

MICHIGAN STRATEGIC FUND BOARD MEETING

March 28, 2012

1:30 p.m.

Michigan Economic Development Corporation

300 N. Washington

Lake Michigan Conference Room

Lansing, Michigan

AGENDA

Call to Order

- A. **Adoption of February 27, 2012 Minutes** *[Action Item]*
Public Comment *[Please limit public comment to three (3) minutes]*
Communication *[Information – Ellen Graham]*

- B. **Private Activity Bonds –** *[Action Item – Diane Cranmer]*
 - 1. Prefix Corporation and Co-Borrowers: Prefix Coatings, LLC; 3500 Joslyn Rd., LLC; and Kim-Fix, LLC – \$5,000,000 - Bond Inducement – New Financing/Manufacturing – Auburn Hills, Oakland County
 - 2. Apogee Enterprises – NTE \$10,000,000 - Bond Authorizing – New Financing/Manufacturing – Richmond Township, Osceola County and Walker, Kent County

- C. **Community Development Block Grant Program – 2012 Consolidated Plan –** *[Action Item – Deborah Stuart]*

- D. **Renaissance Zones – Amendment Application Approval** *[Action Item – Karla Campbell]*

- E. **Tool & Die Recovery Zones – Advanced Integrated Tooling Solutions – Time Extension –** *[Action Item – Karla Campbell]*

- F. **21st Century Jobs Fund Program**
 - 1. Michigan Official Travel Guide RFP *[Action Item – George Zimmerman]*
 - 2. NRG – *[Action Item – Michael Psarouthakis]*
 - 3. Pure Michigan Venture Match Fund - *[Action Item – Michael Psarouthakis]*
 - 4. MSDF – Guideline Modifications – *[Action Item – Eric Hanna]*
 - 5. Capital Conduit *[Action Item – Eric Hanna]*

**MICHIGAN STRATEGIC FUND BOARD MEETING
FEBRUARY 27, 2012**

PROPOSED MEETING MINUTES

A meeting of the Michigan Strategic Fund [MSF] Board was held on Monday, February 27, 2012 at the Michigan Association of Realtors, 720 N. Washington Avenue, Lansing, Michigan.

MEMBERS PRESENT: Mike Finney, Mike Jackson, Andrew Lockwood [acting for and on behalf of Andy Dillon, designation attached], Bill Martin, Howard Morris [via phone] Al Pohl [acting for and on behalf of Steven Hilfinger, designation attached], Richard Rassel, Shaun Wilson

MEMBERS ABSENT: Paul Hodges, Sabrina Keeley, James Petcoff

CALL TO ORDER: Mr. Finney called the meeting to order at 1:30 p.m.

APPROVAL OF THE JANUARY 25, 2012 MEETING MINUTES: Mr. Finney asked if there were any questions from the Board. There being none, Mr. Lockwood motioned approval of the January 25, 2012 MSF Board meeting minutes. Mr. Jackson seconded the motion. The motion carried – 8 ayes; 0 nays; 0 recused; 3 absent.

PUBLIC COMMENT: Mr. Finney asked if there was any public comment. There was none.

COMMUNICATIONS: Ellen Graham, Board Relations Liaison, advised the Board that Paul Hodges, Sabrina Keeley, and Jim Petcoff were unable to attend the meeting. The order of the agenda items had been changed to accommodate project attendees as well as recusal for Shaun Wilson for Item C1&2 – Private Activity Bonds and Item D – Community Development Block Grant Program. A Designation of Alternate Fund Manager Resolution was distributed to Board members following Agenda Item E.

NEXT MICHIGAN DEVELOPMENT CORPORATION

Resolution 2012-14 – I-69 International Trade Corridor

Karla Campbell, Manager, Tax Incentive Programs, provided the Board with information regarding this item and introduced guests: Dan Casey, CEO, Economic Development Alliance of St. Clair County; Janice Karcher, Vice President, Genesee Economic Growth Alliance; Jim Smiertka, Senior Vice President & General Counsel, Prima Civitas Foundation; Justin Horvath, Economic Development Director, Economic Development Corporation of Shiawassee County; Patricia Crawford-Lucas, Executive Director, Economic Development Corporation of Lapeer County; John Barsalou, Deputy Airport Director.

Ms. Campbell advised the Board an application had been received for the designation of the I-69 Corridor as a Next Michigan Development Corporation [NMDC]. The designation empowers the I-69 Corridor with the incentive tools identified through Section 6(1) of the Next Michigan Development Act, MCL 125.2956(1), to support its economic development efforts. Representatives of businesses and local government partners from Shiawassee, Genesee, Lapeer and St. Clair counties along with Bishop International Airport discussed their respective efforts focusing on economic development projects designed to utilize shared transportation assets to attract, retain and expand companies and generate jobs across the region. They reported that region will include representation from nearly 33 municipalities.

Recommendation: Staff recommends approval of the designation of the I-69 International Trade Corporation Next Michigan Development Corporation as a Next Michigan Development Corporation with an effective date of February 27, 2012.

Board Discussion: Mr. Finney asked if there were any questions from the Board. Mr. Rassel asked about competition between this collaboration and Translink; a logistics initiative under the jurisdiction of the Detroit Regional Chamber. Mr. Smiertka explained that the I-69 Corridor and Translink will work cooperatively to ensure appropriate transportation linkages for companies and projects. Mr. Rassel was concerned about possible confusion between the Port Huron and Detroit collaborations. Mr. Finney explained that the MEDC will focus on helping to ensure economic sustainability for all Next Michigan Development Corporation collaborations. There being no further questions, **Mr. Lockwood motioned approval for Resolution 2012-14. Mr. Martin seconded the motion.** The motion carried – 8 ayes; 0 nays; 0 recused; 3 absent.

Resolution 2012-15 – Grand Traverse Region

Ms. Campbell provided the Board with information regarding this action item and introduced guests – John Sych, Grand Traverse County Planning & Development Director, Marguerite Cotto, Northwest Michigan College Lifelong & Professional Learning Vice President; Doug DeYoung, Traverse City Chamber Vice President, Government Relations & Business Advocacy; Chuck Korn, Garfield Township Supervisor, Glen Lile, East Bay Charter Township Supervisor; and Jean Derenzy, Grand Traverse County Planning & Development Deputy Director

Mr. Finney introduced Representative Wayne Schmidt, 104 District, City of Traverse City, who attended in support of this project.

Ms. Campbell advised the Board that an application for the Grand Traverse Region Next Michigan Development Corporation was received January 31, 2012. The communities involved are Grand Traverse County, City of Traverse City, Garfield Charter Township, East Bay Charter Township and Blair Township. Members of these communities were introduced to the Board. The Grand Traverse Region intends to focus on industries within the biomedical/biotechnical field, machinery manufacturing, transportation equipment manufacturing, arts, entertainment, recreation and visitors industries, etc. The community representatives discussed their respective efforts focusing on economic development projects designed to utilize shared transportation assets to attract, retain and expand companies and generate jobs across the region.

Recommendation: Staff recommends approval of the designation of the Grand Traverse Region Next Michigan Development Corporation as a Next Michigan Development Corporation with an effective date of February 27, 2012.

Board Discussion: Mr. Finney asked if there were any questions from the Board. Mr. Rassel inquired about whether additional communities would be permitted to join the collaboration. A representative answered yes. There being no further questions, **Mr. Lockwood motioned approval for Resolution 2012-15. Mr. Wilson seconded the motion.** The motion carried – 8 ayes; 0 nays; 0 recusals, 3 absent.

[Shaun Wilson recused.]

PRIVATE ACTIVITY BONDS

Resolution 2012-16 - Centerline Engineering, Inc./CEI Properties, LLC Project

Diane Cranmer, IDRB Specialist, provided the Board with information regarding this action item and introduced guest – Robert Schwartz, Clark Hill.

Mr. Schwartz provided the Board with company background information. He further explained the proposed project consists of refunding the outstanding bonds originally issued by the Michigan Strategic Fund in September, 2007. The project included the acquisition of land, the construction of an approximately 38,000 square foot manufacturing facility and the acquisition and installation of machinery and equipment. The purpose of refunding is to add a “bank purchase mode” to the existing or restructured documents to permit the purchase of refunding bonds by the PNC Bank, National

Association upon mutually agreeable terms and conditions. The originally issued bonds were secured by a letter of credit issued by Mercantile Bank of Michigan.

Recommendation: Staff recommends based upon the determination by Clark Hill PLC and the State of Michigan Attorney General's Office that the proposed refunding complies with state and federal tax requirements. Staff recommends the adoption of the Resolution approving the addition of a bank purchase mode to the existing or restructured documents and refunding of the prior bonds.

Board Discussion: Mr. Finney asked if there were any questions from the Board. There being none, **Mr. Martin motioned for approval of Resolution 2012-16. Mr. Lockwood seconded the motion.** Ellen Graham, MEDC, took a Roll-Call Vote:

Roll Call:

Ayes: Michael Finney, Michael Jackson, Andrew Lockwood [acting for and on behalf of Andy Dillon, designation attached], Bill Martin, Howard Morris [via phone], Al Pohl [acting for and on behalf of Steven Hilfinger, designation attached], Richard Rassel

Nays: None

Recusals: Shaun Wilson

The motion carried – 7 ayes; 0 nays; 1 recused; 3 absent.

Resolution 2012-17 – Christian Care – NTE - \$8,435,000

Diane Cranmer, IDRB Specialist, provided the Board with information regarding this action item and introduced guests – Jeffrey Younts, Director of Finance, Christian Care; Ann Fillingham, Bond Counsel, Dykema Gosset.

Mr. Younts provided the Board with company background information and the project description. The proposed project will replace the 49 bed nursing center, which is an outdated building. The proposed project will include an additional 21 bed secure unit for dementia residents with behavioral issues. Ms. Fillingham further explained that Christian Care is a Michigan non-profit 501(c)(3) organization. The company is requesting an extension of the expiration date from the original Resolution from February 24, 2012 to April 30, 2012.

Recommendation: Staff recommends the adoption of a Bond Authorizing Resolution for an amount not to exceed \$8,435,000.

Board Discussion: Mr. Finney asked if there were any questions from the Board. There being none, **Mr. Martin motioned approval for Resolution 2012-17. Mr. Jackson seconded the motion.** Ellen Graham, MEDC, took a Roll Call Vote:

Roll Call:

Ayes: Michael Finney, Michael Jackson, Andrew Lockwood [acting for and on behalf of Andy Dillon, designation attached], Bill Martin, Howard Morris [via phone], Al Pohl [acting for and on behalf of Steven Hilfinger, designation attached], Richard Rassel

Nays: None

Recusals: Shaun Wilson

The motion carried – 7 ayes; 0 nays; 1 recused; 3 absent.

COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

Deborah Stuart, Manager, Community Development Block Grant Program, provided the Board with information regarding this action item.

Ms. Stuart explained that the State of Michigan received a CDBG ARRA grant through the Department of Housing and Urban Development in the amount of \$9,585,380 on August 6, 2009, to be administered by the MSF. In a recent review of the grant distribution, it has become apparent that the MSF needs to reallocate funds budgeted for administration of the grant to other eligible CDBG projects to avoid loss of HUD funding allocation for the State for PY 2009. When the CDBG ARRA grant budget was originally prepared, the administrative costs were overestimated and actual costs have resulted in making approximately \$350,000 available to fund other eligible CDBG projects. Recommended eligible non-CDBG ARRA projects to be reallocated include Carp Lake Township and the City of Menominee.

Recommendation: Staff recommends the following actions:

1. Amendment to Township of Carp Lake's CDBG Grant Agreement to extend the term of work to August 31, 2012, to utilize CDBG ARRA Funds, and to incorporate all related regulations.
2. Amendment to the City of Menominee's CDBG Grant Agreement to reduce the grant amount to \$280,732, to utilize CDBG ARRA Funds, and to incorporate all related regulations.

Resolution 2012-18 – Township of Carp Lake

Board Discussion: Mr. Finney asked if there were any questions from the Board. There being none, **Mr. Martin motioned approval for Resolution 2012-18. Mr. Lockwood seconded the motion.** The motion carried – 7 ayes; 0 nays; 1 recused; 3 absent.

Resolution 2012-19 – City of Menominee

Board Discussion: Mr. Finney asked if there were any questions from the Board. There being none, **Mr. Lockwood motioned approval for Resolution 2012-19. Mr. Martin seconded the motion.** The motion carried – 7 ayes; 0 nays; 1 recused; 3 absent.

[Mr. Wilson returns.]

Resolution 2012-20 – Approval of Delegation of Authority for Confidential Materials

Mike Pohnl, MSF Fund Manager, provided the Board with information regarding this action item.

Mr. Pohnl explained that it is the responsibility of the MSF to consider financial or proprietary information submitted by an applicant that relates to an application to or with a project or product assisted by the MSF or any of its centers or with an award, grant, loan, or investment as confidential and not subject to the disclosure requirements of the Freedom of Information Act. The MSF Board may delegate this activity to a designee.

Recommendation: Staff recommends the MSF Delegate authority to make all decisions with respect to Confidential Material to the MSF Fund Manager. Requests and approvals for confidentiality will be provided to the Board on a periodic basis.

Board Discussion: Mr. Finney asked if there were any questions from the Board. There being none, **Mr. Lockwood motioned approval for Resolution 2012-20. Mr. Rassel seconded the motion.** The motion carried – 8 ayes; 0 nays; 0 recused; 3 absent.

Resolution 2012-21 – Designation of Alternate Fund Manager

Mr. Pohnl provided the Board with information regarding this action item.

Due to Mr. Pohnl performing the responsibilities as the Interim Workforce Development Director, it is necessary and appropriate to elect an alternate Fund Manager to perform Fund Manager duties when Mr. Pohnl is not available and under the direction of Mr. Pohnl.

Recommendation: Staff recommends Karla Campbell act as an Alternative Fund Manager of the MSF to serve according to the Bylaws of the MSF and under the direction and authority of Mr. Pohnl.

Board Discussion: Mr. Finney asked if there were any questions from the Board. There being none, **Mr. Martin motioned approval of Resolution 2012-21. Mr. Wilson seconded the motion.** The motion carried – 8 ayes; 0 nays; 0 recused; 3 absent.

21st CENTURY JOBS FUND PROGRAM

Resolution 2012-22 – Capital Conduit Program [CCP] – Funding Commitment

Eric Hanna, Manager, Debt Capital Programs, provided the Board with information regarding this action item.

Mr. Hanna explained to the Board at its January 25, 2012 meeting the MSF Board made awards under the CCP to Develop Michigan, Inc. for the Real Estate Initiative [REI] and Grow Michigan LLC for the Operating Company Initiative [OCI]. The funding plan provided initial lines of credit to both designees in the amounts of \$5,000,000 and \$2,500,000 respectively, from the initial allocation of \$7,500,000. The request before the Board is to approve additional capital from the Jobs for Michigan Investment Fund [Investment Fund] to the CCP in the amount of \$22,500,000. The purpose of the transfer is to reflect to the capital markets the formal commitment of capital that is planned. The availability under specific lines for the designees will be requested of the MSF Board separately in the future based upon success at fund raising and the levels of capitalization at various “closes.”

Recommendation: Staff recommends the transfer of an additional \$22,500,000 from the Investment Fund to the CCP, with further transfer and line of credit increase requests under the awards to be considered by the MSF Board in the future.

Board Discussion: Mr. Finney asked if there were any questions from the Board. There being none, **Mr. Russel motioned approval for Resolution 2012-22. Mr. Martin seconded the motion.** The motion carried – 8 ayes; 0 nays; 0 recused; 3 absent.

Resolution 2012-23 – Michigan Supplier Diversification Fund [MSDF] Request for Public Hearing Regarding Guideline Modification

Mr. Hanna provided the Board with information regarding this action item.

Mr. Hanna advised the Board that the purpose of the MSDF is to promote access to capital for commercial borrowers who are base job creating companies and who, through increased capital, will provide for employment opportunities and produce added tax revenue benefits in Michigan. Staff has reviewed the MSDF guidelines and has proposed a number of changes in them to both clarify intent and produce alignment with the State Small Business Credit Initiative [SSBCI] program guidelines.

Recommendation: Staff recommends pursuant to MCL 125.2088c(5), before adopting a resolution that substantially changes a 21st century investment program, including any fees, charges or penalties attached to the program that the MSF Board is required to hold a public hearing to provide an opportunity for people to present data, views, questions and arguments related to the proposed changes. Staff requests that the MSF Board issue a Notice of Public Hearing to be held March 13, 2012 at the Michigan Economic Development Corporation for the purpose of receiving comment on the proposed changes to the Michigan Loan Participation Program [MLPP] and Michigan Collateral Support Program [MCSP] Guidelines.

Board Discussion: Mr. Finney asked if there were any questions from the Board. There being none, **Mr. Lockwood motioned approval for Resolution 2012-23. Mr. Rassel seconded the motion.** The motion carried – 8 ayes; 0 nays; 0 recused; 3 absent.

Resolution 2012-24 MSDF – Benore Logistic Systems, Inc.

Chris Cook, Capital Services Associate, provided the Board with background information on this action item.

Mr. Cook explained to the Board Benore Logistic Systems [BLS] is currently operating under multiple contracts with a European automobile, motorcycle and engine manufacturer which accounted for 89% of their revenue through October 2011. Each of these contracts is evergreen and requires between 3 and 9 months' notice prior to termination. In addition to its business with auto manufacturers, BLS also has contracts with manufacturers of chemical adhesives and consumer goods. BLS is actively working to increase business in these industries and anticipates non-automotive segments to eventually represent 25% of total revenue.

Recommendation: Staff recommends Board acknowledgement of Designated Information as confidential; approval of the Michigan Collateral Support Program [MCSP] proposal; and subject to available funding under the MCSP at the time of closing, completion of due diligence, the results of which are satisfactory to MEDC, finalization of a MCSP Cash Collateral Deposit Agreement which contain certain terms and conditions.

Board Discussion: Mr. Finney asked if there were any questions from the Board. There being none, **Mr. Martin motioned approval for Resolution 2012-24. Mr. Lockwood seconded the motion.** The motion carried – 8 ayes; 0 nays; 0 recused; 3 absent.

Resolution 2012-25 – Michigan Business Development and Community Revitalization – Background Review Policy

Mike Pohnl, MSF Fund Manager, provided the Board with information on this action item.

Mr. Pohnl explained to the Board that under the 21st Century Jobs Fund and the Michigan Development Programs [MDP] and Community Revitalization Programs [CRP], the MSF will be providing incentives to awardees, most of which will not be start-up companies and some of which may include large state, regional, national, and even international, entities that will create jobs or provide needed development to projects in Michigan. The MSF Act requires the Board to establish policies and procedures to conduct a background check on qualified businesses applying for an MBD award.

Recommendation: Staff recommends approval of proposed MBD and CRP Background Review Process.

Board Discussion: Mr. Finney asked if there were any questions from the Board. There being none, **Mr. Martin motioned approval for Resolution 2012-15. Mr. Wilson seconded the motion.** The motion carried – 8 ayes; 0 nays; 0 recused; 3 absent.

The meeting adjourned at 2:47 p.m.



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

ANDY DILLON
STATE TREASURER

January 24, 2012

Ms. Ellen Graham
Board Relations Liaison
MEDC Office
300 N. Washington Square
Lansing, Michigan 48913

Dear Ms. Graham:

I hereby designate Andrew Lockwood to represent me at MEDC Board meetings I am unable to attend.

Sincerely,

A handwritten signature in cursive script, appearing to read "Andy Dillon".

Andy Dillon
State Treasurer

cc: Andrew Dillon



RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS
LANSING

STEVEN H. HILFINGER
DIRECTOR

DESIGNATION OF AUTHORITY

As Director of the Michigan Department of Licensing and Regulatory Affairs, I hereby designate Allan Pohl to serve as the LARA representative at the February 27, 2012, meeting of the Michigan Strategic Fund.

A handwritten signature in black ink, appearing to read "Steven H. Hilfinger", written over a horizontal line.

Steven H. Hilfinger, Director
Department of Licensing and Regulatory Affairs

Dated: 2-23-12

MEMORANDUM

DATE: March 28, 2012

TO: Michigan Strategic Fund Board Members

FROM: Diane Cranmer

SUBJECT: Private Activity Bond – Bond Inducement - Prefix Corporation and Co-borrowers: Prefix Coatings, LLC; - 3500 Joslyn Rd., LLC; and Kim-Fix, L.L.C. \$5,000,000 – Manufacturing – New Financing

COMPANY BACKGROUND

Prefix Corporation (“Prefix) and its related entities, Prefix Coatings, LLC; 3500 Joslyn Rd., LLC; and Kim-Fix, L.L.C. have applied for private activity bond financing. Prefix was formed in the State of Michigan on November 24, 1980. Prefix is owned by Mr. Kim Zeile and is located at 1300 West Hamlin Road, Rochester Hills, Oakland County. All of the LLC’s are affiliated companies of Prefix Corporation and are majority owned by Mr. Zeile, and are Michigan companies. The proposed project will operate a low volume, modular build component manufacturing/custom paint facility for the Viper vehicle line. Prefix indicates it is a modular component manufacturer that will be Tier1 for Chrysler on a new vehicle. Prefix will take raw components for the exterior of the vehicle, finish it and partially assemble it, and then ship a sequenced full car exterior to Chrysler. Prefix indicates it will world class value add-manufacturing finish/hand paint to the exterior components (e.g., hoods, doors, side panels) of the vehicle in state-of-the-art paint rooms. Prefix will then ship the finished parts to the Chrysler Conner Avenue Plant in Detroit for final assembly. Prefix currently employs approximately 89 employees.

PROJECT DESCRIPTION

Prefix indicates the project will include the acquisition of land and an existing approximately 130,000 square foot facility, the rehabilitation of the facility and the acquisition and installation of machinery and equipment. Prefix indicates the project site will be located at 3500 Joslyn Road, Auburn Hills, Oakland County. The project will utilize the former Kmart building.

PROJECT EVALUATION

The applicants indicate:

1. JOB CREATION

Prefix anticipates creating approximately 130 new jobs at project completion.

2. EMPLOYMENT INFORMATION

The average hourly wage of all the jobs being created (hourly and salary) is \$17.00 per hour. The fringe benefits provided to the new hires by the company include paid vacation, paid holidays, 401(k), health insurance (including medical, dental and vision), life insurance, accidental death and dismemberment, tuition reimbursement, short-term disability, bank at work, and financial planning assistance.

