

**MICHIGAN STRATEGIC FUND
BOARD MEETING
August 28, 2013
Time 1:30 PM**

AGENDA

A. Private Activity Bond Program [Mike Flanagan]

1. NSF International – Bond Approval – Roll Call Vote *[Action Item]*
2. Foley and Lardner, LLP – New Bond Counsel Approval *[Action Item]*
3. USF Westland, LLC/U.S. Farathane Corporation – First Amendment to Loan Agreement *[Action Item]*

B. Job Creation Amendment

1. US Farathane Job Creation Amendment *[Action Item – Karla Campbell]*

C. 21st Century Jobs Fund

1. Pure Michigan Venture Match – Changes to Guidelines *[Action Item – Antonio Luck]*
2. Pure Michigan Venure Match – Funding Allocation *[Action Item – Antonio Luck]*

Business Development Program

1. Verndale Products, Inc. *[Action Item – Marcia Gebarowski]*
2. Norplas Industries, Inc. – Amendment *[Action Item – Josh Hundt]*
3. Southwest Michigan First Corporation *[Action Item – Josh Hundt]*

Community Revitalization Program [Joe Martin]

1. URC FJ, LLC – Uptown Reinvestment Co. – Flint *[Action Item]*
2. Midtown Village Hotel – Midtown Village, LLC *[Action Item]*

D. Brownfield Amendments [Joe Martin]

1. Midtown Village – SBT/TIF Amendment (Tied with Midtown Village Hotel MCRP Award) *[Action Item]*

E. Community Development Block Grant

1. City of Dowagiac – Blight Elimination *[Action Item – Deborah Stuart]*

F. Tool & Die Recovery Zone Revocations [Amy Lux]

1. KraftWood Engineering Company – *[Action Item]*
2. L. S. Precision Tool and Die, Inc. *[Action Item]*
3. H. S. Technologies, Inc. *[Action Item]*
4. Imperial Laser, Inc. *[Action Item]*

G. Renaissance Zone Revocations [Amy Lux]

1. Frontier Renewable Resources, LLC *[Action Item]*

H. Administrative

1. MSF Background Check Policy Revision *[Action Item – Karla Campbell]*
2. MSF/MEDC CDBG – Memo of Understanding Amendment *[Action Item – Deborah Stuart]*



MEMORANDUM

Date: August 28, 2013

To: Michigan Strategic Fund Board

From: Michael Flanagan, Director, Equity Capital Markets
Diane Cranmer, Private Activity Bond Specialist

Subject: Private Activity Bond – Bond Authorizing
NSF International – Nonprofit
\$25,000,000 – Refunding/New

Request or Action:

Request: NSF International (“NSF”) is seeking a bond authorizing resolution. NSF indicates the project will include refunding two prior bonds issued by the MSF: (a) \$31,275,000 original principal amount Michigan Strategic Fund Limited Obligation Revenue and Revenue Refunding Bonds (NSF International Project), Series 2004 (approximately \$12,080,000 principal outstanding) (the “2004 Bonds”). The 2004 Bonds were issued (i) to refund in advance prior bonds issued by the MSF for the benefit of NSF to finance the acquisition, construction and equipping of an approximately 150,000 square foot headquarters building, housing NSF’s principal office and laboratory operations, located at 789 Dixboro Road, Ann Arbor Charter Township, and (ii) finance an expansion of the headquarters project consisting of an approximately 80,000 square feet of laboratory, office and warehouse facilities; (b) \$10,000,000 original principal amount Michigan Strategic Fund Limited Obligation Revenue Bonds (NSF International Project), Series 2007 (approximately \$6,222,000 outstanding) (the “2007 Bonds”). The 2007 Bonds were issued to finance the acquisition, construction and equipping of an approximately 80,000 square foot headquarters building expansion consisting of laboratory, office and warehouse facilities, the renovation and equipping of existing laboratory facilities, and other related capital improvements.

The project also includes the acquisition of approximately 51 acres of land adjacent to its existing headquarters facility to be utilized for the future expansions of its facilities in furtherance of its nonprofit exempt purposes. The approximate cost of the land to be financed is \$3,500,000.

NSF has approximately 550 employees in its main headquarters located in Ann Arbor Charter Township, Washtenaw County, Michigan.

Action: NSF is seeking a vote by the MSF Board approving a bond authorizing resolution.

Background

Request

NSF's is a Michigan nonprofit corporation 501(c)3 founded in 1944. NSF's purpose includes: (1) developing and maintaining volunteer consensus standards in areas of concern to public health and the environment; (2) testing products, systems and services against NSF standards, other voluntary standards, and government regulations; and (3) undertaking scientific studies for government, manufacturers and other third parties. NSF has global operations with clients in over 100 countries. As part of its global emphases, NSF has formed strategic alliance with complementary international organizations, including the World Health Organization.

Action

NSF is requesting approval by the MSF Board of a bond authorizing resolution.

Recommendation

Based upon a determination by Dykema Gossett PLLC 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 NTE 25,000,000.

RESOLUTION TO AUTHORIZE THE ISSUANCE OF THE MICHIGAN
STRATEGIC FUND LIMITED OBLIGATION REVENUE AND REVENUE
REFUNDING BONDS (NSF INTERNATIONAL PROJECT),
SERIES 2013 (THE “BONDS”)

Resolution 2013-

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 defined in the Act).

B. NSF International, a Michigan nonprofit corporation (the “Borrower”), has requested a loan (the “Loan”) from the Fund to assist the Borrower in financing: (i) the acquisition of approximately 51 acres of unimproved land located at the South end of the Ann Arbor Technology Park, immediately North of and bordering the Borrower’s existing headquarters facility located in Ann Arbor Charter Township, Washtenaw County, Michigan (the “Headquarters Site”), to be utilized for future expansions of the Borrower’s facilities (the “Project”); (ii) the refunding in full of (a) the Michigan Strategic Fund Limited Obligation Revenue and Revenue Refunding Bonds (NSF International Project), Series 2004 (approximately \$12,080,000 principal amount outstanding), issued to refund in advance prior bonds issued by the MSF for the benefit of the Borrower to finance the acquisition, construction and equipping of an approximately 150,000 square foot headquarters building, housing the Borrower’s principal office and laboratory operations, located at the Headquarters Site, and to finance an expansion of the headquarters project consisting of approximately 80,000 square feet of laboratory, office and warehouse facilities at the Headquarters Site, and (b) the Michigan Strategic Fund Limited Obligation Revenue Bond (NSF International Project), Series 2007 (approximately \$6,222,000 principal amount outstanding) issued to finance the acquisition, construction and equipping of an approximately 80,000 square foot headquarters building expansion consisting of laboratory, office and warehouse facilities, and other related capital improvements on the Headquarters Site (collectively, the “Prior Bonds”), and (iii) to pay certain costs of issuance of the Bonds. The Borrower will own and operate the Project and the facilities financed and refinanced by the Prior Bonds in furtherance of its nonprofit, tax-exempt purposes.

C. The Borrower has requested the Fund to issue the Bonds in a principal amount not to exceed \$25,000,000 pursuant to this resolution (the “Resolution”) and a trust indenture (the “Indenture”), between the Fund and Wells Fargo Bank, National Association, as trustee (the “Trustee”), dated as of September 1, 2013, relating to the Bonds to obtain funds which will be loaned to the Borrower pursuant to a loan agreement, dated as of September 1, 2013, between the Fund and the Borrower (the “Loan Agreement”) to pay costs of refunding the Prior Bonds in full, costs of the Project, and certain costs of issuance.

D. The Bonds will be privately placed with sophisticated investors with bond denominations of not less than \$100,000.

E. The Bonds will be purchased by Wells Fargo Bank, National Association, as purchaser (the “Purchaser”) for its own account on the terms and conditions set forth in the Indenture.

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 Borrower, 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 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 a limited obligation of the Fund payable solely from the revenues derived from the Loan Agreement and otherwise as provided in the Indenture.

SECTION 2. Approval, Execution, Ratification, and Delivery of Documents. The forms of the following documents, on file with the staff of the Fund and on which has been endorsed by the staff of the Fund the date of adoption of this Resolution, are approved:

- a. Loan Agreement
- b. Indenture

Any Member and Authorized Officer are authorized to execute and deliver the Indenture, 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. The following terms of the Bond shall be approved by the Member executing the Indenture:

- a. The maximum principal amount of the Bonds shall not exceed \$25,000,000;
- b. The final maturity of the Bonds, which shall be not later than September 1, 2038; and
- c. The interest rate for the Bonds, which shall not be more than 6% per annum.

SECTION 4. Sale and Delivery of the Bonds. A Member or an Authorized Officer shall execute, seal, and deliver the Bonds to the Trustee for authentication and delivery to the Purchaser as provided in the Indenture and upon receipt of the following documents and payment of the purchase price for the Bonds:

- a. an approving 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 approving opinion of counsel to the Borrower and necessary certificates and representations of the Borrower acceptable to the Fund, the Attorney General, and bond counsel;
- c. an approving opinion of the Attorney General; and
- d. an investment letter in form and substance acceptable to the Attorney General from the Purchaser.

Upon receipt, the proceeds of the Bonds to be used to refund the Prior Bonds shall be paid over to the Trustee to be credited in accordance with the Indenture and the proceeds to be used to finance the project and certain costs of issuance of the Bonds shall be paid over to the Trustee to be credited in accordance with the Indenture.

SECTION 5. Designation of Certain Parties. Wells Fargo Bank, National Association’s acceptance of duties as Trustee shall be evidenced by its execution of the Indenture.

SECTION 6. 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 Loan Agreement, or the Indenture, 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. If requested by the Borrower and acceptable to the Attorney General and bond counsel, any Authorized Officer is authorized to execute and deliver such certificates as may be necessary to identify on the books and records of the Fund an interest rate exchange agreement or “swap” to be entered into by the Borrower in connection with the Bonds, and the Borrower’s related loan repayments, as a “qualified hedge” for federal tax purposes under the Internal Revenue Code of 1986, as amended, and the regulations thereunder.

SECTION 7. 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 September 20, 2013, the authority granted by this Resolution shall lapse.

Adopted.

Ayes:

Nays:

August 28, 2013 Meeting
Lansing, Michigan

2013-0048692-A/MSF NSF International Project/Resolution



MEMORANDUM

Date: August 28, 2013

To: MSF Board Members

From: Michael Flanagan, Director, Capital Markets
Diane Cranmer, Private Activity Bond Specialist

Subject: Foley & Lardner LLP

Request or Action

Request: Foley & Lardner LLP is requesting to be added to the approved bond counsel list for the Michigan Strategic Fund.

Action: Foley & Lardner LLP is seeking a vote by the MSF Board to be added to the approved bond counsel list.

Background

Request

The attached transmittal from Heidi Jeffrey of Foley & Lardner LLP outlines the firm's fulfillment of the criteria required by the MSF Board as per Operations Resolution 2010-122 (attached).

Action

Staff recommends approval of the addition of Foley & Lardner LLP to the approved bond counsel list because the firm meets all of the criteria of Operations Resolution 2010-122.

August 9, 2013

VIA FEDERAL EXPRESS

Ms. Diane Cranmer
Michigan Economic Development Corporation
Michigan Strategic Fund
300 N. Washington Square, 3rd Floor
Lansing, Michigan 48933

Re: Foley & Lardner LLP: Submission of Criteria for Bond
Counsel

Dear Diane:

Pursuant to your recent conversations with Rob Nederhood of our offices, Foley & Lardner LLP ("Foley") is pleased to request its inclusion on the list of approved bond counsel firms authorized to act as bond counsel to the Michigan Strategic Fund ("MSF") and that such consideration be given at the MSF Board's next regularly scheduled meeting.

In addition to our request to be added to the list of approved bond counsel firms, we further would ask that the MSF Board consider designating Foley as bond counsel to the MSF to be appointed on a rotating basis when no other approved bond counsel firm is requested by a borrower, underwriter, placement agent or purchaser.

As noted below, and in our deal list attached as Schedule 1, both my partner Laura Bilas and I have significant public finance experience, including multiple transactions in the State of Michigan. We also have representative experience working on private activity bond financings on behalf of issuers and borrowers, including loans made for manufacturing projects and not-for-profit corporation projects.

In support of our requests, please find below our qualifications.

BOSTON
BRUSSELS
CHICAGO
DETROIT

JACKSONVILLE
LOS ANGELES
MADISON
MIAMI

MILWAUKEE
NEW YORK
ORLANDO
SACRAMENTO

SAN DIEGO
SAN DIEGO/DEL MAR
SAN FRANCISCO
SHANGHAI

SILICON VALLEY
TALLAHASSEE
TAMPA
TOKYO
WASHINGTON, D.C.

Michigan Strategic Fund

Resolution

2013 –

Bond Counsel Criteria

At a meeting of the Michigan Strategic Fund (the “MSF”) held on August 28, 2013, in Lansing, Michigan the following resolution was moved and seconded;

WHEREAS, the MSF Board desires to confirm its criteria for the approval of law firms authorized to act as bond counsel to the MSF and to revise and confirm its list of bond counsel to the MSF by adding the law firm of Foley & Lardner LLP ~~and deleting other non-qualifying firms into~~ Section 2 of this Resolution;

WHEREAS, it is of paramount importance to the MSF that it receive the highest quality legal services from experienced bond counsel firms within Michigan having demonstrated not only market acceptance of their opinions but also broad substantive knowledge in subject matters critical to the issuance of bond counsel opinions:

NOW THEREFORE BE IT RESOLVED, by the Board of the MSF that:

1. It is the policy of the MSF to select law firms for inclusion on its approved list of bond counsel who demonstrate to the satisfaction of the Board compliance with the following criteria:
 - A. Be listed in the Michigan section of the Bond Buyer’s Municipal Marketplace Directory (the “Red Book”);
 - B. Have issued bond opinions on not less than six (6) separate tax-exempt bond transactions, on three (3) of which transactions it must have opined as sole bond counsel. Of the six (6) tax-exempt bond transactions, three (3) must have been private activity bonds;
 - C. Have submitted to the Internal Revenue Service B not less than three (3) ruling requests, or have reached not less than three (3) closing agreements or any combination of three (3) ruling requests and closing agreements relating to tax-exempt governmental purpose or private activity bonds.
 - D. Have filed not less than six (6) SEC Registrations or requests for SEC No Action letters or any combination of six (6) registrations and No Action Letters;
 - E. Have acted as counsel for either the lender or the borrower in not less than six (6) transactions involving the sale or development of commercial/industrial real estate; and
 - F. Have demonstrated expertise in the area of taxes, corporate securities, real estate, trial practice, municipal finance, and general municipal law.

2. The MSF Board approves the following bond counsel firms to serve as bond counsel to the MSF:

Barnes & Thornburg LLP
Bodman LLP
~~Butzel Long, a professional corporation~~
Clark Hill PLC
Dickinson Wright PLLC
Dykema Gossett PLLC
Foley & Lardner LLP
Foster, Swift, Collins & Smith, P.C.
~~Honigman, Miller, Schwartz & Cohn~~
~~Howard & Howard Attorneys, P.C.~~
Jaffe, Raitt, Heuer & Weiss
Lewis & Munday, A Professional Corporation
~~Maddin, Hauser, Wartell, Roth & Heller, P.C.~~
Miller, Canfield, Paddock and Stone, P.L.C.
Varnum LLP
Warner Norcross & Judd LLP

3. The MSF Board confirms that in the event that the borrower has not requested a law firm in Paragraph 2 above to serve as bond counsel to the MSF, then the MSF Board or an authorized officer may either select any bond counsel firm listed in paragraph 2, or solicit proposals from some or all firms above.
4. Any bond counsel firm that has been approved by the MSF Board to serve as bond counsel to the MSF may be ~~evaluated-reviewed~~ by the Board for continuing designation as bond counsel to the MSF and may be removed as bond counsel to the MSF at the direction of the MSF Board. Further, if at the time the transaction is presented to the MSF Board, the specific lead bond attorney is not listed in the Michigan section of the Red Book of under the approved firm, he or she may not act as lead bond counsel on the transaction.
5. To the extent of any conflict with this Resolution, Resolutions 1998-195, 1998-278, 2000-282, 2003-078, 2004-035, 2004-081, 2005-110, 2005-235, 2009-081 and 2010-122 are rescinded.



MEMORANDUM

Date: August 28, 2013

To: Michigan Strategic Fund Board Members

From: Michael Flanagan, Director, Capital Markets
Diane Cranmer, Private Activity Bond Specialist

Subject: USF Westland, LLC / U.S. Farathane Corporation – First Amendment to Loan Agreement

Request or Action:

Request: USF Westland, LLC/U.S. Farathane Corporation (the “Company”) is seeking approval for a first amendment to the loan agreement originally executed in connection with the issuance of bonds by the MSF for the benefit of USF Westland, LLC. This request requires a change in the loan agreement, one of the bond documents. The bonds were purchased by GE Government Finance, Inc. in April of 2008 in the amount of \$3,299,045.14. The company is requesting an amendment to the loan agreement, the original parties to which were the MSF, GE Government Finance, Inc. and USF Westland, LLC. USF Westland is currently owned 85% by U.S. Farathane Corporation, who is also a tenant at the facility, and owned 15% by the management of U.S. Farathane Corporation. A newly formed entity known as U.S. Farathane, LLC which as part of a corporate reorganization will receive all of the operating assets of U.S. Farathane Corporation and will be the operating entity going forward. As part of this transaction, the 85% owner interest in USF Westland will be transferred from U.S. Farathane Corporation to U.S. Farathane, LLC. The lease of the facility will also be assigned by U.S. Farathane Corporation to U.S. Farathane, LLC.

The Company employs approximately 1,650 in Michigan with a total of 1,834 employees in all of its locations.

Action: The Company is seeking a vote by the MSF Board approving the first amendment to the loan agreement.

Background:

Request

U.S. Farathane Corporation is a privately-held Michigan corporation founded in 1971 by Mr. Cy Edwards, when two companies, US Plastics and Farathane Corporation, merged into one entity.

The Company is a manufacturer of highly engineered, plastic injection molded and plastic extruded components. While the Company provides conventional injection molding, thermoplastic urethane formulation, compounding and molding, and dual durometer extrusions, the Company's niche is two-shot injection molding. The Company is located in Auburn Hills in addition to eight additional manufacturing locations (six in Michigan).

Bonds were issued by the MSF in 2008 for a project which included the acquisition of land and an existing approximately 84,672 square foot manufacturing facility, the rehabilitation of the facility, and the acquisition and installation of machinery and equipment located at 39200 Ford Road, Westland, Wayne County. The project assisted in the consolidation and growth of three existing manufacturing locations in Plymouth, Wayne County

U.S. Farathane Corporation was awarded a MEGA tax credit on December 15, 2009 by the Michigan Economic Growth Authority. U.S. Farathane Corporation is in full compliance with this agreement.

Action

Through review of the bond documents it was determined by Bond Counsel and the Attorney General's office that MSF Board approval is required to (a) change the name of the tenant; and (b) change certain financial covenants.

Recommendation

Staff is recommending approval of the resolution to amend the Loan Agreement.

