the final Consolidated Plan to HUD. The MSF President or Fund Manager, in consultation with the Department of the Attorney General, is authorized to modify the Consolidated Plan prior to submission to HUD on the MSF's behalf so long as the final terms and conditions are consistent with this resolution of the MSF Board and not otherwise materially adverse to the interests of the MSF.

Ayes:

Nays:

Recused:

Lansing, Michigan
March 25, 2014



March 18, 2014

MSF Fund Manager
MEDC
300 N. Washington Square
Lansing, MI

Dear Fund Manager:

This is to advise that I am recusing myself from voting and will excuse myself during the discussion of the following items on the Michigan Strategic Fund Board Meeting Agenda on Tuesday, March 25, 2014:

- Roskam Baking Company
- BorgWarner, Inc.
- Four Seasons Development

The reason for my recusal relates to the fact that I may have a potential conflict of interest with respect to the parties involved in the above agenda items.

Sincerely,

A handwritten signature in black ink that reads "Shaun Wilson". The signature is written in a cursive style.

Shaun Wilson
Vice President & Director of Client &
Community Relations
PNC Financial Services Group