3. ADDITIONAL STATE AND LOCAL ASSISTANCE

Prefix indicates it has created an Industrial Rehabilitation Zone for the renovations to the building, and also an Economic Development Zone for the purchase and installation of new equipment. Also, Prefix is in the process of seeking an 8 year tax abatement from the City of Auburn Hills.

ADDITIONAL INFORMATION

Legislative Information:

Senator: James Marleau – District 13

Representative: Tim Greimel – District 29

Bond Counsel:

Bond counsel has not yet been chosen.

Proposed Placement of the Bond Issue:

PNC Bank, National Association has indicated an interest in directly purchasing the bonds for this project.

RECOMMENDATION:

After reviewing the Private Activity Bond Application for Prefix Corporation and its related entities, staff recommends the adoption of an Inducement Resolution in the amount of \$5,000,000 for this project.



MEMORANDUM

DATE: March 28, 2012

TO: MSF Board Members

FROM: Diane Cranmer, Private Activity Bond Specialist

SUBJECT: Private Activity Bond – Authorizing –
NTE \$10,000,000 – Manufacturing
Apogee Enterprises, Inc.

COMPANY BACKGROUND

Apogee Enterprises, Inc. (the “Company”) was incorporated under the laws of the State of Minnesota in 1949 and is a publicly traded company. The Company headquarters are located at 4400 West 78th Street, Suite 520, Minneapolis, Minnesota. The Company believes it is a world leader in certain technologies involving the design and development of value-added glass products, services and systems.

PROJECT DESCRIPTION

The Company indicates it purchased 100 percent stock of Tubelite, Inc., a Michigan corporation, in 2007. Tubelite, Inc. remains in good standing as a Michigan corporation. Tubelite, Inc. fabricates aluminum storefront, entrance and curtain wall products for the United States construction industry. The Company will be financing improvements to its two existing Tubelite, Inc. facilities with bond proceeds.

The Company proposes to finance or reimburse the costs of the acquisition, construction, installation, renovation, furnishing and equipping of the two manufacturing facilities located at 4878 Mackinaw Trail, Richmond Township, Osceola County, and 3056 Walker Ridge Drive NW, Walker, Kent County.

ADDITIONAL INFORMATION

Job Creation

The Company indicates in the initial phase of expansion the number of jobs has risen by 25-27.

Employment Information

The average hourly wage of the jobs created by the expansion is \$14.54 per hour for Reed City and \$14.35 per hour for Walker.

The fringe benefits that will be provided to the project new hires include medical, dental, life insurance, short-term and long-term disability, health and dependent care spending accounts, 401(k) retirement, employee stock purchase plan, employee assistance plan, wellness plan and incentives.

LEGISLATIVE INFORMATION

Reed City

Senator Darwin Booher – District 35
Representative Philip Potvin – District 102

Michigan Economic Development Corporation

Walker

Senator Mark Jansen – District 28

Representative Lisa Lyons – District 86

Bond Counsel

Dickinson Wright PLLC

Placement Agent

Thornton Farish Inc. will be providing private placement services to support this bond issue.

Recommendation

After reviewing the Private Activity Bond Authorizing Resolution for Apogee Enterprises, Inc., and based upon a determination by Dickinson Wright PLLC and the State of Michigan Attorney General's Office that this project meets state and federal law requirements for tax exempt financing, staff recommends the adoption of a Bond Authorizing Resolution for an amount not to exceed \$10,000,000.

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MEMORANDUM

DATE: March 28, 2012

TO: Michigan Strategic Fund Board Members

FROM: Deborah Stuart, Community Development Block Grant Manager

SUBJECT: Community Development Block Grant Program
2012 Consolidated Plan

Background

The State of Michigan's Housing and Community Development Consolidated Plan is submitted pursuant to a U.S. Department of Housing and Urban Development (HUD) rule (24 CFR Part 91, 1/5/95) as a single submission covering the planning and application aspects of HUD's Community Development Block Grant (CDBG), Emergency Shelter Grant (ESG), HOME Investment Partnership (HOME) and Housing Opportunities for Persons with AIDS (HOPWA) formula programs. According to HUD, the Consolidated Plan creates the opportunity for strategic planning and citizen participation to take place in a comprehensive context; it allows local governments, community organizations and citizens to address the larger picture in which these programs operate, offering the State a better chance to shape the various programs into effective coordinated strategies. The Consolidated Plan is available for review upon request.

The Consolidated Plan addresses housing and community development needs in the State of Michigan, including homeless individuals and persons with AIDS. This consolidated submission includes five action plans, which specify the use of federal funds by the State of Michigan to implement housing and community development activities under four HUD-funded formula programs. The Michigan Strategic Fund has authority over Action Plan B. The following is a summary of economic development options within this plan:

ECONOMIC DEVELOPMENT

1. Direct Assistance to Business

Communities may request grants under this activity that would be assistance to private, for-profit entities as identified in Section 105(a) (17) of Title I of the Housing and Community Development Act of 1974, as amended. There are five subcategories of projects eligible for direct assistance to private and for-profit businesses: machinery and equipment, job training, rail enhancement, small business expansion and utility/pipeline projects.

2. Infrastructure Grants (Economic Development)

Communities may request grants to provide public infrastructure improvements necessary for the location, expansion, and/or retention of a specific for-profit business firm(s) which is engaged in an economic base activity (e.g. - manufacturing, point-of-destination tourism, headquarter operations, major multi-state distribution facility). Eligible under this activity would be public improvements, as identified in Section 105(a)(2) of Title I of the Housing and Community Development Act of 1974, as amended.

3. Revolving Loan Fund

During program year 2012, the state will seek to finalize the regionalization of all existing revolving loan funds. The intent of the revolving loan funds is to provide CDBG eligible loans to businesses within the identified regional territory. Repayments of the loans back to the fund with interest generates program income that is used to cover fund administrative expenses and provides for additional funds for additional CDBG eligible loans to businesses.

4. Unique Business Development Grants

Innovative and creative funding requests will be considered based on special and/or unique needs or situations requiring innovative program approaches not specifically provided for in regular economic development, downtown development, planning, blight elimination, and infrastructure programs. This may include, but is not limited to, brownfield site redevelopment, targeted industry development, job training, general public infrastructure, building and building rehabilitation activities, CDBG Section 108 loan guarantees, activities and services listed in the above categories which do not meet identified screening or selection criteria and/or projects associated with other State or Federally funded initiatives.

DOWNTOWN DEVELOPMENT

Priority for all programs under this category will be given to projects located within a traditional downtown.

1. Infrastructure Grants (Downtown Job Creation)

The Downtown Infrastructure Program enables a community to improve the downtown's infrastructure quality and reduce redevelopment costs to make a project feasible. This program is restricted to downtown infrastructure improvements tied to new commercial/mixed-use development activities that require additional infrastructure to create new economic opportunities and job creation activity. Eligible under this activity would be public improvements, as identified in Section 105(a)(2) of Title I of the Housing and Community Development Act of 1974, as amended.

2. Façade Improvement Grants

Grants are available for communities that seek to target areas of traditional downtowns for facade improvements which will have a significant impact on the downtown/community. The Downtown Façade Program is structured to provide commercial/mixed-use building façade improvements to sustain and minimize deterioration of the downtown area. Eligible under this activity would be rehabilitation and reconstruction of buildings, as identified in Section 105(a)(4) of Title I of the Housing and Community Development Act of 1974, as amended.

3. Signature Building Grants

Grants are available for communities seeking acquisition of vacant, partially vacant or substantially underused buildings located in traditional downtowns for rehabilitation into a commercial/mixed use building that will result in job creation. Eligible under this activity would be acquisition of real property, as identified in Section 105(a)(1) of Title I of the Housing and Community Development Act of 1974, as amended.

4. Unique Downtown Development Grants

Innovative and creative funding requests will be considered based on special and/or unique needs or situations requiring innovative program approaches not specifically provided for in regular economic development, downtown development, planning, blight elimination, and infrastructure programs. This may include, but is not limited to, incubator/entrepreneur development, rural community development, brownfield site redevelopment, general public infrastructure, building and building rehabilitation activities, CDBG Section 108 loan guarantees, activities and services listed in the above categories which do not meet identified screening or selection criteria and/or projects associated with other State or Federally funded initiatives.

PLANNING

Eligible under this activity would be planning and capacity building, as identified in Section 105(a)(12) of Title I of the Housing and Community Development Act of 1974, as amended.

1. Economic Development Planning Grants

Economic planning grants are available to help communities accomplish project specific public planning and design work which is likely to lead to an eligible economic development implementation project.

2. Downtown Planning

The Downtown Planning Program enables a community to identify and determine what activities the community could do to increase the viability/accessibility of economic opportunities to revitalize and stimulate job creation within the downtown area. CDBG Planning funding cannot be utilized to create, update, or provide information solely for a community to meet legislatively mandated community planning requirements, including Downtown Development Authority plans.

BLIGHT ELIMINATION

Communities may request grants to assist in the elimination of spot blight that is not located in a designated slum or blighted area. Eligible under this activity would be property acquisition, clearance/demolition, historic preservation, and building rehabilitation (only to the extent necessary to eliminate specific conditions detrimental to public health and safety), as identified in Section 105(a) of Title I of the Housing and Community Development Act of 1974, as amended.

INFRASTRUCTURE GRANTS: AREA BENEFIT

Grants are available for public works projects that upgrade existing public infrastructure systems either by replacing deteriorating or obsolete systems or by adding capacity to existing systems. Eligible under this activity would be public facilities and improvements and privately owned utilities, as identified in Section 105(a)(2) of Title I of the Housing and Community Development Act of 1974, as amended.

1. Downtown Infrastructure Grants

Downtown Infrastructure Grants (DIG) are available for public infrastructure projects that upgrade existing public infrastructure systems in a traditional downtown. Announcement of this activity will be made to eligible communities as funding becomes available. Competitive ranking of projects will be based on the Proposals received, and awards will be based on the availability of funds.

2. Infrastructure Capacity Enhancement Grants

Grants are available for public works projects that upgrade existing public infrastructure systems, either by replacing deteriorating or obsolete systems, or by adding capacity to existing systems. Announcement of this activity will be made to eligible communities as funding becomes available. Competitive ranking of projects will be based on the Proposals received, and awards will be based on the availability of funds.

The details on the selection criteria for each program are outlined within the plan. Project periods and grant amounts will be determined and tailored for each specific project proposal. All funding considerations will be made in compliance with federal CDBG regulations and requirements.

Please note the public comment period started on March 1 and will be completed on April 2. Any public comments received that would be appropriate to be implemented and would require substantial changes to the Action Plan will be brought back to the MSF Board for consideration at the April MSF meeting.

RECOMMENDATION

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

- The MSF authorizes the Fund Manager to submit the final CDBG 2012 Action Plan as part of the Consolidated Plan, in coordination with the MSHDA, to HUD for their consideration.

**MICHIGAN CONSOLIDATED PLAN
FOR HOUSING AND COMMUNITY DEVELOPMENT**

**Program Year 2012
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)
Action Plan Excerpt**

IV. ONE YEAR ACTION PLANS

MICHIGAN COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) PROGRAM

Introduction

Under the Michigan CDBG Program, all projects must meet one of the following national objectives and the attending statutorily mandated requirements to be considered for funding:

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

Eligible Activities

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

Eligible Applicants

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

Ineligible Applicants

The following counties and their respective units of local governments are not eligible to directly apply or directly receive Michigan CDBG funds, unless they can provide documentation that they have opted out of their allocation:

Genesee County (Except for the Cities of Flushing and Linden)

Kent County (Except for Cedar Springs)

Macomb County

Oakland County

Wayne County

Washtenaw County and the following units of government within the county are not eligible for Michigan CDBG funds:

Ann Arbor City

Pittsfield Township

York Township

Ann Arbor Township

Scio Township

Ypsilanti City

Bridgewater Township

Salem Township

Ypsilanti Township

Northfield Township

Superior Township

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

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

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

Allocation of Funds

During the 2012 Program Year, the State expects to receive approximately \$30,000,000 from the U.S. Department of Housing and Urban Development (HUD) for the State of Michigan CDBG Program. The actual amount available may vary based on recapture and reallocation of other funds from previous allocations and the amount of program income received as well as the final appropriation. In addition, the actual distribution of allocated or unallocated amounts may vary according to the demand for funds and fundable grant applications. The initial and planned allocation of funds to individual categories will be on a pre-set percentage basis, which will be applied to the final funding amount. By definition, a substantial amendment to the Consolidated Plan would result from a change in the method of distribution of funds of said change, which will cause an increase or decrease in the original allocation mix of over 35%.

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

CATEGORY	ALLOCATION	PROGRAM INCOME	TOTAL
1. Economic Development	\$ 21,906,238	\$ 1,500,000	\$ 23,376,238
2. Housing & Neighborhood Grants	\$ 7,302,080	\$ -	\$ 7,302,657
3. Administration & Technical Assistance	\$ 1,006,443	\$ -	\$ 1,036,443
TOTAL	\$ 30,214,761	\$ 1,500,000	\$ 31,714,761

Based on the 2012 Program Year allocation, the following percentages of the allocation will be applied to the specific categories:

Economic Development Grants (Michigan Strategic Fund)

Category of Economic Development	Percent of Allocation
Economic Development	70%
Downtown Development	25%
Planning	2.5%
Blight Elimination	2.5%
Infrastructure Enhancement	Balance Unobligated

Housing & Neighborhood Grants (Michigan State Housing Development Authority)

County Allocation and Housing Choice Fund

Other Funds. In addition to funds available for distribution, as allocated to the State by the federal government for the 2012 Program Year, other funds may become available for distribution. Such other funds may include:

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

It is estimated that the State will receive approximately \$1.5 million in program income during the 2012 Program Year. These funds will be redistributed by the appropriate State-administering agency (Michigan Strategic Fund or Michigan State Housing Development Authority) for eligible projects in accordance with requirements of the 2012 CDBG program guidelines. A grant allocation equal to the total program income received as a result of the revolving loan program will be redistributed back to the region in which the funds came for new eligible projects when possible.

**A. COMMUNITY DEVELOPMENT BLOCK GRANT FOR HOUSING:
ONE-YEAR ACTION PLAN (MSHDA)**

General

Under the County Allocation or Housing Resource Fund, as administered by MSHDA, CDBG funds may be used by a community to meet demonstrated housing needs. Activities eligible for funding include, but are not limited to:

- Rehabilitation of housing units for homeowners, homebuyers or rental occupancy;
- Creation of new rental units in the upper level of mixed use buildings in downtowns
- New Construction of housing for rental or owner-occupancy; in participation with a qualified

community-based organization;

- Acquisition of sites on which buildings will be constructed for use or resale, including down payment assistance;
- Emergency Repair assistance (limited to 15% of funds for homeowner assistance);
- Demolition in support of a housing program or neighborhood revitalization effort;
- Clearance of toxic contaminants of property to be used for new construction of housing;
- Infrastructure improvements essential to an affordable housing project or program in a targeted neighborhood where at least 51 percent of the residents have incomes not exceeding 80 percent of the area median incomes;
- Site improvements to publicly owned land to enable the property to be used for new construction of housing, providing the improvements are undertaken while the property is still in public ownership;
- Cost of disposing real property, acquired with CDBG funds, which will be used for new construction of housing;
- Public Improvements including acquisition, construction, reconstruction and/or rehabilitation (including removal of architectural barriers to accessibility) of neighborhood facilities;
- Beautification projects are eligible activities when proposed under a comprehensive neighborhood or community revitalization effort involving the preservation or creation of affordable housing. Beautification projects include, but are not limited to: landscaping, planters, creating or improving parking lots, and façade improvements;
- Grantees may undertake activities as provided for under Section 105(a) (23) of the CDBG Act.
- Applicants may propose to use a portion of their county allocation award for services which are directly related to supportive housing;
- Applicants may use a portion of the county allocation to pay closing and other costs related to the refinance the first mortgage for a recipient receiving homeowner rehabilitation assistance. The first mortgage will typically be an adjustable rate mortgage, a balloon, or have an extremely high interest rate putting the property at risk of foreclosure. This assistance is limited to \$3,500 and is included in the maximum \$35,000 allowed for homeowner assistance.
- An applicant may request up to a maximum of 18 percent of a funding request for general administration. **Costs of preparing grant applications are not allowable.**

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

MSHDA has an allocation process for awarding non-entitled counties funding for housing projects. Because this program has historically been funded from CDBG funds, this process is discussed in more detail below.

County Allocation Process. Counties are eligible for funding on a two year grant cycle. The amount of the county's allocation awarded will be primarily based on the county's population. For counties with entitlement communities located in the county, the populations of entitlement communities will be subtracted from the total county population.

Projected maximum allocations amounts are as follows:

POPULATION	MAXIMUM AMOUNT *
0 - 5,000	\$100,000
5,001 - 10,000	\$125,000
10,001 - 20,000	\$150,000
20,001 - 30,000	\$175,000
30,001 - 40,000	\$200,000
40,001 - 50,000	\$225,000
50,001 - 60,000	\$250,000
60,001 - 70,000	\$275,000
over 70,000	\$300,000

***MSHDA may make exceptions to allocations based on performance of a grantee, significance of project impacts on the community, needs of the community, overall demand for funds, and/or based on the availability of funds. MSHDA may also choose to award a county HOME funds for their allocation, especially where CDBG funds are needed for projects for which CDBG is an eligible and more appropriate funding source.**

Housing Resource Fund. Additionally, some CDBG housing funds are used to support proposals by non-entitled local governments for competitive funding awarded by the Community Development Division under the Housing Resource Fund. Activities funded by the Housing Resource Fund include homeowner, homebuyer and rental assistance as eligible using HOME or CDBG funding.

Additional Funding Award Competitions. MSHDA may, from time to time, announce new funding opportunities under the above activities.

Project Term

Funds for the County Allocation may be awarded as early as July 1, 2012. CDBG funds for the Housing Resource Fund are awarded following publicly announced application windows. Grant terms for 2012 funds will generally be 30 months. The final six months is used to complete work begun within the first 24 months.

Threshold Requirements

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

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

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

Current County grantees are not eligible to apply for 2012 housing funds until at least 75 percent of their current grant funds, exclusive of administrative funds, have been disbursed or some unusual circumstance is involved to warrant a request to apply for additional funds.

Further, communities that have received Michigan County Allocation funds from fiscal year 2005 or earlier cannot apply for 2012 funds until any grants covering those years have been audited and closed.

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

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

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

Homebuyer assistance programs include the following minimum guidelines:

- MSHDA Single Family asset limitation applies.
- Not limited to first-time homebuyers.
- Purchase price limit is the lesser of the HUD 203(b) limit or the appraised value.

- Homeownership education is required.
- Communities are expected to obtain leverage funds from other housing programs such as federal weatherization funding, Rural Development, and MSHDA PIP. Communities are also encouraged to provide leveraging dollars and in-kind services locally.

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

Project Selection

While a variety of housing activities are eligible for funds, the following guidelines must be considered when proposing a homeowner rehabilitation activity. The financing mechanism may be a deferred loan or may be forgiven at up to 10% each year during the 6th through 15th year following the provision of the assistance.

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

Public Services

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

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

Award Process

a. County Allocation. Applications for awards will not be scored, but will be reviewed to assure that all threshold requirements are met and that the proposed housing program is acceptable.

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

- Total number of units to be rehabilitated in relation to community population and identified housing need;
- Estimated average and maximum total cost and average and maximum CDBG assistance per unit and the amount of funds to be leveraged;
- Level of improvement to be achieved in assisted properties. All properties assisted with CDBG funds must be brought up to local code, Section 8 Existing Minimum Housing Quality Standards

or 2009 Michigan Rehabilitation Code. (NOTE: An exception can be made for an Emergency Repair Activity not to exceed 15 percent of the total grant);

- Newly construction units to meet the 2009 Michigan Construction Code, as well as 5-Star Energy and MSHDA Visitability Requirements.
- Administrative and staff capacity to manage program;
- A marketing plan to include "Affirmative Marketing";
- Percent of requested funds to be used for administrative purposes (18 percent maximum);
- The extent to which the proposal will further fair housing activities.

b. Housing Resource Fund. Projects are awarded CDBG funds where CDBG is a more appropriate funding source than HOME. Examples would include single family rehabilitation, homebuyer assistance (with or without rehabilitation), demolition, beautification, rental rehabilitation, including mixed-income projects and activities on non-residential portions of mixed-use buildings where a national objective is met.

Applications are funded based on:

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

Applications for the Housing Resource Fund are scored by a review team and ranked. Applications are funded, in whole or in part, based on the amount of the request, the capacity of the applicant, an assessment of market need/demand, and available resources.

Monitoring

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

Lead-Based Paint Hazards

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

B. COMMUNITY DEVELOPMENT BLOCK GRANT FOR ECONOMIC AND COMMUNITY DEVELOPMENT: ONE-YEAR ACTION PLAN (MSF)

General

The Michigan CDBG Program for economic and community development includes funding of grants or loans for economic development, downtown development, planning, blight elimination, and downtown infrastructure projects.

National Objectives

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

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

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

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

Funding Cycle, Proposal Review, and Project Limitations

Proposals are considered on a continuous basis and applications for economic development, downtown development, planning, and blight elimination projects will be accepted following approval of the application. The application is a form submitted by a local government providing basic information on the proposed project, project activities, and a summary of the project budget including grant funds being requested and other funds supporting the proposed project. Grants and/or loans will be awarded as funding availability allows.

Applications for competitive allocations will be preceded with announcements to potential applicants, which will identify specific selection criteria that are outlined in the Action Plan. The competition will be publicly announced and potential grantees will be notified. Approved projects will include only those activities identified in the Action Plan and will be awarded as funding availability allows.

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

Screening Guidelines and Selection Criteria

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

Communities identified as Low and Moderate Income Communities by the U.S. Department of Housing and Urban Development (HUD), or through local survey efforts as approved by the Michigan Strategic Fund, may choose to request consideration for the elimination of a singular screening guideline requirement in their efforts to qualify for a project. The elimination of the cost per job criteria is not eligible for this special consideration.

Maximum Project Period

Projects must usually be completed within twenty-four (24) months from the date the funding is awarded. Funds not disbursed within the specified time limit may be recaptured by the appropriate State

administering agency for reallocation to eligible CDBG projects.