MICHIGAN STRATEGIC FUND

RESOLUTION

2013-

At a meeting of the Michigan Strategic Fund (the “MSF”) held on August 28, 2013, in Lansing, Michigan, the following motion was moved and supported:

WHEREAS, in April 2008, the MSF entered into that certain Loan Agreement (Real Estate) dated as of April 1, 2008 (the “Loan Agreement”) among GE Government, Inc., (“GEGF”), a Delaware corporation, for itself and as collateral agent (“Collateral Agent”), and USF Westland, LLC, a Michigan limited liability company, as borrower (“Borrower”) to provide for the issuance by the MSF of its \$3,299,045.14 Michigan Strategic Fund Limited Obligation Revenue Bond, Series 2008B (U.S. Farathane Corporation Project) (the “Bond”) for the benefit of the Borrower;

WHEREAS, GEGF has assigned to General Electric Capital Corporation, a Delaware Corporation, as Lender (“Lender”) all of GEGF’s rights, title and interest in the Bond and the Loan Agreement, and Lender has appointed GEGF as its attorney-in-fact and subservicer with respect to all matters relating to the Bond;

WHEREAS, Borrower leased the Property to U.S. Farathane Corporation (“Previous Tenant”) pursuant to the terms of the Lease Agreement;

WHEREAS, Previous Tenant desires to transfer all of its ownership interests in Borrower to U.S. Farathane, LLC (“Tenant”) and assign to Tenant all of Previous Tenant’s rights, title and interests in, and obligations under, the Lease Agreement;

WHEREAS, as a condition to Lender’s consent to the Ownership Transfer and Lease Assignment, Lender is requiring certain amendments to the Loan Agreement;

WHEREAS, Lender, Collateral Agent, and Borrower desire to amend certain provisions of the Loan Agreement pursuant to this Amendment (the “Amendment”); and

WHEREAS, Section 12.07 of the Loan Agreement permits the MSF, the Lender, the Collateral Agent and the Borrower to amend the Loan Agreement by written instrument;

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

1. The MSF consents to the Amendment to the Loan Agreement in substantially the form on file with the MSF.

2. Any authorized officer is authorized to execute and deliver the Amendment to the Loan Agreement and any other documents as may be necessary or desirable to carry out the matters approved by this resolution.

3. This resolution shall become effective upon adoption. If the Amendment is not executed and delivered by September 25, 2013, together with all other documentation executed pursuant to this resolution, the authority granted by this resolution shall lapse.

Adopted.

Ayes:

Nays:

Recusals:

August 28, 2013 Meeting
Lansing, Michigan

2013-0050921-A/MSF USF Westland, LLC – Amendment/Resolution



MEMORANDUM

Date: August 19, 2013

To: Michigan Strategic Fund Board

From: Karla Campbell, Director
Business Compliance and MSF Fund Manager

Subject: U.S. Farathane Corp.
Amendment of MEGA Job Creation Credit

Request

U.S. Farathane Corporation is requesting an amendment to their MEGA job creation standard and retention credit. The company has reorganized and the portion that now retains the employees is U.S.F. Holdings, LLC. Per the Company's amendment application, the reason for the restructuring is to allow management to acquire a greater equity interest in the overall corporate structure and obtain additional financing. With the restructuring, the company will have the new name as well as a new Employer Identification Number, but will continue to file under the Michigan Business Tax as a unitary business group.

Background

U.S. Farathane Corporation was founded in 1971 and is in the business of designing and manufacturing highly engineered plastic fabricated components used in a variety of industries. They have eight facilities in Southeast Michigan as well as facilities in Tennessee and Texas.

The original project was approved to incent U.S. Farathane Corp. to choose Auburn Hills as their headquarters, which has been accomplished. For this project, the company received both a retention and standard MEGA job creation credit for a term of seven years and began collecting both portions of the credit in 2011. The Company also received a small Michigan Business Tax Small Brownfield Credit, and the company has collected on that Brownfield credit and the incentive is closed. The company currently has 1,396 employees in Michigan and has created 256 jobs at the project site, which is located in Auburn Hills, Oakland County. The company has invested \$61 million, which is enough to qualify the company to receive a 100% credit on the retention of 501 employees.

This credit was amended in 2011 to increase the maximum number of qualified new jobs from 398 to 789. The amendment incited expansions to occur in Shelby Township, Macomb County; Westland, Wayne County and the construction of a new facility in Macomb or Oakland County. At this time, the company is expanding their Shelby Township facility adding a 29,000 square foot facility to warehouse additional molding machines and automation equipment and they have added 41 employees. At the Westland facility, the company has added a 17,000 square foot facility, additional compression molding lines and 21 more employees.

Recommendation

The MEDC Staff recommends that the Michigan Economic Growth Authority (MEGA) job creation and retention credits awarded to U.S. Farathane Corp. by the MEGA in December 2009, and amended in December 2011, be amended again to change the name of the company to U.S. Farathane Holdings, LLC, with a new EIN that will be noted in the new amendment. If the amendment is approved, the effective date of this change is July 26, 2013. All other terms and conditions of the MEGA remain the same.

**RESOLUTION 2013-
MICHIGAN STRATEGIC FUND**

**US Farathane Corporation
Standard and Retention Tax Credit Amendment (Amendment #2)**

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

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 (the “MSF”);

WHEREAS, in Resolution 2009-218 on December 15, 2009, the MEGA awarded a Standard Tax Credit of 100 percent for seven consecutive years to US Farathane Corporation (the “Company”) and a Retention Tax Credit of up to 100 percent for seven consecutive years to the Company, both beginning no later than the Company’s tax year ending December 31, 2011;

WHEREAS, the Company has reorganized and retained the employees under a new name and employee identification number, but continuing to file as a unitary business group and desires to change the company name for the project to U.S.F. Holdings, LLC; and

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

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board authorizes an amendment to change the company name for the tax credit to U.S.F. Holdings, LLC, effective July 26, 2013.

BE IT FURTHER RESOLVED, that all other provisions of Resolution 2009-218, are reaffirmed and the MSF authorizes the MSF Fund Manager to implement the terms of this resolution.

Ayes:

Nays:

Recused:

August 28, 2013
Lansing, Michigan



MEMORANDUM

Date: August 12, 2013

To: MSF Advisory

From: Antonio Luck, Director Business Acceleration

Subject: Pure Michigan Venture Match Fund – Request for approval to amend program guidelines and allocate an additional \$3 Million

ACTION

MSF Advisory Committee to support changes to the Pure Michigan Venture Match Guidelines, to allocate an additional \$3 Million from the Jobs for Michigan Investment Fund (the “Investment Fund”) to the PMVMF and to approve a decision document as required under the Michigan Strategic Fund Act.

BACKGROUND

The investment environment continues to be extremely challenging for Michigan based companies. This is especially true for venture backed investments in earlier stage technology companies.

The lack of venture capital investment in Michigan is evident as most venture capital firms that consider Michigan opportunities often require companies to have fairly significant revenues prior to considering an investment. Many Michigan based venture capital funds do not have sufficient capital or the risk profile to make earlier stage investments that typically have a longer timeframe to exit, and are often difficult to syndicate with other venture capital firms.

The Pure Michigan Venture Match Fund (“PMVMF”), the Michigan Strategic Fund (“MSF”) provides a match of up to \$500,000 for eligible venture investments in Michigan based technology companies.

The program addresses four issues in Michigan regarding early stage venture investing:

1. Attract venture funds, within and outside of Michigan, to consider investments in early stage and pre revenue Michigan based technology companies.
2. Mitigate some risk for venture fund investments at this stage by participating with MSF Funds in early rounds, allowing the venture fund to retain dry powder for future investment rounds.
3. Give Michigan based companies a program that they can immediately point to as a syndication possibility when they approach venture firms.
4. Create an investment program that is primarily market driven.

The PMVMF has invested in six Companies since its inception in April 2012 for a total of \$2.76 million and has leveraged over \$8.2 million in private capital. The PMVMF is currently evaluating its seventh and eighth application.

CURRENT OUTLINE OF THE PURE MICHIGAN VENTURE MATCH FUND PROGRAM

A minimum of \$10,000,000 is targeted for the PMVMF over a three to four year period. \$2.76 million out of the initial allocation of \$5,000,000 million from the Investment Fund has already been invested. The balance of \$2,200,000 is expected to last approximately another six to twelve months given the historic deal flow of venture investments in Michigan.

Applicant companies are required to present a signed term sheet showing a venture investment commitment of at least \$700,000 to be eligible to apply for an investment from the PMVMF. The PMVMF may provide a 50% match, up to \$500,000. This creates a market-driven selection process and ensures that the MSF is making investments in companies with a higher likelihood of success.

PROCESS AND PROGRAM REQUIREMENTS

Pursuant to Section 88k of the MSF Act, the MSF must establish a competitive process to make awards under the PMVMF. Applicant companies must be engaged in competitive edge technologies, including life sciences technology; advanced automotive manufacturing and materials, information, and agricultural processing technology; homeland security and defense technology; alternative energy technology; and any other innovative technology as determined by the MSF Board.

Applications submitted in response to this funding opportunity underwent evaluation by independent peer review experts based on the following four, equally weighted criteria: scientific and technical merit, personnel expertise, commercial merit, and the ability to leverage additional funding. Under the MCL 125.2088k(3)(a), which was effective May 30, 2012, all evaluations must be performed by a Joint Evaluation Committee (“JEC”). The current Peer Review Agreement with Trillium Ventures expired on May 31, 2013 and MEDC staff in collaboration with Trillium extended the current agreement at no cost through Sept 30, 2013. MEDC Staff is now proposing establishing a JEC in replacement of the independent peer review as the JEC is less costly, it’s performed by volunteers, the process will most likely be expedited, and the redundancy of a third party evaluation will be eliminated; the PMVMF is a matching program which means applicants are already vetted by external private third party funders as an eligibility requirement for applying companies.

The MSF Act requires that a public hearing be held to provide the opportunity for the general public to comment on the proposed PMVMF Program Guidelines Changes and the proposed PMVMF Resolution. After consideration of the comments and information received at the public hearing, the final PMVMF Program Guidelines will be presented to the MSF Board for approval and implementation.

PUBLIC HEARING AND ADDITIONAL PUBLIC COMMENTARY

A public hearing was held from 2:00-4:00PM on July 17, 2013 at the Michigan Economic Development Corporation (“MEDC”) for the purpose of receiving public comment on recommended changes to the PMVMF Program Guidelines. Comments were also received by email.

All comments received in person at the Public Hearing or via email were in support of the proposed changes below or neutral to them.

- JEC: Under the MCL 125.2088k(3)(a), which was effective May 30, 2012, all evaluations must be performed by a JEC. Staff recommends changing the current evaluation requirement from independent third party peer review to JEC.
 - Comments included the benefits of decreasing cost to the MSF and decreasing potential time to close the round of investment;
 - One comment suggested that at least one member of the investment community in MI be included in the JEC. Staff had already contemplated this suggestion and will make such recommendation to MSF Fund manager.

- Eligible round size: Currently companies are eligible to apply for PMVMF only if they have raised \$3 million or less in investments prior to the PMVMF application and are raising no more than \$3 million in the round in which the PMVMF is asked to participate. Staff proposes increasing the current prior investment ceiling and current round maximum investment amount eligibility.
 - Most comments supported an increase to the amount of investments prior to PMVMF to \$5M and an increase to the current round in which the PMVMF is asked to participate to \$5M. These changes have been incorporated to the PMVMF Guidelines and are supported by MEDC Staff;
 - Other comments included keeping the \$3M limit for previous investments and not having a limit for the round in which PMVMF is asked to participate.
- Catch-Up Awards: Staff proposes allowing a catch-up award for those companies that did not receive the maximum award amount under the PMVMF. If a company is awarded with less than \$500,000, the company will have the opportunity to apply for the remaining balance by providing a supplemental term sheet to the initial term sheet. The “Catch-Up” will match the same terms as the investors as provided in the supplemental term sheet, including equity and convertible bridge loans. The Catch-Up Awards will not be reviewed by the JEC and may be approved by the MSF Fund Manager.
 - All comments were in support. Comments highlighted the importance of current investors being able to participate in future rounds.
- Follow-on-Fund Awards: Companies will have the opportunity to submit multiple applications for a Follow-On investment out of the PMVMF so as long as the combined investment amount does not exceed \$500,000. The Follow-on investment will follow the same participation guidelines as the initial investment and will match the same terms as the investors, including equity and convertible bridge loans. Follow-on-Fund Awards will follow the standard process as initial awards approved under the PMVMF Guidelines.
 - All comments were in support. Comments highlighted the importance of current investors being able to participate in future rounds.

REQUEST

MEDC Staff requests the support of the Advisory Committee to alter the PMVMF Guidelines based on the comments via email and during Public Hearing on July 17, 2013 and to allocate an additional \$3M from the Investment Fund to the PMVMF Program. MEDC Staff expects to implement the revised guidelines starting September 1, 2013.

MICHIGAN STRATEGIC FUND

**RESOLUTION
2013-**

**APPROVAL OF PURE MICHIGAN VENTURE MATCH FUND
GUIDELINE AMENDMENTS**

WHEREAS, Public Acts 215 and 225 of 2005 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, at its March 28, 2012 meeting, the MSF Board approved 1) the creation and operation of the Pure Michigan Venture Match Fund (“PMVMF”) and 2) the program guidelines for the PMVMF (the “PMVMF Guidelines”);

WHEREAS, on July 17, 2013 a public hearing was held and public comments were received on amendments to the PMVMF Guidelines (the “PMVMF Amended Guidelines”);

WHEREAS, the MSF Board has reviewed, and desires to approve, the PMVMF Amended Guidelines contained in Exhibit A to this resolution; and

WHEREAS, the MSF also desires to allocate an additional \$3,000,000 from the Jobs for Michigan investment fund (the “Investment Fund”) to the PMVMF.

NOW, THEREFORE, BE IT RESOLVED, that the MSF approves the attached PMVMF Amended Guidelines;

BE IT FURTHER RESOLVED, that the MSF authorizes the MSF Fund Manager to modify the PMVMF Amended Guidelines as may be necessary or appropriate, so long as the modifications are not substantial or materially adverse to the interests of the MSF; and

BE IT FURTHER RESOLVED, the MSF delegates to the MSF President, the MSF Fund Manager, and the State Treasurer Director, with only one required to act, the authority to approve awards under the PMVMF Amended Guidelines upon the recommendation of the joint evaluation committee, and to negotiate and execute all necessary documents on behalf of the MSF.

Ayes:

Nays:

Recused:

Lansing, Michigan
August 28, 2013

Exhibit A

Michigan Strategic Fund Board
21st Century Jobs Fund

Pure Michigan Venture Match Fund

Program Process & Guidelines

Revised Release Date: September 2, 2013

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I. IMPORTANT DATES and REMINDERS

- Applications will be accepted starting April 2, 2012
- Questions from potential applicants regarding the Pure Michigan Venture Match Fund (“PMVM Fund”) will only be accepted via email sent to PMVMF@Michigan.org. **Please note:** The Michigan Strategic Fund Board (“MSF Board”) or the Michigan Economic Development Corporation (“MEDC”) staff will respond to questions on an ongoing basis submitted to the above email address only. Questions that are phoned, faxed, sent through regular mail, or emailed directly to MEDC staff will not be accepted or responded to. Responses to all qualifying questions will be posted on the MEDC’s website, <http://www.michiganadvantage.org/Pure-Michigan-Venture-Match-Fund/> periodically. Potential applicants are encouraged to check <http://www.michiganadvantage.org/Pure-Michigan-Venture-Match-Fund/> frequently for responses to qualifying questions.
- Proposals, including the application fee of \$1,000, must be received by the MEDC prior to the application undergoing review by a Joint Evaluation Committee (“JEC”). Proposals must be submitted to the MEDC via email sent to PMVMF@Michigan.org. Once the MEDC has received the application you will be contacted on how to pay the application fee.
- **Companies should submit their applications without the \$1,000 fee.** Once the application has been screened for compliance with the RFP the Company will be provided with instructions on how the application fee should be paid.
- The JEC will review the application once all eligibility criteria have been met. Companies should plan to be available for face to face interviews with the JEC if requested.
- Award decisions will to be announced on an ongoing basis until the funding is fully committed.
- Applications will not be accepted once available funding has been fully committed. If additional funding designated for the PMVM Fund or previous investments have liquidity events that are returned to the PMVM Fund the application process will be reopened and announced on <http://www.michiganadvantage.org/Pure-Michigan-Venture-Match-Fund/>

Applicants must submit a proposal, in the form of a business plan, that does not exceed 35 pages, utilizing ten (10) point font or greater, submitted as a single Portable Document Format (.pdf) file. Proposals in excess of 35 pages will be disqualified. The 35 page limit does not include the cover sheet, the required attached appendices for collaborator letters of support, venture fund term sheets, venture fund investment and valuation justification, venture fund description, history and current status update and resumes of key people. Please refer to Business Plan Format on page 12.

Prior to final submission, please verify all of the specifications as described for PMVM Fund as defined in this document are included.

II. INTRODUCTION

Public Act 215 of 2005, Section 88k(2) (“MSF Act”) allows the Strategic Economic Investment Commercialization (“SEIC”) Board to award grants, loans and investments 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 program for the Pure Michigan Venture Match Fund, the MSF Board desires to allocate up to \$5 million (“Award Amount”) as matching investments, which is expected to be disbursed over 1 to 2 years, to for profit companies as a match against venture led investments in the companies.

A. Program Overview

Under the umbrella of the 21st Century Jobs Fund Initiative, the MSF Board has been given the opportunity to foster the growth of innovative companies with the potential for high growth in Michigan by investing in the most promising, nationally competitive, commercialization opportunities. The program objective is to oversee a competitive process to award funds that encourages economic diversification in innovative, competitive edge technology sectors as defined in the MSF Act.

Early stage, innovative companies often require venture capital to help bridge critical stages of development and commercialization. The MSF Board seeks to bridge this capital gap and help early stage companies develop technologies, grow innovative companies, diversify Michigan’s economy and create economic wealth in the state.

A funding opportunity has been designed in the area of innovative venture capital. The Pure Michigan Venture Match Fund is soliciting applications from Michigan companies that have received an equity investment commitment led by a qualified Venture Fund (defined on page 5) for commercialization and growth purposes to provide a match of the investment as follows:

- Qualified and approved investments from \$700,000 to \$1,000,000 will be matched by a 50% (\$350,000 to \$500,000) investment from the PMVF Fund.
- Qualified and approved investments from \$1,000,000.01 to \$5,000,000 will be matched by a \$500,000 investment from the PMVM Fund.

Only **for-profit** companies are eligible for funding through the PMVM Fund. Additionally, to be eligible, the applicant Company must:

- Be a Michigan based Company; **AND**

- The Company must be involved in one of the following competitive edge technologies as defined in Section 88a of the MSF Act:
 1. Life Sciences Technology
 2. Advanced Automotive Manufacturing and Materials
 3. Homeland Security and Defense
 4. Alternative Energy
 5. Information Technology
 6. Agricultural Processing Technology
 7. and/or any other innovative technology as determined by the MSF Board; **AND**
- Have a signed investment term sheet(s) led by a qualified Venture Fund(s) of no less than \$700,000 and no more than \$5,000,000 **AND**
- Demonstrate that the funding led by a qualified Venture Fund(s) combined with the funding from the Pure Michigan Venture Match Fund program will cover commercialization, operational and growth costs of the Company for a minimum period of 12 months; **AND**
- Demonstrate that the qualified Venture Fund(s) meet the following criteria:
 1. Qualified Venture Fund(s) must have a minimum of \$7 million under management; **AND**
 2. Qualified Venture Fund(s) must have at least five unrelated limited partners as investors in the current fund that will be used for the investment in the applicant Company; **OR** Qualified Venture Fund may be Corporate Venture Fund department from the most recent published Fortune 1,000 list, if so the five limited partner requirement is waived; **AND**
 3. Qualified Venture Fund(s) must have a minimum of two managing partners/directors; **AND**
 4. Qualified Venture Fund(s) must be a member of the Michigan Venture Capital Association (MVCA) and/or the National Venture Capital Association (NVCA); **AND**
 5. Qualified Venture Fund(s) may be located in any state or country that can legally conduct business in the United States; **AND**
 6. No single qualified Venture Fund investment or commitment to invest in an applicant Company for this program may be more than 15% of the investment source fund under management; **AND**
 7. Venture Funds that have received a limited partner investment from Venture Michigan I, Venture Michigan Fund II or the 21st Century Investment Fund may qualify for as Venture Funds for PMVM Fund applications, so long as they comply with the other criteria.