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

Funding Categories and Programs

The State of Michigan, the Michigan Strategic Fund, and the Michigan Economic Development Corporation (MEDC) envision a transformed Michigan economy; a State where 21st Century businesses will provide desirable jobs in emerging sectors of commerce; where Michigan's tradition of manufacturing and automotive engineering generate new opportunities to participate in the global economy; where educational standards of excellence support a sophisticated workforce; where communities are restored into vibrant places; and where travel and tourism thrive.

1. ECONOMIC DEVELOPMENT

The Michigan CDBG Program for economic development funding initiatives includes Direct Assistance to Businesses, Infrastructure for Business Development, Revolving Loan Fund, and Unique Business Development Projects.

a. Direct Assistance to Business

Eligible under this activity would be assistance to private, for-profit entities as identified in Section 105(a)(17) of Title I of the Housing and Community Development Act of 1974, as amended. There are five subcategories of projects eligible for direct assistance to private and for-profit businesses: machinery and equipment, job training, rail enhancement, small business expansion and utility/pipeline projects.

Screening Guidelines: Direct Assistance to Business projects will be evaluated on the following criteria:

- National Objective: Proposed projects are expected to result in the creation of full-time equivalent (FTE) jobs of which at least 51% of the created jobs will be held by low to moderate income persons. Proposed projects are expected to create and/or retain the largest number of jobs with the least amount of CDBG investment.
- Minimum Leverage Ratio: Proposed projects are expected to leverage private and other public funds. Funding priority will be given to projects when the leverage ratio of all other private and public funds to CDBG funds is 1:1 or greater.
- Job Creation: Priority will be given to projects creating ten or more permanent full-time jobs that pay an average hourly rate of at least \$9.00 or 75% of the average hourly wage rate of the applicable county.

- Minimum Local Participation: Proposed projects are expected to demonstrate local government support.
- Financial Viability: The business must be financially viable and able to document that it has sufficient management abilities and skills to successfully operate the business. Businesses may be subject to background checks.
- Economic Impact: Proposed projects are evaluated on their economic impact including the diversification of the economic base of the local and State economies. This includes the significance of added value the project carries, including financial value added through sales, use of existing local and state suppliers and secondary jobs created.

Maximum Grant Amount: None.

b. Infrastructure- Business Development

Communities may request grants to provide public infrastructure improvements necessary for the location, expansion, and/or retention of a specific for-profit business firm(s) which is engaged in an economic base activity (e.g. - manufacturing, point-of-destination tourism, headquarter operations, major multi-state distribution facility). Eligible under this activity would be public improvements, as identified in Section 105(a)(2) of Title I of the Housing and Community Development Act of 1974, as amended.

Screening Guidelines: Business Development Infrastructure projects will be evaluated on the following criteria:

Project Type: Examples of eligible public infrastructure projects include the following items: public water or sanitary sewer lines and related facilities, streets, roads, bridges, sidewalks, parking facilities, pedestrian malls, alleys, drainage systems, waterways, publicly-owned utilities and systems, and projects designed to reduce, eliminate or prevent the spread of identified soil or groundwater contamination.

Category A:

- National Objective: Proposed projects are expected to result in the creation of full-time equivalent (FTE) jobs of which at least 51% of the created jobs will be held by low to moderate income persons. Proposed projects are expected to create and/or retain the largest number of jobs with the least amount of CDBG investment. Funding priority will be given to projects where the amount of CDBG funds per job created and/or retained is \$10,000 or less.
- Minimum Leverage Ratio: Proposed projects are expected to leverage private and other public funds. Funding priority will be given to projects when the leverage ratio of all other private and public funds to CDBG funds is 1:1 or greater.
- Job Creation: Priority will be given to projects creating ten or more permanent, full-time jobs that pay an average hourly rate of at least \$9.00 or 75% of the average hourly wage rate of the applicable county.

- Minimum Local Participation: Proposed public infrastructure projects are expected to have local government funding for public infrastructure activities. A minimum of ten (10%) percent local government cash match is required.
- Financial Viability: The business must be financially viable and able to document that it has sufficient management abilities and skills to successfully operate the business. Businesses may be subject to background checks.
- Economic Impact: Proposed projects are evaluated on their economic impact, including the diversification of the economic base of the local and State economies. This includes the significance of added value the project carries, including financial value added through sales, use of existing local and state suppliers and secondary jobs created.

Category B:

- National Objective: Proposed projects are expected to result in the creation of full-time equivalent (FTE) jobs of which at least 51% of the created jobs will be held by low to moderate income persons. Proposed projects are expected to create and/or retain the largest number of jobs with the least amount of CDBG investment. Funding priority will be given to projects where the amount of CDBG funds per job created and/or retained is \$20,000 or less.
- Minimum Leverage Ratio: Proposed projects are expected to leverage private and other public funds. Funding priority will be given to projects when the leverage ratio of all other private and public funds to CDBG funds is 2:1 or greater.
- Job Creation: Priority will be given to projects creating 25, or more, permanent, full-time jobs that pay an average hourly rate of at least \$11.00 or 85% of the average hourly wage rate of the applicable county.
- Minimum Local Participation: Proposed public infrastructure projects are expected to have local government funding for public infrastructure activities. A minimum of ten (10%) percent local government cash match is required.
- Financial Viability: The business must be financially viable and able to document that it has sufficient management abilities and skills to successfully operate the business. Businesses may be subject to background checks.
- Economic Impact: Proposed projects are evaluated on their economic impact, including the diversification of the economic base of the local and State economies. This includes the significance of added value the project carries, including financial value added through sales, use of existing local and state suppliers and secondary jobs created.

Category C:

- National Objective: Proposed projects are expected to result in the creation of full-time equivalent (FTE) jobs of which at least 51% of the created jobs will be held by low to moderate income persons. Proposed projects are expected to create and/or retain the largest number of

jobs with the least amount of CDBG investment. Funding priority will be given to projects where the amount of CDBG funds per job created and/or retained is \$35,000 or less.

- Minimum Leverage Ratio: Proposed projects are expected to leverage private and other public funds. Funding priority will be given to projects when the leverage ratio of all other private and public funds to CDBG funds is 3:1 or greater.
- Job Creation: Priority will be given to projects creating 50, or more, permanent, full-time jobs that pay an average hourly rate of at least \$14.00 or 95% of the average hourly wage rate of the applicable county.
- Minimum Local Participation: Proposed public infrastructure projects are expected to have local government funding for public infrastructure activities. A minimum of ten (10)% percent local government cash match is required.
- Financial Viability: The business must be financially viable and able to document that it has sufficient management abilities and skills to successfully operate the business. Businesses may be subject to background checks.
- Economic Impact: Proposed projects are evaluated on their economic impact including the diversification of the economic base of the local and State economies. This includes the significance of added value the project carries, including financial value added through sales, use of existing local and state suppliers and secondary jobs created.

Maximum Grant Amount: None.

c. Revolving Loan Funds

During program year 2012, the state will seek to finalize the regionalization of all existing revolving loan funds. The intent of the revolving loan funds is to provide CDBG eligible loans to businesses within the identified regional territory. Repayments of the loans back to the fund with interest generates program income that is used to cover fund administrative expenses and provides for additional funds for additional CDBG eligible loans to businesses. As of December 31, 2011, over 75% of the existing funds had been inactive for over 12 months.

The state program intends to form no more than nine regional entities, identified as eligible within HCDA 105(a)15. These entities will operate in non-entitlement areas within the state and, after an affirmative vote of the Michigan Strategic Fund Board, will exercise the ability to recapture or provide for the redirection of existing inactive fund balances and the reassignment of loan portfolios into the newly-created regional entities. Regionalization will create opportunities for greater access to available capital for the issuance of CDBG eligible loans, gain efficiency through increased underwriting expertise and streamline the State approval process. The State may also make additional CDBG funds available to Units of General Local Government, or Joint Applications, for the purpose of providing capital for the issuance of CDBG eligible loans to small businesses whose projects meet a national objective.

Maximum Grant Amount: None.

d. Unique Business Development Grants

Innovative and creative funding requests will be considered based on special and/or unique needs or situations requiring innovative program approaches not specifically provided for in regular economic development, downtown development, planning, blight elimination, and infrastructure programs. This may include, but is not limited to, brownfield site redevelopment, targeted industry development, job training, general public infrastructure, building and building rehabilitation activities, CDBG Section 108 loan guarantees, activities and services listed in the above categories which do not meet identified screening or selection criteria and/or projects associated with other State or Federally funded initiatives.

Selection guidelines, project periods, and grant amounts will be determined and tailored for each specific project proposal, but will always take into account the national objective, leverage ratio, job creation, local participation and financial viability. All funding considerations will be made in compliance with federal CDBG regulations and requirements.

Maximum Grant Amount: None.

2. DOWNTOWN DEVELOPMENT

The Michigan CDBG Program for downtown development includes special funding initiatives in traditional downtowns for Downtown Infrastructure, Facade Improvement, Signature Buildings, and Unique Downtown Projects. Priority for all categories will be given to projects located within a traditional downtown.

a. Infrastructure- Downtown Job Creation

The Downtown Infrastructure Program enables a community to improve the downtown's infrastructure quality and reduce redevelopment costs to make a project feasible. This program is restricted to downtown infrastructure improvements tied to new commercial/mixed-use development activities that require additional infrastructure to create new economic opportunities and job creation activity. Eligible under this activity would be public improvements, as identified in Section 105(a)(2) of Title I of the Housing and Community Development Act of 1974, as amended. Public infrastructure includes items located on public property, such as: parking facilities, streetscape, public water or sanitary sewer lines and related facilities, streets, roads, bridges, private utilizes and public utilities.

Screening Guidelines: Downtown infrastructure projects will be evaluated on the following criteria:

- National Objective: Proposed projects are expected to result in the creation of full-time equivalent (FTE) jobs of which at least 51% of the created jobs will be held by low to moderate income persons. Proposed projects are expected to create and/or retain the largest number of jobs with the least amount of CDBG investment. For job creation or retention projects, funding priority will

be given where the funds per job created is up to \$25,000 based on the number of jobs created or retained.

- Minimum Leverage Ratio: Proposed projects are expected to leverage private and other public funds. Funding priority will be given to projects when the leverage ratio of all other private and public funds to CDBG funds is 1:1 or greater.
- Job Creation: Priority will be given to projects creating the greatest amount of permanent full-time jobs.
- Minimum Local Participation: Proposed projects are expected to have local government funding participation. A minimum of ten (10%) percent local government cash match is required. Funding priority will be given to projects with the highest percentage of local matching funds.
- Financial Viability: The business must be financially viable and able to document that it has sufficient management abilities and skills to operate the business. Business may be subject to background check.

Maximum Grant Amount: The maximum individual grant award will not exceed \$750,000.

b. Façade Improvements

Grants are available for communities that seek to target areas of traditional downtowns for facade improvements which will have a significant impact on the downtown/community. The Downtown Façade Program is structured to provide commercial/mixed-use building façade improvements to sustain and minimize deterioration of the downtown area. This program is based on the premise that the exterior improvements will stimulate additional private investment in the buildings and the surrounding area, attract and increase additional customers, thereby resulting in additional downtown economic opportunities. Eligible under this activity would be rehabilitation and reconstruction of buildings, as identified in Section 105(a)(4) of Title I of the Housing and Community Development Act of 1974, as amended.

Screening Guidelines: Downtown Façade projects will be evaluated on the following criteria:

- National Objective: Proposed projects are expected to meet the national objective of either benefiting a population of individuals of whom at least 51% reside in low to moderate income households, or projects that will result in the creation of full-time equivalent (FTE) jobs of which at least 51% of the created jobs will be held by low to moderate income persons. Preference will be given to projects with job creation commitments. For job creation or retention projects, funding priority will be given to projects creating five or more permanent, full-time equivalent jobs and where the amount of CDBG funds per job created is \$25,000 or less.
- Minimum Leverage Ratio: None required for this program.
- Project Type: Projects will be located in a traditional downtown, should be located in a Downtown Development Authority or other like-district and all projects must meet the Secretary of Interior's Standards for Rehabilitation. Priority will be given to communities that demonstrate:

- prior use of downtown development incentives;
- local organizational capacity to successfully complete this project;
- a full-time downtown development professional or community staff member able to administer the project;
- that the project will consist of two or more buildings; and
- they have adopted a downtown development plan.
- **Job Creation:** Priority will be given to projects creating the greatest amount of permanent full-time jobs.
- **Minimum Local Participation:** Funding priorities will be given to communities with the highest percentage of private matching funds (committed funds only), but all projects must have a contribution of at least 25% of the total project costs. Preference will also be given to communities that provide additional local support either through tax abatement, direct grant or other financial assistance to the project.
- **Financial Viability:** The business must be financially viable and able to document that it has sufficient management abilities and skills to operate the business. Businesses may be subject to background checks.

Maximum Grant Amount: The maximum individual grant award will not exceed \$400,000 and must be for a minimum amount of \$30,000.

c. Signature Building

Grants are available for communities seeking acquisition of vacant, partially vacant or substantially underused buildings located in traditional downtowns for rehabilitation into a commercial/mixed use building that will result in job creation. CDBG funding can only be utilized for property acquisition activities.

The CDBG funding allows the community and/or the developer to acquire property that a developer would not typically purchase and redevelop due to the substantial amount of money required to rehabilitate, that its current owners are experiencing challenges with developing and/or maintaining, and it is currently being underused. Therefore, this program gives the community availability/accessibility to funding to stimulate economic opportunity within a downtown. Eligible under this activity would be acquisition of real property, as identified in Section 105(a)(1) of Title I of the Housing and Community Development Act of 1974, as amended.

Screening Guidelines: Downtown Signature Building projects will be evaluated on the following criteria:

- **National Objective:** Proposed projects are expected to meet the national objective of creating jobs and 51% of the created jobs will be held by low and moderate income persons. For job creation or retention projects, funding priority will be given to projects creating five or more permanent, full-time equivalent jobs and where the amount of CDBG funds per job created is \$25,000 or less.
- **Minimum Leverage Ratio:** Proposed projects are expected to leverage private and other public

funds. Funding priority will be given to projects when the leverage ratio of all other private and public funds to CDBG funds is 1:1 or greater.

- **Project Type:** Projects will be located in a traditional downtown, should be located in a Downtown Development Authority or other like-district, and the project must be accompanied by at least one appraisal, along with the current SEV, documentation that all taxes are current, as well as verification that non-mortgage liens have not been placed on the property. Priority will be given to communities that demonstrate:
 - the project is a signature, troubled building in the downtown;
 - the property is in a historic district or is historically registered;
 - the property has been vacant, partially vacant or underused for three years or more;
 - the property has sufficient parking for a rehabilitated building or that parking will be created as part of the project;
 - a structural analysis has been completed for the building; and
 - a full-time downtown development professional or community staff member able to administer the project.
- **Job Creation:** Priority will be given to projects creating the greatest amount of permanent full-time jobs.
- **Minimum Local Participation–** Funding priorities will be given to communities with the highest percentage of private and/or public matching funds (committed funds only), but all projects must have a contribution of at least 25% of the total acquisition costs. Preference will also be given to communities that provide additional local support either through tax abatement, direct grant or other financial assistance to the project.
- **Financial Viability:** The business must be financially viable and able to document that it has sufficient management abilities and skills to rehabilitate the building and create jobs. The business may be subject to a background check.

Maximum Grant Amount: The maximum individual grant award will not exceed \$500,000.

d. Unique Downtown Development Grants

Innovative and creative funding requests will be considered based on special and/or unique needs or situations requiring innovative program approaches not specifically provided for in regular economic development, downtown development, planning, blight elimination, and infrastructure programs. This may include, but is not limited to, incubator/entrepreneur development, rural community development, brownfield site redevelopment, general public infrastructure, building and building rehabilitation activities, CDBG Section 108 loan guarantees, activities and services listed in the above categories which do not meet identified screening or selection criteria and/or projects associated with other State or Federally funded initiatives.

Selection guidelines, project periods, and grant amounts will be determined and tailored for each specific project proposal, but will always take into account the national objective, leverage ratio, job creation, local participation and financial viability. All funding considerations will be made in

compliance with federal CDBG regulations and requirements.

3. PLANNING

Economic and downtown development planning grants are available to help communities accomplish project specific planning and design work which is likely to lead to an eligible economic development implementation project. Eligible under this activity would be planning and capacity building, as identified in Section 105(a)(12) of Title I of the Housing and Community Development Act of 1974, as amended. CDBG Planning funding cannot be utilized to create, update, or provide information solely for a community to meet legislatively mandated community planning requirements, including Downtown Development Authority plans.

a. Economic Development Planning

Projects will only be considered that can demonstrate that the planning grant will likely lead to an eligible implementation project. The planning study must be specific, with identified goals and outcomes

Screening Guidelines: Economic development planning proposals will be evaluated on the following criteria:

- National Objective: Proposed projects are expected to meet the national objective of likelihood for near term job creation where at least 51 percent of the jobs are held by low and moderate income persons.
- Minimum Leverage Ratio: None required for this program.
- Minimum Local Participation: Funding priorities will be given to communities with a higher percentage of matching funds (committed funds only), but a cash match equal to the awarded CDBG funds is required.
- Financial Viability: Evaluation not required for this program.

Maximum Grant Amount: The maximum individual grant award will not exceed \$100,000.

b. Downtown Planning

The Downtown Planning Program enables a community to identify and determine what activities the community could do to increase the viability/accessibility of economic opportunities to revitalize and stimulate job creation within the downtown area. Projects will only be considered that can demonstrate that the planning grant will likely lead to an eligible implementation project. The planning study must be building or area specific, with identified goals and outcomes.

Screening Guidelines: Downtown development planning grant proposals will be evaluated on the following criteria:

- National Objective – Proposed projects are expected to meet the national objective of likelihood for near term job creation where at least 51 percent of the jobs are held by low and moderate

income persons.

- Minimum Leverage Ratio: None required for this program.
- Minimum Local Participation: Funding priorities will be given to communities with a higher percentage of matching funds (committed funds only), but a cash match equal to the awarded CDBG funds is required.
- Financial Viability: Evaluation not required for this program.

Maximum Grant Amount: The maximum individual grant award will not exceed \$100,000.

4. BLIGHT ELIMINATION

The Michigan CDBG Program for blight elimination is allowable anywhere within the community that is designated a slum or blighted area. Eligible under this activity would be property acquisition, clearance/demolition, historic preservation, and building rehabilitation (only to the extent necessary to eliminate specific conditions detrimental to public health and safety), as identified in Section 105(a) of Title I of the Housing and Community Development Act of 1974, as amended.

Screening Guidelines: Blight Elimination grants will be evaluated on the following criteria.

- National Objective: Proposed projects must meet the national objective of elimination or prevention of slums and blight on a spot or area wide basis. For a property to be eligible, it must meet the definition of blight as defined in the Brownfield Redevelopment Financing Act 381 of 1996, MCL 125.2652 (e)(i-iv) and (vii).
- Minimum Leverage Ratio: None required for this program.
- Project Type: Funding priority will be given to the demolition of vacant, deteriorated and abandoned buildings which are considered to be detrimental to public health and safety.
- Minimum Local Participation: Proposed projects are expected to have local funding participation. A minimum of 25% committed cash match is required. Funding priority will be given to projects with the highest percentage of local matching funds.
- Project Viability - The community must be able to demonstrate that their proposed project is clearly eliminating objectively determinable signs of blight and is strictly limited to eliminating specific instances of blight (spot blight).

Maximum Grant Amount: The maximum grant amount shall not exceed \$1,000,000.

5. INFRASTRUCTURE GRANTS: AREA BENEFIT

Infrastructure grants are available to help communities upgrade existing public infrastructure systems either by replacing deteriorating, obsolete systems or by adding capacity to existing public infrastructure services in need of upgrade will be given priority. Public infrastructure includes items located on public property, such as: parking facilities, streetscape, public water or sanitary sewer lines and related facilities, streets, roads, bridges, privately owned utilities and publically owned utilities. Eligible under this activity would be public facilities and improvements and privately owned utilities, as identified in Section 105(a)(2)

of Title I of the Housing and Community Development Act of 1974, as amended.

a. Downtown Infrastructure Grants

Downtown Infrastructure Grants (DIG) are available for public infrastructure projects that upgrade existing public infrastructure systems in a traditional downtown. Announcement of this activity will be made to eligible communities as funding becomes available. Competitive ranking of projects will be based on the Proposals received and awards will be based on the availability of funds.

Screening Guidelines: Downtown infrastructure projects will be evaluated based on the following criteria:

- National Objective – Proposed projects are expected to meet the national objective of providing benefit to a population of individuals of whom at least 51 percent reside in low to moderate-income households.
- Minimum Leverage Ratio – Projects with the higher combined matching funds (all matching funds including local-committed funds only) will be given priority.
- Project Type – Eligible projects will demonstrate that:
 - they are located in a traditional downtown
 - the community has not received a 2010 DIG grant;
 - the community did not apply for a 2011 Farm to Food grant;
 - the community has a maintenance plan for the proposed projects; and
 - the project is able to be completed within one year of the grant agreement sign date.Priority will be given to communities that demonstrate:
 - the community does not have any open grants that have not been drawn down;
 - the project is in a DDA, or PSD/BID/BIZ, or similar; and
 - the community has incorporated innovative design elements.
- Minimum Local Participation – Proposed projects are expected to have local government funding participation. A minimum of ten (10%) percent local government committed cash match is required. Funding priority will be given to projects with the highest percentage of local matching funds.
- Financial Viability: Evaluation not required for this program.

Maximum Grant Amount: The maximum individual grant award will not exceed \$750,000. Applications will be accepted and grants awarded as funding availability allows.

b. Infrastructure Capacity Enhancement

Grants are available for public works projects that upgrade existing public infrastructure systems either by replacing deteriorating or obsolete systems or by adding capacity to existing systems. Announcement of this activity will be made to eligible communities as funding becomes available. Competitive ranking of projects will be based on the Proposals received and awards will be based on the availability of funds.

Screening Guidelines: Infrastructure Capacity Enhancement projects will be evaluated based on

the following criteria:

- National Policy Objective – Proposed projects are expected to meet the national objective of providing benefit to a population of individuals of whom at least 51 percent reside in low to moderate-income households.
- Project Type – While community and recreational facilities are eligible as are new infrastructure projects, public infrastructure projects that address necessary improvements to existing public infrastructure services in need of upgrade will be given priority.

Priority will be given to communities that demonstrate:

- the project will commence within the current calendar year;
 - the project has the highest combined matching funds; and
 - the project has a low cost per resident rate.
- Minimum Local Participation: Funding priority will be given to communities with the higher percentage of local matching funds (committed funds only) and all other matching funds from other sources (committed funds only) for the applicant's proposed project.