- Investments made in the applicant Company by non-qualified Venture Funds, managed angel funds, family investment offices, foundations, other investment entities or individual investors will be allowed to count towards the total application investment amount, as indicated in the submitted application term sheet(s), so long as funding from a qualified Venture Fund(s) makes up at least 50% or \$500,000 of the total application amount, whichever amount is less; **AND**
- The term sheet included with the Company application is from and written by the lead qualified Venture Fund(s); **AND**
- The PMVM Fund initial investment will only match equity investments in the applicant Company; **AND**
- At the time of the first investment from the PMVM Fund, a business must have its principal business operations in the State of Michigan; **AND**
- Agree to use the PMVM Fund investment primarily to establish or support business operations in Michigan; **AND**
- The Company may not have more than 200 employees; **AND**
- The Company may not be primarily engaged in real estate development; the business of insurance, banking, gaming, or lending; or professional services by accountants, attorneys, or physicians; **AND**
- As a condition of receiving an investment from the PMVM Fund, a Company must agree to maintain its principal operations in Michigan for the legislatively mandated three years from the execution of the PMVM Fund investment agreement. The Company must provide a repurchase agreement to the MSF that provides for the Company to repurchase the PMVM Fund equity interest in the Company at the current market value at the time the Company relocates outside of Michigan, if the move out of Michigan is prior to the third anniversary of the execution of the PMVM Fund investment agreement. The option to exercise the repurchase of shares in the case where a Company leaves Michigan prior to the third anniversary of the execution of the PMVM Fund investment agreement is at the sole option of the MSF. The repurchase agreement will expire upon the third anniversary of the execution of the PMVM Fund investment agreement.
- A Company may apply to the PMVM Fund a maximum of two times.
- No Company may receive more than \$500,000 in total from the PMVM Fund initial investment. However, companies that have received a PMVM Fund investment may apply for follow-on investment(s)
- Companies that have secured more than \$5,000,000 in venture investments prior to applying to the PMVM Fund will be disqualified.
- Companies that are seeking more than \$5,000,000 in the current funding round will be disqualified.

Funding (in the form of an equity investment) will be awarded to Michigan based for-profit companies through a competitive process in which all submitted proposals will first be screened to ensure all eligibility criteria have been met. If it is confirmed that all eligibility criteria have been met, the company will be asked to pay the \$1,000 application fee. Once the fee has been paid, the application will be sent for review by a Joint Evaluation Committee (JEC) based on the following four, equally weighted criteria: scientific and technical merit, personnel expertise, commercial merit, and the ability to leverage additional funding. . Results from the JEC review

will be in the form of a recommendation in support or against an investment. The recommendation will be submitted to the MSF Fund Manager. The MSF Chairperson, the MSF State Treasurer Director and the MSF Fund Manager, with only one required to act, have the final approval authority regarding PMVM Fund investments. The MSF Chairperson, the MSF State Treasurer Director and the MSF Fund Manager are not obligated to follow the JEC's recommendation.

Applications should demonstrate a significant potential investment opportunity that targets a substantial market and growth opportunity, job creation, ability to leverage additional capital as needed and have an experienced management team in place and/or how any management team gaps will be addressed with this round of funding.

All returns earned on investments made by the PMVM Fund shall be returned to the PMVM Fund for future investment rounds.

Companies that have been awarded with the PMVM Fund will have the opportunity to subsequently apply for:

- **Catch-Up Award:** for those companies that did not receive the maximum investment amount under the initial PMVM Fund investment. If a company receives less than \$500,000 in initial investment from the PMVM Fund, the company will have the opportunity to apply for the remaining balance by providing a supplemental term sheet to the initial term sheet. The "catch-up" will match the same terms as the investors as provided in the supplemental term sheet, including equity and convertible bridge loans. The "catch-up" award may be approved by the MSF Chairperson, the MSF State Treasurer Director and the MSF Fund Manager, with only one required to act, will make the final award decisions. Application for catch-up awards will not require an application fee.
- **Follow-On Award:** Companies will have the opportunity to submit multiple applications for follow-on investment out of the PMVM Fund so as long as the combined follow-on investment amount does not exceed \$500,000 above and beyond the initial investment. The follow-on investment will match the same terms as the investors, including equity and convertible bridge loans. The MSF Chairperson, the MSF State Treasurer Director and the MSF Fund Manager, with only one required to act, will make the final award decisions. Application for follow-on investments will not require an application fee.

B. Confidentiality of Submitted Materials

All proposal materials and materials generated throughout the competition, including, but not limited to, JEC materials, letters of commitment, biographical information, and due diligence information, submitted to the MEDC and State of Michigan through the MSF Board may be subject to public disclosure under Michigan's Freedom of Information Act ("FOIA"). For further details on confidentiality requirements refer to the *Legal and Policy Section, Appendix A*.

*As provided in the Michigan Strategic Fund Act ("MSF ACT"), the applicants may request that "financial or proprietary information," as defined in the MSF Act, contained within proposal submission materials be protected from disclosure under the Michigan FOIA. Such information **MUST** be identified directly within the material submitted by applicants and comply with the following requirements:*

Identify each component and portion of the narrative for which you are requesting confidentiality. Text, tables or graphics MUST be bolded and marked with asterisks and brackets ([bold if text]*) within the narrative.*

Identify the attachment and the portion of the document for which you are requesting confidentiality. Text, tables or graphics MUST be bolded and marked with asterisks and for portions of a multi-page document, such as the Business Plan, you MUST also list the page numbers of all pages that contain information marked by asterisks and bold brackets.

Applicants understand that by failing to properly identify information that the applicant desires to be designated as confidential by the MSF Fund Manager, the applicant waives all rights and actions against the MEDC, the MSF Board, and the State of Michigan and its participants, officers, agents and employees regarding the release of information that could have otherwise been acknowledged as confidential but for the applicant's failure to properly designate the information as provided in this section or take other necessary action to have information acknowledged as confidential. It is the applicant's sole responsibility to identify information that it desires to be designated as confidential. Neither the MSF Board nor MEDC shall be liable for any inadvertent disclosure of any of the applicant's information designated as confidential by the applicant.

The MSF Fund Manager will determine and acknowledge information requested to be kept confidential on a case by case basis.

C. Governing Board and Administration

The MSF Board is comprised of 11 members, including the Director of the Department of Licensing and Regulatory Affairs, the State Treasurer, the Chief Executive Officer of the MEDC and 8 additional members appointed by the Governor. A current list of MSF Board members can be found at the following internet link, www.michiganadvantage.org.

Under the 21st Century Jobs Fund initiative, the MSF Board sets the strategic direction for funding commercialization activity and authorizes funding decisions. The MSF Board has designated the MEDC staff to provide administrative services for the programs that fall under the Board's responsibilities, including administration of support service activities such as early stage funding programs.

This program is subject to Michigan law. In the event of any conflicts that proceed to court, jurisdiction will be in a Michigan court of law. Nothing in this document shall be construed to limit the rights and remedies of the State of Michigan, the MSF Board, or the MEDC. As provided by Michigan law, the MSF Board retains complete discretion to accept or reject any proposal. In accordance with PA 215 and in concert with the Chief Compliance Officer of the 21st Century Jobs Fund, the MSF Board has established a comprehensive conflict of interest policy.

Any award is subject to the availability of funds. Applicants acknowledge that the MSF Board's performance of its payment obligation is contingent upon the State Legislature's continued approval of funding for the 21st Century Jobs Fund initiative.

D. Estimated Timeline

August 28, 2013 MSF Board final review and approval of the PMVM Fund and PMVM Fund Guidelines

September 2, 2013 Publication of the PMVM Fund Guidelines at

<http://www.michiganadvantage.org/Pure-Michigan-Venture-Match-Fund/> and opening of the PMVM Fund program to accept applications

- Ongoing No Deadline** Applicant questions due via e-mail
- Ongoing No Deadline** Responses to questions posted on MEDC Website at <http://www.michiganadvantage.org/Pure-Michigan-Venture-Match-Fund/>
- Ongoing No Deadline** Proposals in the form of a business plan must be received by the MEDC via email sent to PMVMF@Michigan.org
- Estimated 30 to 60 days from date of the application** Review Period; a JEC review will be conducted. Applicants should plan to be available for face to face interviews with the JEC during this period.

Awards will be announced on a rolling basis. The MEDC will continue to accept applications until funding for the PMVM Fund is fully committed.

All questions from applicants must be submitted via email to PMVMF@Michigan.org. Questions that are phoned, faxed, sent through regular mail, or emailed directly to MEDC staff or the MSF Board will not be accepted. Answers to qualifying questions will be posted periodically at <http://www.michiganadvantage.org/Pure-Michigan-Venture-Match-Fund/>; applicants are encouraged to check this website frequently.

Proposals will be time stamped by the MEDC Staff. It is the sole responsibility of the applicants to submit proposals and application fees in a timely fashion.

- Applications must be sent by email to PMVMF@Michigan.org. Companies will be notified by the MEDC with instructions on how to pay the \$1,000 application fee after receipt of the Company application and verification that it meets the guidelines for submittal.

Incomplete proposals will not be accepted or reviewed. **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 ELIGIBILITY, REQUIREMENTS AND OBLIGATIONS at the MEDC website at <http://www.michiganadvantage.org/Pure-Michigan-Venture-Match-Fund/>.

E. Technology Sectors

Proposals, in the form of a business plan, **MUST** include documentation (signed term sheets) of an investment match led by a qualified Venture Fund(s) in a Michigan business, 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 determined by the MSF Board, including:

1. Life Sciences Technology
2. Advanced Automotive Manufacturing and Materials
3. Homeland Security and Defense
4. Alternative Energy
5. Information Technology

6. Agricultural Processing Technology
7. and/or any other innovative technology as determined by the MSF Board

F. For-Profit Entity

Only for-profit companies are eligible to receive funding through the PMVM Fund.

Eligible for-profit organizations must be authorized to conduct business in the State of Michigan. For further details on eligibility requirements refer to *Legal Requirements, Appendix A*.

G. Application Fee

A non-refundable application fee of \$1,000, payable to the MEDC, will be due upon notification from the MEDC. **The fee is not due at the time of application.** In cases where an application is disqualified prior to undergoing a JEC no fee will be required.

H. Financial Contributions

The MSF Board requires applicants secure a qualified Venture Fund led investment of at least \$700,000 and no more than \$5,000,000. Each proposal must include a signed term sheet(s) from a qualified Venture Fund and any other investors that make up the applicant Company's total funding amount.

Applicant Company funding must be from a source other than public programs administered by the State of Michigan, and must meet the following tests:

- In order to qualify for a PMVM Fund investment, previously committed funds cannot have been expended at the time of the Company's PMVM Fund application.
- This matching investment must be led by a qualified Venture Fund (see page 5).
- Signed Term sheets and/or letters of financial commitment are required from those who will provide the qualified matching investment. If the financial commitment has already been funded, evidence must be provided. In each case, the letter must indicate the source of funds, the amount of the investment, the date the investment was or is to be provided, and the terms of the investment.

The MSF requires applicants to leverage a qualified Venture Fund investment as a condition of the award. Each proposal must provide a specific financial contribution committed to, or available for, the direct support of the proposed plan. This leverage or "matching money" must be led by a qualified Venture Fund, and must meet the following tests:

- The lead Venture Fund has performed financial due diligence on the applicant Company
- Preference will be given to investments that are either in-hand or committed at the time of application. If an applicant does not yet have cash in-hand or committed dollars, applicants may submit a term sheet that is only conditioned on receiving an investment from the PMVM Fund
- In order to qualify as matching money, previously committed funds cannot have been expended at the time of the application and the commitment can be no older than 90 days prior to Company application to the PMVM Fund. Proof of available funds should be included in the PMVM Fund application as an exhibit

- Preference will be given if the source of the matching money is capable of adding value to the applicant beyond the financial match itself
- Preference will be given if the source of the matching money is capable of providing follow on funding

Applicants, entities and/or collaborators that have received a previous award from the 21st Century Jobs Fund or the former MTTC/MLSC programs are eligible for an award. Applicants, entities, and/or collaborators must identify if they have received previous awards under these programs. Progress of previously funded proposals, including the status of any outstanding grants, investments or loans, will be evaluated as part of the review process.

I. Awards, Agreements and Required Terms

Awards will be distributed at the discretion of the MSF Fund Manager after the JEC review has been completed. A draft of the Joinder Agreement can be found at the MEDC website at <http://www.michiganadvantage.org/Pure-Michigan-Venture-Match-Fund/>.

The total amount available for all investments made pursuant to the PMVM Fund is \$5 million. After investment awards have been officially announced, MEDC staff will contact each award recipient to set up a date and time to negotiate the contractual terms for the investment agreement and to structure a monitoring program. Successful applicants will also be informed of the requirements for progress reports.

All contracts approved by the MSF Fund Manager 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 contract related to the use of the investment.

The Company will provide unrestricted board observer rights to the designated MEDC portfolio manager for all Company Board of Director meetings. Companies that receive investments from the PMVM Fund are required to have a minimum of two Board of Director meetings per year. On a case by case basis the MSF Fund manager may require a voting board of directors seat as a condition of the PMVM Fund investment.

As a condition of receiving an investment from the PMVM Fund, a business must agree to maintain its principal operations in Michigan for a minimum of three years and execute a repurchase agreement with the MSF that provides for the repurchase of a qualified investment if the business voluntarily relocates out of Michigan prior to the third anniversary of the execution of the PMVM Fund investment agreement.

Successful proposals approved for funding by the MSF Fund Manager are subject to the final execution of a legal 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 or entity which directly or indirectly holds a pecuniary interest in that business entity of 20% or more. Further details concerning this process are included in *Legal Requirements, Appendix A*.

III. JOINT EVALUATION COMMITTEE REVIEW PROCESS

Proposals will be evaluated by a Joint Evaluation Committee (JEC) with business expertise and experience in areas such as venture capital, business creation and business growth scenarios, and technology commercialization.

All proposals must demonstrate a matching investment led by a qualified Venture Fund and will be scored and ranked based on the four equally weighted legislatively mandated criteria as referenced below.

- Commercialization Merit
- Personnel Expertise
- Ability to Leverage Additional Funds
- Scientific and Technical Merit

DECISIONS BY THE MSF ARE FINAL AND NOT SUBJECT TO APPEAL

IV. BUSINESS PLAN FORMAT

Proposals must be in the form of a business plan, not to exceed 35 pages, utilizing ten (10) point font or greater, submitted as a single Portable Document Format (.pdf) file attachment. Proposals in excess of 35 pages will be disqualified. This page limit does not include the cover page, required appendices for letters of collaboration and/or financial commitment, policy on conflict management, venture firm evaluation and valuation justification, venture firm description and history and biographical information as noted below.

Proposals may only be submitted electronically via email to the MEDC at PMVMF@Michigan.org . **Proposals will not be accepted via U.S. mail or any other delivery method.** A non refundable application fee of \$1,000 will be due upon notification from the MEDC.

Applicants should keep in mind the following four, equally weighted legislatively mandated criteria by which all proposals will be evaluated:

- Commercialization Merit
- Personnel Expertise
- Ability to Leverage Additional Funds
- Scientific and Technical Merit

Applicants are asked to submit a business plan that should contain, at a minimum, the following items:

A. Executive Summary

- Overview of Company and business plan
- Significance to Michigan

B. Management

- Key people – experience and background
- People needed and plans for recruitment
- Organization chart – current and projected 3 years out
- Board of Directors – experience and background
- Scientific Advisory Board, if applicable – experience and background

C. Job Creation

- Current staffing – type (category/range) and number
- Direct jobs to be created (employees that receive W2's as well as those receiving 1099 statements) – type (category/range), number, salary levels, and projected timeline for hire

D. Product or Service

- Description – scientific merit of technology and/or product
- Development – current state
- Development plan – timeline, costs, pending activities
- Intellectual property plan – existing, in development, to be acquired, timeline

E. Market Opportunity

- Size of addressable market
- Projected and historic growth rate of market
- Competitive analysis and assessment

F. Sales and Marketing Plan

- Marketing strategy – distribution, pricing, positioning, promotion
- Detailed sales plan – direct or leveraged thru value added channels
- Sales personnel – experience and background of personnel

G. Financing

- Past and current funding sources
- Sources and amounts of funds leveraged to match potential 21st Century Jobs Fund award
- Plan for meeting additional funding needs until entity is self-sustaining (follow-on funding)

H. Milestones and Timing

- Job Creation
- Product Development – Technical
- Commercialization – Marketing
- Financial Objectives

I. Appendix - Financial Documents. This information will not be counted toward the thirty-five (35) page limit.

- One-page presentation of current capitalization table showing shares owned (individual shareholder names may be omitted and replaced with generic identifiers), date purchased, and prices paid and forecasted capitalization table for next three (3) years, additional equity financing needs/expectation
- Summary minimum three (3) year and no more than five (5) year forecast: balance sheet, income statement, cash flow

J. Appendix of Historical Financials. This information will not be counted toward the thirty-five (35) page limit.

- Balance sheet, income statement, cash flow (audited or certified by CEO or CFO) for previous three (3) years
- Most recent period-to-date actual financials compared to budget-to-date for same period as well as annual budget

K. Appendix of Bios of Key People, Board Members and Venture Fund managers. This information will not be counted toward the thirty-five (35) page limit.

L. Appendix of Venture Firm Company analysis that includes investment and valuation justification as regarding venture fund investment in the applicant Company. This information will not be counted toward the thirty-five (35) page limit.

M. Appendix of Venture Firm overview that includes the Venture Fund's target sector market(s) strategy, total capital under management, amount of available capital at the time of the PMVM Fund application, historic return performance of current or previous funds and industry comparison. This information will not be counted toward the thirty-five (35) page limit.

N. A policy on conflict management

Note: Providing financial documents in the PMVM Fund application is for Review and Evaluation purposes and shall not be construed as a substitution, if awarded, for the information required to be submitted as part of the due diligence phase of the award agreement process. Separate and additional documentation may be required. These documents may be subject to disclosure under Michigan FOIA.

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Appendix A

LEGAL REQUIREMENTS

A. Eligibility and Obligations

To receive funding under this program, the applicant organization must be a Michigan based for-profit at the time of the award. To be eligible to apply for funding, out-of-state, for-profit companies must establish a significant portion of their business in Michigan, or have substantially all of its employees in Michigan at or before the time an award agreement is entered into. The Michigan based for-profit Company must use a substantial amount of the award received from the MSF in Michigan based activities. Use of more than 10% of the award for activities outside the State of Michigan at one time or over the life of the PMVM Fund investment must be approved in writing by the MEDC Portfolio Manager and the Vice President, Business Acceleration or the MSF Fund Manager.

Overall, the majority of economic benefits resulting from this project must occur within the State of Michigan. In addition, the Primary Contact must be located in Michigan for the duration of the project at the principal site at which, or from which, project activities will be performed. If a Primary Contact relocates outside of Michigan during the award period, the recipient organization must identify an alternate Primary Contact who is located in Michigan or a Michigan-based collaborator to take over the direction of the award. An alternate Primary Contact is subject to the final written approval of the Portfolio Manager. If such arrangements are not feasible, the award will be rescinded.

The award cannot be assigned or transferred without written authorization of both the MEDC Portfolio Manager and the MSF Fund Manager

Applicants, entities and/or collaborators that have received a previous award from the 21st Century Jobs Fund or the former MTTC/MLSC programs are eligible for an award. Applicants, entities, and/or collaborators must identify if they have received previous awards under these programs. Progress of previously funded proposals, including the status of any outstanding grants, investments or loans, will be evaluated as part of the review process.

B. Collaboration

The 21st Century Jobs Fund sets high standards for collaboration and requires evidence of genuine, productive collaboration. Collaboration is encouraged and will be given preference, but is not required. All collaborators shall be identified in the designated area of the application. In general, collaborating entities should be Michigan-based, as one of the goals of the 21st Century Jobs Fund is to increase collaboration between or among Michigan for-profit companies and Michigan institutions of higher education, Michigan non-profit research institutions, and Michigan non-profit corporations. Collaboration with non-Michigan-based entities may be permitted **if** the applicant can demonstrate that the collaborator: (i) provides access to specialized resources, scientific, technical, and commercial expertise that are not readily available in Michigan; and (ii) ultimately benefits Michigan in a manner consistent with the intent of the 21st Century Jobs Fund.

C. Award Agreement

The MSF Fund Manager, or MEDC staff on behalf of the MSF Fund Manager (provided that there are no material changes to the budget approved by the MSF Fund Manager), may adjust the proposed budget or term of the award based on input from the JEC. The MSF Fund Manager may also choose to partially fund a project based upon the availability of funds. Post-award contract development, due diligence site visits, and financial and legal document submissions, among other things, may also require adjustments to

proposed budgets. PMVM Fund investment agreements will contain further information on the procedure for adjusting proposed budgets and milestones for the term of the award agreement.

MEDC staff will review contractual terms for the award agreement and structure an award-monitoring program. The successful applicant will be informed of the requirements for investment monitoring and progress reports. The investment agreement will contain reporting requirements as stipulated in Public Act 215 of 2005, including, but not limited to, the following:

- Entities that have received funding, the amount received, and the type of funding
- Valuation of the Company
- The number of new patents, copyrights, or trademarks applied for and issued to the Company
- The number of new jobs created and new jobs projected by the Company
- Amounts of other funds leveraged by the Company
- Money or other revenues or property returned to the Company
- The total number of new licensing agreements by institution and the number of new licensing agreements entered into by the Company
- Products commercialized and revenues generated by the Company
- State business taxes paid by the Company

All award agreements approved by the MSF Fund Manager will contain a provision that the MSF, the MEDC, the Auditor General and the Chief Compliance Officer have access to the books and records, including financial records and all other information and data relevant to the terms of the investment agreement, related to the use of the investment.

Prior to an investment being disbursed, the MEDC and the Office of the Chief Compliance Officer will conduct due diligence on the awardee, including, but not limited to, criminal and civil background checks of the applicant, and review of the organizational documentation and financial information of the applicant. The background checks will include, but may not be limited to, affiliates, subsidiaries, officers, directors and managerial employees. To facilitate these background checks, applicants will be required to provide as part of the required due diligence the complete names, addresses, and birthdates of all persons who fall within the above definition.

D. Required Disclosures and Conflicts of Interest

All proposals shall include disclosure statements signed by the Primary Contact of the official proposal and by any other stakeholder(s) or collaborating entity involved in the activities being proposed.

For as long as the application is pending and during the term of the investment agreement, if applicable, the disclosure statement must be updated any time a *significant financial interest*, as defined on the disclosure statement, arises.

E. Breach of Contract

A violation of any provision of the award agreement is grounds for any or all of the following, among other possible remedies: (i) rescission of the award; (ii) termination of all related underlying contractual agreements in which the MSF Board or MEDC is a party; or (iii) repayment by the recipient (s) of the award or any portion thereof, actually disbursed, either directly or indirectly, to the recipient.

If the MSF Board and/or the MSF Fund Manager has a reasonable belief that a breach of award agreement has occurred, the MSF Board or the MSF Fund Manager has the right to have the award recipient's annual financial statements separately audited by an independent certified public accountant. If the audit reveals that a breach has occurred, the award recipient shall reimburse the MSF for the fees and expenses incurred to perform the audit in addition to other remedies available to the MSF Board at law or equity.

Naming a figurehead from Michigan as Primary Contact while the project work is conducted by a non-Michigan-based organization or is substantially performed in another state is **not sufficient** for eligibility and, if discovered after an award has been made, will result in the termination or rescission of the award and subject the award recipient to any other remedies available to the MSF Board at law or equity. In addition to the requirements contained in this document and as provided by law, the contracts and policies of the MSF Board may provide for additional rights and remedies.

F. Notice of Proprietary Information Michigan Freedom of Information Act

Except as otherwise provided in these guidelines, all information in an applicant's proposal is subject to disclosure under Public Act No. 442 of 1976, known as the "Freedom of Information Act". This act also provides for complete disclosure of contracts, their attachments, due diligence materials, progress reports submitted throughout the term of the award agreement and financial documents submitted as required under the award agreements. Proposal information is furnished to the MEDC, the JEC and the State of Michigan, through the MSF Board.

Proposal materials submitted by applicants may contain "financial or proprietary information", which is defined as "information that has not been publicly disseminated or which is unavailable from other sources, the release of which might cause competitive harm". Applicants are provided an opportunity to specifically designate such proprietary or financial information.

Applicants must be aware that, pursuant to MCL 125.2005(9), information the applicant deems confidential must be acknowledged by the Michigan Strategic Fund (MSF) Board or delegated authority as confidential to protect such information from disclosure under the Michigan Freedom of Information Act, MCL 15.243(1)(d). Information that is not acknowledged as confidential by the MSF Board or delegated authority may be subject to disclosure under the Michigan Freedom of Information Act. Unless considered proprietary in nature, routine financial information cannot be acknowledged as confidential. The MSF Fund Manager will make the final decision on whether information designated as confidential by the applicant will be acknowledged as confidential.

Applicants agree that by failing to properly identify information that the applicant desires to be designated as confidential by the MSF Board or delegated authority, the applicant waives all rights and actions against the MEDC, the MSF Board, and the State of Michigan and its participants, officers, agents and employees regarding the release of information that could have otherwise been acknowledged as confidential but for the applicant's failure to properly designate the information as provided in this section or take other necessary action to have information acknowledged as confidential. It is the applicant's sole responsibility to identify information that it desires to be designated as confidential.

Neither the MSF Board nor the MEDC shall be liable for any inadvertent disclosure of any of the applicant's information designated as confidential by the applicant.

G. Submission Materials

Applicants may request confidential treatment for “financial or proprietary information” contained within proposal submission materials that meets the definition of “financial or proprietary information contained in the MSF Act. Such information **MUST** be identified directly within the material submitted by applicants by the following requirements:

*Identify each component and portion of the narrative for which you are requesting confidentiality. **Text, tables, or graphics MUST be bolded and marked with asterisks and brackets (*[bold if text]*) within the narrative.***

*Identify the attachment and the portion of the document for which you are requesting confidentiality. **Text, tables or graphics MUST be bolded and marked with asterisks and brackets (*[bold if text]*) on the attachment. If you are requesting confidentiality for portions of a multi-page document, such as the Business Plan, you MUST also list the page numbers on all pages that contain information marked by asterisks and bold brackets.***

Proposals that fail to differentiate truly proprietary information from public information by indiscriminately labeling large sections or entire proposals as proprietary cannot be properly protected and will be returned to the applicant without review and **may result in disqualification. Watermarks, footers and headers that state “Confidential” or similar general indications will be construed to be an indiscriminate labeling of confidential information and will not be acknowledged.**

Abstract/Executive Summary

The abstract or executive summary section required should not contain any confidential information. Applicants are advised that all information contained within the abstract or executive summary is subject to disclosure under the Michigan FOIA. By inserting confidential information in the abstract, applicants waive any and all rights and/or actions against the MEDC, the MSF Board and the State of Michigan for the release of information that otherwise would have been confidential information but for the applicant’s inclusion of the confidential information in the abstract.

H. Joint Evaluation Committee Review Process

Names of review or interview panel members will not be available to applicants. Applicants and their representatives are NOT permitted to contact the JEC members, MSF Board members or the MSF Fund Manager regarding the applicant’s proposal. All communications regarding the proposal or review process should be conducted via the following email address: PMVMF@Michigan.org. Any attempt by an applicant to contact the above mentioned parties may result in proposal disqualification.

By submitting a proposal, the applicant acknowledges that the decision to award an investment is subject to the sole discretion of the MSF Fund Manager. The MSF Fund Manager’s decision is final and is not subject to appeal. Any attempt by an applicant, collaborating entity, or other party of interest to the proposed project 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 proposal being eliminated from award consideration. If the applicant has already received an award, the award(s) may be revoked at the discretion of the MSF Board or MSF Fund Manager. However, this paragraph should not be construed in a manner that would prevent an applicant from taking action, including legal, to protect any rights bestowed on the applicant in the actual award agreement negotiated with successful applicants.

I. Due Diligence

Prior to the disbursement of a the PMVM Fund investment, the MEDC and the Office of the Chief Compliance Officer will conduct due diligence on the awardee, including, but not limited to, criminal and civil background checks of the applicant, and review of the applicant's organizational documentation and financial information. The background checks will include, but not be limited to, affiliates, subsidiaries, officers, directors and managerial employees. To facilitate these background checks, applicants will be required to provide the complete names, addresses, and birthdates of all persons for whom a background check will be conducted prior to the execution of an award agreement. All items must be submitted by **within two weeks of announcement of awards by the MSF Fund Manager**. If due diligence items are not submitted **within two weeks of announcement of awards**, the MSF Fund Manager reserves the right to rescind the award.

The following information will be required of the awardee. All items must be timely submitted and deemed satisfactory prior to the release of any award funds.

Individuals and Entities

Please immediately provide us the following information regarding your project and business entity.

Individuals: First, Middle, and Last Name for:

- Primary Contact
- Each Company Officer
- Each Company Director
- Each Management Employee

Entities (in addition to information on Individuals noted above):

- Legal Entity Name, Entity Location, and State and/or Country of Incorporation for:
- Applicant Business
- Each Affiliate of Applicant Business
- Each Subsidiary of Applicant Business
- If the Applicant Business conducts business with foreign countries, please list such countries.

Organization Registration:

To receive payment from the State of Michigan, Public Act 533 of 2004 requires that awardees be registered in the State of Michigan Vendor/Payee System, **and must** authorize payments to be made via electronic funds transfer (EFT). No awards will be finalized nor payments authorized until the required registration and authorization is complete.

If you have not registered with the State of Michigan, please initiate the process to do so. If you have already registered with the State of Michigan, please verify and update your information. If you have not authorized EFT payment, please initiate the process to do so.

Access the Vendor/Payee System, Contracts and Payment Express at www.michigan.gov/cpexpress. To speak with Vendor/Payee System staff for assistance, call (517) 373-6222. **REGISTRATION MUST BE COMPLETE AND UPDATED IN ORDER TO RECEIVE PAYMENT.**

Due Diligence Financial and Legal Documents:

Corporate Records, including but not limited to:

- Articles of Incorporation/Organization and Bylaws/Operating Agreement of the Company, as amended to date
- Certificate of Good Standing
- A copy of the most current organizational chart available for the Company, including all entities or investments in which the Company owns less than a 100% interest

Other Documents:

Copies of tax liens

Description of all pending or threatened litigation and unsatisfied judgments

Documents relating to any injunctions, consent decrees, or settlements to which the Company is a party

Submit a Disclosure and Conflict of Interest Statement. The Statement may be viewed by visiting

<http://www.michiganadvantage.org/Pure-Michigan-Venture-Match-Fund/>

List of all State of Michigan awards

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Appendix B

SUGGESTED CHECK-LIST

This list is not exhaustive and is in no way intended to substitute the review of the entire application guidelines by the Applicant.

- At least \$700,000 in matching funds but no more than \$5,000,000 of which 50% or \$500,000, whichever is less, must come from a qualified venture fund;
- For profit company;
- Company has 200 or less employees and has Michigan address or provided statement that they will move to Michigan if they receive funding from PMVM Fund;
- Technology Sector – mark all that apply;
 - a. Life Sciences Technology
 - b. Advanced Automotive Manufacturing and Materials
 - c. Homeland Security and Defense
 - d. Alternative Energy
 - e. Information Technology
 - f. Agricultural Processing Technology
 - g. and/or any other innovative technology: _____
- Business Plan - should be no more than 35 pages, excluding the cover page and exhibits;
- Financial Documents – exhibit or included in business plan;
- Historical Financials – exhibit or included in business plan;
- Key people bios (Management, Board Members, Venture Fund) – as exhibit or included in business plan;
- Lead Venture firm evaluation and valuation justification /investment thesis – as attachment or exhibit;
- Signed Term sheet written by the lead qualified Venture Fund(s) – as attach. or exhibit;
- Policy on conflict management – as attachment or exhibit;
- Qualified venture fund;
 - 1. Qualified Venture Fund(s) must have a minimum of \$7 million under management; **AND**
 - 2. Qualified Venture Fund(s) meet one of the following:
 - a. Qualified Venture Fund(s) must have at least five unrelated limited partners as investors in the current fund that will be used for the investment in the applicant Company; **OR**
 - b. Qualified Venture Fund may be Corporate Venture Fund department from the most recent published Fortune 1,000 list, if so the five limited partner requirement is waived; **AND**
 - 3. Qualified Venture Fund(s) must have a minimum of two managing partners/directors; **AND**
 - 4. Qualified Venture Fund(s) must be a member of the Michigan Venture Capital Association (MVCA) and/or the National Venture Capital Association (NVCA); **AND**
 - 5. Qualified Venture Fund(s) may be located in any state or country that can legally conduct business in the United States; **AND**
 - 6. No single qualified Venture Fund investment or commitment to invest in an applicant Company for this program may be more than 15% of the investment source fund under management; **AND**
 - 7. Venture Funds that have received a limited partner investment from Venture Michigan I, Venture Michigan Fund II or the 21st Century Investment Fund may qualify for as Venture Funds for PMVM Fund applications, so long as they comply with the other criteria.

MICHIGAN STRATEGIC FUND

**RESOLUTION
2013-**

**APPROVAL OF THE DECISION DOCUMENT FOR THE
PURE MICHIGAN VENTURE MATCH FUND GUIDELINE AMENDMENTS**

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, at its March 28, 2012 meeting, the MSF Board approved 1) the creation and operation of the Pure Michigan Venture Match Fund (“PMVMF”) and 2) the program guidelines for the PMVMF (the “PMVMF Guidelines”);

WHEREAS, on June 26, 2013, the MSF authorized the public notice of a public hearing to be held regarding proposed amendments to the Pure Michigan Venture Match Fund Guidelines (“PMVMF Amended Guidelines”);

WHEREAS, pursuant the public notice, a public hearing was held on July 17, 2013 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 PMVMF Amended Guidelines;

WHEREAS, the MSF has had an opportunity to consider the data, views, questions, and arguments regarding the proposed PMVM Fund;

WHEREAS, on August 28, 2013, the MSF approved the PMVMF Amended 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 PMVMF Amended Guidelines (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:

Lansing, Michigan
August 28, 2013

MSF Decision Document

Issue

Approval of the Pure Michigan Venture Match Fund Amended Guidelines

Background

As provided for in MCL 125.2088k(2), the Strategic Economic Investment and Commercialization Board (“SEIC Board”) shall award grants and loans from the 21st Century Jobs Trust Fund to encourage competitive edge technologies to create jobs in the State of Michigan. Pursuant to Executive Order 2010-8 the Governor ordered the SEIC Board abolished and all powers, duties, and functions of the SEIC Board were transferred to the Michigan Strategic Fund (“MSF”), including those powers and duties and functions provided under MCL 125.2088k. The MSF Board desires make changes to the Pure Michigan Venture Match Fund guidelines.

Public Hearing

A public hearing was held on February 8, 2012 to allow interested persons the opportunity to express data, views, questions, and arguments regarding the proposed Pure Michigan Venture Match Fund. Three people attended the public hearing and seven written comments were received. In addition, comments at the public hearing centered on the meaning of statewide in the eligibility requirements and the financial leverage and matching requirements. A summary of the public hearing was presented to the MSF Board at its August 28, 2013 meeting.

Decision

At its August 28, 2013 meeting, the MSF Board considered the comments received at the public hearing, and agreed that there was a need to amend the Pure Michigan Venture Match Fund Amended Guidelines. On August 28, 2013, the MSF Board approved the Pure Michigan Venture Match Fund Amended Guidelines.

Michael A. Finney, Chairperson
Michigan Strategic Fund Board



MEMORANDUM

Date: August 28, 2013

To: MSF Board Members

From: Marcia Gebarowski, Senior Development Finance Manager

Subject: *VernDale Products, Inc.*
Michigan Business Development Program Performance-based Grant request

Request

This is a request from the Michigan Strategic Fund (“MSF”) of \$436,000 in the form of a Michigan Business Development Program (“MBDP”) performance-based grant for VernDale Products, Inc. (“Company”) which will be repaid back to the MSF beginning in 2016. This project involves the creation of 13 Qualified New Jobs and a capital investment of up to \$15,991,458 in the City of Detroit, Wayne County.

Additionally, the project is requesting a waiver to the MBDP Guidelines that the project create a minimum of 50 Qualified New Jobs to be eligible for the incentive. This waiver is being requested on the grounds that this project is an agriculture processing company undertaking a large redevelopment, expansion, and retention initiative in the City of Detroit. The Company is projecting growth of 30% through this expansion effort.

Projects in Michigan’s agriculture industry do not typically rise to the minimum levels required for the MBDP incentive. VernDale Products, Inc. is the only company in Michigan that uses an old-fashioned manufacturing process to produce powdered milk, making the Company’s product highly desired in the chocolate industry and an essential part of the agriculture supply-chain for Michigan.

Additionally, the Company plans to expand in Detroit by redeveloping and remediating an existing industrial building which has been vacant for seven years, formally occupied by Wesley Dairy and owned by Borman. Borman filed for bankruptcy and lost the building to the bank three years ago. The surrounding area consists of a densely populated neighborhood providing access to local employment and a lightly occupied industrial park bordering I-96 and Southfield Freeway.

Background

VernDale Products, Inc. is a Detroit based producer of roller dried milk which the company supplies to manufacturers of premium milk chocolate candy. Founded in 1958, the company still uses a manufacturing technique which uses a roller process that is considered to be an old world, time-honored way of making powdered milk.

Today, VernDale has five milk dryers running at their current location in Detroit with no capacity to expand. The company is facing pressure from customer demand to expand their powdered milk manufacturing operation.

The company was approved for \$894,200 in SSBCI-Collateral Support funds by the delegation of the MSF on July 24, 2013 related to this project.

Michigan Economic Development Corporation

The Applicant plans to add a second powder milk production facility in Michigan, make investments and create jobs related to dairy product manufacturing.

- a) The Applicant is a “Qualified Business”, as defined in MCL 125.2088r(9)(b), that is located and operates in Michigan.
- b) The project will be located in City of Detroit. The city has offered a “staff, financial, or economic commitment to the project” in the form of a PA 198 of 1974 Plant Rehabilitation tax abatement. The estimated value of this 12 year abatement is \$3.3 million.
- c) The Applicant has demonstrated a need for the funding based on competing locations closer to their supply chain of dairy farmers along the I-75 corridor including Toledo, Ohio. A second location closer to the farms would cut down costs and time to truck raw product into the facility as well as shipping finished product out. Additionally, the company is committing to redevelop an abandoned and contaminated building for re-use in the City of Detroit adding more layers of costs versus a building more suitable to turn key operations for the company.
- d) The Applicant plans to create 13 Qualified New Jobs above a statewide base employment level of 43.
- e) The project meets the program guidelines as follows: the proposed project involves the redevelopment and re-use of an abandoned industrial building located in a distressed community, the company anticipates project costs will begin in the summer of 2013

RECOMMENDATIONS

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

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

MICHIGAN STRATEGIC FUND

RESOLUTION 2013-

**APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT TO
VERNDALE PRODUCTS INCORPORATED**

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, the Guidelines require that projects that do not create at least 50 Qualified New Jobs shall not be supported;

WHEREAS, the Guidelines require the MSF Board approve all decisions with respect to any exception to the Guidelines;

WHEREAS, VernDale Products, Inc. (“MBDP Applicant”) requests an exception or waiver to the Guidelines for the VernDale facility redevelopment and expansion project (“Project”) as the Project will create fewer than 50 Qualified New Jobs (“Exception Request”);

WHEREAS, the MBDP Applicant has requested a performance based MBDP grant of up to \$436,000 (“Grant Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”);

WHEREAS, the MEDC has recommended to the MSF Advisory Committee that the MSF approve the MBDP Applicant’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; and the MBDP Applicant’s Exception Request (collectively the “MBDP Award Recommendation”); and

WHEREAS, the MSF Advisory Committee has indicated its support of the MBDP Award Recommendation.