Maximum Grant Amount: The maximum individual grant award will not exceed \$1,000,000. Applications will be accepted and grants awarded as funding availability allows.

MICHIGAN STRATEGIC FUND

RESOLUTION 2012-

**APPROVAL OF STATE OF MICHIGAN CONSOLIDATED PLAN FOR HOUSING AND
COMMUNITY DEVELOPMENT PROGRAM YEAR 2012 (JULY 1, 2012 – JUNE 30, 2013); ONE
YEAR ACTION PLAN**

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

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

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

WHEREAS, the Criteria are contained in the Michigan Consolidated Plan for Housing and Community Development Program Year 2012 (July 1, 2012 – June 30, 2013); One Year Action Plan ("Consolidated Plan") which by federal rule must be submitted to the U. S. Department of Housing and Urban Development ("HUD");

WHEREAS, the Fund Manager desires to submit to HUD in conjunction with the Michigan State Housing Development Authority the Michigan Consolidated Plan for Housing and Community Development Program Year 2012, covering the planning and application aspects of HUD's Community Development Block Grants (CDBG), Emergency Shelter Grant (ESG), HOME Investment Partnership (HOME) and Housing Opportunities for Persons with AIDS (HOPWA) formula programs; and

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan
March 28, 2012



MEMORANDUM

Date: March 28, 2011
To: Michigan Strategic Fund Board Members
From: Karla Campbell, State Tax Incentives Manager
Subject: Approval of Renaissance Zone Amendment Application Form

PROGRAM BACKGROUND

The Renaissance Zone Act, PA 376 of 1996 requires that applications related to the Michigan Renaissance Zone program must be approved by the Michigan Strategic Fund (MSF). In the past, we have asked companies for a letter stating the changes that they are requesting with respect to their existing Renaissance Zones.

However, Program Administration has found that we receive more accurate and precise information using an application where specific information is requested than we do when a company sends us a letter. This also assists staff in obtaining information on Renaissance Zone compliance with respect to their existing Renaissance Zone Development Agreement.

The following Renaissance Zone projects can be changed, depending upon the request:

- Agricultural Renaissance Zones
- Border Crossing Renaissance Zones
- Forest Products Renaissance Zones
- MSF Designated Renaissance Zones
- Renewable Energy Renaissance Zones
- Geographic Renaissance Subzones where an active Development Agreement is executed.

RECOMMENDATION

The Michigan Economic Development Corporation recommends approval of the attached Amendment Application Form for Renaissance Zones that have not yet expired, where a Renaissance Development Agreement has been executed.

MICHIGAN RENAISSANCE ZONE PROGRAM

Renaissance Zone Amendment Application

MICHIGAN STRATEGIC FUND

February 2012

MICHIGAN RENAISSANCE ZONE PROGRAM

Renaissance Zone Amendment Application

Application Checklist / Submission Instructions

This application is only intended for existing Renaissance Zones which are requesting approval of a change in ownership or employer identification number or some other change to their Development Agreement. Amendments must be approved by the Michigan Strategic Fund and in certain circumstances the State Administrative Board. Please note, that extension of an existing Renaissance Zone are no longer authorized.

APPLICATION CHECKLIST

- Completed Application
- Resolution from the Local Unit(s) of Government recommending the proposed Amendment.
- Applicant must disclose, in a brief narrative, any possible conflicts of interest with members of the Local Unit(s) of Government and/or MSF.
- Copies of the two (2) most recent real property tax bills.

APPLICATION SUBMISSION

The completed original application should be emailed to the address below.

renzoneprogram@michigan.org

NOTE: This application, including any attachments, contains information from the Renaissance Zone Program of the Michigan Strategic Fund. This information is intended for use only by the project to which it is released. If you are not the intended recipient of this application, be advised that any dissemination, distribution, or use of the contents of this application is strictly prohibited.

MICHIGAN RENAISSANCE ZONE PROGRAM

Renaissance Zone Amendment Application

PART 1 – APPLICATION FORM

A. COMPLETE THIS SECTION ONLY IF COUNTY IS APPLICANT – CONTACT/SIGNATORY INFORMATION

Contact Person Name:		Title:	
County Name(s):			
Telephone:		E-mail:	
Street Address / PO Box:			
City:		State:	ZIP Code:
Elected County Executive/Authorized Officer:		Title:	
Street Address / PO Box:			
City:		State:	ZIP Code:
Telephone:		E-mail:	
Signature:		Title:	Date:

B. COMPANY INFORMATION

Name of Company:			
Street Address / PO Box:			
City:		State:	ZIP Code:
Contact Name:		Title:	
Telephone:		E-mail:	
Signatory's Name:		Title:	
Street Address / PO Box:			
City:		State:	Zip:
Telephone:		Email:	

C. CURRENT PROPERTY INFORMATION

Owner Name & Title:			
Street Address:			
City:		State:	Zip Code:
Telephone:		E-Mail:	
Total Acres to be included within zone:			
Number of years remaining of RZ benefit:			
If the Company is not the owner, please describe the length of the lease and provide verification that the property is leased by the Company:			

D. TYPE OF RENAISSANCE ZONE

<input type="checkbox"/> Agricultural Processing Renaissance Zone*	<input type="checkbox"/> MSF Designated Renaissance Zone
<input type="checkbox"/> Forest Products Processing Renaissance Zone*	<input type="checkbox"/> Alternative Energy
<input type="checkbox"/> Renewable Energy Renaissance Zone	<input type="checkbox"/> Redevelopment Renaissance Zone
	<input type="checkbox"/> Pharmaceutical Recovery Renaissance Zone
*May require Michigan Commission on Agriculture approval.	<input type="checkbox"/> Geographical Renaissance Zone Subzone

E. REQUEST

<input type="checkbox"/> Change to existing Development Agreement
<input type="checkbox"/> Change in ownership
<input type="checkbox"/> Change in name
<input type="checkbox"/> Change in Employer Identification Number (EIN)

MICHIGAN RENAISSANCE ZONE PROGRAM

Renaissance Zone Amendment Application

Part 2 – DESCRIPTION OF THE REQUEST

A. Describe the amendment request.

B. Describe the corporate structure of the company. (Check one)

- LLC
- C corp
- S corp
- Joint Venture
- Private Partnership
- Other _____

C. Describe what investment has been made at the property since the time of the Renaissance Zone designation.

D. How many full-time employees were employed at time of designation and how many full-time employees are employed today? If employment levels have decreased, please explain.

E. Is any new investment planned and/or any new full-time jobs being created? Please explain.

F. If Agricultural, Forest Products, or Renewable Energy, how will this change the percentage of raw material purchased in this state?

MICHIGAN RENAISSANCE ZONE PROGRAM

Renaissance Zone Amendment Application

Part 2 – Description of the Project

*G. Real Property Parcel ID#(s): **Should be the same as approved by the Local Unit of Government per their Resolution***

H. Legal Description of the property to be included in the Renaissance Zone.

I. What percentage of commodities/raw materials will be purchased out-of-state?

J. If purchasing commodities outside the state, please explain why that is necessary.

K. Are there any other state incentives this could impact? Yes No If yes, please explain below.

MICHIGAN RENAISSANCE ZONE PROGRAM

Renaissance Zone Amendment Application

Part 3 – Tax Information

IS THE COMPANY UTILIZING THE CORPORATE INCOME TAX SYSTEM OR CONTINUE WITH THE MBT?			
A. FOREGONE MICHIGAN BUSINESS TAX			
Annual savings of Michigan Business Tax for the Company to date since designation		\$	
B. FOREGONE PROPERTY TAXES (Both Real and Personal)			
Annual savings of property taxes for the Company to date since designation		\$	
C. SEV AND TV ON THE PROPERTY			
SEV Year:		TV Year:	
Real Property-LAND	SEV: \$	TV: \$	
Real Property-BUILDING	SEV: \$	TV: \$	
Personal Property	SEV: \$	TV: \$	
TOTALS	SEV: \$	TV: \$	
D. ADDITIONAL INFORMATION			
Do you certify that all Taxes (property, income and other) are current? Yes <input type="checkbox"/> No <input type="checkbox"/>			
If no, explain below:			
School District Code (Speak with your Treasurer if you do not know your 5-digit School District Code)			
Company's Federal Employer Identification Number (FEIN)			
Company's Dun & Bradstreet Number (DUNS):			
Senator's Name:		Senate District:	
Representative's Name:		House District:	
COMPANY CONSENT AND CERTIFICATION			
I, [TYPE YOUR FULL NAME HERE] , CERTIFY THAT THE INFORMATION PROVIDED IN THIS APPLICATION IS, COMPLETE, TRUE AND ACCURATE. I ALSO CERTIFY THAT THERE ARE NO PENDING OR OUTSTANDING ISSUES WITH ANY LOCAL OR STATE AGENCY.			
Signature		Date	



MEMORANDUM

Date: March 28, 2012

To: Michigan Strategic Fund Board Members

From: Karla Campbell, State Tax Incentives Manager

Subject: Existing Tool & Die Recovery Zone
Extend Duration of Existing Zone
Advanced Integrated Tooling Solutions, LLC
Charter Township of Chesterfield, Macomb County
Third Coast Tooling Alliance, LLC

COMPANY BACKGROUND

Advanced Integrated Tooling Solutions, LLC is a wholly owned subsidiary of Advanced Integration Technology, (AIT). AIT is a provider of turnkey aerospace factory automation, including the design, fabrication, installation, and maintenance of fully integrated plant-floor systems. AIT manufactures tooling and equipment for the assembly of aircraft, with current programs including the Boeing 787,747, Airbus A380, A350, and many more. AIT technology includes the automated alignment and positioning systems for final assembly, patented drilling systems, and automated guided vehicles.

At their Chesterfield tool and die location, employment has grown from 175 employees to 220 during the Renaissance Zone term. The company has invested approximately \$5,000,000 in machinery and tooling equipment since the designation of the Renaissance Zone.

Advanced Integrated Tooling Solutions, LLC was designated as a member of the Third Coast Tooling Alliance, LLC, a Recovery Zone by the Michigan Strategic Fund (MSF) on November 17, 2010, effective January 1, 2011. The companies in the Third Coast Tooling Alliance, LLC were approved for various years. At that time, Advanced Integrated Tooling Solutions, LLC obtained a resolution from the Charter Township of Chesterfield approving a five (5) year designation with an expiration date of December 31, 2015.

The Company also has a standard Michigan Economic Growth Authority Credit that was awarded in April of 2010 and they pulled the credit ahead to begin collecting with the tax-year ending December 31, 2010. The MEGA credit is for eight years and will end December 31, 2017.

TIME EXTENSION REQUEST

The Michigan Economic Development Corporation (MEDC) received a new resolution passed by the Charter Township of Chesterfield supporting an MSF approved extension for an additional three years, bringing the total to eight years with a new expiration date of 2018 rather than 2015. The MEDC recommends a three year time extension for Advanced Integrated Tooling Solutions, LLC. If approved, the new expiration date would be 2018.

The Tool & Die Recovery Zone has enabled Advanced Integrated Tooling Solutions, LLC to commit to additional investment and job growth. The company has invested approximately \$5,000,000 in machinery and tooling equipment since the designation of the Renaissance Zone.

Under MCL 125.2688d(1), the MSF may extend the duration of Recovery Zone status for one or more periods that when combined do not exceed 15 years, upon the consent of the local governmental unit where the tool and die business is located.

RECOMMENDATION

The MEDC recommends a three-year extension of the Recovery Zone duration on real property parcel 09-04-300-010-00-0 previously designated for Advanced Integrated Tooling Solutions, LLC at 29700 Commerce Chesterfield, Michigan 48051.

MICHIGAN STRATEGIC FUND

RESOLUTION 2012-

APPROVAL OF FORM OF RENAISSANCE ZONE APPLICATION

WHEREAS, the Michigan Legislature enacted the Michigan Renaissance Zone Act (the “Act”), 1996 PA 376, as amended, which authorizes the State Administrative Board (“SAB”) and the Michigan Strategic Fund (“MSF”) to designate renaissance zones to provide temporary relief from certain taxes for businesses located and conducting business activity within the renaissance zone;

WHEREAS, the Act at 125.2691 requires that “the form of the application for a renaissance zone designation shall be as specified by the” MSF. Further, the MSF “may request any information from an applicant, in addition to that contained in an application, as may be needed to permit the board to discharge its responsibilities under this act.”

WHEREAS, the Michigan Economic Development Corporation (“MEDC”) provides administrative services for the renaissance zone program and has developed a template for a Renaissance Zone Amendment Application (see Attachment A) (the “Template”) which may be used when requesting an amendment to an Agricultural Renaissance Zone, Border Crossing Renaissance Zone, Forest Products Renaissance Zone, MSF Designated Renaissance Zone, Renewable Energy Renaissance Zone, Geographic Renaissance Subzones subject to a Development Agreement; and

WHEREAS, the MEDC recommends that the MSF Board adopt the attached Template as the form of the application pursuant to 125.2691 for those particular renaissance zone amendments.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board adopts the attached Template as the form of the application pursuant to 125.2691 for those particular renaissance zone amendments; and

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

Ayes:

Nays:

Recused:

Lansing, Michigan
March 28, 2012

MICHIGAN STRATEGIC FUND

RESOLUTION 2012-

TIME EXTENSION FOR AN EXISTING TOOL AND DIE RECOVERY ZONE ADVANCED INTEGRATED TOOLING SOLUTIONS, LLC

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 beginning January 1, 2010;

WHEREAS, the Third Coast Tooling Alliance, LLC includes Advanced Integrated Tooling Solutions, LLC (the “Company”), a qualified tool and die business under the Act, located at 29700 Commerce, Chesterfield, Michigan 75074 (the “Property”);

WHEREAS, Section 8d(1) of the Act permits the MSF to extend the duration of Recovery Zone status for 1 or more periods that when combined do not exceed fifteen (15) years, upon the consent of the local governmental unit where the tool and die business is located;

WHEREAS, the Michigan Economic Development Corporation (“MEDC”) provides administrative services for the renaissance zone program, and received a request from the Company to extend the duration of its Recovery Zone designation for an additional three (3) year period, for a total of eight (8) years, with a new expiration date of December 31, 2018;

WHEREAS, the Charter Township of Chesterfield has passed a resolution consenting to the extension of the Recovery Zone designation for an additional three (3) year period, for a total of eight (8) years, with a new expiration date of December 31, 2018; and

WHEREAS, the MEDC fully considered the Company’s request and recommends the MSF extend the Recovery Zone duration on the parcel of property previously designated for Advanced Integrated Tooling Solutions, LLC at 29700 Commerce, Chesterfield, Michigan 75074.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board approves a time extension to the Recovery Zone duration for an additional three (3) year period, for a total of eight (8) years, with a new expiration date of December 31, 2018 on the parcel of property previously designated for Advanced Integrated Tooling Solutions, LLC at 29700 Commerce, Chesterfield, Michigan 75074;

BE IT FURTHER RESOLVED, that the Company shall provide a written report to the MSF by January 31, 2013, and annually each January 31 thereafter through 2019 that includes the following information:

1. The amount of capital investment, including, but not limited to, real and personal property investment, in the Property;
2. The number of individuals employed at the Property at the beginning and the end of the reporting period, as well as the number of individuals transferred to the Property from another entity owned by the Company, if any;
3. New jobs, including full-time jobs, created at the Property and the average wage for these new jobs;
4. The status of the Company's business operations;
5. The most recent State Equalized Value (SEV) and taxable value of the Property and personal property located at the Property, including personal property located at the Property that existed prior to the Effective Date; and
6. Any other information reasonably requested by the MSF regarding the Property or the extension of the designation described in this Agreement.

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
March 28, 2012



MEMORANDUM

Date: March 28, 2012
To: MSF Board Members
From: George Zimmermann, Vice President, Travel Michigan
Subject: Official Pure Michigan Travel Guide Request for Proposals

Background

For the last 20 years, Travel Michigan has produced *Michigan Travel Ideas* – a four-color, four-season official state travel guide in conjunction with a private-sector publisher. The publication, which includes advertising opportunities for Michigan travel-related businesses, has proved to be a comprehensive and cost-effective travel guide.

For 2012, one-million copies of the guide were published of which 555,000 copies will be pro-actively distributed to *Midwest Living* subscribers in Illinois, Indiana, Ohio, Wisconsin, Michigan and the city of St. Louis, Missouri, via polybagging with *Midwest Living's* March/April issue. Another 435,000 copies will be shipped to Travel Michigan to be used as fulfillment for callers who respond to Travel Michigan's general advertising efforts, and the Michigan travel industry. An additional 15,000 copies will be distributed on newsstands with *Midwest Living* in the Chicago market.

The official state travel guide is promoted via the Travel Michigan call center when inquirers phone Michigan's toll-free number for general travel information; at various Travel Michigan public relations efforts; by the Travel Michigan website; through the Pure Michigan tourism e-newsletter program; and at Michigan's fourteen Welcome Centers.

By a letter dated March 15, 2012, the Department of Technology, Management and Budget ("DTMB") delegated to the MSF the authority to issue an RFP to solicit a vendor to develop and distribute the official Pure Michigan Travel Guide ("Travel Guide RFP").

Recommendation

The MEDC recommends that the MSF Board approve the release of the Travel Guide RFP.

MICHIGAN STRATEGIC FUND

RESOLUTION 2012-

OFFICIAL PURE MICHIGAN TRAVEL GUIDE REQUEST FOR PROPOSALS

WHEREAS, the Michigan Strategic Fund (“MSF”) desires to consider proposals to develop and distribute the official Pure Michigan Travel Guide;

WHEREAS, by a letter dated March 15, 2012, the Department of Technology, Management and Budget (“DTMB”) delegated to the MSF the authority to issue a request for proposals (“RFP”) to solicit a vendor to develop and distribute the official Pure Michigan Travel Guide;

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

WHEREAS, the MEDC recommends that the MSF issue the attached RFP to invite proposals from vendors to develop and distribute the official Pure Michigan Travel Guide (“Travel Guide RFP”);

WHEREAS, the MSF Board reviewed the Travel Guide RFP attached to this Resolution, which includes provisions required by the Act and establishes a standard process to evaluate proposals submitted as a result of the RFP; and

WHEREAS, the MSF Board desires to initiate the Travel Guide RFP process and to authorize the MSF Fund Manager to appoint a committee to review proposals received in response to the RFP and make recommendations to the MSF Board.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board approves the attached Travel Guide RFP and authorizes its issuance;

BE IT FURTHER RESOLVED, that the MSF Board authorizes the MSF Fund Manager to appoint a Joint Evaluation Committee (“JEC”) to review proposals received in response to the Travel Guide RFP and make recommendations to the MSF Board; and

BE IT FURTHER RESOLVED, that the Board authorizes the MSF Fund Manager, in consultation with the Department of Attorney General, to modify the Travel Guide RFP as may be necessary or appropriate, if the modifications are not materially adverse to the interest of the MSF Board.

Ayes:

Nays:

Recused:

Lansing, Michigan
March 28, 2012

REQUEST FOR PROPOSALS

State of Michigan Official Travel Guide

RFP-Doc-4259

DRAFT

REMINDER

Please check your proposal to make sure you have included all of the specifications in the Request for Proposals. In addition, please submit an electronic version of each of the following:

- Technical Proposal (Section III-A);
- Price Proposal (Section III-D);
- Signed Independent Price Determination Certificate (Attachment D); and
- Conflicts of Interest Disclosure (if applicable) (Section II-G).

IMPORTANT DUE DATES

- **Friday, April 6, 2012, at 5:00 p.m.:** Questions from potential Bidders are due via email to contracts&grants@michigan.org. Please note: The Michigan Strategic Fund ("MSF") will not respond to questions that are not received by the above date and time. In addition, questions that are phoned, faxed or sent through regular mail will not be accepted.
- **Friday, April 13, 2012, by close of business:** Responses to all qualifying questions will be posted on the MSF's website, www.michigan.org/sblrfp.
- **Monday, May 7, 2012, at 3:00 p.m.:** Electronic versions sent separately of each of your Technical and Price Proposals due to the MSF via email to contracts&grants@michigan.org. **Proposals will not be accepted via U.S. mail or any other delivery method.**

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REQUEST FOR PROPOSAL
State of Michigan Official Travel Guide
RFP-Doc-4259

This Request for Proposals (“RFP”) is issued by the Michigan Strategic Fund (the “MSF”), Contracts and Grants Unit (“C&G”). The Michigan Economic Development Corporation (the “MEDC”) provides administrative services associated with the programs and activities of the Michigan Strategic Fund Act on behalf of the MSF. C&G is the sole point of contact with regard to all bidding and contractual matters relating to the services described in this RFP. Under the direction of the MSF, C&G is the only office authorized to change, modify, amend, alter, clarify, etc. the specifications, terms and conditions of this RFP and any contract(s) awarded as a result of this RFP (the “Contract”). C&G will remain the SOLE POINT OF CONTACT throughout the bidding process. All communications concerning this RFP must be addressed to:

Michigan Strategic Fund
Contracts and Grants
300 North Washington Square, 2nd Floor
Lansing, Michigan 48913
contracts&grants@michigan.org

SECTION I
WORK STATEMENT

A) PURPOSE

The purpose of this RFP is to enter into a contract with a full-service integrated marketing partner and publisher with extensive knowledge of the Michigan tourism product to handle copy writing and content development, sales, production, and proactive distribution of the official State of Michigan warm weather, fall and winter travel guides, featuring articles, with a focus on editorial expertise, compelling photography, and innovative distribution solutions.

B) BACKGROUND STATEMENT AND OBJECTIVES

For the last 20 years, Travel Michigan has produced *Michigan Travel Ideas*®--a four-color, four-season official state travel guide in conjunction with a private-sector publisher. The publication, which includes advertising opportunities for Michigan travel-related businesses, has proven to be a comprehensive and cost-effective travel guide.

The guide’s final presentation should be an inviting, user-friendly piece that features comprehensive information designed to “pitch” Michigan as an appealing travel destination to prospective visitors. The overall major objective is to encourage inquirers to make specific travel plans to visit Michigan.

The book needs to feature experiential, compelling, dynamic content that differentiates Michigan from our competitors. Therefore, the project will be awarded to that vendor whose bid clearly demonstrates its ability to accomplish this objective in an innovative, logically organized, informative and vividly attractive format, balanced with cost-efficient considerations.