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan
August 28, 2013



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: 8/5/2013

1. **Company Name:** VernDale Products, Incorporated ("Company" or "Applicant")
2. **Company Address:** 8445 Lyndon Street
Detroit, MI 48238
3. **Project Address ("Project"):** 18940 Weaver
Detroit, MI 48228
4. **MBDP Incentive Type:** Performance Based Grant
5. **Maximum Amount of MBDP Incentive:** Up to \$436,000 ("MBDP Incentive Award")
6. **Base Employment Level** 43 The number of jobs currently maintained in Michigan by the Company based on data submitted by the Company to the MEDC reflecting the Company's statewide employment level in Michigan prior to the proposed project. The Base Employment Level, including identification 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:** 13 The minimum number of total Qualified New Jobs the Company shall be required to create at the Project (above the Base Employment Level), in addition to satisfying other milestones if applicable, to be minimally eligible to receive the full amount of the MBDP Incentive Award. Each Qualified New Job must be performed for consideration by a Michigan resident (whose Michigan income taxes are withheld as required),
(above Base Employment Level)

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

- a. **Start Date for Measurement of Creation of Qualified New Jobs:** Date of Approval of MSF Award
- 8. **Company Investment:** \$15,991,458 in building purchase, building renovations, machinery and equipment, furniture and fixtures *or any combination thereof, for the Project.*
- 9. **Municipality supporting the Project:** City of Detroit
 - a. **Municipality Support.** One of the conditions of execution of the final Agreement is the requirement that the municipality shall have committed to provide: a property tax abatement related to the Project. The final terms and conditions demonstrating this support shall be included in the final Agreement.
- 10. **Disbursement Milestones:** The final terms and conditions of each of the disbursements of any portion of the MBDP Incentive Award shall be included in the final Agreement, including that before any disbursement is made to the Company, the Company must have maintained: (i) the Base Employment Level (exclusive of the number of Qualified New Jobs then created) and (ii) any Qualified New Jobs created for which disbursements by the MSF have been made, and must otherwise be in compliance with all terms and conditions of the final Agreement, and further shall include:
 - a. **Disbursement Milestone 1:** *Up to \$436,000* Upon verification of invoices received by the Company for a minimum of \$436,000 related to activities that are eligible under Public Act 381 of 1996 at the Project and verification of final approval of municipality support by no later than June 30, 2014.
 - b. **Disbursement Milestone 2:** *No Disbursement* Upon completion of Milestone 1, and demonstrated creation of 13 Qualified New Jobs above the Base Employment Level by no later than December 31, 2016.
- 11. **Term of Agreement:** Execution of Agreement to December 31, 2018. Provided however, certain terms of the Agreement may be effective through a different end date including the annual payment terms and conditions (discussed below) which shall be effective through the date the MSF has received repayment of all of the

disbursements made to the Company by the MSF (plus any applicable interest, fees and costs if such payments are not made in a timely made)

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.

a. **Annual Payment.** The final agreement will include annual repayment terms and conditions which will require the company to repay 100% of the total grant in the amount of \$436,000, beginning December 31, 2016 and continuing each December 31st through December 31, 2023. A payment of \$54,500 will be due by no later than the due date of December 31st each year as outlined above.

Repayments required by any other repayment or default condition of the agreement would be in addition to the repayment of \$436,000 as stated above.

13. Reporting Requirements:

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

14. Public Announcements:

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

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

If the Company is interested in the MEDC pursuing a recommendation to the MSF for a possible MBDP Incentive Award for the Company along the above parameters, please sign and date this Term Sheet. If the MEDC does not receive the signed Term Sheet from the Company by August 7, 2013, the MEDC may not be able to proceed with any recommendation to the MSF.



VernDale Products, Incorporated

By: Dale Johnson

Printed Name: Dale Johnson

Its: President

Dated: 8/5/2013

Acknowledged as received by:

Michigan Economic Development Corporation

By: Marcia Gebarowski

Printed Name: Marcia Gebarowski

Its: Development Finance Mgr

Dated: August 5, 2013



MEMORANDUM

Date: August 28, 2013
To: MSF Board Members
From: Josh Hundt, Manager – Development Finance
Subject: *Norplas Industries, Inc. (“Company”)
Michigan Business Development Program Amendment #1 Request*

Request

The amendment request is to modify the grant requirements, and the grant amount to reflect the project changes. It is requested that the total Qualified New Job Creation requirement be reduced from 620 to 520 and that the due date for the first milestone be moved from December 31, 2013 to June 30, 2014. As a result of these modifications, it is requested that the total grant amount be reduced to \$1.7 million from \$2 million.

Background

On January 27, 2013, the Michigan Strategic Fund Board approved a \$2,000,000 performance-based grant for Norplas Industries, Inc. under the Michigan Business Development Program. The Company is in the process of establishing a new state of the art robotic paint line and injection molding facility in Delta Township. Additionally, the Company intends to establish a new operation for light assembly and sequencing for Ford Fusion front end modules in Brownstown Township.

Since the approval of the performance-based grant the Company’s contract with the OEM was modified to ensure the inclusion of a diversity partner in the contract. The Company has chosen its partner Dakkota Integrated Systems in Holt, Michigan to handle assembly and sequencing work related to the OEM contract. This modification to the project plans will result in a reduction of the overall size of the Company’s manufacturing facility in Delta Township, and the creation of 100 fewer jobs by Norplas Industries, Inc. from a total of 620 to 520. However, the work and jobs will remain in Michigan at the Dakkota Integrated Systems facility in Holt, Michigan.

Additionally, these contract changes, along with construction delays have pushed back the completion date for the manufacturing facility in Delta Township. This delay results in the Company anticipating it will meet milestone one of its performance-based MBDP grant by June 30, 2014, as opposed to the original target of December 31, 2013. All other milestone deadlines remain unchanged.

The overall investment of \$81.7 million and the Brownstown Township portion of the project remain unchanged.

Recommendation:

Staff recommends the following:

- a. Approval of the MBDP Proposal as outlined in the term sheet attached to the proposed Resolution.

Michigan Economic Development Corporation

MICHIGAN STRATEGIC FUND

RESOLUTION 2013-

APPROVAL OF AMENDMENT TO MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT TO NORPLAS INDUSTRIES 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, Norplas Industries Inc. (“Company”) requested a performance based MBDP grant for \$2,000,000 (“Grant Request”), along with other general terms and conditions which were outlined in the term sheet attached to Resolution 2013-009 which was approved on January 23, 2013 by Resolution 2013-009;

WHEREAS, the Company entered into a Grant Agreement with the MSF on February 12, 2013;

WHEREAS, due to changed circumstances the Company has requested an amendment to its Grant Agreement, along with other general terms and conditions which are outlined in the revised term sheet attached as Exhibit A (“Term Sheet”) (the “Amendment Request”);

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

WHEREAS, the MSF Advisory Committee has indicated its support of the MBDP Award Recommendation.

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan
August 28, 2013



**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.

This term sheet replaces the term sheet dated 12/26/2012, and reflects the modifications requested by Norplas Industries, Inc. in a letter dated 7/22/2013.

Date: 8/2/2013

1. **Company Name:** Norplas Industries, Inc. ("Company" or "Applicant")

2. **Company Address:** 7825 Caple Boulevard
Northwood, Ohio 43619

3. **Project Address ("Project"):** Mt. Hope Highway
Delta Township, Michigan

And

17800 Dix-Toledo Highway
Brownstown, Michigan 48193

4. **MBDP Incentive Type:** Performance Based Grant

5. **Maximum Amount of MBDP Incentive:** Up to \$1,700,000 ("MBDP Incentive Award")

6. **Base Employment Level** 0 The number of jobs currently maintained in Michigan by the Company based on data submitted by the Company to the MEDC reflecting the Company's 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:** 520 The minimum number of total Qualified New Jobs the Company shall be required to create in Michigan (above the Base Employment Level), in addition to satisfying other milestones if applicable, to be minimally eligible to receive the full amount of the MBDP Incentive Award. Each Qualified New Job must be performed for consideration by a Michigan resident (whose Michigan income taxes are withheld as required), and each Qualified New Job must be in excess of the Base Employment Level. The final terms and conditions of the requirements for the minimum number of Qualified New Jobs that must be created, including provisions addressing disbursements of portions of the MBDP Incentive Award, shall be included in the final Agreement.
- (above Base Employment Level)**
- a. **Start Date for Measurement of Creation of Qualified New Jobs:** Date of Approval of MSF Award
8. **Company Investment:** *Up to \$81,750,485 in land costs, new construction, lease costs, leasehold improvements, machinery & equipment, furniture & fixtures, computers, pollution control equipment, special tooling, or any combination thereof, for the Project.*
9. **Municipality supporting the Project:** Delta Township and Brownstown Township
- a. **Municipality Support.** One of the conditions of execution of the final Agreement is the requirement that both the municipalities shall have committed to provide a property tax abatement in support of the project. The final terms and conditions demonstrating this support shall be included in the final Agreement.
10. **Disbursement Milestones:** The final terms and conditions of each of the disbursements of any portion of the MBDP Incentive Award shall be included in the final Agreement, including that before any disbursement is made to the Company, the Company must have maintained: (i) the Base Employment Level (exclusive of the number of Qualified New Jobs then created) and (ii) any Qualified New Jobs created for which disbursements by the MSF have been made, and must otherwise be in compliance with all terms and conditions of the final Agreement, and further shall include:
- a. **Disbursement Milestone 1:** Up to \$630,000 Upon demonstrated creation of 210 Qualified New Jobs above the Base Employment Level and verification of final approval of municipality support by no later than June 30, 2014.
- b. **Disbursement Milestone 2:** Up to \$870,000 Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 290 additional Qualified New

Jobs above the Base Employment Level, by no later than December 31, 2014.

- c. **Disbursement Milestone 3:** Up to \$200,000 Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, and upon demonstrated creation of 20 additional Qualified New Jobs above the Base Employment Level, by no later than December 31, 2015.

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

12. Repayment Provisions:

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

13. Reporting Requirements:

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


14. Public Announcements:

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

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

If the Company is interested in the MEDC pursuing a recommendation to the MSF for a possible MBDP Incentive Award for the Company along the above parameters, please sign and date this Term Sheet. If the MEDC does not receive the signed Term Sheet from the Company by August 6, 2013, the MEDC may not be able to proceed with any recommendation to the MSF.

Norplas Industries, Inc.

By: 

Printed Name: FRANK W. ERVIN III

Its: DIRECTOR, GOVERNMENT AFFAIRS

Dated: 8-12-2013

Acknowledged as received by:

Michigan Economic Development Corporation

By: 

Printed Name: JOSHUA E. HUNDT

Its: Manages - Development Finance

Dated: 8-12-13



MEMORANDUM

Date: August 28, 2013

To: MSF Board Members

From: Michael Gietzen, Development Finance Manager

Subject: *Southwest Michigan First Corporation
Michigan Business Development Program Amendment #1 Request*

Request

The amendment request is to add language to the Michigan Business Development program Performance-based Loan agreement to allow Southwest Michigan First Corporation the ability to delegate certain duties and assign certain benefits to Southwest Michigan Buildings, LLC.

Background

On March 27, 2013, the Michigan Strategic Fund Board approved a \$4,000,000 performance-based loan for Southwest Michigan First Corporation under the Michigan Business Development Program. The Company is constructing a new product design and testing facility for Newell Rubbermaid within Western Michigan University Business, Technology and Research (“BTR”) Park in the City of Kalamazoo. The company will be contributing a total investment of land and new construction valued at a capital investment of \$4.3 million.

Southwest Michigan First Corporation has satisfied milestone one of their performance-based loan, for which they provided a fully executed construction contract for the design facility for Newell Rubbermaid at the Western Michigan University’s BTR Park, and provided verification that Kalamazoo County has made a contribution of economic development funds of at least \$75,000 to be allocated to this project for local support.

Per the August 1st monthly progress report, work is ongoing for the Newell Rubbermaid facility. The construction team continues to prepare the parcel for the delivery of the pre-engineered metal building and subsequent development. The tenant and architecture team are finalizing interior design and layout.

During the milestone one review process MEDC Staff was notified that Southwest Michigan First Corporation created a newly formed entity, Southwest Michigan Buildings, LLC to be the building and land owner for the Project, and to act on behalf of the original borrower. Southwest Michigan Buildings, LLC is a wholly owned entity of Southwest Michigan First Corporation.

Southwest Michigan Buildings, LLC was created to streamline accounting purposes, allow for easier tracking of project related expenses, and to make for a clean an easier transition of the building to Newell Rubbermaid upon purchase after five years.

Recommendation

The MEDC Staff recommends:

- a. Approval of the MBDP Proposal as outlined in the Resolution to amend the Loan Agreement to allow Southwest Michigan First Corporation the ability to delegate certain duties and assign certain benefits to Southwest Michigan Buildings, LLC.

MICHIGAN STRATEGIC FUND

RESOLUTION 2013-

**APPROVAL OF AMENDMENT TO MICHIGAN BUSINESS DEVELOPMENT PROGRAM LOAN TO
SOUTHWEST MICHIGAN FIRST CORPORATION**

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

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

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

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

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

WHEREAS, Southwest Michigan First Corporation (“Company”) requested a performance based MBDP loan for \$4 million (“Loan Request”), which was approved on March 27, 2013 by Resolution 2013-051;

WHEREAS, the Company entered into a Loan Agreement with the MSF on April 11, 2013;

WHEREAS, the Company has created the wholly owned subsidiary, Southwest Michigan Buildings, LLC, for business, legal and financial reasons to own the building and real property and to act on behalf of the Company;

WHEREAS, the Company is requesting an amendment to the Loan Agreement to allow Southwest Michigan First Corporation the ability to delegate certain duties and assign certain benefits in the Loan Agreement to Southwest Michigan Buildings, LLC, however, despite any delegation or assignment the Company shall remain fully liable for the loan (the “Amendment Request”); and

WHEREAS, the MEDC recommended the Amendment Request to the MSF Advisory Committee and the MSF Advisory committee has indicated its support of the Amendment Request.

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

BE IT FURTHER RESOLVED, the MSF Board approves the MSF Fund Manager to negotiate an amendment to the Loan Agreement pursuant to the Amendment Request, 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 an amendment.

Ayes:

Nays:

Recused:

Lansing, Michigan
August 28, 2013



MEMORANDUM

DATE: August 25, 2013

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

FROM: Joseph Martin, MEDC – Manager, Community Revitalization and Brownfield Programs
Julius Edwards, MEDC – Development Finance Manager
Eric Hanna, MEDC – Community Development

SUBJECT: Amendment of Michigan Community Revitalization Request for \$5,649,071
Performance-based Equity Contribution for the Flint Cornerstone Project:

URC FJ, LLC
503 South Saginaw St.
Flint, Michigan 48502

Uptown Reinvestment Corporation
503 South Saginaw St.
Flint, Michigan 48502

HWD Investors, LLC
503 South Saginaw St.
Flint, Michigan 48502

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(s) 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(s), and, as applicable, from other relevant third party sources utilized by staff.

HISTORY OF THE APPLICANT(S)

URC FJ, LLC is a subsidiary of the Uptown Reinvestment Corporation, Inc. (together “Co-applicants”) and are both located in Flint, Michigan. Uptown Reinvestment Corporation (URC) has been expressly responsible for the revitalization of Downtown Flint and oversees the management of the Flint Farmer’s Market. To date, the URC has completed seven projects totaling over 600,000 square feet of mixed-use space totaling \$65 million in investment. URC currently controls nearly one million square feet of commercial and residential space. Notable projects include the RiverFront Center, a 550-bed student housing complex, as well as the Rowe, Wade Trim, and First Street Loft buildings.

Michigan Economic Development Corporation

Neither the URC or URC FJ, LLC have received any incentives from the MSF previously. However, other subsidiaries of the URC have received brownfield and historic tax credits on past projects, and one subsidiary, Uptown RDA, LLC, received a MCRP award for \$625,000 for a neighboring health and wellness center. The previous incentives were not related to this project. Key personnel include Ridgway White, serving as the project manager, from the Charles Stewart Mott Foundation and Timothy Herman as President of the Uptown Reinvestment Corporation.

PROJECT DESCRIPTION

URC FJ, LLC plans to redevelop four city blocks in Downtown Flint to create an emerging health and wellness district. The redevelopment rests on three pillars: the renovation of the former Flint Journal Headquarters to make way for Michigan State University's Flint Public Health & Medical Campus project; the relocation of the 70-plus vendor Flint Farmer's Market to the vacant Flint Journal printing facility; and the demolition of the Genesee Towers property to make way for an engaging urban plaza. The renovation of the Former Flint Journal Headquarters will also include 16 loft-style apartments, and 10,000 square feet of renovated office space, to be marketed for future use. In addition to relocating the Flint Farmer's Market, the renovation of the vacant Flint Journal printing facility will include a community commercial kitchen to be used by local entrepreneurs. The proposed project takes place on approximately 7.2 acres of property located on and adjacent to 200 E. First Street in the City of Flint. The project includes a mix of uses including commercial, residential, public and farmer's market spaces.

- a) The project is "functionally obsolete" and a "historic resource" as authorized under the program. The Applicant(s) plans to make an investment of \$29,760,335 to the project for demolition, building renovations, and the purchase of furniture and fixtures as authorized under the program. The project will be located in the City of Flint. The City of Flint has offered a "staff, financial, or economic commitment to the project" in the form of a Community Development Block Grant totaling \$880,000 and the approval of an Obsolete Property Rehabilitation Certificate (OPRA).
- b) The project is located in a downtown or traditional commercial center. Preference was given to project based on the project's considerable impact on the redevelopment of downtown Flint and the project's ability to act as a catalyst to further development in the downtown area.

AMENDED DEAL STRUCTURE

The project is requesting a change in the award structure from a loan and grant contribution to an equity investment under "other economic assistance" under the MCRP authorizing statute. Additionally, the project is requesting the addition of HWD Investors, LLC as a "Co-applicant" to the structure.

URC FJ, LLC will be the property owner and is the entity responsible for the redevelopment of the properties, including making the investment on the property and providing the cash flow to service all debt payments arising from the transaction. It is proposed that Uptown Reinvestment Corporation and the MSF, as a limited member/partner, would enter into a limited liability company called HWD Investors, LLC ("LLC") whereby grants and other non-debt monies provided for the project along with the proposed CRP contribution are aggregated. This LLC will then provide low cost loans to the project through the New Markets Tax Credit structure. At the end of the compliance period for the tax credits, the structure would be collapsed via *de minimis* priced "Put" rights, leaving the LLC as the owner of all the project's assets (liquid and illiquid) and any associated loans.

It is proposed that based on the level of contributions provided to the partnership, the MSF would be entitled to approximately one-third (1/3) of the free cash flow of the project and the Uptown Reinvestment Corporation would be entitled to the remaining two-thirds (2/3) of the free cash flow. At present the cash

flow from the core tenant, MSU is anticipated to be sufficient to provide for debt service required under the New Markets Tax Credit structure, a subsidy to the farmers markets and operating costs at 1:1. As additional space is leased, excess cash flow becomes more predictable. This is the core reason for modifying the structure.

EQUITY PURCHASE

Co-Applicants: URC FJ, LLC/HWD Investors, LLC

MSF Investment Amount: \$5,679,071

Interest Purchased: MSF is currently anticipated to receive a a 1/3 limited liability interest in HWD Investors, LLC.. The MSF will provide no guarantees on debt and accept no recourse obligation. The LLC is two steps removed from the project holding company.