For 2012, one million copies of the guide were printed of which 555,000 copies were pro-actively distributed to *Midwest Living* subscribers in Illinois, Indiana, Ohio, Wisconsin, Michigan and the city of St. Louis, MO, via polybagging with *Midwest Living's* March/April issue. Another 435,000 copies were shipped to Travel Michigan to be used as fulfillment for callers who respond to Travel Michigan's general advertising efforts, at trade and consumer and the Michigan travel industry. An additional 15,000 copies were distributed on newsstands with *Midwest Living* in the Chicago market.

The official state travel guide is promoted via the Travel Michigan call center when inquirers phone Michigan's toll-free number for general travel information; at various Travel Michigan public relations efforts; by the Travel Michigan website; through the Pure Michigan tourism e-newsletter program; and at Michigan's 14 Welcome Centers.

TRAVEL MICHIGAN MARKETING OVERVIEW

The health of the tourism, one of the State's largest industries, is crucial to Michigan's economy. Overall, tourism contributes \$17.2 billion in visitor spending to the State's economy annually, accounting for 153,000 jobs and generating \$964 million in state tax revenues. Michigan is ranked 7th nationally in both total and leisure travel. In order to ensure that Michigan remains competitive and travel continues to be a major contributor to the economy, the State has invested an average of \$5.7 million to \$25 million per year over the past 6 years to promote travel to Michigan through all of Michigan's marketing programs. For 2010, Michigan's tourism promotion budget was \$17.5 million, of which \$12.7 million was spent on media placement. For 2012 the MSF and MEDC tourism promotion budget was approximately \$25 million.

The State's tourism marketing mission is to increase visitor spending in Michigan. The overall marketing goals are to sell Michigan as the ideal vacation destination, create awareness of michigan.org as a travel planning tool and drive traffic to the website. To accomplish its mission and goals, Travel Michigan applies an integrated marketing approach that includes research, electronic media (television, cable and radio), magazine, newspaper, e-marketing (e-newsletter campaigns and web promotions), search engine optimization, a matching partnership initiative with the Michigan travel industry, outdoor advertising, an annual lure publication (*Michigan Travel Ideas*), media and public relations campaigns, a toll free information number and social media presence on Facebook, Twitter, Flickr, YouTube and Pure Michigan Blog.

To promote michigan.org, Michigan's advertising programs have included national cable TV advertising, Seasonal in-state and out-of-state regional paid advertising campaigns, radio, outdoor (billboards), print: magazine and newspaper, pay-per-Click program, and the annual lure publication, *Michigan Travel Ideas* magazine.

Marketing efforts focus on reaching high-value customers. Historically our marketing focus has targeted the Great Lakes region. Specific markets include Chicago, Cleveland, Indianapolis, Milwaukee, Cincinnati and Southern Ontario (not Toronto), Columbus, Dayton and St. Louis, MO. Toledo, South Bend, Fort Wayne, Green Bay—as well as Michigan. Recently, Travel Michigan launched a national campaign designed to showcase what makes Michigan unique and to increase visitation to the state from more-distant markets outside the Great Lakes region.

OBJECTIVES

The role of the official state travel guide in our overall marketing efforts will be:

1. To serve as a proactive marketing tool that would be effective in enticing readers to come to Michigan.
2. To target consumers who have a proven interest in traveling to Michigan.
3. To enhance readers' perception of Michigan.
4. To extend Travel Michigan's reach in out-of-state markets.
5. To afford the Michigan travel industry an effective way to invest advertising dollars to promote their tourism product outside Michigan.
6. To produce the state's official warm-weather, fall and winter, full-color, glossy travel guides at the most economical cost.
7. To complement Travel Michigan's marketing efforts
8. To support Travel Michigan's successful Pure Michigan branding initiatives.

Bidder may submit a proposal for all three guides; or a separate proposal for the warm-weather guide; and/or a separate proposal for fall and winter guides. Therefore, one bidder may submit one or two proposals to be reviewed independently.

TASKS and CAPABILITIES

The following is a preliminary list of the major tasks involved for developing the end product of this project. A background synopsis was provided in the Background/Problem Statement previously outlined, which details the process. The Contractor is not, however, constrained from supplementing this listing with additional steps, sub-tasks or elements deemed necessary to permit the development of alternative approaches or the application of proprietary analytical techniques.

1. The Contactor will be responsible for publishing a four-color official state travel guide, a four-color fall travel guide as well as a four-color winter travel guide to showcase Michigan as a desirable travel destination.
2. The Contractor will be responsible for supporting the Pure Michigan tourism marketing strategy by providing expert creative, production, personnel and/or sub-contractors.
3. The Contractor must work with Travel Michigan in the execution of this work to assure it is consistent with Travel Michigan's overall goals and objectives.
4. The Contactor must produce a cost effective direct mail product with overruns that can be used to respond to inquiries and for public relations activities of Travel Michigan.
5. The Contractor must create original, **unique content** for all editorial pages. The Contractor is responsible for all fact checking and proofing.

6. The Contractor must provide an **original list of articles** presented in a reader-friendly format with appealing and compelling photography. Editorial must be sensitive to a well-balanced geographical representation and ethnic diversity.
7. The Contractor must provide **all new photography** with full rights to Travel Michigan for advertising, public relations, media distribution, or collateral materials to promote Michigan tourism, including the Travel Michigan website. The Contractor must insure that all photography supplied pursuant to this contract is a certified Michigan location.
8. The Contractor must provide creative project management and execution for design, layout, illustrations and artwork, production, distribution, marketing and promotion, sponsorship and advertising sales. The design must focus on instant reader impact.
9. The Contractor must develop, write, edit, photograph and provide specified pre-press preparations for the annual official state travel guide which will carry the subtitle "**Michigan's Official State Travel Guide.**" (The contractor is encouraged to suggest new a title for each season's travel guide).
10. The Contractor must provide all editorial material in an electronic format with full rights to Travel Michigan for advertising, public relations, and online use.
11. The Contractor must design a unique "web bug" graphic treatment to direct readers to the corresponding story URL.
12. The Contractor must provide additional content and photography to complement each story as expanded content for **michigan.org**. The online supplement must also contain travel tip (web addresses and phone numbers) form the articles contained in the printed piece.
13. The Contractor must recommend innovative ways to drive traffic to michigan.org from the printed piece and other resources at its disposable.
14. The Contractor may not resale portions of the finished product to other publishers, or use for any for-profit purposes without the written consent of Travel Michigan.
15. The Contractor shall compile two indexes, one by city and one listed by activity and/or attraction.
16. The Contractor shall provide corrected page proofs which include all listings, and editorial copy and a proof with ads, copy and graphics in position prior to the final finished color proof. However, Travel Michigan state shall have unlimited author's alterations on all proofs.
17. The Contractor's final product must complement and support Travel Michigan's "**Pure Michigan**" branding initiative.
18. The Contractor must provide an online version of each feature in the guide utilizing a rich media canvas. Therefore, the contractor must demonstrate their ability to design, implement and support a format using integrated voice, streaming video, animation, hosting podcast and web collaboration in a converged network.

19. The contractor must produce a rich media version of the publications that is compatible with major mobile devices; i.e., iPad, iPhone, Android, Mac & PC networks.

Minimum content considerations (**the overall edit:ad ratio is 60:40**):

- Line-up of feature articles based on the most up-to-date research and travel trends.
- Editorial development with consistent tone.
- Selection and placement of appealing and compelling photography.
- Descriptive copy and photo captioning.
- Well-ordered listings and graphically appealing tables and charts.
- Michigan map showing major cities and major roads.
- Event calendar treatment.
- Formatted advertising pages.

The Contractor shall solicit paid advertising to help defray the cost of the publication. The Contractor shall have total responsibility for all bad advertising debt in the publication. The Contractor shall solicit appropriate advertisers (both **Michigan-based travel-related businesses and corporate accounts**) however; all advertisers and advertising must be travel-related and subject to Travel Michigan approval. (Commission rates must be addressed in the pricing component. See Attachment A).

The contractor must develop and manage an aggressive advertising and marketing strategy. Although the publication is to be advertiser-supported, it is not intended that the advertising will drive the editorial component.

1. The Contractor must present a sales strategy and a proposed rate structure subject to Travel Michigan approval.
2. The Contractor agrees that all rate discounts offered to potential advertisers receive prior approval from Travel Michigan before offering the discount to the potential advertiser.
3. The Contractor agrees that all “make goods” receive prior approval from Travel Michigan and that a written record be forwarded to Travel Michigan as well as to the Contractor’s accounting department.
4. The Contractor agrees to provide Travel Michigan bi-weekly advertising sales reports, which reflect the net/net advertising revenue to date. These reports must be broken down into appropriate categories as determined by Travel Michigan.
5. The Contractor must provide a detailed strategy for luring a national corporate sponsor.
6. The Contractor shall be responsible for responding to all complaints regarding advertising, service, and processing of complaints for adjustments. The Contractor shall provide the state a report listing all complaints received, the name and location of business/person making the complaint and the action taken to resolve the complaint.
7. The Contractor shall not sell any copies of the official state travel guide or ship any copies of the guide to any entity other than the state of Michigan or its designee.

8. The Contractor shall develop and provide a media kit and rate card for the official state travel guide.
9. The state shall inspect and approve all advertising materials, media releases and other publicity/marketing items.
10. The only advertisements that shall be allowed in the official state travel guide shall be advertisements of businesses that provide a direct service to the traveling and/or tourism public in the State of Michigan.
11. The Contractor shall only be allowed to sell advertisements to businesses licensed to operate within the State of Michigan and businesses that have a place of operation within the state of Michigan unless specially pre-approved by the state in writing.
12. The Contractor shall solicit advertising from all regions of the State of Michigan in order to present the most geographic balance possible.
13. The Contractor shall be aware that the state may elect to make changes in design, theme and editorial comment, to the publication at no cost to the State.
14. The Contractor is responsible for providing an up-to-date comprehensive state highway map.
15. The Contractor must provide advertisers an opportunity to showcase their product via a rich media application.

The contractor will be responsible for a number of intricate account management functions.

1. The publisher is responsible for providing support, direction and overall quality assurance.
2. The Contractor will conduct regular update meetings.
3. The Contractor must recommend ways to grow the magazine's ROI.
4. The Contractor must conduct readership surveys.
5. The Contractor must provide pro-active distribution to Travel Michigan's target markets.
6. The Contractor must provide bulk shipping of up to 335,000 copies.
7. The Contractor shall provide the state a comprehensive schedule for all phases of planning, which should include copy writing, design, advertising, production and delivery.

The Contractor must provide a complete list of available databases and/or any and all mailing lists that are available to Travel Michigan for proactive distribution.

The Contractor must demonstrate its ability to match Travel Michigan's target market demographics and to distribute by mail the publication to a minimum of 650,000 households in the Travel Michigan's target markets as outlined earlier and other destination marketing areas as determined by research.

Three hundred thirty-five (335,000) copies shall be bulk-shipped, at cost, to Travel Michigan's warehouse in Lansing, MI. Additionally, a minimum of up to 50,000 copies (taken from the bulk

quantity) shall be bulk-shipped directly to Travel Michigan's fulfillment center, currently located in Lansing, MI.

The contractor is encouraged to recommend alternative ways to publish and distribute the official travel guides while still adhering to Travel Michigan strategic goals and marketing objectives.

The Contractor is encouraged to recommend optional proactive distribution points and opportunities that it would like to be considered by Travel Michigan.

SECTION II RFP PROCESS AND TERMS AND CONDITIONS

A) **PRE-BID MEETING/QUESTIONS**

A pre-bid meeting will not be held. Questions from Bidders concerning the specifications in this RFP must be received via e-mail no later than **5:00 pm on Friday, April 6, 2012**. Questions must be submitted to:

Contracts and Grants
contracts&grants@michigan.org

B) **PROPOSALS**

To be considered, Bidders must submit a complete response to this RFP, using the format provided in Section III of this RFP, by **3:00 p.m. on Monday, May 7, 2012**. No other distribution of proposals is to be made by the Bidder.

The Technical Proposal must be **signed in ink or by electronic signature** of an official of the Bidder authorized to bind the Bidder to its provisions. The proposal must include a statement as to the period during which it remains valid; this period must be at least ninety (90) days from **May, 7, 2012**. The rates quoted in the Price Proposal must remain firm for the period indicated in Section III.

C) **ECONOMY OF PREPARATION**

Each proposal should be prepared simply and economically, providing a straightforward, concise description of the Bidder's ability to meet the requirements of the RFP. Emphasis should be on completeness and clarity of content, and **limited to no more than 30 pages**. Any pages submitted over the maximum of 30 pages, will not be considered.

D) **SELECTION CRITERIA**

Responses to this RFP will be evaluated based upon a two-step selection process. The first step is an evaluation of which bids are satisfactory to meet the requirements of the RFP. Bids will be graded on three criteria for this purpose. Only those proposals that the Joint Evaluation Committee (JEC) have determined satisfactorily meet the requirements described in the RFP will be considered for evaluation in Step II

E) BIDDERS COSTS

The MSF is not liable for any costs incurred by any Bidder prior to signing of the Contract by all parties.

F) TAXES

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

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

G) CONFLICT OF INTEREST

The Bidder must disclose, in an exhibit to the proposal, any possible conflicts of interest that may result from the award of the Contract or the services provided under the Contract.

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

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

H) BREACH OF CONTRACT

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

I) DISCLOSURE OF LITIGATION

Except as otherwise disclosed in an exhibit to Bidder's proposal, there is no criminal litigation, investigations or proceedings involving the Bidder (and each subcontractor, if subcontractors will be used to provide the goods/services requested under this RFP) or any of the Bidder's officers or directors or any litigation or proceedings under the Sarbanes-Oxley Act. In addition, Bidders must disclose in the exhibit requested under this Section of the RFP any civil litigation, arbitration or proceeding to which the Bidder (or, to the extent Bidder is aware, any subcontractor) is a party and which involves: (1) disputes that might reasonably be expected to adversely affect the viability or financial stability of the Bidder (or subcontractor); or (2) a claim or written allegation of fraud or breach of contract against Bidder (or, to the extent Bidder is aware, subcontractor), by a governmental or public entity arising out of their business dealings with governmental or public entities. Details of any settlements which Bidder is prevented from disclosing under the terms of the settlement may be annotated as such.

J) FALSE INFORMATION

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

K) DISCLOSURE

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

L) CHANGES IN THE RFP

Changes made to the RFP as the result of responses made to qualifying questions or concerns will be put in writing to each Bidder. The MSF will not respond to telephone inquiries or visitation by Bidders or their representatives. The MSF does not commit to answering questions received after the date and time specified in Section II-A.

M) ELECTRONIC BID RECEIPT

ELECTRONIC VERSIONS OF EACH OF YOUR TECHNICAL AND PRICE PROPOSALS SENT SEPARATELY MUST BE RECEIVED AND TIME-STAMPED BY THE MSF TO contracts&grants@michigan.org, ON OR BEFORE 3:00 p.m. on Monday, May 7, 2012. Bidders are responsible for timely submission of their proposal. THE MSF HAS NO OBLIGATION TO CONSIDER ANY PROPOSAL THAT IS NOT RECEIVED BY THE APPOINTED TIME.

N) RESERVATION OF MSF DISCRETION

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

- 1) reject any and all proposals;
- 2) waive any errors or irregularities in the bidding process or in any proposal;
- 3) rebid the project;
- 4) negotiate with any Bidder for a reduced price, or for an increased price to include any alternates that the Bidder may propose;
- 5) reduce the scope of the project, and rebid or negotiate with any Bidder regarding the revised project; or
- 6) defer or abandon the project.

O) BID PROTEST PERIOD

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

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

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

In fairness to Bidders who meet specifications and to prevent delays in procurement, the MSF will not withdraw an award or re-evaluate bids when a protest maintains that the RFP specifications were faulty or that a bid exceeding specifications provided a better value than a lower bid meeting specifications.

P) JURISDICTION

In the event that there are conflicts concerning this RFP that proceed to court, jurisdiction will be in a Michigan Court of Claims if against the MSF and in the Ingham County Circuit Court if against other parties. Nothing in this RFP shall be construed to limit the rights and remedies of the MSF that are otherwise available.

**SECTION III
PROPOSAL FORMAT**

To be considered, each Bidder must submit a COMPLETE proposal in response to this RFP using the format specified. Bidder's proposal must be submitted in the format outlined below. There should be no attachments, enclosures, or exhibits other than those required in the RFP or considered by the Bidder to be essential to a complete understanding of the proposal. Each section of the proposal should be clearly identified with appropriate headings:

A) TECHNICAL PROPOSAL

1. Proposal Content – The proposal should describe how the Contractor plans to address the objectives and tasks outlined in this RFP with an emphasis on the following:
 - a. Mock-up and creative concepts to include cover, table of contents, Michigan Moments section, one feature story, calendar of events treatment, state parks and camping chart, banner advertising section, BRC Card, reader-service listing.
 - b. Advertising Sales Strategy including timetable, ad rates and commission rates
 - c. Database options and direct mail opportunities and mailing capabilities.
 - d. Added-Value Opportunities.
2. Business Organization and History – State the full name, address, and phone and facsimile number of your organization and, if applicable, the branch office or other subordinate element that will perform, or assist in performing, the work hereunder. Indicate whether it operates as an individual, partnership, or corporation; if as a corporation, include the state in which it is incorporated. If appropriate, the proposal must state whether the organization is licensed to operate in the State of Michigan.
3. Statement of the Problem – State in succinct terms your understanding of the problem(s) presented by this RFP.
4. Narrative – Include a narrative summary description of the proposed effort and of the services(s)/products(s) that will be delivered.
5. Prior Experience – Describe the prior experience of your organization which you consider relevant to the successful accomplishment of the project defined in this RFP. Include sufficient detail to demonstrate the relevance of such experience. Proposals submitted should include, in this Section, descriptions of qualifying experience to include project descriptions, costs, and starting and completion dates of projects successfully completed; also include the name, address, and phone number of the responsible official of the client organization who may be contacted.

6. Project Staffing – The Bidder must be able to staff a project team which possesses talent and expertise in the field of publishing and integrated marketing with extensive knowledge of the Michigan tourism product. Identify a Project Manager and staff assigned by name and title. Include biographies, experience and any other appropriate information regarding the work team's qualification for this initiative. Indicate staff turnover rates. Show where the project team will be physically located during the time they are engaged in the work. Indicate which of these individuals you consider key to the successful completion of the work. Indicate the amount of dedicated management time for the Bidder's Project Manager and other key individuals. Do not include any financials for the contemplated work within the Technical Proposal. Resumes of qualifications should be supplied for proposed project personnel.

Please Note: The MSF further reserves the right to interview the key personnel assigned by the Contractor to this project and to recommend reassignment of personnel deemed unsatisfactory.

7. Subcontractors – List here all subcontractors that will be engaged to accomplish the project described in this RFP; include firm name and address, contact person and complete description of work to be subcontracted. Include descriptive information concerning subcontractor's organization and abilities. Also, the information provided in response to A-6, above, should include detailed information about each potential subcontractor.
8. Bidder's Authorized Expediter – Include the name and telephone number of person(s) in your organization authorized to expedite any proposed contract with the MSF.
9. Additional Information and Comments – Include any other information that is believed to be pertinent, but not specifically asked for elsewhere.

B) PRICE PROPOSAL

Provide the cost/rate/price information for all firms/persons named in your Technical Proposal to demonstrate the reasonableness of your Price Proposal. Attach a schedule of all expenses covering each of the services and activities identified in your proposal.

The MSF is exempt from federal excise tax, and state and local sales taxes. The Price Proposal should not include taxes.

THE PRICING PROPOSAL MUST BE IDENTIFIED AND SENT SEPARATELY FROM THE TECHNICAL PORTION OF YOUR PROPOSAL ACCORDING TO THE INSTRUCTIONS OF THIS RFP.

Bidders Please Note: Rates quoted in response to this RFP are firm for the duration of the Contract; no price increase will be permitted.

C) PROPOSAL SUBMITTAL

Submit separately marked electronic versions of each of your Technical and Price proposals to the MSF via email to contracts&grants@michigan.org not later than **3:00 p.m. on Monday, May 7, 2012**. The MSF has no obligation to consider any proposal that is not timely received. **Proposals will not be accepted via U.S. mail or any other delivery method.**

BIDDERS ARE RESPONSIBLE FOR ASSURING THAT THE FOLLOWING IDENTIFYING INFORMATION APPEARS IN THE SUBJECT LINE OF THE EMAIL: "RFP-Doc-4259 Technical Proposal" and "RFP-Doc-4259 Pricing Proposal" with Company Name, and "message 1 of 3" as appropriate if bid consists of multiple emails.

SECTION IV CONTRACTUAL TERMS AND CONDITIONS

A) CONTRACT TERMS AND CONDITIONS

- 1) The Contract – The proposal selected will be subject to the terms and conditions of the MSF's Professional Services Contract (the "Contract") upon execution of the Contract by the MSF and Bidder. The standard terms and conditions of the Contract are attached to this RFP as Attachment A.
- 2) Term of Work – It is estimated that the activities in the proposed Contract will cover the period October 1, 2012, through September 30, 2015.
- 3) Modification of Service – The MSF reserves the right to modify the requested services during the course of the Contract. Such modifications must be made in writing and may include the addition or deletion of tasks or any other modifications deemed necessary. Any changes in pricing proposed by the bidder resulting from the requested changes are subject to acceptance by the MSF. Changes may be increases or decreases.

In the event changes are not acceptable to the MSF, the Contract shall be subject to competitive bidding based upon the new specifications.

- 4) Subcontracting – The MSF reserves the right to approve any subcontractors for the Contract and to require the bidder, upon award of the Contract, to replace subcontractors that the MSF finds to be unacceptable.
- 5) Award of Contract – The MSF reserves the right to award all or any part of this RFP and, based on what is in the best interest of the MSF, the MSF will award the Contract considering price, value and quality of the bids.

B) CONTRACTOR RESPONSIBILITIES

The selected Bidder will be required to assume responsibility for all contractual activities offered in this RFP whether or not the Bidder performs them. Further, the MSF will consider the selected Bidder to be the sole point of contact with regard to contractual matters, including payment of any and all charges resulting from the Contract.

C) ACCEPTANCE OF PROPOSAL CONTENT

If awarded a Contract, the contents of this RFP will become contractual obligations. The following constitute the complete and exclusive statement of the agreement between the parties as it relates to this transaction:

- 1) This RFP (including subsequent written clarification provided in response to questions raised by email) and any Addenda thereto; and

2) Final Executed Contract.

In the event of any discrepancies between the above documents, the final executed Contract shall control. Failure of the successful Bidder to accept these obligations may result in cancellation of the award.

D) PROJECT CONTROL AND REPORTS

1. Project Control

- A. The Contractor will carry out this project under the direction and control of Travel Michigan. Travel Michigan will have a significant role in the decision making process for content and layout for each issue.
- B. Although there will be continuous liaison with the Contractor team, the Contract Manager will meet with the Contractor's Project Manager for the purpose of reviewing progress and providing necessary guidance to the Contractor in solving problems which arise.
- C. The Contractor will submit brief monthly invoices stating that the work for which payment is requested has been appropriately performed. Progress payments may be made up to a total of 85% of the Contract. The billing statement must show funds received to date, project expenditures to date, and tasks completed to date. Payment of the final 15% of the Contract amount shall be made only after the satisfactory completion of the required work, including all reports, and the submission of a final invoice that includes expenditures of MSF funds reported by line item and compared to the approved budget. When applicable, the Contract Manager shall approve a final report from the Contractor. If the Contractor is in material compliance with the terms and conditions of the Contract, payment will be made.
- D. Within five (5) working days of the execution of the contract, the Contractor will submit to the Contract Manager for final approval, a work plan. This final implementation plan must be in agreement with Section IV-C Subsection 2 as proposed by the bidder and accepted by the MEDC for contract, and must include the following:
 - 1) The Contractor's project organizational structure.
 - 2) The Contractor's staffing table with names and titles of personnel assigned to the project. This must be in agreement with staffing of the accepted proposal. Necessary substitutions due to change of employment status and other unforeseen circumstances may only be made with prior approval of the MEDC.
 - 3) A comprehensive time line, including the project breakdown showing sub-projects, activities and tasks.
- E. Travel Michigan reserves the right to provide up to eight (8) pages of information, which shall carry the heading "Special Travel Guide Section, provided by Travel Michigan." Publisher agrees to perform all pre-press functions related to this special section to include, but not limited to **CVB listings, and trip planning resources.**
- F. Travel Michigan shall have the right to reproduce the overall publication—including all text (with edit options) and photography – in advertising, public relations, or collateral materials it creates to promote tourism in Michigan, and on the Travel Michigan website.

G. Travel Michigan agrees to provide advertiser lists and a letter of support to endorse the publication to prospective advertisers.

DRAFT

Attachment A

OFFICIAL WARM WEATHER STATE TRAVEL GUIDE COST PROPOSAL BREAKOUT

C)	
D) <u>Specifications for warm weather guide</u>	Cost
E)	
<p>Sponsorship Costs to print 1, 000,000 copies Including writing, designing, typesetting, keylining, film & color, separations, proactive mail distribution, stripping & finished art, and commission costs</p> <p>F) <u>Production Specifications</u> Quantity: 1, 000,000 copies minimum Size: 7 7/8" x 10 1/2" folded perfect bound trim size Pages: 108 pages plus 4-page cover min. Binding: Perfect-bound Paper: Cover 100 # w/ UV coating or equivalent; Body 38#, brightness should be #2 or better Insertion: perforated BRC card on card stock that must meet postal regulations on mail back Printing: Web-fed offset Color: Four-color throughout Delivery Spec: Packed in boxes weighing no more than 47lbs each and shrink-wrapped on pallets</p>	
Separate cost per unit to proactively distribute (direct mail) 650,000 in key markets—Illinois, Indiana, Ohio, and Wisconsin	
Separate cost per unit to bulk ship 335,000 copies to Lansing	
Advertising Rate Structure for 4-color as well as 2-color/B&W and B&W, including commission costs	
BRC production oversight	
Value of added-value components	
Sales Commission	
Estimated ad sales revenue	
Total net cost to Travel Michigan for the book after deducting the ad revenue	
Total price of bid	

Attachment B

OFFICIAL FALL & WINTER STATE TRAVEL GUIDES COST PROPOSAL BREAKOUT

G)	
H) <u>Specifications for fall & winter travel guides</u>	Cost
I)	
<p>Sponsorship Costs to print 100,000 copies Including writing, designing, typesetting, keylining, film & color, separations, proactive mail distribution, stripping & finished art, and commission costs</p> <p>J) <u>Production Specifications</u> Quantity: 100,000 copies minimum Size: 7 7/8" x 10 1/2" folded perfect bound trim size Pages: 24 pages plus 4-page cover min. Binding: Perfect-bound Paper: Cover 100 # w/ UV coating or equivalent Body 38#, brightness should be #2 or better Insertion: perforated BRC card on card stock that must meet postal regulations on mail back Printing: Web-fed offset Color: Four-color throughout Delivery Spec: Packed in boxes weighing no more than 47lbs each and shrink-wrapped on pallets</p>	
Advertising Rate Structure for 4-color as well as 2-color/B&W and B&W, including commission costs	
BRC production oversight	
Sales Commission	
Estimated ad sales revenue	
Total net cost to Travel Michigan for the book after deducting the ad revenue	
Total price of bid	

ATTACHMENT C

PROFESSIONAL SERVICES CONTRACT
TERMS AND CONDITIONS

The Michigan Strategic Fund (the "MSF") enters into a binding agreement for professional services (the "Agreement") with CONTRACTOR (the "Contractor"). The MSF and Contractor shall sometimes be referred to in this Agreement individually as a "Party" or collectively as "Parties."

Contractor: Name
 Address
 Address

Federal I.D. No: xx-xxxxxxx

I. NATURE OF SERVICES

Contract with a a full-service integrated marketing partner and publisher with extensive knowledge of the Michigan tourism product to handle copy writing and content development, sales, production, and proactive distribution of the official State of Michigan warm weather, fall and winter travel guides, featuring articles, with a focus on editorial expertise, compelling photography, and innovative distribution solutions.

II. PERFORMANCE SCHEDULE

Starting Date: October 1, 2012

Ending Date: September 30, 2015

The term of this Agreement (the "Term") shall begin on the Starting Date and end on the Ending Date, unless terminated earlier, as permitted under Section V(J) of this Agreement.

III. COMPENSATION INFORMATION

- A) The MSF agrees to pay Contractor an amount not to exceed \$XX.XX during the Term. This amount includes all embedded expenses.
- B) Payment under this Agreement shall be made by the MSF to Contractor upon receipt and approval by the Contract Manager of Contractor's billing statement stating that the work for which payment is requested has been appropriately performed. Contractor shall provide the Contract Manager with Contractor's billing statement on a monthly basis.
- C) All billing statements must reflect actual work done. The specific details of billing statements and payments will be agreed upon between the Contract Manager and the Contractor after the Agreement has been signed and accepted by both the Contractor and the MSF. Payment of the final 15% of the Contract amount shall be made only after the satisfactory completion of the required work, including all reports, and the submission of the final invoice.

- D) Public Act 533 of 2004 requires that payments under this Agreement be processed by electronic funds transfer (EFT). Contractor is required to register to receive payments by EFT at the Contract & Grant Payment Express website (www.cpexpress.state.mi.us).
- E) Changes in the budget will be allowed only upon prior review and written approval by the Contract Manager.
- F) Contractor's billing statement(s) may be subject to a final audit prior to the release of final payment.

IV. MSF CONTRACT MANAGER

Contractor should communicate with the following MSF representative regarding this Agreement:

Elizabeth Parkinson
Marketing and Communications
Michigan Strategic Fund
300 N. Washington Square
Lansing, Michigan 48913

V. TERMS AND CONDITIONS

A) Contractor Duties

- 1) Contractor agrees to undertake, perform, and complete the services described in Exhibit A, which is incorporated herein by reference.
- 2) Within seven (7) business days of the last business day of each month, the Contractor will provide a progress report to the MSF Contract Manager. The progress report must contain a brief summary of the work accomplished during that month; the work to be accomplished during the subsequent month; and any problems, real or anticipated which should be brought to the attention of the MSF Contract Manager. Further, this report must provide notice of any significant deviation from previously agreed upon work plans.

B) Independent Contractor

Contractor will act as an independent contractor under this Agreement, and neither Contractor nor any employee or agent or contract personnel of Contractor is, or shall be deemed to be, an employee of the MSF due to this Agreement and the relationship between Contractor and MSF. In its capacity as an independent contractor, Contractor agrees to and represents the following:

- 1) Contractor will provide the services under this Agreement free from the direction or control of the MSF as to means, manners, and methods of performance;
- 2) Contractor has the right and does fully intend to perform services for third parties during the Term;

- 3) Contractor acknowledges that any work product developed by Contractor in performance of this Agreement shall be the sole property of the MSF and the MSF shall have the right to copyright or otherwise protect its rights in and ownership of the work product;
- 4) The services required by this Agreement shall be performed by Contractor, or Contractor's employees or contract personnel, and the MSF shall not hire, supervise, or pay any assistants to help Contractor;
- 5) Neither Contractor nor Contractor's employees or contract personnel shall receive any training from the MSF in the professional skills necessary to perform the services required by this Agreement;
- 6) Neither Contractor nor Contractor's employees or contract personnel shall be required by the MSF to devote full time to the performance of the services required by this Agreement; and
- 7) Contractor does not receive the majority of its annual compensation from the MSF.

The Parties acknowledge and agree that the MSF is entering into this Agreement with reliance on the representations made by Contractor relative to its independent contractor status.

C) Permits and Licenses

Contractor declares that Contractor has complied with all federal, state and local laws requiring any business permits, certificates or licenses required to carry out the services to be performed under this Agreement, and Contractor will maintain those permits, certificates and/or licenses throughout the Term.

D) Materials

Contractor will furnish all materials, equipment and supplies used to provide the services required by this Agreement. Provided however, to the extent the MSF prints business cards for Contractor to perform its services under this Agreement.

E) State and Federal Taxes

The MSF will not:

- 1) Withhold FICA (Social Security and Medicare taxes) from Contractor's payments or make FICA payments on Contractor's behalf; or
- 2) Make state or federal unemployment compensation contributions on Contractor's behalf, or withhold state, federal or local income tax from Contractor's payments.

Contractor shall pay all taxes incurred while performing services under this Agreement, including, but not limited to all applicable income taxes. If requested by the MSF, Contractor shall provide the MSF with proof that such payments have been made.

F) Fringe Benefits

Contractor understands that neither Contractor nor Contractor's employees or contract personnel are eligible to participate in any employee pension, health, vacation pay, sick pay, or other fringe benefit plan of the MSF.

G) Workers' Compensation

The MSF shall not obtain workers' compensation insurance on behalf of Contractor or Contractor's employees. If Contractor hires employees to perform any work under this Agreement, Contractor shall cover them with workers' compensation insurance and shall maintain such insurance during the Term. The MSF may, in its discretion, require Contractor to provide evidence of such coverage.

H) Unemployment Compensation

The MSF shall make no state or federal unemployment compensation payments on behalf of Contractor or Contractor's employees or personnel. Contractor will not be entitled to these benefits in connection with work performed under this Agreement. If Contractor files a petition for and receives unemployment compensation, the total amount of unemployment compensation awarded to and received by Contractor shall be deducted from and be an offset against the amount of compensation due and payable to Contractor by the MSF under this Agreement.

I) Access to Records

During the Term, and for seven (7) years after the Ending Date, Contractor shall maintain reasonable records, including evidence that the requested services actually were performed and the identity of all individuals paid for such services, and shall allow access to those records by the MSF or its authorized representative at any time during this period.

J) Termination

Either Party may terminate its obligations under this Agreement by giving the other Party thirty (30) calendar days prior written notice of such termination.

The MSF may immediately terminate this Agreement upon written notice to Contractor if Contractor materially breaches its obligations under this Agreement or engages in any conduct which the MSF, in its sole discretion, determines has or could have an adverse impact on the State of Michigan's (the "State") or the MSF's reputation or interests. In addition, the MSF may immediately terminate this Agreement upon written notice to Contractor, without further liability to the MSF or the State, its departments, agencies, and employees, if Contractor, an officer of Contractor, or an owner of a 25% or greater share of Contractor is convicted of a criminal offense relating to a State, public, or private contract or subcontract; or convicted of a criminal offense including, but not limited to, any of the following: embezzlement, theft, forgery, bribery, falsification or destruction of records, receiving stolen property, attempting to influence a public employee to breach the ethical conduct standards for State employees; convicted under state or federal antitrust statutes; or convicted of any other criminal offense which, in the sole discretion of the MSF, reflects on Contractor's business integrity.

Contractor acknowledges that MSF's performance of its payment obligation is dependent upon the MSF Board's continued approval of funding and/or the MSF's continued receipt of State funding. In the event that the State Legislature, the State Government or any State official, public body corporate, commission, authority, body or employees, including the MSF Executive Committee: (a) takes any action which fails to provide, terminates or reduces the funding that is related to the source of funding for this Agreement; or (b) takes any action that is unrelated to the source of funding for this Agreement, but affects the MSF's ability to perform obligations under this Agreement, the MSF may terminate this Agreement by providing thirty (30) calendar days notice prior to the effective date of cancellation. In the event, however, that the action of the State Legislature, the State of Michigan or MSF's Executive Committee results in an immediate absence or termination of funding, this Agreement may be terminated effective immediately upon delivery of notice to the Contractor. In the event of immediate termination of funding, the MSF will make payment through the effective date of termination for any undisputed services rendered and expenses incurred.

The MSF shall have no obligation to Contractor for any fees or other payments incurred in connection with this Agreement after the effective date of termination. Upon termination, all work product prepared or produced by Contractor pursuant to this Agreement shall be immediately delivered to the MSF. Payment for any undisputed services rendered and expenses incurred through the effective date of termination will then promptly be made by the MSF.

K) MSF Employees

Contractor will not hire any employee of the MSF or the MEDC to perform any services covered by this Agreement without prior written approval from the Chairperson of the MSF or the Chief Executive Officer of the MEDC, as applicable.

L) Confidential Information

Except as required by law, Contractor shall not use or disclose, either before, during or after the Term, any proprietary or confidential information, including, but not limited to, applications, business bids, business plans, economic development analyses, computer programs, databases and all materials furnished to Contractor by the MSF (collectively, "Confidential Information") without the prior written consent of the MSF. Confidential Information does not include information obtained by Contractor from third party sources; that is already in the possession of, or is independently developed by, Contractor; that becomes publicly available other than through breach of this Paragraph; or, is released with the prior written consent of the governmental entity or entities that provided the Confidential Information to Contractor. Contractor acknowledges that all information provided by the MSF in connection with Contractor's duties under this Agreement shall be treated as Confidential Information unless otherwise stated in this subsection.

M) Conflict of Interest

Except as has been disclosed to the MSF, Contractor affirms that neither the Contractor, nor its Affiliates or their employees has, shall have, or shall acquire any contractual, financial business or other interest, direct or indirect, that would conflict in any manner with Contractor's performance of its obligations under this Agreement or otherwise create the appearance of impropriety with respect to this Agreement.

Contractor further affirms that neither Contractor nor any affiliates or their employees has accepted or shall accept anything of value based on an understanding that the actions of the Contractor or its affiliates or either's employees on behalf of the MSF would be influenced. Contractor shall not attempt to influence any MSF employee by the direct or indirect offer of anything of value. Contractor also affirms that neither Contractor, nor its Affiliates or their employees has paid or agreed to pay any person, other than bona fide employees and consultants working solely for Contractor or its Affiliate, any fee, commission, percentage, brokerage fee, gift or any other consideration contingent upon or resulting from the execution of this Agreement.

In the event of change in either the interests or services under this Agreement, Contractor will inform the MSF regarding possible conflicts of interest which may arise as a result of such change. Contractor agrees that conflicts of interest shall be resolved to the MSF's satisfaction or the MSF may terminate this Agreement. As used in this Paragraph, "conflict of interest" shall include, but not be limited to, conflicts of interest that are defined under the laws of the State of Michigan.

N) Representations of Contractor

Contractor affirms to the best of its knowledge that it or its owners:

- 1) Do not have any criminal convictions.
- 2) Are not subjects of any pending criminal investigation.
- 3) Are not subjects of any past, present or pending investigations by the Internal Revenue Service or any other federal or state taxing body or court.
- 4) Are not subjects of any past, pending or present litigation regarding its conduct.
- 5) Are not in material default or breach of any contract or agreement that it may have with the State of Michigan, the MSF or any other public body. Contractor further represents and warrants that it has not been a party to any contract with the State, the MSF or other public body that was terminated within the previous five (5) years due to the Contractor's failure to perform or otherwise breached an obligation of such contract.

O) State of Michigan Competitors

Any information or knowledge Contractor gains during the course of this Agreement concerning the economic development efforts of the State of Michigan, the MSF or the business conditions or business community in Michigan shall not be disclosed to any public or private party, sovereign authority or foreign government, during the Term and for a period of two (2) years after the later of the Ending Date, the effective date of termination of this

Agreement or so long as any information remains confidential pursuant to any contract, law, treaty, resolution or other enforceable promise.

P) Irreparable Injury

Contractor acknowledges that if it breaches any of its obligations under Paragraphs L and O above, it will cause damages of an irreparable and continuing nature to the MSF, for which money damages alone will not provide adequate relief. Therefore, in addition to all appropriate monetary damages, the MSF is entitled to obtain injunctive relief, including, but not limited to, a temporary restraining order to prohibit the Contractor's continuing breach. The MSF shall have the right to obtain such relief without having to post any bond or other surety.

Q) Indemnification and Contractor Liability Insurance

Contractor shall indemnify, defend, and hold harmless the MSF, the MSF Board, and its employees and the MEDC, its Executive Committee, its Corporate Board of Directors, and its employees (the "Indemnified Parties") from any and all liability arising out of or in any way related to Contractor's performance under this Agreement, including any liability resulting from any acts of Contractor's employees or agents.

Contractor shall purchase and maintain such insurance to protect the Indemnified Parties from claims that might arise out of or as a result of Contractor's operations. Contractor will provide and maintain its own errors and omissions liability insurance for Contractor's indemnification obligation under this Agreement. The insurance shall be written for not less than One Million Dollars (\$1,000,000) of coverage, but Contractor's indemnification obligation is not limited to this amount.

R) Total Agreement

This Agreement, together with Exhibit A, contains the entire agreement between the Parties superseding any prior or concurrent agreements as to the services being provided, and no oral or written terms or conditions which are not contained in this Agreement shall be binding. This Agreement may not be changed except by written agreement signed by the Parties.

S) Assignment/Transfer/Subcontracting

Contractor shall not assign, transfer, convey, subcontract, or otherwise dispose of any duties or rights under this Agreement without the prior specific written consent of the MSF. Contractor agrees that any of Contractor's future successors or subcontractors will be bound by the provisions of this Agreement, unless the MSF otherwise agrees in a specific written consent. The MSF reserves the right to approve subcontractors for this Agreement and to require Contractor to replace subcontractors who are found to be unacceptable.

T) Non-Discrimination and Unfair Labor Practices

In connection with this Agreement, Contractor shall comply with the Elliott-Larsen Civil Rights Act, 1976 PA 453, MCL 37.2101 *et seq.*, the Persons with Disabilities Civil Rights Act, 1976 PA 220, MCL 37.1101 *et seq.*, and all other federal, state and local fair employment practices and equal opportunity laws and covenants that it shall not

discriminate against any employee or applicant for employment with respect to his or her hire, tenure, terms, conditions, privileges of employment, or any matter directly or indirectly related to employment because of his or her race, religion, color, national origin, age, gender, height, weight, marital status, or physical or mental disability unrelated to the individual's ability to perform the duties of a particular job or position. Contractor further agrees that every subcontract entered into in connection with this Agreement will contain a provision requiring nondiscrimination in employment, as required in this Agreement, binding upon each subcontractor.

Pursuant to 1980 PA 278 (the "Act"), MCL 423.321 *et seq.*, the State shall not award a contract or subcontract to an employer whose name appears in the current register of employers failing to correct an unfair labor practice compiled by the United States National Labor Relations Board. Contractor, in relation to this Agreement, shall not enter into a contract with a subcontractor, manufacturer, or supplier whose name appears on this register. Pursuant to section 4 of the Act, the MSF may void this Agreement if, after the Starting Date, the name of the Contractor as an employer or the name of the subcontractor, manufacturer or supplier of Contractor appears on the register.

A breach of this Paragraph constitutes a material breach of this Agreement.

U) Jurisdiction

The laws of the State of Michigan shall govern this Agreement. The Parties shall make a good faith effort to resolve any controversies that arise regarding this Agreement. If a controversy cannot be resolved, the Parties agree that any legal actions concerning this Agreement shall be brought the Michigan Court of Claims if against the MSF and in the Ingham County Circuit Court in Ingham County, Michigan, USA if against the Contractor. By signing this Agreement, Contractor acknowledges that it is subject to the jurisdiction of this court and agrees to service by first class or express delivery wherever Contractor resides, in or outside of the United States.

V) Compliance with Laws

Contractor shall comply with all applicable state, federal and local laws and ordinances in providing the services under this Agreement.

W) No Partnership or Agency Relationship

This Agreement does not create a partnership relationship. Further, neither Contractor nor Contractor's employees or other representatives shall hold themselves out to third parties as an agent or representative of MSF, nor shall they have any authority to take any action or enter into any agreement on behalf of MSF.

X) No Third Party Beneficiaries

There are no expressed or implied third party beneficiaries to this Agreement.

Y) Counterparts

This Agreement may be executed in one or more counterparts and by facsimile, electronic mail or .pdf, each of which shall constitute an original, and all of which together shall constitute one and the same instrument.

Z) Reimbursement

If this Agreement is terminated as a result of the misuse of funds as reasonably determined by the MSF, MSF shall have no further obligation to make any payments to Contractor. Furthermore, Contractor shall reimburse MSF for payments which were expended for purposes other than those described in this Agreement, as well as any funds which were previously disbursed under this Agreement but not yet expended by Contractor.

AA) Extension

At the discretion of the MSF Board, there is an option to renew for up to two additional years at the same annual fixed fee as Fiscal Year 2013.

BB) Survival

The terms and conditions of sections III, V(B), V(E), V(F), V(G), V(H), V(I), V(L), V(O), V(P), V(Q), V(S), V(U), V(W), V(X) and V(Z) shall survive termination of this Agreement.

(remainder of page intentionally left blank)

The signatories below warrant that they are empowered to enter into this Agreement.