“Put” Right: The MSF will receive a “Put” right requiring the HWD Investors, LLC and/or other member(s) to repay in full the entire contribution provided to the partnership and any earned but unpaid profits available at the time of the notice to exercise the Put.

Membership Change: The MSF will have certain rights to block or consent to any material change in the membership of the entity. It is anticipated that the Tax Credit Investor may require some limitations on these rights which, so long as they do not create a violation of law or policy are anticipated to be acceptable.

Sale/Liquidation: The MSF will have the right to block or consent to the sale of the property at the conclusion of the New Markets Tax Credit Compliance Period.

Management: The MSF Fund Manager or his/her designee shall have the right to appoint at least one-third of the management team of the LLC.

Timing of Funding: The investment is authorized to fund on or about the date of the closing of the other project financing which shall include at a minimum the funding provided by Uptown Reinvestment Corporation to complete the capitalization of HWD Investors, LLC.

Term: No less than 30 years or as may otherwise be required by Tax Credit Investor.

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:

- The Investment Amount is not exceeded
- The “Put” right is substantially preserved

- The contemplated returns equal to approximately 1/3 of free cash flow
- The final terms comply with the CRP Guidelines and MSF Act

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

The project would be a significantly risky project under traditional financing mechanisms due to the vast amount of speculative space within the project scope and the large portion of the project dedicated to either non-income or low income producing uses. This project is considered a major community revitalization effort for the City of Flint that will transform approximately four city blocks.

Whether the project is financially and economically sound:

Upon completion, it is anticipated that the project will have no more than \$1,000,000 in hard debt with regularly scheduled debt service requirements arising from the Local Initiatives Support Corporation Loan. The anticipated lease with MSU will be sufficient to cover any required debt service payments related to the fixed principal and interest payments, essentially making the project breakeven from a cash flow perspective. The cash flow payments made to the MSF will arise as the additional office and loft space lease up and rents increase. Additionally, the project will maintain the support of the Uptown Reinvestment Corporation, the Charles Stewart Mott Foundation, MSU as well as the community as a whole.

A summary of the anticipated sources to the project can be found here:

State Community Revitalization Program		
Investment	\$	5,649,071
C. S. Mott Grant	\$	9,700,000
URC Equity	\$	200,000
City of Flint CDBG Grant	\$	880,000
Anonymous Donor	\$	1,500,000
Historic Tax Credits	\$	2,620,663
New Market Tax Credits	\$	5,927,301
Deffered Development Fee	\$	2,283,300
LISC Loan	\$	1,000,000
Total	\$	29,760,335

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:

This project is of great importance for the City of Flint and the residents within. The location of the MSU School of Public Health in downtown Flint will not only provide much needed employment opportunities in the area through 75 new full-time permanent positions, but is also an integral step in providing a sense of hope and revitalization within the City. Further, the

relocation of the Flint Farmer's Market will provide much needed access to fresh local food for area residents due to its close proximity to the Mass Transportation Authority's downtown Bus Transfer Station.

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

The construction of this development in downtown Flint will create an increase in demand for additional downtown businesses and services. In addition to the number of new folks working in downtown through job creation, the project also promotes downtown living and walkability.

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

The City of Flint is supporting the project through a Community Development Block Grant totaling \$880,000 and the approval of an Obsolete Property Rehabilitation Certificate.

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

This project involves the planned reuse of two vacant downtown buildings totaling approximately 176,000 square feet.

E. Creation of jobs:

This project is expected to create over 75 full-time and 25 part-time jobs.

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

This project includes a number of additional contributions including New Market Tax Credits (estimated \$5.9 million in equity generated), Federal Historic Tax Credits (20% credit generating equity of \$2.6 million), and private foundation funding in the amount of \$9.7 million from the Charles Stewart Mott Foundation.

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

With the inclusion of the 16 loft-style apartments this project is increasing the density of downtown residential space.

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

This project promotes mixed-use development by offering commercial offices, residential, and retail space. The project is located in downtown Flint and greatly promotes walkability by locating the Flint Farmer's Market in the heart of downtown, where downtown residents can walk to obtain fresh locally-grown produce.

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

This project does not include abandoned public buildings.

J. Whether the project promotes sustainable development:

This project promotes sustainable development by utilizing a number of Brownfield sites in downtown Flint. The reuse of Brownfield sites generally utilizes already existing public infrastructure decreasing the need for the development of new infrastructure often at the cost to public entities.

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

This project does include the rehabilitation of a historic resource. The developer is seeking a listing on the National Register of Historic Places for the former Flint Journal Headquarters building.

L. Whether the project addresses area-wide redevelopment:

This project will likely act as a catalyst for other projects in the area in the near future. With the increased traffic in downtown Flint, by new employees, students, and residents, an increased demand will likely spur further redevelopment. By supporting anchor institutions such as the MSU School of Public Health and the Flint Farmer's Market this shows other businesses in the area that downtown Flint is a sustainable place to locate.

M. Whether the project addresses underserved markets of commerce:

This project does not address any underserved markets of commerce.

N. The level and extent of environmental contamination:

Minimal environmental contamination is present at the Genesee Towers site and will be remediated as part of the demolition process.

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 will be rehabilitated in accordance with the federal Secretary of the Interior's Standards.

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

This project will not affect existing Michigan businesses within the same industry.

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

There are no additional factors that need to be considered for this project.

INCENTIVE OPPORTUNITY

This project involves \$22,596,285 in eligible investment and total capital investment of up to approximately \$29,760,335 in the City of Flint. The requested Incentive Amount from the MSF is \$5,649,071 in the form of an equity contribution in furtherance of the project.

RECOMMENDATIONS

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

- a) Recission of the June 26, 2013 approvals granted to this project discussing a similarly sized loan and grant combination.
- b) Approval of the MCRP Proposal as outlined above (collectively, "MCRP Proposal");
- c) 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 60 days.

MICHIGAN STRATEGIC FUND

RESOLUTION 2013-

APPROVAL OF A MICHIGAN COMMUNITY REVITALIZATION PROGRAM EQUITY CONTRIBUTION AWARD TO ONE OR MORE OF HDW INVESTORS, LLC, UPTOWN REINVESTMENT CORPORATION AND URC FJ, LLC (OR SUCH OTHER CO-APPLICANTS) (FLINT CORNERSTONE PROJECT)

WHEREAS, the Michigan legislature amended the Michigan Strategic Fund Act, MCL 125.2011 et. seq., to add Chapter 8C (being MCL 125.2090a – MCL 125.2090d, as 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, HDW Investors, LLC, Uptown Reinvestment Corporation, and URC FJ, LLC, or such other entities formed or to be formed in furtherance of the of the Flint Cornerstone project (“Co-Applicants”) have requested a performance based equity contribution to one or more of the Co-Applicants in furtherance of up to \$5,649,071 (“Equity 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 Equity 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 for the Equity Award Request within 120 days of the date of this Resolution (“Time Period”), or this Resolution shall have no effect; provided however, at the sole discretion of the MSF Fund Manager, the Time Period may be extended for up to an additional 60 days (“MCRP Award Recommendation”); and

WHEREAS, the MSF Advisory Committee has indicated its support of the MCRP Award Recommendation.

NOW, THEREFORE, BE IT RESOLVED, Resolution No. 2013-096 and Resolution No. 2013-097 are hereby rescinded in their entirety;

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

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

Lansing, Michigan
August 28, 2013

Exhibit A

Co-Applicants:	URC FJ, LLC/HWD Investors, LLC
MSF Investment Amount:	\$5,679,071
Interest Purchased:	MSF is currently anticipated to receive a a 1/3 limited liability interest in HWD Investors, LLC.. The MSF will provide no guarantees on debt and accept no recourse obligation. The LLC is two steps removed from the project holding company.
“Put” Right:	The MSF will receive a “Put” right requiring the HWD Investors, LLC and/or other member(s) to repay in full the entire contribution provided to the partnership and any earned but unpaid profits available at the time of the notice to exercise the Put.
Membership Change:	The MSF will have certain rights to block or consent to any material change in the membership of the entity. It is anticipated that the Tax Credit Investor may require some limitations on these rights which, so long as they do not create a violation of law or policy are anticipated to be acceptable.
Sale/Liquidation:	The MSF will have the right to block or consent to the sale of the property at the conclusion of the New Markets Tax Credit Compliance Period.
Management:	The MSF Fund Manager or his/her designee shall have the right to appoint at least one-third of the management team of the LLC.
Timing of Funding:	The investment is authorized to fund on or about the date of the closing of the other project financing which shall include at a minimum the funding provided by Uptown Reinvestment Corporation to complete the capitalization of HWD Investors, LLC.
Term:	No less than 30 years or as may otherwise be required by Tax Credit Investor.
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 Investment Amount is not exceeded• The “Put” right is substantially preserved• The contemplated returns equal to approximately 1/3 of free cash flow• The final terms comply with the CRP Guidelines and MSF Act



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, 149 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.

- 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 2013-

**APPROVAL OF A MICHIGAN COMMUNITY REVITALIZATION PROGRAM
LOAN PARTICIPATION AWARD FOR 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 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 a loan commitment to Mid Towne Hospitality, LLC and /or related entities (“Proposed Borrower”) of up to \$19,134,043 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 \$3,000,000 (“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 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 30 days (“MCRP Award Recommendation”); and

WHEREAS, the MSF Advisory Committee has indicated its support of the MCRP Award Recommendation.

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan
August 28, 2013



MEMORANDUM

Date: August 28, 2013

To: Michigan Strategic Fund

From: Joseph Martin, Manager Brownfield and Community Revitalization Program
Dan Wells, MEDC Community Development Specialist

Subject: Large Brownfield SBT Credit Amendment #2 & Act 381 Work Plan Amendment #2
Mid Towne Village, LLC
City of Grand Rapids Brownfield Redevelopment Authority
Mid Towne Village Project
City of Grand Rapids, County of Kent

BROWNFIELD SINGLE BUSINESS TAX CREDIT AMENDMENT APPLICANT

Mid Towne Village, LLC
545 Michigan Street N.E.
Suite 301
Grand Rapids, Michigan 49503

Contact: Brad Rosely, Member

ACT 381 WORK PLAN AMENDMENT APPLICANT

City of Grand Rapids Brownfield Redevelopment Authority

Contact: Kara Wood, Director of Economic Development

MICHIGAN SINGLE BUSINESS TAX CREDIT AMENDMENT REQUEST

Project Eligible Investment: \$51,025,582
Requested Credit Amount: \$2,000,000 (Capped)
Requested Credit Percentage: 10%

ACT 381 WORK PLAN AMENDMENT REQUEST

The City of Grand Rapids Brownfield Redevelopment Authority has submitted an Act 381 Work Plan Amendment (hereinafter Work Plan Amendment) request to approve the increase of local and school tax capture for MSF eligible activities by the amount of \$7,490,284, as summarized in the table below.

<u>Activity</u>	<u>Original Costs</u>	<u>2013 Added Costs</u>	<u>Total Costs</u>
Demolition	\$345,000	\$0	\$345,000
Infrastructure Improvements	\$1,501,347	\$6,504,595	\$8,005,942
Site Preparation	\$444,388	\$0	\$444,388
Contingency	\$343,602	\$975,689	\$1,319,291
Work Plan Preparation	\$8,500	\$10,000	\$18,500
Interest	\$797,325	\$0	\$797,325
Total	\$3,440,162	\$7,490,284	\$10,930,446

PROJECT DESCRIPTION

This project was subject to a work plan approved July 13, 2004 for demolition, site preparation and infrastructure improvements, contingency, work plan preparation and interest totaling \$3,440,162, and was subsequently amended October 16, 2007 to add two years to complete eligible activities. A Single Business Tax Brownfield Tax Credit was 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 extend 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 completed phases of the project include a three story, 30,000 square foot mixed use medical office and retail building, on Lot D; a four story, 85,000 square foot medical office building (the “Women’s Health Center of West Michigan”) on Lot B; and a 33 unit residential condominium building on Lot F. The remaining two phases were to be a building and associated parking deck on Lot A with estimated eligible investment of \$13 million (Phase III), and a building on Lot C with an eligible investment of \$3.8 million (Phase IV).

The SBT amendment request is to combine the remaining two phases (III and IV) into a single phase (III) and utilize the remaining credits to construct a five-story, 94,000 square foot, 148 room hotel on Lot A. A hotel use was contemplated in the original SBT credit approval for this parcel, but the developer could never find a tenant for that use due to the limited surface parking on the site, and the costs to construct a private deck made the project untenable. With the proposed reimbursement of parking deck costs via the work plan and combination of phases, the developer has come to agreement with a hotel management company that will develop the site.

The work plan amendment is to increase the infrastructure improvement activity costs to enable construction of the integrated 200 car private parking deck that will serve the hotel on Lot A; a 30 space underground parking garage for a future office building on Lot C; low impact design urban stormwater management; contingency; and additional Brownfield plan and work plan amendment preparation costs. The developer is confident that Lot C will be redeveloped for medical office use without the need for tax credit incentives since the costs for underground parking will be covered under the work plan. The work plan amendment request includes adding eight years, five months and 18 days, until December 31, 2017, to complete eligible activities, per the development agreement.

The project is a multi-phase project and will be completed in 3 phases as described below:

Phase I (completed) – A 3-story, 30,000 square foot mixed use building with retail on the first floor and medical offices on the second and third floors. This Phase is complete. The eligible investment was \$7,745,000 and the credit was issued for \$200,000, and;

Phase II (completed) – A 4-story, 85,000 square foot medical building which houses the Women’s Health Center of West Michigan, and a 33-unit townhome-style condo building. This phase is complete. The eligible investment was \$29,200,000 and the credit was issued for \$1,100,000, and;

Phase III – A 94,000 square foot, 148 room, 5-story hotel will be constructed. Phase 3 will incorporate the credit previously approved for Phase 4 as this amendment requests Phase 4 be removed. The eligible investment is \$14,080,582 and the credit amount remaining is \$700,000.

Phase III includes approximately 40 permanent full-time and 10 part-time jobs that are anticipated to be created by the commercial portion of the project at an average hourly wage of \$14 for full-time and \$10 for the part-time jobs. Phase III capital investment is expected to be \$27 million. The total capital investment in the overall project is \$37 million to date and will be approximately \$53.8 million when complete.

OTHER STATE AND LOCAL ASSISTANCE

The project is currently requesting a \$3 million participation loan under the Michigan Community Revitalization Program to complete the hotel development on Lot A.

COST OF ELIGIBLE INVESTMENTS BY PHASE

Phase I (Complete)	
Demolition	\$ 345,000
Site Improvements	1,900,000
New Construction	+ 5,500,000
Phase I Total	\$ 7,745,000
Phase II (Complete)	
Site Improvements	\$ 200,000
New Construction	+ 29,000,000
Phase II Total	\$ 29,200,000
Phase III	
New Construction	\$ 12,230,582
Addition of Machinery & Equipment	+ 1,850,000
Phase III Total	\$ 14,080,582

TOTAL COST OF ELIGIBLE INVESTMENTS

Demolition	\$ 345,000
Site Improvements	2,100,000
New Construction	46,730,582
Addition of Machinery & Equipment	+ 1,850,000
TOTAL	\$ 51,025,582

TAX CAPTURE BREAKDOWN

There are 45.4524 non-homestead mills available for capture, with school millage equaling 24 mills (52.80%) and local millage equaling 21.4524 mills (47.20%). It should be noted that under the amended Development Agreement the portions of the development that are complete will be severed from the tax increment revenue in the future; only the new development will contribute to the tax increment revenue going forward. This is so the City may begin to realize the tax increment benefits from the previously completed phases of the project. The requested tax capture for MSF eligible activities breaks down as follows:

School tax capture (52.80%)	\$3,954,869
Local tax capture (47.20%)	<u>\$3,535,415</u>
TOTAL	\$7,490,284

COST OF MSF ELIGIBLE ACTIVITIES

Infrastructure Improvements	\$6,504,595
Sub-Total	\$6,504,595
Contingency (15%)	+ 975,689
Sub-Total	\$7,480,284
Brownfield/Work Plan Preparation	+ 10,000
TOTAL	\$7,490,284

RECOMMENDATION

For the Brownfield SBT credit amendment request, the MEDC recommends approval of the request to combine the remaining two phases (III and IV) into a single phase (III) and apply the remaining credits, capped at \$700,000, to phase III.

For the Brownfield work plan amendment request, the MEDC also recommends approval to increase local and school tax capture for the MSF eligible activities totaling \$7,490,284 described above. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at \$3,954,869. In addition, MEDC recommends extending the time to complete eligible activities for eight years, five months and 18 days, until December 31, 2017.

MICHIGAN STRATEGIC FUND

Resolution 2013-

Mid Towne Village, LLC (Mid Towne Village Project) Brownfield Redevelopment MBT Credit – Amendment #2 City of Grand Rapids

At the meeting of the Michigan Strategic Fund (“MSF”) held on August 28, 2013 in Lansing, Michigan.

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

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

WHEREAS, by Resolution 2004-47 on August 17, 2004, amended by Resolution 2007-85 on October 16, 2007, the MEGA Board awarded a Brownfield MBT Tax Credit to Mid Towne Village, LLC (the “Applicant”) to make eligible investment up to \$48,600,000 at an eligible property in the City of Grand Rapids (the “Project”);

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

WHEREAS, the Applicant has submitted a request to amend the Project by modifying the scope of the Project by reducing the Project from four phases to three phases, and increasing the eligible investment to up to \$51,025,582 as follows:

Phase 1 – Construction of a three-story, 30,000 square foot mixed use building with retail and medical offices;

Phase 2 – Construction of a four-story, 85,000 square foot medical building and a 33-unit condo building; and

Phase 3 – Construction of an approximately 94,000 square foot, five-story hotel with approximately 149 guest rooms.

WHEREAS, the Michigan Economic Development Corporation provides administrative services to the MSF, and recommends approval of the amendment by the MSF Board provided that the tax credit remain capped at \$2,000,000.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board amends the Project by modifying the scope of the Project by reducing the Project from four phases to three phases.

BE IT FURTHER RESOLVED, that the maximum eligible investment is increased to \$51,025,582, and that the maximum MBT Brownfield Credit of 10 percent of the eligible investment remain at \$2,000,000.

BE IT FURTHER RESOLVED, that if the Applicant does not complete all three phases, any credit claimed for each component will have to be reimbursed with interest.

BE IT FURTHER RESOLVED, that all other provisions of Resolution 2004-47, as amended, are reaffirmed and the MSF authorizes the MSF Fund Manager to implement the terms of this resolution.

Ayes:

Nays:

Recused:

Lansing, Michigan
August 28, 2013

MICHIGAN STRATEGIC FUND

RESOLUTION 2013-

**City of Grand Rapids Brownfield Redevelopment Authority
Mid Towne Village Project
(Amendment #2)
City of Grand Rapids**

At the meeting of the Michigan Strategic Fund (“MSF”) held on August 28, 2013 in Lansing, Michigan.

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

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, 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, the MEGA Board approved a Work Plan request for the Mid Towne Village Project (the “Project”), by Resolution 2004-42 on July 13, 2004, and amended by Resolution 2007-86 on October 16, 2007, authorizing the Authority to capture taxes levied for school operating purposes based on a maximum of \$3,440,162 in eligible activities;

WHEREAS, the qualified taxpayer wishes to amend the scope of the Project by incorporating a parking deck into the building of the Project, including stormwater management, increasing the maximum amount for eligible costs, and increasing time to complete the eligible activities;

WHEREAS, the City of Grand Rapids Brownfield Redevelopment Authority (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 (the “MEDC”) provides administrative services to the MSF, and has reviewed the application and recommends approval of the amended Brownfield Work Plan by the MSF Board.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board authorizes a project scope amendment for the Authority to capture taxes levied for school operating purposes in substantially the same proportion as the 52.8% to 47.2% ratio currently existing between school and local taxes for non-homestead properties, to reimburse the cost of infrastructure improvements and site preparation as presented in the revised Work Plan dated June 6, 2013. 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 \$7,480,284 for the principal activity costs of non-environmental activities and a contingency, and a maximum of \$10,000 for Brownfield/Work Plan preparation and MSF review costs, and with the capture of taxes levied for school operating purposes being limited to a maximum of \$3,954,869.