CONTRACTOR ACCEPTANCE:

CONTRACTOR

Dated: _____

Authorized Signer
Title

MSF ACCEPTANCE:

Michigan Strategic Fund,
a Public Body Corporate

Dated: _____

Authorized Signer
Title

DRAFT

ATTACHMENT D

**INDEPENDENT PRICE DETERMINATION AND
PRICES HELD FIRM CERTIFICATION**

INDEPENDENT PRICE DETERMINATION

By submission of a proposal, the Bidder certifies, and in the case of a joint proposal, each party thereto certifies as to its own organization, that in connection with this proposal:

1. The prices in the proposal have been arrived at independently, without consultation, communication, or agreement, for the purpose of restricting competition as to any matter relating to such prices with any other Bidder or with any competitor; and
2. Unless otherwise required by law, the prices which have been quoted in the proposal have not been knowingly disclosed by the Bidder and will not knowingly be disclosed by the Bidder prior to award directly or indirectly to any other Bidder or to any competitor; and
3. No attempt has been made or will be made by the Bidder to induce any other person or firm to submit or not submit a proposal for the purpose of restricting competition.

Each person signing the proposal certifies that she/he:

- A) Is the person in the Bidder's organization responsible within that organization for the decision as to the prices being offered in the proposal and has not participated (and will not participate) in any action contrary to 1, 2, and 3 above; or
- B) Is not the person in the Bidder's organization responsible within that organization for the decision as to the prices being offered in the proposal but has been authorized, in writing, to act as agent for the persons responsible for such decision in certifying that such persons have not participated (and will not participate) in any action contrary to 1, 2, and 3 above.

A proposal will not be considered for award if this Attachment B has been altered so as to delete or modify 1 or 3, above. If 2, above, has been modified or deleted, the proposal will not be considered for award unless the Bidder provides, with this Attachment B, a signed statement which sets forth, in detail, the circumstances of the disclosure and the MSF determines that such disclosure was not made for the purpose of restricting competition.

PRICES HELD FIRM

LENGTH OF TIME PRICES ARE TO BE HELD FIRM: All rates quoted in bidder's response to this RFP will be firm for the duration of the Contract. No price changes will be permitted.

Signed _____

Date _____



MEMORANDUM

Date: March 13, 2012
To: MSF Board Members
From: Michael Psarouthakis, VP Business Acceleration
Subject: 21st Century Jobs Fund Straight Loan, Limo-Reid Inc., d/b/a NRG Dynamix
Senior Bridge Financing Arrangement

PROCEDURAL BACKGROUND

On January 25, 2012, the Michigan Strategic Fund (“MSF”) Board approved by resolution the delegation of authority with regard to awards under the (i) Company Formation and Growth Fund, (ii) 21st Century Jobs Fund 2006 and 2008 business plan competition rounds, as well as its predecessor programs, Michigan Technology Tri-Corridor Fund program and Michigan Life Sciences Corridor Fund program, and (iii) those loans awarded under the Choose Michigan program, including the authority to approve loan restructure requests (“Delegation of Authority”). Under the Delegation of Authority, awards with an original amount of more than \$3,000,000 must be reviewed by the MSF Investment Subcommittee prior to being presented the MSF Board for final approval.

COMPANY BACKGROUND

Limo Reid Inc., d/b/a NRG Dynamix, (“NRG” or “Company”) received a 2008 21st Century Jobs Fund loan in the amount of \$3,352,704 for the development, commercialization and sale of a novel Hydraulic Hybrid Power Train (HHPT) targeting the light and medium truck markets. The NRG HHPT is an energy management system that decouples the demand for power from the generation of power, thereby providing the vehicle designer the opportunity to optimize overall vehicle performance. In so doing, it becomes possible to deliver a truck that improves fuel economy by upwards of 60% and reduces emissions by upwards of 90% while maintaining a platform that costs approximately the same, weighs approximately the same, and has the same cargo capacity as existing trucks.

CURRENT COMPANY STATUS

NRG has leveraged the MSF loan with an additional \$4,230,000 over the past three years, including convertible loans from Khosla Ventures and Ridgewood Capital. An anticipated second round of investment led by Khosla Ventures unexpectedly failed to close in February of this year. As a result NRG does not have enough cash to continue full operations or move forward on the commercializing of their product. Due to unsuccessful close of the expected financing the company recently downsized and is currently running minimal operations with a skeleton staff of four.

NRG has faced some technical and commercialization hurdles that have delayed bringing their product to market as originally planned, but the company has recently overcome many of these issues and was very optimistic on making significant sales progress in 2012 and 2013 until the investment negotiations fell through.

Even with these challenges the Company continues to garner significant interest from potential partners including Fortune 100 firms interested in implementing or partnering with NRG.

As a result of the current situation Ridgewood Capital has proposed a senior bridge financing while they help the Company find a strategic investor or possibly negotiate the acquisition of NRG. Both Khosla Ventures and Ridgewood have preliminarily agreed to this senior bridge financing if the MSF or MEDC and Larry Hiler, who has previously invested in NRG, also participate in this senior bridge financing. In addition, the MSF and all previous loans held by the Company must fully subordinate and forbear any payments prior to full payment of the senior bridge loan financing as defined by the Term Sheet attached as Exhibit A to the proposed resolution (“Term Sheet”).

In the meantime, Ventures and Ridgewood Capital have each advanced \$25,000 to NRG in support of operations on the terms described in the term sheet attached in Exhibit A. MEDC Staff also understand that Larry Hiler has indicated that he will provide an interim \$25,000 loan pending closing of the senior bridge financing.

If the senior bridge financing terms are approved by the MSF Board, it has been proposed that the MEDC make the required \$250,000 bridge loan using corporate funds from the Follow on Fund, and to share any profits (after payment of the principal of \$250,000) from this loan on a 50/50 basis with the MSF.

The senior bridge loan term sheet was originally drawn up by Ridgewood Capital.

CURRENT MSF LOAN SUMMARY

Loan Amount:	\$3,352,704
Disbursed:	\$3,352,704
Type of Loan:	Straight, with warrants valued at \$100,581 (3% of the loan amount)
Interest Rate:	4.5% APY
Loan Issuance Date:	March 19, 2009
End of Grace Period:	March 19, 2012
Maturity Date:	March 19, 2015
Outstanding Balance as of March 28, 2012:	\$3,753,820.35
Collateral:	All Tangible Personal Property

REQUEST

LOAN SUBORDINATION AND FORBEARANCE, GRACE PERIOD EXTENSION, LOAN CONVERSION PRE-APPROVAL, AND DELEGATION TO THE MSF FUND MANAGER

MEDC staff has reviewed the terms of the senior bridge loan financing and finds the proposed terms acceptable so long as the three other investors indicated on the term sheet also participate at the levels indicated and on the same terms.

The MSF is asked to approve the following requests (collectively, "Requests"):

1. Subordination and forbearance of the MSF loan with the following terms: the terms of the senior bridge financing call for subordination and forbearance of all payments for all previous loans until the bridge loans are paid back in full, with interest and an additional 2x payment of the principal is paid to the senior bridge loan lenders (all as outlined in the Term Sheet).
2. Pre-approval of a potential conversion and delegation to negotiate and approve the final terms and condition of conversion of the MSF Loan to the MSF Fund Manager, subject to all outstanding NRG loans converting at the same valuation and terms (as outlined in the Term Sheet).
3. Given that the MSF loan has reached the end of the grace period as of March 19, 2012 it is requested that an extension of the grace period to January 31, 2013 be approved to allow NRG time to explore and close a strategic investment or acquisition (as outlined in the Term Sheet).
4. In consideration for subordination of the NRG MSF loan, the MEDC has indicated its willingness to participate in the senior bridge loan financing using \$250,000 of corporate funds from the Follow on Fund. The MEDC is also expected to agree to share any profits from this round of financing on a 50/50 basis with the MSF once the MEDC has received the initial \$250,000 paid back in full.
5. Staff further recommends that the MSF delegate to the MSF Fund Manager the authority to negotiate any terms and conditions he deems necessary and appropriate to finalize the transaction documents with NRG and its investors, and with the MEDC.

RECCOMENDATION

MEDC Staff recommends that the MSF approve the Requests. MEDC Staff believes that the subordination and forbearance, grace period extension, and profit sharing proposal related to the MEDC Follow on Fund loan, as well as the potential conversion of the MSF loan into equity, present the best opportunity for NRG to repay the MSF all or part of the MSF investment as a result of an acquisition, strategic investment or partnership.

The MSF Investment Subcommittee has indicated its support of the Requests, subject to the coincidental closing of the senior bridge financing, including the MEDC \$250,000 loan, the MEDC has indicated its support of proceeding with the MEDC loan and the profit sharing proposal with the MSF.

MICHIGAN STRATEGIC FUND

RESOLUTION 2012-32

**LIMO-REID, INC. d/b/a NRG DYNAMIX
SENIOR BRIDGE FINANCING ARRANGEMENT**

WHEREAS, the Michigan Legislature passed legislation establishing the 21st Century Jobs Trust Fund initiative that was signed into law by Governor Jennifer M. Granholm;

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

WHEREAS, the MSF and Limo-Reid, Inc. d/b/a NRG Dynamix, a Delaware corporation (“NRG”), entered into a Loan Agreement dated March 19, 2009, whereby the MSF agreed to loan up to \$3,352,704 to NRG under the terms and conditions set forth in the Loan Agreement, Security Agreement, and the Promissory Note, all dated March 19, 2009 (collectively, “Loan Documents”);

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 or appropriate;

WHEREAS, NRG desires to obtain senior bridge financing from several investors, including the MEDC, in the aggregate of a minimum amount of \$850,000 and an initial maximum amount of \$1 million, along with other general terms and conditions which are outlined on the term sheet attached as Exhibit A (“Term Sheet”) toward fostering business growth and opportunities (“Senior Bridge Financing”);

WHEREAS, to accommodate the Senior Bridge Financing, NRG has requested that the MSF (the following, collectively, “NRG Requests”):

1. subordinate the indebtedness owed under the Loan Documents in favor of the investors participating in the Senior Bridge Financing as outlined on the Term Sheet;
2. extend the grace period under the Loan Documents until January 31, 2013;
3. forbear from exercising any rights under the Loan Documents until the investors participating in the Senior Bridge Financing are paid as outlined on the Term Sheet; and
4. approve the potential conversion of the indebtedness owing under the Loan Documents at the same time, and on the same terms and conditions, as the other lenders convert, as outlined in the Term Sheet (“Possible Conversion”);

WHEREAS, in the event the MSF approves the NRG Requests, the MEDC has indicated it is willing to invest a total of \$250,000 in corporate dollars (“MEDC Loan”) to participate in the Senior Bridge Financing and share payments on the MEDC Loan on an equal basis with the MSF after the principal of the MEDC Loan is paid back to the MEDC (“MEDC/MSF Profit Sharing Arrangement”);

WHEREAS, the MEDC recommends approval of the NRG Requests and MEDC/MSF Profit Sharing Arrangement;

WHEREAS, the MEDC also recommends that the MSF delegate to the MSF Fund Manager the authority to negotiate the terms and conditions he deems necessary and appropriate to finalize all of the transaction documents with NRG and its investors to accomplish the NRG Requests, including the

Possible Conversion as may arise, as well as the MEDC/MSF Profit Sharing Arrangement (“Delegation to MSF Fund Manager for the NRG Transactions”);

WHEREAS, the MEDC recommended that the MSF Investment Subcommittee recommend approval of the NRG Requests, including the Possible Conversion as may arise, the MEDC/MSF Profit Sharing Arrangement, and the Delegation to the MSF Fund Manager for the NRG Transactions; and

WHEREAS, subject to the coincidental closing of the Senior Bridge Financing (including the MEDC Loan), the MSF Investment Subcommittee recommends that the MSF approve the NRG Requests, including the Possible Conversion as may arise, the MEDC/MSF Profit Sharing Arrangement, and the Delegation to the MSF Fund Manager for the NRG Transactions.

NOW, THEREFORE, BE IT RESOLVED, subject to the coincidental closing of the Senior Bridge Financing (including the MEDC Loan), the MSF approves the NRG Requests, including the Possible Conversion as may arise, and the MEDC/MSF Profit Sharing Arrangement;

BE IF FURTHER RESOLVED, based on the recommendation of the MEDC and the MSF Investment Subcommittee, the MSF Board deems it necessary and appropriate, and desires, to approve the Delegation to the MSF Fund Manager for the NRG Transactions; and

BE IT FURTHER RESOLVED, that the MSF Fund Manager is authorized to negotiate and sign the final documents necessary to complete the NRG Requests, including the Possible Conversion as may arise, and the MEDC/MSF Profit Sharing Arrangement, if the final terms and conditions are not otherwise materially adverse to the interest of the MSF.

ADOPTED

Ayes: Steve Hilfinger, Paul Hodges, Sabrina Keeley [via phone], Andrew Lockwood [acting for and on behalf of Andy Dillon, designation attached], Bill Martin, Howard Morris, Jim Petcoff [via phone], Richard Rassel, Shaun Wilson

Nays: None

Recused: Jennifer Nelson [acting for and on behalf of Mike Finney, designation attached]

Lansing, Michigan
March 28, 2012

EXHIBIT A
NRG DYNAMIX
BRIDGE LOAN TERM SHEET
February 9, 2011

Investment in NRG Dynamix

The following sets for the basic terms upon which Ridgewood Capital (“Ridgewood”) would be willing to loan Limo-Reid, Inc. (dba NRG Dynamix) (“NRG”) additional funds. The terms and provisions of this term sheet will be given effect in a manner which is compliant with the terms of the Bylaws and Articles of Incorporation of NRG or appropriate amendments to the Bylaws or Articles will need to be adopted. This Term Sheet is non-binding.

Amount	<p>A maximum of \$1,000,000 of Senior Bridge Loans</p> <p>Minimum of \$600,000 from major Series A investors as follows:</p> <p>Ridgewood - \$250,000 Khosla Ventures - \$250,000 Larry Hiler - \$100,000</p> <p>Other required minimum participation:</p> <p>Michigan Economic Development Corporation (MEDC) - \$250,000</p> <p>If Series A investors do not participate, their existing Bridge Loans convert to common stock at 1 share of common for each \$100 of debt and Series A holdings converted to common at 1 share of common for each 10 shares of Series A.</p> <p>O’Brien has option to invest either through a direct investment or through waiver of payments due to him for rent and equipment.</p> <p>Participating lenders have participation rights to unfunded amounts.</p>
Company operations	<p>NRG to reduce recurring monthly burn rate to approximately \$60,000 (excluding any banker fees). Any non-payroll expenditures above \$25,000 needs Board approval.</p>
Priority	<p>This debt to be senior to all existing debt of the company, including the Michigan Strategic Fund (MSF) loan and the Prior Bridge Loans.</p>
Carve-out on sale	<p>In the event of a sale of the company, NRG to create a carve-out, subject to Board of Director approval, of up to the following amounts:</p> <p>Banker/Consultant – 7% James O’Brien – 5% Employees – 2%</p> <p>Consultant/Banker to be paid only if earned per the terms of the consulting</p>

	<p>agreement. To the extent the carve-out is not earned, it will become available for distribution to debt and equity holders.</p> <p>MSF and holders of Senior Bridge Loans and Prior Bridge Loans waive any claims to any carve-out amounts earned per the above.</p> <p>Any carve-out amounts due to employees and Consultant/Banker will be paid in cash, to the extent available, unless the recipient elects otherwise. If no cash available, they are to be paid in other proceeds.</p> <p>Any increases to the above levels requires approval of each holder of at least \$250,000 of Senior Bridge Loans.</p>
Interest	10% per annum.
Repayment	Prior to making any payments to any current investor or the MSF, principal, interest and a priority payment of 2x of the principal will be made to Senior Bridge Loan Holders.
Maturity	Senior Bridge Loans to have a maturity date of January 31, 2013. Prior Bridge Loans to have maturity date extended to January 31, 2013. The grace period for the MSF loan will be extended to January 31, 2013.
Form of Repayments	Series A, Senior Bridge Loan Holders, Prior Bridge Loan Holders, MSF and James O'Brien and related parties to agree that satisfaction of all debt may be made in both cash and other proceeds apportioned on a pro rata basis on what is available to distribute.
Other indebtedness	<p>Amounts due to Prior Bridge Loan holders, MSF and James O'Brien and related parties will be, for repayment purposes, treated as if such obligations were converted to Series A at \$10 per share.</p> <p>If any amounts are available to common holders, Series A and equivalent Series A will additionally participate on an as-converted basis.</p>
Financing	In the event that the company is able to secure financing, both the Senior Bridge Loans, Prior Bridge Loans and MSF loan will convert into equity as determined by a majority of the dollar amount of the loans outstanding.
Expenses	NRG to pay Ridgewood \$10,000 to cover legal fees.

MEMORANDUM

Date: March 28, 2012
To: MSF Board
From: Michael Psarouthakis, Vice President Business Acceleration
Subject: Pure Michigan Venture Match Fund Program Approval

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.

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

The program hopes to tackle 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.

Similar programs have been very successful in other states. One of the best known is the Venture Maryland Fund. As of the 2010 annual report from the Venture Maryland Fund, approximately \$32 million in venture matching investments has generated realized returns of \$62 million. The fair market value of the remaining portfolio has been valued at approximately \$14 million. More importantly, the Venture Maryland Fund has helped attract venture capital firms to invest in 61 companies. The Venture Maryland Fund was recently approved for an additional \$70 million, with new investments expected during 2012.

PROGRAM INFORMATION

Pursuant to Section 88k of the MSF Act, the MSF must establish a competitive process to make awards under the PMVM Fund. 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 will undergo 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.

Pursuant to Section 88k(8) of the MSF Act, A public hearing was held on February 8, 2012 at the Michigan Economic Development Corporation (“MEDC”) for the purpose of receiving public comment on the PMVM Fund Program Draft Guidelines and proposed PMVM Fund Resolution. In addition to this meeting, MEDC Staff met with venture capital, family investment offices and other potential investors to provide feedback on the PMVM Fund program at the Michigan Venture Capital Association. A summary of the public hearing is attached as Exhibit A to this memo.

The MSF Investment Subcommittee reviewed the comments received at the public hearing and provided feedback to MEDC Staff. Revisions to the PMVM Fund Guidelines were made after this discussion and are attached as Exhibit B to this memo. Overall there has been strong and consistent support for the PMVM Fund Program.

A summary of the significant changes to the original draft guidelines supported by MEDC Staff and the MSF Investment Subcommittee is provided below:

Topic: Definition of a qualified venture capital firm

- Removal of the requirement that a qualified Venture Fund may not have any limited partners with more than 35% interest in the qualified Venture Fund.
- Increase the minimum to five unrelated limited partners for each qualified Venture Fund
- Decrease the minimum amount under management to be no less than \$7 million
- Any venture fund that has received funding from Venture Michigan Fund I or II or the 21st Century Investment Fund would be a qualified Venture Fund as defined for this program.

Topic: Applicant Company must not have raised more than \$3 million in venture capital funding prior to applying to the PMVM Fund

- No change to this requirement.

Topic: Companies seeking more than \$3 million in funding would not qualify for PMVM Fund

- No change to this requirement.

Topic: Allowing Other Non-Traditional Venture Capital Investments

- Venture fund investments from Fortune 1,000 Venture Funds would be treated as a qualified Venture Fund.
- 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

Topic: Simplify the language in the guidelines

- The guidelines have been significantly simplified to make them more understandable for applicants, with references to the applicable legislation instead of citing the legislation verbatim.

Topic: Reduce the Application Fee to \$1,000

- Application fee has been reduced from \$1,500 to \$1,000.

PROGRAM FUNDING ALLOCATION

MEDC Staff recommends an initial funding allocation of \$5,000,000 from the Jobs for Michigan investment fund (“Investment Fund”) and that repayments to the MSF from any investment made under the PMVM Fund be automatically returned to the PMVM Fund for future use under the program.

INDEPENDENT PEER REVIEW

By letter dated January 19, 2012, the Department of Technology, Management and Budget (“DTMB”) delegated authority to the MSF to enter into a contract with an independent peer reviewer to review applications received in response to the PMVM Fund so long as the total cost of the contract is less than \$25,000 and the process used by the MSF to procure these services is conducted in the manner approved by DTMB to ensure the State a fair and reasonable price as provided in MCL 18,1261(f).

To ensure that the MSF obtains a fair and quality peer reviewer, staff from the MEDC considered over four organizations to help determine that the organization being selected: (i) do not have any conflicts of interests, (ii) can perform the type of service needed under the deadlines required by the MSF, and (iii) have the expertise and capacity required to perform this peer review function. Subsequent to DTMB's delegation of contract issuance authority mentioned above, the MEDC staff followed the procedure and policy approved by DTMB. As a result of its search, MEDC staff determined that Trillium Ventures, LLC (“Trillium”) is the most qualified to perform the review of the grant proposals responsive to the RFP for the Accelerator Fund.

Trillium, led by Tom Porter, will select a group of qualified individuals to sit on a review panel. The reviewers chosen will be individuals with the requisite skills and experience. Trillium Ventures will create policies and procedures which will outline how to conduct the review process. The group will review all applications using the scoring criteria provided by the MEDC Staff/MSF Board. Each applicant will be considered and scored by the members of the review panel that do not have conflicts of interest. The applicants will then be ranked based on the score received from the review panel. Recommendations from Trillium will be in support of an investment from the PMVM Fund or opposed to an investment from the PMVM Fund.

DELEGATION OF AUTHORITY

MEDC Staff recommends that the MSF Board delegate to the MSF Fund Manager the authority to develop and approve the scoring and evaluation criteria and process to be used by the independent peer experts in evaluating proposals received under the PMVM Fund. In addition, MEDC staff recommends that the MSF authorize the Fund Manager to revise the guidelines of the PMVM Fund after consultation with the MSF Investment Subcommittee.

MEDC Staff also recommends that the MSF Board delegate to the MSF Chairperson, the MSF State Treasurer Director or MSF Fund Manager, with only one required to act, the authority to approve PMVM Fund awards upon recommendation of the independent peer review expert, provided that no award to any one company may exceed \$500,000. MEDC Staff recommends that the MSF Board delegate to the MSF Fund Manager the authority to negotiate and finalize all terms, conditions, investment agreements and all other related agreements for PMVM Fund awards.