BE IT FURTHER RESOLVED, that the MSF Board authorizes the staff of the MSF, 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 Grand Rapids, 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 staff. Eligible activities authorized by this resolution must be completed by December 31, 2017.

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

Ayes:

Nays:

Recused:

August 28, 2013
Lansing, Michigan

MEMORANDUM

Date: August 28, 2013

To: Michigan Strategic Fund Board Members

From: Marilyn Crowley, Community Assistance Team Specialist
Deborah Stuart, Community Development Incentives Director

Subject: Community Development Block Grant Program
Blight Elimination-Historic Preservation
City of Dowagiac, County of Cass

Request

The City of Dowagiac is requesting \$171,005 in Community Development Block Grant (CDBG) funds for blight elimination through historic preservation in Cass County.

Background

This project involves a complete renovation of 115 South Front Street in downtown Dowagiac by Forrest Finn, LLC. Decatur State Bank currently owns the property and acquired it through a foreclosure. Forest Finn, LLC will be purchasing the property once they are CDBG approved and will be completing the full rehabilitation of the building. A movie theatre will be added on the first story and three residential market rate units on the second story. The property is blighted due to structural issues, non-compliance with the Exterior Maintenance Code, and utilities rendering being unsafe.

This blighted, foreclosed, vacant property will be returned to active use and will act as a catalyst in the revitalization efforts for downtown Dowagiac. CDBG funded activities include historic façade renovations, roof repair, mechanical and electrical upgrades that will eliminate the blighted conditions. Private activities include acquisition, architecture/engineering and interior rehabilitation.

Program Requirements

- **National Objective**

This project qualifies for CDBG funding as the project activities will result in the elimination of spot blight. This project is eligible, as it meets the definition of blight as defined in the Brownfield Redevelopment Financing Act 381 of 1996, MCL 125.2652 (e)(i-iv) and (vii). The site will be evaluated upon completion of the project to assure the blight has been eliminated.

- **Eligible Activity**

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

- **Screening Guidelines**

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

- **Project Type:**
Funding priority was given to this project due to the holistic nature of the rehabilitation of the project and the local organization capacity to successfully complete the project. Additionally, the project has been evaluated and given priority based on:
 - The project's location within a traditional downtown, high pedestrian area.
 - The project being a privately owned historic property located in an eligible local historic district.
 - The owner providing an overall match that significantly exceeds the required minimum.
 - The rehabilitation of a vacant, foreclosed, blighted property being converted to active use and increasing density in the downtown.

- **Minimum Local Participation:**
The match contribution for this project is noted in Attachment A and equals \$354,481 which is sixty-seven percent (67%) of the total project cost and will be provided by the sole owner of Forrest Finn, LLC, Jeremy Jager. The City of Dowagiac USDA revolving loan fund will also finance \$50,000 of the project.

- **Financial Viability and Background Check:**
The business receiving the benefits from this project has completed a background check with no concerns and has been determined to be financially viable.

- **Project Budget**
See Attachment A.

The MEDC staff has concluded that the project meets the minimum program requirements to be eligible under the CDBG program.

Recommendation

The MEDC Staff recommends:

- A CDBG Blight Elimination grant agreement in the amount of \$171,005 be authorized for the City of Dowagiac for the Forrest Finn, LLC Blight Elimination through Historic Preservation Project with the following contingency:
 - Forrest Fin, LLC, shall provide to the MEDC documentation that it has closed on the First State Bank loan prior to executing the grant agreement.

PROJECT BUDGET
MICHIGAN COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

1. Applicant: City of Dowagiac			2. Project Title: Forrest Fin, LLC Blight Elimination through Historic Preservation Project				
3. Project Cost Elements		4. Project Funding Sources (Identify all other funding sources)					
Activities	CDBG	Private	USDA				TOTAL
Architecture & Engineering	\$0	\$2,000	\$0				\$2,000
Property Acquisition	\$0	\$52,000	\$0				\$52,000
Rehabilitation	\$171,005	\$235,481	\$0				\$406,486
Personal Property	\$0	\$15,000	\$50,000				\$65,000
TOTAL	\$171,005	\$304,481	\$50,000				\$525,486

MICHIGAN STRATEGIC FUND

RESOLUTION 2013- _____

APPROVAL OF CITY OF DOWAGIAC BLIGHT ELIMINATION PROJECT

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

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

WHEREAS, the CDBG program has policies, criteria, and parameters which are enumerated in the 2012 Program Guidelines, as amended (the "Criteria") authorized by Resolution 2012-028, and the 2012 Application Guide (the "Guide") authorized by Resolution 2012-067. Included in those Criteria and Guide are guidelines for Blight Elimination grants;

WHEREAS, the City of Dowagiac (the "Community") has submitted a complete application for approval requesting funding to be used to fund the Forrest Fin, LLC Blight Elimination through Historic Preservation (the "Project");

WHEREAS, CDBG program staff reviewed the proposed Project in light of the Criteria, Guide and HUD regulations and concluded the Project is eligible for funding, is not speculative in nature, is economically sound, is ready to proceed, and will eliminate specific conditions of blight or physical decay on a spot basis not located in a designated slum or blighted area; and

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

NOW, THEREFORE, BE IT RESOLVED, that the MSF authorizes a grant to the Community not to exceed \$171,005 for the payment or reimbursement of costs associated with the Project, and, allocates \$171,005 from the Michigan CDBG program for the purpose of funding the Community's proposed Project contingent upon the MSF's continued receipt of CDBG funds and availability of adequate funds; and

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

BE IT FURTHER RESOLVED, if the Community fails to execute and return the grant agreement to staff within 180 days of the date this Resolution is adopted, this Resolution shall be of no further force and effect and shall be void.

Ayes:

Nayes:

Recused:

Lansing, Michigan
August 28, 2013



MEMORANDUM

Date: August 28, 2013
To: Michigan Strategic Fund Board
From: Amy Lux, Renaissance Zone Program Specialist
Subject: *Kraftwood Engineering Company
Tool and Die Recovery Zone – Revocation*

Action

Kraftwood Engineering Company's (the "Company") Tool and Die Recovery Zone is being recommended for revocation by the Michigan Strategic Fund ("MSF") Board. There are 6 years remaining on the Company's 10-year Tool and Die Recovery Zone, designated on December 19, 2009 and currently set to expire on December 31, 2019.

Background

The Company was in the business of jig and fixture manufacturing, among others, at a facility in Commerce Township (the "Township"), Oakland County. Its operations were supported by a Tool and Die Recovery Zone designation with the Third Coast Tooling Alliance (the "Collaborative"), awarded in 2009 by the MSF Board. The President of the Collaborative notified Staff at the Michigan Economic Development Corporation ("MEDC") that the Company's operations had ceased on their Recovery Zone-designated property and that the Company was no longer a participating member of the Collaborative. Therefore, the Company is no longer qualified to receive the benefits of a Recovery Zone because the Company is not using the incented property primarily for tool and die business operations, nor is the Company currently a party to a qualified collaborative agreement, as required by the Michigan Renaissance Zone Act.

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

The MEDC confirmed with the Township Treasurer that the Company ceased tool and die business operations and notified the Collaborative a recommendation would be made to the MSF Board to formally revoke the Company's Recovery Zone designation.

Recommendation

The MEDC Staff recommends the MSF Board revoke the Tool and Die Recovery Zone designation for Kraftwood Engineering Company's site in Commerce Township. All properties will go back on the tax rolls effective December 31, 2013 for property tax purposes and January 1, 2014 for other tax purposes.

MICHIGAN STRATEGIC FUND

**RESOLUTION
2013-**

**REVOCATION OF AN EXISTING TOOL & DIE RENAISSANCE
RECOVERY ZONE DESIGNATION: Kraftwood Engineering Company**

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

WHEREAS, on December 16, 2009, the MSF Board designated a Recovery Zone for the Third Coast Tooling Alliance, LLC (the “Collaborative”), effective January 1, 2010;

WHEREAS, the Collaborative included Kraftwood Engineering Company (the “Company”), whose Tool and Die Recovery Zone designation is located at 4400 Haggerty Road and 1145 Rig Street, Walled Lake, Michigan 48390, on parcel numbers E-17-13-400-029 and E-17-27-351-012, respectively (collectively, the “Property”);

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

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

WHEREAS, the MEDC received notification from the President of the Collaborative that the Company’s operations had ceased at the Property and the Company is no longer a participating member in the collaborative agreement;

WHEREAS, the MEDC considered and investigated the notification submitted by the Collaborative and recommends revocation of the Company’s Tool and Die Recovery Zone designation.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board revokes the Tool and Die Recovery Zone designation for Kraftwood Engineering Company for the Property located at 4400 Haggerty Road and 1145 Rig Street, Walled Lake, Michigan 48390, on parcel numbers E-17-13-400-029 and E-17-27-351-012, respectively, effective January 1, 2014; and

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

Ayes:

Nays:

Recused:

Lansing, Michigan
August 28, 2013



MEMORANDUM

Date: August 28, 2013
To: Michigan Strategic Fund Board
From: Amy Lux, Renaissance Zone Program Specialist
Subject: *L.S. Precision Tool & Die, Inc.*
Tool and Die Recovery Zone – Revocation

Action

The Tool and Die Recovery Zone designation for L.S. Precision Tool & Die, Inc. (the “Company”) Tool and Die Recovery Zone is being recommended for revocation by the Michigan Strategic Fund (“MSF”) Board. There are 7 years remaining on the Company’s 15-year Tool and Die Recovery Zone, designated on December 21, 2005 and currently set to expire on December 31, 2019.

Background

The Company was in the business of prototype manufacturing for automotive seating components, as well as building and repairing stamping dies at a facility in the City of Battle Creek (the “City”). Its operations were supported by a Tool and Die Recovery Zone designation with the Southwest Michigan Tooling Collaborative (the “Collaborative”), awarded in 2005 by the MSF Board. The President of the Collaborative notified Staff at the Michigan Economic Development Corporation (“MEDC”) that the Company’s operations had ceased on their Recovery Zone-designated property and that the Company was no longer a participating member of the Collaborative. Therefore, the Company is no longer qualified to receive the benefits of a Recovery Zone because the Company is not using the incented property primarily for tool and die business operations, nor is the Company currently a party to a qualified collaborative agreement, as required by the Michigan Renaissance Zone Act.

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

The MEDC confirmed with our local partners at Southwest Michigan First that the Company ceased tool and die business operations and Certificate of Dissolution filed with the Michigan Department of Licensing and Regulatory Affairs indicates the Company dissolved by shareholder vote on December 16, 2011. The MEDC has notified the Collaborative a recommendation would be made to the MSF Board to formally revoke the Company’s Recovery Zone designation.

Recommendation

The MEDC Staff recommends the MSF Board revoke the Tool and Die Recovery Zone designation for L.S. Precision Tool & Die, Inc.’s site in the City of Battle Creek. All properties will go back on the tax rolls effective December 31, 2013 for property tax purposes and January 1, 2014 for other tax purposes.

MICHIGAN STRATEGIC FUND

**RESOLUTION
2013-**

**REVOCATION OF AN EXISTING TOOL & DIE RENAISSANCE
RECOVERY ZONE DESIGNATION: L.S. Precision Tool & Die, Inc.**

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

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

WHEREAS, the Collaborative included L.S. Precision Tool & Die, Inc. (the “Company”), whose Tool and Die Recovery Zone designation is located at 1201 Denso Rd, Battle Creek, MI 49015 at parcel number 3020-01-094-2 (the “Property”) for a fifteen (15) year term, expiring at the end of the year 2020;

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

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

WHEREAS, the MEDC received notification from the President of the Collaborative that the Company’s operations had ceased at the Property and the Company is no longer a participating member in the collaborative agreement;

WHEREAS, the MEDC investigated the notification from the Collaborative, has confirmed that the Company’s operations on the Property have ceased, and recommends revocation of the Company’s Tool and Die Recovery Zone designation.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board revokes the Tool and Die Recovery Zone designation for L.S. Precision Tool & Die, Inc. for the Property located at 1201 Denso Rd, Battle Creek, MI 49015 at parcel number 3020-01-094-2, effective January 1, 2014; and

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

Ayes:

Nays:

Recused:

Lansing, Michigan
August 28, 2013



MEMORANDUM

Date: August 28, 2013
To: Michigan Strategic Fund Board
From: Amy Lux, Renaissance Zone Program Specialist
Subject: *H.S. Technologies, Inc.*
Tool and Die Recovery Zone – Revocation

Action

The Tool and Die Recovery Zone designated for H.S. Technologies, Inc. (the “Company”) is being recommended for revocation by the Michigan Strategic Fund (“MSF”) Board. There are 3 years remaining on the Company’s 7-year Tool and Die Recovery Zone, designated on October 28, 2009 and currently set to expire on December 31, 2016.

Background

The Company was in the business of tooling secondary equipment, at a facility in Tallmadge Charter Township (the “Township”), Ottawa County. Its operations were supported by a Tool and Die Recovery Zone designation with the Coopersville Tooling Coalition’s (the “Collaborative”), awarded in 2009 by the MSF Board. The President of the Collaborative notified Staff at the Michigan Economic Development Corporation (“MEDC”) that the Company’s operations had ceased on their Recovery Zone-designated property and that the Company was no longer a participating member of the Collaborative. Therefore, the Company is no longer qualified to receive the benefits of a Recovery Zone because the Company is not using the incented property primarily for tool and die business operations, nor is the Company currently a party to a qualified collaborative agreement, as required by the Michigan Renaissance Zone Act.

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

The MEDC confirmed with the State of Michigan Department of Labor & Economic Growth that the Company was dissolved in January of 2013 and notified the Collaborative a recommendation would be made to the MSF Board to formally revoke the Company’s Recovery Zone designation. .

Recommendation

The MEDC Staff recommends the MSF Board revoke the Tool and Die Recovery Zone designation for H.S. Technologies, Inc.’s site in Tallmadge Charter Township. All properties will go back on the tax rolls effective December 31, 2013 for property tax purposes and January 1, 2014 for other tax purposes.

MICHIGAN STRATEGIC FUND

**RESOLUTION
2013-**

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

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

WHEREAS, on December 16, 2004, the MSF Board approved the designation of a Tool and Die Recovery Zone for the Coopersville Tooling Coalition (the “Collaborative”), effective January 1, 2005;

WHEREAS, on October 28, 2009, the MSF Board approved the addition of H.S. Technologies, Inc. (the “Company”) to the Collaborative’s Tool and Die Recovery Zone, for its operations located at 0-159 1st Court NW, Grand Rapids, Michigan 49534 at property parcel numbers 70-10-24-400-068, 70-10-24-484-005, 70-55-25-101-191, and 70-55-25-104-186 (collectively, the “Property”);

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

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

WHEREAS, the MEDC received notification from the President of the Collaborative that the Company’s operations had ceased at the Property and the Company is no longer a participating member in the collaborative agreement;

WHEREAS, the MEDC investigated the notification submitted by the Collaborative, confirmed that the Company’s operations have ceased, and recommends revocation of the Company’s Tool and Die Recovery Zone designation.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board revokes the Tool and Die Recovery Zone designation for H.S. Technologies, Inc. for the Property located at 0-159 1st Court NW, Grand Rapids, Michigan 49534 at property parcel numbers 70-10-24-400-068, 70-10-24-484-005, 70-55-25-101-191, and 70-55-25-104-186, effective January 1, 2014; and

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

Ayes:

Nays:

Recused:

Lansing, Michigan
August 28, 2013



MEMORANDUM

Date: August 28, 2013
To: Michigan Strategic Fund Board
From: Amy Lux, Renaissance Zone Program Specialist
Subject: *Imperial Laser, Inc.*
Tool and Die Recovery Zone – Revocation

Action

Imperial Laser, Inc.'s (the "Company") Tool and Die Recovery Zone is being recommended for revocation by the Michigan Strategic Fund ("MSF") Board. In 2011, the Company moved its facility from the original site of the Recovery Zone in Tallmadge Charter Township (the "Township"), Ottawa County to another site within the Township outside of the Recovery Zone boundaries. There are 7 years remaining on the Company's 15-year Tool and Die Recovery Zone, designated on December 21, 2005 and currently set to end on December 31, 2020.

Background

The Company is in the business of laser cutting and fabricating at its facility in the Township. Its operations were supported by a Tool and Die Recovery Zone designation with the Central Michigan Collaborative, awarded in 2005 by the MSF Board. President of the Central Michigan Collaborative notified Staff at the Michigan Economic Development Corporation ("MEDC") that the Company is no longer occupying the site of their Recovery Zone designation and moved on to a different facility within the Township in 2011. The MEDC has confirmed the move with our local partner in the Ottawa County Economic Development Office.

Under the Michigan Renaissance Zone Act, the abandoned Recovery Zone is no longer eligible for Recovery Zone benefits because it is not being used primarily for tool and die business operations by the designated company.

The Company and the Township have been notified of the MEDC's intent to recommend revocation to the MSF Board.

Recommendation

The MEDC Staff recommends the MSF Board revoke the Tool and Die Recovery Zone designation for the site formerly occupied by Imperial Laser, Inc. in Tallmadge Charter Township. All properties will go back on the tax rolls effective December 31, 2013 for property tax purposes and January 1, 2014 for other tax purposes.

MICHIGAN STRATEGIC FUND

**RESOLUTION
2013-**

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

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

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

WHEREAS, the Collaborative included Imperial Laser, Inc. (the “Company”), whose Tool and Die Recovery Zone designation is located at 0-11285 1st Ave NW, Suite 101, Grand Rapids, Michigan 49544 at parcel number 70-10-24-484-008 (the “Property”) for a fifteen (15) year term, expiring at the end of the year 2020;

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

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

WHEREAS, the MEDC received notification from the President of the Collaborative that the Company’s operations had ceased at the Property;

WHEREAS, the MEDC investigated the notification from the Collaborative, has confirmed that the Company’s operations on the Property have ceased, and recommends revocation of the Company’s Tool and Die Recovery Zone designation.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board revokes the Tool and Die Recovery Zone designation for Imperial Laser, Inc. for the Property located at 0-11285 1st Ave NW, Suite 101, Grand Rapids, Michigan 49544 at parcel number 70-10-24-484-008, effective January 1, 2014; and

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

Ayes:

Nays:

Recused:

Lansing, Michigan
August 28, 2013



MEMORANDUM

Date: August 28, 2013
To: Michigan Strategic Fund Board
From: Amy E. Lux, Renaissance Zone Program Specialist
Subject: *Frontier Renewable Resources, LLC*
Renewable Energy Renaissance Zone – Revocation

Action

Michigan Economic Development Corporation (“MEDC”) Staff requests the Michigan Strategic Fund (“MSF”) Board approve the recommendation to revoke Frontier Renewable Resources, LLC’s (the “Company”) Renewable Energy Renaissance Zone to the State Administrative Board (“SAB”). There are 12 years remaining on the Company’s 15-year Renaissance Zone term, designated on December 7, 2010 and currently set to expire on December 31, 2025.

Background

The Company is in the business of developing and operating a cellulosic ethanol biorefinery at a site in Kinross Charter Township, Chippewa County. As a condition to receiving the Renaissance Zone, the Company entered into a development agreement (the “Agreement”) with the MSF, within which the Company committed to investing \$290.5 million and to creating 70 new jobs by December 31, 2013, as well as, commencing construction on the facility within one-year of the designation, December 7, 2011. This condition is echoed in the MSF Resolution recommending the designation and it is a statutory requirement contained in the Renaissance Zone Act, 1996 PA 376, as amended.

Based on representations made by the Company in their annual progress reports, and confirmed in subsequent discussions MEDC Staff have had with the Company’s leadership, construction commencement has yet to occur and less than \$12,000 of capital investment has been put in to the site of the project so far. The MEDC notified the Company of their non-compliance and initiated the 90-day cure period required in the Agreement. The Company subsequently waived their entitlement to the cure period, conceding that unforeseen setbacks have delayed the start-up of this project, such as a reduction in commitment of the primary investor, Valero Energy Corporation.

Due to the Company’s failure to commence construction by the one-year deadline, the MSF Board has both contractual and statutory authority to recommend revocation of the Company’s Renewable Energy Renaissance Zone designation to the SAB.

For this project, the Company has received federal and other state incentives, including funds from the Centers of Energy Excellence (“COEE”) Program. The MEDC Staff is currently still in negotiations with the Company to determine the appropriate course of action as the Company continues to work for sufficient financing and attempts to moves forward with their project on the delayed-time line.

Recommendation

MEDC Staff recommends that the MSF Board approve the associated resolution to recommend to the SAB the revocation of Frontier Renewable Resources, LLC’s Renewable Energy Renaissance Zone. All properties will go back on the tax rolls effective December 31, 2013 for property tax purposes and January 1, 2014 for other tax purposes.

MICHIGAN STRATEGIC FUND

RESOLUTION 2013-

REVOCATION OF AN EXISTING RENEWABLE ENERGY RENAISSANCE ZONE DESIGNATION: Frontier Renewable Resources, LLC

WHEREAS, Section 8e of the Michigan Renaissance Zone Act, 1996 PA 376, as amended, (the “Act”) authorizes the State Administrative Board (“SAB”) to designate up to 15 renaissance zones for renewable energy facilities upon the recommendations of the Michigan Strategic Fund (“MSF”) and the Michigan Commission of Agriculture (“MCA”), if the renewable energy facility uses agricultural crops or residues, or processed products from agricultural crops as its primary raw material source, and the consent of the local unit of government in which the proposed renaissance zone will be located;

WHEREAS, on December 7, 2010, the SAB approved a Renewable Energy Renaissance Zone for Frontier Renewable Resources, LLC (the “Company”) after receiving recommendation of approval from the MSF Board for the Company’s facility beginning January 1, 2011;

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

WHEREAS, Section 8e(3) of the Act allows the SAB to revoke the designation of all or a portion of a Renewable Energy Renaissance Zone if the SAB determines the renewable energy facility: (1) failed to commence operation; (2) ceases operation; or (3) fails to commence construction or renovation within one (1) year from the date the renaissance zone for the renewable energy facility is designated;

WHEREAS, the Company, due to financing issues, has failed to commence construction of the facility within one year of receiving the renaissance zone designation, as required by the terms of its development agreement, the Act, and as conditioned in the granting MSF Resolution 2010-221;

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

WHEREAS, pursuant to the development agreement, MEDC staff, on behalf of the MSF, has sent notice to the Company to cure its noncompliance and the Company has waived the 90-day cure period;

WHEREAS, the MEDC has also notified Kinross Charter Township of its recommendation that the Company’s renewable energy renaissance zone designation be revoked;

WHEREAS, the MEDC recommends that the MSF Board approves for recommendation to the State Administrative Board the revocation of the Company’s renewable energy renaissance zone designation.

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan
August 28, 2013



MICHIGAN STRATEGIC FUND

300 N Washington Sq
Lansing, MI 48913

MEMORANDUM

MSF BOARD

Michael A. Finney
Chairperson
President and Chief
Executive Officer,
(MSF Board President
and Chairman)
Michigan Economic
Development Corporation

Steve Arwood
Director,
Michigan Department of
Licensing and Regulatory
Affairs

Andy Dillon
State Treasurer,
Michigan Department
of Treasury

Ron Boji
President, Boji Group

Michael J. Jackson, Sr.
Executive Secretary,
Michigan Regional
Council of Carpenters

Sabrina E. Keeley
Chief Operational Officer,
Business Leaders for
Michigan

Bill J. Martin
Chief Executive Officer,
Michigan Association
of REALTORS®

William Morris
President/Chief
Investment Officer,
Prairie & Tireman, LLC

J. Craig DeNooyer
President, Treystar

Richard Rassel
Director of Global Client
Relations, Butzel Long

Shaun W. Wilson
Vice President/Director of
Client and Community
Relations, PNC Financial
Services Group

DATE: September 13, 2013

TO: Governor Rick Snyder, Chairperson
State Administrative Board

FROM: Michael Finney, Chairperson
Michigan Strategic Fund

SUBJECT: Michigan Strategic Fund Recommendation
Frontier Renewable Resources, LLC – Kinross Charter Township
Revocation of a Renewable Energy Renaissance Zone

In December of 2010, the State Administrative Board (the “SAB”) approved a 15-year Renewable Energy Renaissance Zone (“RERZ”) for Frontier Renewable Resources, LLC (the “Company”) on the recommendation of the Michigan Strategic Fund (“MSF”) Board. The RERZ was approved to support the Company’s plan to construct and operate a cellulosic ethanol biorefinery plant in Kinross Charter Township. In exchange for their RERZ designation, the Company entered in to a development agreement with the MSF (the “Agreement”) outlining certain job creation, capital investment, and a commitment to commence construction of the project within one year of designation, by December 7, 2011. Project commencement within one year of designation is also required in the Michigan Renaissance Zone Act, 1996 PA 376, as amended.

Due to unforeseen setbacks, including a reduction in commitment of the primary investor of the project, commencement of construction still has yet to occur and the one-year deadline has since lapsed. Due to the significance of the delay in the launch construction, the Michigan Economic Development Corporation (“MEDC”) has notified the Company of its intent to seek a revocation of the RERZ in order to initiate the 90-day cure period required in the Agreement. The Company has expressly waived the cure period in correspondence with the MEDC.

On August 28, 2013, the MSF Board, serving as the Renaissance Zone Review Board created by Public Act 376 of 1996, as amended, recommended revocation of the Company’s RERZ.

Revocation of Existing Renewable Energy Renaissance Zone:

Frontier Renewable Resources, LLC – Kinross Charter Township

The attached documents, from the Michigan Strategic Fund summarize the considerations regarding the applicant.

Attachments



MEMORANDUM

Date: August 28, 2013
To: Michigan Strategic Fund
From: Karla Campbell, MSF Fund Manager
Subject: Amended Background Review Policy for MSF Programs

BACKGROUND

General duties of the MSF Board include that the MSF is to establish requirements to ensure that monies awarded under certain 21CJF programs, including the Michigan Business Development Program (“MBDP”) and the Michigan Community Revitalization Program (“MCRP”), are not provided to any person that has been convicted of a criminal offense or held liable in civil proceedings that negatively reflects on the business integrity of the person based on a finding of embezzlement, theft, forgery, bribery, falsification or destruction of records, receiving stolen property, or violation of state or federal antitrust statutes. Additionally, the MSF Act provides that if the person is a business entity, it includes the affiliates, subsidiaries, officers, directors, managerial employees, and anyone holding 20% or more of a pecuniary interest, directly or indirectly in that business entity (collectively, “Key Personnel”) (“Background Review”). Historically, the 21CJF incentives were limited to awards to start-up or small business entities or funds, such as those awards involving the 2006 and 2008 Business Competition programs, the Company Formation Growth Fund program, Accelerator Fund program, and Angel Tax Incentive Programs. To comply with the general duties under Section 88c(4), the Background Review for historical start-up and small businesses have included requiring representations and warranties by the awardee, that neither it or its Key Personnel have such criminal or civil findings, as well as an actual background check being conducted, via available databases on the company and its Key Personnel (even though such background check is not required by the MSF Act).

Over the past few years, MSF incentives have grown to provide cash collateral to support, or purchasing a part of, a credit facility provided by the state, regional and national financial institutions (the 21CJF MSDF program, and its federally funded counterpart SSBCI program run by the MSF). The Background Review for transactions under MSDF and the SSBCI have also included, though not required by the MSF Act, actual background checks of the borrower and its Key Personnel, as well as requiring representations and warranties from the financial institutions and borrowers that neither they nor their Key Personnel have such criminal or civil findings.

Under the 21CJF programs, the MSF provides incentives to awardees, most of which are not start-up companies and have included large state, regional, national, and even international entities that create jobs or provide needed development to projects in Michigan. Unlike the other MSF Act sections which authorized other 21CJF programs, under Section 88r, the MSF Board was required to establish policies and procedures to actually conduct a background check on a qualified business applying for an MBDP award.

On February 27, 2012, the MSF Board adopted guidelines for conducting a Background Review for both the MBDP and MCRP programs, although the other 21CJF programs and MEDC programs followed the

same guidelines voluntarily. These guidelines included, among other things, conducting a background check on the applicant and Key Personnel, as well as requiring representations and warranties from the applicant that the applicant and its Key Personnel do not have the criminal convictions or civil liabilities which would prohibit the MSF from providing the incentive under Section 88c(4).

The MSF Board amended the guidelines on September 12, 2012 to limit the Background Review to the last five years, and created a process for a company to provide mitigating circumstances if it has prohibited criminal convictions or civil liabilities to show that the conviction or liability does not negatively impact the business integrity of the applicant or its Key Personnel.

The MSF Board further amended the guidelines on March 27, 2013 by eliminating the need for Key Personnel to complete a separate questionnaire form; however, a background check would still be completed on each Key Personnel. The guidelines were further amended to allow the MSF Chairperson and MSF Fund Manager to exempt, in part or in whole, municipalities, non-profit entities, and institutions of higher education from a background check.

ISSUE

Many of the applicants that we serve are large entities with key personnel spread across multiple locations. We have also found that although positions within those entities meet the definition of the Key Personnel, their duties and responsibilities do not rise to the level of having key decision making authority which the policy was originally established to protect. Thus, the impact of the current background check process has been cumbersome for the applicants and their Key Personnel which have resulted in delays in the applicant's ability to process the forms and responses in order for the MEDC to make recommendations of an award to the MSF Board. These delays have caused applicants to delay making investments and/or creating jobs. The value of an extensive background check on the Key Personnel that have yielded few findings has not outweighed the cost of the delay in project processing.

RECOMMENDATION

It is recommended that the background check process be modified to require a background check via Westlaw, LexisNexis, Google, or any other internet search engine to be conducted only on the applicant and the following Key Personnel: 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 position in charge of applicant's financial affairs; and the position that is responsible for managing the incentive for the applicant. Further, the applicant will be required to certify, through representations and warranties in the agreement, that its Key Personnel, and parent and subsidiary entities, do not have a criminal conviction or civil liability that would negatively reflect on the business integrity of the Key Personnel under Section 88c(4) and 88k(6)(b). For 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 above positions of the borrower.

While each applicant and its Key Personnel present its own risk, the data available and the resulting actions suggests that reducing the actual background checks on all of the Key Personnel remains a low risk. The low risk is mitigated further by required language in the agreement of a representation and warranty that neither the applicant nor Key Personnel have a criminal conviction or civil liability under Section 88c(4) and 88k(6)(b) both at the execution of the agreement and ongoing through the term of the agreement. This reduction in process time will make the incentive programs more efficient for the customer and lead to earlier job creation and/or investment.

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 Key Personnel: 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; 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. **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.
5. **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, or (ii) the MSF Board.

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

Key Owners and Personnel means: if the applicant is a business entity, its affiliates, subsidiaries, officers, directors, managerial employees, 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 6, 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.

MICHIGAN STRATEGIC FUND

RESOLUTION 2013-

APPROVAL OF THE BACKGROUND REVIEW POLICY

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

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

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

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

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

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

WHEREAS, on February 27, 2012, by Resolution 2012-25, as amended by Resolution 2012-108 and Resolution 2013-59, the MSF approved background review guidelines toward compliance with Section 88c(4) and Section 88r(5);

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

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

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

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

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

BE IT FURTHER RESOLVED, Resolution 2013-59 is rescinded in its entirety.

Ayes:

Nays:

Recused:

Lansing, Michigan
August 28, 2013

MEMORANDUM

Date: August 28, 2013

To: Michigan Strategic Fund Board Members

From: Deborah Stuart, Community Development Incentives Director

Subject: Community Development Block Grant Program
Amendment to the Memorandum of Understanding between the Michigan Strategic Fund and the Michigan Economic Development Corporation

Request

Staff is requesting an extension of the term for the existing Memorandum of Understanding (MOU) between the Michigan Strategic Fund (MSF) and the Michigan Economic Development Corporation (MEDC) related to the CDBG program.

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.

During a monitoring visit by HUD in 2012, it was recommended that the MSF and the MEDC enter into a MOU for the purpose of specifying responsibilities between the MSF and the MEDC in administering the CDBG program. The attached document is the current MOU which outlines responsibilities and signing authority between the two entities. The term of the MOU has expired and needs to be extended. Staff is recommending the term be extended for two years.

Recommendation

The MEDC Staff recommends the MSF:

- Authorize an amendment to the existing MOU between the Michigan Strategic Fund and the Michigan Economic Development Corporation to extend the term of the agreement to June 30, 2015.

**MEMORANDUM OF UNDERSTANDING
BETWEEN
THE MICHIGAN STRATEGIC FUND
AND
THE MICHIGAN ECONOMIC DEVELOPMENT CORPORATION**

This Memorandum of Understanding (“MOU”) is entered into as of September 27, 2012 between the Michigan Strategic Fund (“MSF”) and the Michigan Economic Development Corporation (“MEDC”) to set forth the parties’ understandings with respect to the MSF’s administration of the Michigan Community Development Block Grant Program (“CDBG Program”) pursuant to the Housing and Community Development Act of 1974, Public Law 93-383, as amended; 42 U.S.C. 5301 *et seq.*, its implementing regulations, and applicable federal and state laws (collectively, “CDBG Legislation”), and, the United States Department of Housing and Urban Development (HUD) approved State of Michigan Consolidated State Plan for Housing and Community Development (“State Plan”).

I. PURPOSE

Under the direction and control of the MSF Board, the MEDC shall provide certain administrative services associated with the CDBG Program, as provided in this MOU. It is the intent of the parties that the MSF and the MEDC will work cooperatively to ensure compliance with CDBG Legislation and that administrative services performed by the MEDC are conducted in such a way as to assist the MSF to meet CDBG Program national objectives and satisfy all CDBG Legislation and State Plan requirements.

II. MSF AUTHORITY AND RESPONSIBILITIES

The MSF is the state agency grant recipient for CDBG Program funds. Pursuant to CDBG Legislation, the MSF is responsible to ensure that CDBG funds are used in accordance with all CDBG program requirements. MSF Resolution 2012-105 dated and approved on September 27, 2012, approves this MOU. The MSF Fund Manager oversees MSF grant recipient responsibilities, and has oversight and control over all administrative services to be provided by the MEDC under this MOU.

III. MEDC RESPONSIBILITIES

Pursuant to MSF Resolution 2012-105 and in accord with the provisions of this MOU, the MEDC agrees to provide the following administrative services for the CDBG Program under the direction and control of the MSF Fund Manager:

- A. Ensure compliance with CDBG Legislation, the State Plan, MSF resolutions and all applicable state requirements related to the CDBG Program;
- B. Manage, review and monitor all CDBG Program resolutions approved by the MSF Board and all decisions of the MSF Fund Manager in compliance with CDBG Legislation and the State Plan;
- C. Provide daily administrative services and oversight of CDBG Program activities and grants. Except as provided in this MOU, the CDBG Program Manager may approve and sign no-cost grant modifications and amendments to MSF Board approved CDBG grants. Provided however, that grant modifications or amendments to increase a grant or project budget, change an award recipient or intended beneficiary, shall require prior approval by the MSF Board;
- D. Provide administrative services for daily operations of the CDBG Program’s local revolving loan fund program (“RLF”) consistent with any previous MSF Board approved RLF restructuring. The CDBG Program Manager may approve and sign RLF loans, loan amendments and loan documents, and, amendments or modifications to local RLF reuse plans consistent with MSF Board approved resolutions. Provided, however, that any transfer

or assignment of any RLFs, RLF funds or program income and any new or reassigned grant funds awarded to the RLF program shall require prior approval by the MSF Board;

- E. Prepare and present CDBG Program reports to the MSF Board, on a quarterly basis, and prepare any additional CDBG Program reports required by CDBG Legislation or MSF resolutions;
- F. Maintain separate and appropriate accounting financial records and source documents for all CDBG Program funds;
- G. After disclosure to and as directed in consultation with the MSF Fund Manager, timely review audit reports and take appropriate actions to assist with federal and state audit findings and questioned costs;
- H. Work with communities and issue grant assistance offer letters, but not incur obligations or sign grant agreements until authorized by the MSF Board;
- H. Coordinate its administrative services with all other local, state and federal agencies and departments that have any authority or responsibilities in connection with the CDBG Program or this MOU; and
- I. Consult with the MSF Fund Manager and Department of Attorney General regarding any items that would have a potential legal impact on the MSF or the parties involved in the project.

IV. DURATION OF MOU

This MOU remains in effect through June 30, 2013, unless extended in writing and signed by the parties to this MOU. This MOU may be terminated in writing by the parties, or by giving the other party 90 days written notice of such termination.

V. NO INDEMNIFICATION

The MSF and the MEDC must each seek its own legal representation and bear its own costs, including judgments, in any litigation that may arise from the performance of this MOU. It is specifically understood and agreed that none of the parties will indemnify the others in any litigation

VI. SERVICE FEES

As payment for the MEDC services under this MOU, the MSF shall pay for actual costs related to the administration of the CDBG Program. Provided, however, that those costs do not exceed the allowable administrative and technical assistance costs defined in the CDBG Legislation.

VII. MODIFICATION OF AGREEMENT

The MSF and the MEDC agree that this MOU may be modified or amended from time to time, in writing, by the parties. The modifications or amendments must be approved by the MSF Board and signed by an authorized representative of each party.

MICHIGAN ECONOMIC DEVELOPMENT CORPORATION,
a public body corporate

Dated: _____

By: _____

Jennifer Nelson
Chief of Staff and General Counsel

MICHIGAN STRATEGIC FUND,
an agency of the State of Michigan

Dated: _____

By: _____

Karla Campbell
MSF Fund Manager

MICHIGAN STRATEGIC FUND

RESOLUTION 2013-

EXTENSION OF THE MEMORANDUM OF UNDERSTANDING FOR THE MICHIGAN ECONOMIC DEVELOPMENT CORPORATION TO PROVIDE ADMINISTRATIVE SERVICES FOR THE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

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

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

WHEREAS, pursuant to MCL 125.2007(i), the MSF Board may engage personnel as is necessary and engage the services of private consultants, managers, counsel, auditors, engineers, and scientists for rendering professional management and technical assistance and advice;

WHEREAS, under MCL 125.2005(7), the MSF Board may delegate to its president, vice-president, staff or others those functions and authority the MSF Board deems necessary and appropriate;

WHEREAS, it is the desire of the MSF Board that the staff of the Michigan Economic Development Corporation (the "MEDC") administer MSF programs associated with the CDBG program;

WHEREAS, to that end, the MSF Board desires to enter into a Memorandum of Understanding ("MOU") between the MSF and the MEDC that describes the respective roles and responsibilities of the MSF and MEDC for the administrative services to be provided for the CDBG program; and

WHEREAS, the MSF board believes it is in the best interest of the CDBG program to extend the term to June 30, 2015 for the attached MOU that describes the respective roles and responsibilities of the MSF and MEDC for the administrative services to be provided for the CDBG program subject to the direction and control of the MSF Board.

NOW, THEREFORE, BE IT RESOLVED, subject to the control and direction of the MSF Board, the MEDC shall provide certain administrative services for the CDBG program as set forth in the attached MOU that describes the respective roles and responsibilities of the MSF and MEDC until June 30, 2015; and

BE IT FURTHER RESOLVED, that the MSF Board authorizes the MSF Fund Manager to sign the amendment to the MOU on its behalf.

Ayes:

Nays:

Recused:

Lansing, Michigan
August 28, 2013