RECOMMENDATION

MEDC Staff respectfully makes the following recommendations to the MSF Board:

- Approval of the PMVM Guidelines as set forth in Exhibit B to this memo;

- Funding of the PMVM Fund with an initial amount of \$5,000,000 from the Jobs for Michigan investment fund (“Investment Fund”) and that repayments to the MSF from any investment made under the PMVM Fund be automatically returned to the PMVM Fund for future use under the program;
- Selection of Trillium Ventures, LLC as the independent peer reviewer to evaluate the proposals submitted in response to the Guidelines for the PMVM Fund and subsequently recommends the MSF Board to enter into a contract with Trillium Ventures, LLC in an amount not to exceed \$25,000; and
- Approval of the Delegation of Authority.

The MSF Investment Subcommittee has indicated its support of these recommendations.

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EXHIBIT A

MEDC Public Hearing

Pure Michigan Venture Match Fund (“PMVM Fund”)

Host: Michael Psarouthakis (“MP”)

02/08/2012

10 people were in attendance.

Comments/Suggestions:

- Mike Curran: PMVM Fund will be very beneficial in bridging the gap for small industry.
- Dale Grogan: Indicates strong support, bridges gap to where more mature Angel Investors can step in. Thinks the MEDC has this exactly right.

At this point MP briefly reviewed the PMVM Fund Program Process & Guidelines (“pp&g”) contained in the “draft.” He reiterated the document is in “draft” form and the purpose of this public hearing is to collect comments and suggestions to deliver to the MSF Board to aid them in determining the pp&g for the final draft.

- There was much discussion about lowering the minimum Venture Fund (“VF”) contribution from \$700,000 to \$500,000 including the positive and negative impacts of such a change.
- Erin Slater, The Sweating Mouse: Requested explanation of what is considered a Michigan Based Technology Company. The explanation was given by Mike Psarouthakis as written in the pp&g draft.
- Sam Hoag, Next Energy: Requested clarification on whether the PMVM Fund match is based on the total match (which may include Angel Investors), or just the Venture Capital (“VC”) portion.
- Mike Curran: Does the MEDC set the terms or the VC? MP provided explanation as it is written in the pp&g draft.
- Dale Grogan: Any consideration for requirements based on the age or size of the company? What if the company is a re-start? Also, asked where do the returns go? MP provided the requested information as written in the pp&g draft.
- Amy Butler, Oakland University: She is very supportive and believes it can make a big difference for companies, supports dropping VF contribution to \$500,000 which would better meet the needs of the companies they work with. She also supports the cap at 3 million. She suggests this is an opportunity for the MEDC to see what works and revise the PMVM Fund pp&g as needed to gain the most benefit.
- Sam Hoag: Asked if there are any teeth (repercussions) indicated in the pp&g to address companies that leave the program early. Mike provided explanation and Sam agreed with the draft pp&g, that the decision be made on a case by case basis by the MSF Board.
- Dale Grogan: Is there any “magic” to the 3 years minimum required before a company can leave the program. MP provided explanation that this restriction is based on legislation so we can’t make any changes to the minimum of 3 years.
- Mike Curran: Asked what the rationale would be for excluding Angel investors as part of the match. MP provided information and reiterated the intent of this program.
- Sam Hoag: Recommends minimum investment of \$700,000 - \$800,000 to discourage Angel Investors.

- Amy Butler: Strongly supports leaving minimum of VC funding at \$500,000. She thinks leaving minimum at \$700,000 still leaves a gap.
- Much discussion from various participants about the pros and cons of possibly matching Angel Investors and the consensus was to match only VC funding and the opinion seemed to be that the MEDC should go with the VC that has the best terms.
- Mike Curran: How do we determine which VCs are qualified? MP gave explanation of a qualified VC.
- Discussion ensued about how this fund would mesh with the MEDC's Pre-seed fund and whether or not companies already receiving some form of MEDC funding should or should not qualify for the PMVM Fund. (I think it was understood that the pp&g in place should prevent this.)
- Sam Hoag: Mentioned he thought it would be beneficial to the MEDC to market the PMVM Fund in Michigan and outside of Michigan as well to draw VCs that would otherwise not invest in Michigan companies.
- Sam Hoag: Important to make sure the MEDC has less exposure than any of the VCs invested in a company receiving MVMF.
- Sam Hoag: Might be a good idea to eliminate the criteria: requiring a minimum of three limited partners with no limited partner having made more than a 35% contribution in the VF. He believes this requirement would eliminate most companies receiving funding from Michigan based venture funds from ever being qualified for PMVM Fund. He thinks a majority of the companies within the gap the MEDC is trying to fill will only have 1 or 2 VCs so would be disqualified before they can even apply.
- Thomas McElgunn: Suggests sending a list of VCs that qualify as a professional VC, as this will aid Michigan companies in finding the right VC to work with and to assure companies pick a VC that meets the pp&g.

EXHIBIT B

Michigan Strategic Fund Board
21st Century Jobs Fund

Pure Michigan Venture Match Fund

Program Process & Guidelines

Release Date: April 2, 2012

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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, www.michiganadvantage.org/PureMichiganVentureMatchFund periodically. Potential applicants are encouraged to check www.michiganadvantage.org/PureMichiganVentureMatchFund 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 a peer review. 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 guideline compliance the Company will be notified on how the application fee should be paid.
- An independent peer review of the application will be conducted upon receipt of all qualified applications. Applicant Companies should plan to be available for face to face interviews with the peer reviewers.
- 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 www.michiganadvantage.org/PureMichiganVentureMatchFund

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.

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 lead 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 lead 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 \$3,000,000 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) lead by a qualified Venture Fund(s) of no less than \$700,000 and no more than \$3,000,000 **AND**
- Demonstrate that funding lead 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; **AND**
 3. 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**
 4. Qualified Venture Fund(s) must have a minimum of two managing partners/directors; **AND**
 5. Qualified Venture Fund(s) must be a member of the Michigan Venture Capital Association (MVCA) and/or the National Venture Capital Association (NVCA); **AND**
 6. Qualified Venture Fund(s) may be located in any state or country that can legally conduct business in the United States; **AND**
 7. 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**
 8. All Venture Funds that have received a limited partner investment from Venture Michigan I, Venture Michigan Fund II or the 21st Century Investment Fund are qualified Venture Funds for PMVM Fund applications, so long as they comply with item 5 regarding MVCA OR NVCA membership.

- 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 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.
- Companies that have secured more than \$3,000,000 in venture investments prior to applying to the PMVM Fund will be disqualified.
- Companies that are seeking more than \$3,000,000 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 be reviewed by a team of independent peer review experts. Results from the independent peer 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 peer review 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.

Proposals will be scored and ranked by a team of independent peer review experts based on the following four, equally weighted legislatively mandated criteria:

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

Upon consideration of the independent peer review recommendation, 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.

B. Confidentiality of Submitted Materials

All proposal materials and materials generated throughout the competition, including, but not limited to, peer review 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**

March 28, 2012	MSF Board final review and approval of the PMVM Fund and PMVM Fund Guidelines
April 2, 2012	Publication of the PMVM Fund Guidelines at www.michiganadvantage.org/PureMichiganVentureMatchFund 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 www.michiganadvantage.org/PureMichiganVentureMatchFund
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; an independent peer review will be conducted. Applicants should plan to be available for face to face interviews with the peer review panel 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 www.michiganadvantage.org/PureMichiganVentureMatchFund ; 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 the MEDC website at www.michiganadvantage.org/PureMichiganVentureMatchFund.

III. ELIGIBILITY, REQUIREMENTS AND OBLIGATIONS

A. Technology Sectors

Proposals, in the form of a business plan, **MUST** include documentation (signed term sheets) of an investment match lead 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

B. 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*.

C. 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 peer review no fee will be required.

D. Financial Contributions

The MSF Board requires applicants secure a qualified Venture Fund lead investment of at least \$700,000 and no more than \$3,000,000. 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.

E. Awards, Agreements and Required Terms

Awards will be distributed in the form of equity investments at the discretion of the MSF Fund Manager after the peer review has been completed. Agreement boilerplate language, when available, will be distributed to applicants.

The total amount available for all investments made pursuant to the PMVM Fund is \$5 million. Generally, it is expected that the initial \$5 million of PMVM Fund investments will be disbursed over a one to two-year period. 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 director's 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*.

IV. INDEPENDENT PEER REVIEW PROCESS

Proposals will be evaluated by independent peer review experts 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 lead 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

V. 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 peer review process. 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, independent peer review experts 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. Independent Peer 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 peer review agency, reviewers, 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 www.michiganadvantage.org/PureMichiganVentureMatchFund.

List of all State of Michigan awards

MICHIGAN STRATEGIC FUND

RESOLUTION 2012-

APPROVAL OF PURE MICHIGAN VENTURE MATCH FUND

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 provides administrative services for the Michigan Strategic Fund (“MSF”) for 21st Century Jobs Fund programs (“21CJF Programs”);

WHEREAS, the MSF desires to create the Pure Michigan Venture Match Fund (“PMVM Fund”) to make matching investments in for-profit companies that have secured additional venture investments from qualified venture funds;

WHEREAS, the MSF has reviewed proposed guidelines and process for the PMVM Fund (“PMVM Fund Program Guidelines”), which includes provisions required by MCL 125.2088k and establishes a competitive proposal process for making awards to for-profit companies that have secured additional venture investments from qualified venture funds. The PMVM Fund Program Guidelines are attached to this Resolution; and

WHEREAS, the MSF desires to initiate the competitive process to make awards to for-profit companies under the PMVM Fund.

NOW, THEREFORE, BE IT RESOLVED, that the MSF approves the attached PMVM Fund Guidelines and authorizes implementation of the PMVM Fund; and

BE IT FURTHER RESOLVED, that the MSF authorizes the MSF Fund Manager, after consultation with the MSF Investment Subcommittee, to modify the PMVM Fund Guidelines as may be necessary or appropriate, if the modifications are not 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 from the PMVM Fund upon the recommendation of independent peer review experts and to negotiate and execute final documents on behalf of the MSF, subject to standard due diligence and the availability of funds.

Ayes:

Nays:

Recused:

Lansing, Michigan
March 28, 2012

Michigan Strategic Fund Board
21st Century Jobs Fund

Pure Michigan Venture Match Fund
Program Process & Guidelines

Release Date: April 2, 2012

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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, www.michiganadvantage.org/PureMichiganVentureMatchFund periodically. Potential applicants are encouraged to check www.michiganadvantage.org/PureMichiganVentureMatchFund 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 a peer review. 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.
- An independent peer review of the application will be conducted upon receipt of all qualified applications. Applicant Companies should plan to be available for face to face interviews with the peer reviewers.
- 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 www.michiganadvantage.org/PureMichiganVentureMatchFund

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.

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 lead 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 lead 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 \$3,000,000 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) lead by a qualified Venture Fund(s) of no less than \$700,000 and no more than \$3,000,000 **AND**
- Demonstrate that funding lead 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; **AND**
 3. 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**
 4. Qualified Venture Fund(s) must have a minimum of two managing partners/directors; **AND**
 5. Qualified Venture Fund(s) must be a member of the Michigan Venture Capital Association (MVCA) and/or the National Venture Capital Association (NVCA); **AND**
 6. Qualified Venture Fund(s) may be located in any state or country that can legally conduct business in the United States; **AND**
 7. 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**
 8. All Venture Funds that have received a limited partner investment from Venture Michigan I, Venture Michigan Fund II or the 21st Century Investment Fund are qualified Venture Funds for PMVM Fund applications, so long as they comply with item 5 regarding MVCA OR NVCA membership.

- 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 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.
- Companies that have secured more than \$3,000,000 in venture investments prior to applying to the PMVM Fund will be disqualified.
- Companies that are seeking more than \$3,000,000 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 be reviewed by a team of independent peer review experts. Results from the independent peer 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 peer review 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.

Proposals will be scored and ranked by a team of independent peer review experts based on the following four, equally weighted legislatively mandated criteria:

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

Upon consideration of the independent peer review recommendation, 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.

B. Confidentiality of Submitted Materials

All proposal materials and materials generated throughout the competition, including, but not limited to, peer review 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

March 28, 2012	MSF Board final review and approval of the PMVM Fund and PMVM Fund Guidelines
April 2, 2012	Publication of the PMVM Fund Guidelines at www.michiganadvantage.org/PureMichiganVentureMatchFund 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 www.michiganadvantage.org/PureMichiganVentureMatchFund
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; an independent peer review will be conducted. Applicants should plan to be available for face to face interviews with the peer review panel 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 www.michiganadvantage.org/PureMichiganVentureMatchFund ; 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 the MEDC website at www.michiganadvantage.org/PureMichiganVentureMatchFund.

III. ELIGIBILITY, REQUIREMENTS AND OBLIGATIONS

A. Technology Sectors

Proposals, in the form of a business plan, **MUST** include documentation (signed term sheets) of an investment match lead 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

B. 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*.

C. 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 peer review no fee will be required.

D. Financial Contributions

The MSF Board requires applicants secure a qualified Venture Fund lead investment of at least \$700,000 and no more than \$3,000,000. 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 lead 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 lead 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.

E. Awards, Agreements and Required Terms

Awards will be distributed in the form of equity investments at the discretion of the MSF Fund Manager after the peer review has been completed. Agreement boilerplate language, when available, will be distributed to applicants.

The total amount available for all investments made pursuant to the PMVM Fund is \$5 million. Generally, it is expected that the initial \$5 million of PMVM Fund investments will be disbursed over a one to two-year period. 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*.

IV. INDEPENDENT PEER REVIEW PROCESS

Proposals will be evaluated by independent peer review experts 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 lead 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

V. 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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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 peer review process. 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, independent peer review experts 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. Independent Peer 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 peer review agency, reviewers, 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 www.michiganadvantage.org/PureMichiganVentureMatchFund.

List of all State of Michigan awards

MICHIGAN STRATEGIC FUND

RESOLUTION 2012-

ALLOCATION FOR PURE MICHIGAN VENTURE MATCHING FUND

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

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

WHEREAS, 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 were transferred to the Michigan Strategic Fund (“MSF”), including those powers, duties, and functions provided under MCL 125.2088k;

WHEREAS, at its February 22, 2012 meeting, the MSF Board approved and authorized implementation of the Pure Michigan Venture Matching Fund program (“PMVM Fund”);

WHEREAS, as part of the 21st Century Jobs Trust fund initiative, and pursuant to MCL 125.2088h(1), the Jobs for Michigan investment fund was created as a permanent fund authorized by the state constitution (“Investment Fund”);

WHEREAS, pursuant to MCL 125.2088h(3) and MCL 125.2088h(7), the MSF Board shall direct the investment and reinvestment of the Investment Fund as provided under Chapter 8A of the MSF Act (“Chapter 8A”);

WHEREAS, pursuant to MCL 125.2088h(5)(b) and (c), the Investment Fund consists of, among other things, return on investments, return on principal, payments made, or other money received by or payable to the MSF under agreements related to loans or investments by the MSF under Chapter 8A;

WHEREAS, the MEDC recommends that the MSF fund the PMVM Fund using \$5,000,000 from the Investment Fund and that repayments to the MSF from awards authorized under the PMVM Fund be returned to the PMVM Fund for future use under the PMVM Fund; and

WHEREAS, the MSF Board desires to approve using \$5,000,000 from the Investment Fund and that repayments to the MSF from awards authorized under the PMVM Fund be returned to the PMVM Fund for future use under the PMVM Fund.

NOW, THEREFORE, BE IT RESOLVED, the MSF hereby directs funding of the PMVM Fund using \$5,000,000 from the Investment Fund and that repayments to the MSF from awards authorized under the PMVM Fund be returned to the PMVM Fund for future use under the PMVM Fund.

Ayes:

Nays:

Recused

Lansing, Michigan
March 28, 2012

MICHIGAN STRATEGIC FUND

RESOLUTION 2012-

SELECTION OF INDEPENDENT PEER REVIEWERS, APPROVAL PEER REVIEW PROCESS, AND DELEGATION OF AUTHORITY

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

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

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

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

WHEREAS, at its March 28, 2012 meeting, MSF Board approved the Pure Michigan Venture Match Fund (“PMVM Fund”) and the Pure Michigan Venture Match Fund Guidelines (“PMVM Fund Guidelines”) to make matching investments in for-profit companies that have secured additional venture investments from qualified venture funds;

WHEREAS, the MSF is required to establish a competitive process to award grants, as set forth in the Act;

WHEREAS, the Act requires that proposals be peer-reviewed by independent peer review experts based on the scientific and technical merit, personnel expertise, commercial merit, and the ability to leverage additional funding;

WHEREAS, January 19, 2012, the Department of Technology, Management and Budget (“DTMB”) delegated to enter into a contract with an independent peer reviewer to review applications received in response to the PMVM Fund so long as the total cost of the contract is less than \$25,000 and the process used by the MSF to procure these services is conducted in the manner approved by DTMB to ensure the Stat a fair and reasonable price as provided in MCL 18,1261(f);

WHEREAS, subsequent to DTMB’s delegation of contract issuance authority mentioned above, MEDC Staff follows all terms of the procedure and policy approved by DTMB and recommend Trillium Ventures, LLC, as the most qualified to perform this peer review function;

WHEREAS, using DTMB’s approved procurement process, MEDC recommends and the MSF desires to approve Trillium Ventures, LLC as the independent peer review expert to review applications received in response to the PMVM Fund;

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

WHEREAS, the MEDC recommends and the MSF desires to delegate the authority to (1) to negotiate final contract terms and execute contracts with Trillium Ventures, LLC on the MSF’s behalf, if the final contract terms are not materially adverse to the interest of the MSF Board; (2) make all decisions to develop and finalize the application and evaluation process used to make awards under the PMVM Fund, each in accordance with the PMVM Fund Guidelines; (3) make all decisions with respect to awards under the PMVM Fund upon recommendation by Trillium Ventures, LLC and in accordance with the PMVM Fund Guidelines; and (3) to negotiate and execute all documents necessary for awards under the PMVM Fund, if the final contract terms are not materially adverse to the interest of the MSF Board, to the MSF Fund Manager (collectively, the “Delegation of Authority for the PMVM Fund”).

NOW, THEREFORE, BE IT RESOLVED, the MSF Board approves Trillium Ventures, LLC as the independent peer review experts for the PMVM Fund;

BE IT FURTHER RESOLVED, the MSF approves the Delegation of Authority for the PMVM Fund

Ayes:

Nays:

Recused:

Lansing, Michigan
March 28, 2012

MICHIGAN STRATEGIC FUND

RESOLUTION 2012-

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

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, on January 25, 2012, the MSF authorized the public notice of a public hearing to be held regarding the proposed Pure Michigan Venture Match Fund (“PMVM Fund”);

WHEREAS, pursuant the public notice, a public hearing was held on February 8, 2012 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 PMVM Fund;

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

WHEREAS, on March 28, 2012, the MSF approved the PMVM Fund; 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 PMVM Fund.

NOW, THEREFORE, BE IT RESOLVED, the MSF Board approves the attached final Decision Document and authorizes the MSF Chairperson to sign it.

Ayes:

Nays:

Recused:

Lansing, Michigan
March 28, 2012

MSF Decision Document

Issue

Approval of the Pure Michigan Venture Match Fund

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 to allocate up to \$10 million, disbursed over 2 to 3 years, to for-profit companies that have secured additional venture investments from qualified venture funds.

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. Ten people attended the public hearing. In addition, comments at the public hearing centered on the eligibility requirements and the limitations on the matching and award amounts. Minutes of the public hearing were presented to the MSF Board at its March 28, 2012 meeting.

Decision

At its March 28, 2012 meeting, the MSF Board considered the comments received at the public hearing, and agreed that there was a need for the Pure Michigan Venture Match Fund. On March 28, 2011, the MSF Board approved the Pure Michigan Venture Match Fund.

Michael A. Finney, Chairperson
Michigan Strategic Fund Board

MSF Decision Document

Issue

Approval of the Pure Michigan Venture Match Fund

Background

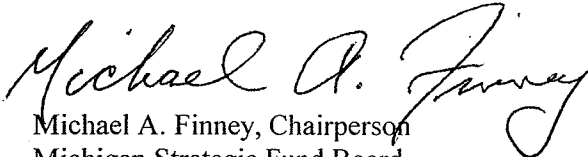
As provided for in MCL 125.2088k(2), the Strategic Economic Investment and Commercialization Board ("SEIC Board") shall award grants and loans from the 21st Century Jobs Trust Fund to encourage competitive edge technologies to create jobs in the State of Michigan. Pursuant to Executive Order 2010-8 the 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 to allocate up to \$10 million, disbursed over 2 to 3 years, to for-profit companies that have secured additional venture investments from qualified venture funds.

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. Ten people attended the public hearing. In addition, comments at the public hearing centered on the eligibility requirements and the limitations on the matching and award amounts. Minutes of the public hearing were presented to the MSF Board at its March 28, 2012 meeting.

Decision

At its March 28, 2012 meeting, the MSF Board considered the comments received at the public hearing, and agreed that there was a need for the Pure Michigan Venture Match Fund. On March 28, 2012, the MSF Board approved the Pure Michigan Venture Match Fund.



Michael A. Finney, Chairperson
Michigan Strategic Fund Board

MEMORANDUM

Date: March 28, 2012
To: Michigan Strategic Fund Board
From: Eric Hanna, Director Debt Capital Programs
Subject: Michigan Supplier Diversification Fund Request for Modification of Guidelines

Background

On May 20, 2009 the Michigan Strategic Fund (“MSF”) created the Michigan Supplier Diversification Fund (“MSDF”). On May 20, 2009, the MSF Board also approved the creation and operation of the Michigan Loan Participation Program (“MLPP”) under the MSDF and adopted guidelines for the Michigan Loan Participation Program (“MLPP Guidelines”). The MSF Board subsequently approved the Loan Participation and Servicing Agreement (“Lender Agreement”) and the Supplemental Agreement (“Supplemental Agreement”) for the MLPP (collectively the “MLPP Agreements”). On June 24, 2009, the MSF Board approved the (i) creation and operation of the Michigan Collateral Support Program (“MCSP”) under the MSDF, (ii) adopted guidelines for the MCSP (“MCSP Guidelines”); (iii) approved the Authority of the Chairperson, subject to the MCSP Guidelines; and (iv) approved the Cash Collateral Deposit Agreement (“Deposit Agreement”) for the MCSP. Both the MCSP Guidelines and the MLPP Guidelines were later amended by the MSF.

The purpose of the MSDF is to promote access to capital for commercial borrowers who are base job creating companies and who, through the increased capital, will provide for employment opportunities and produce added tax revenue benefits in Michigan.

In addition to the MLPP and the MCSP, the MSF uses federal funds from the State Small Business Credit Initiative (“SSBCI”) to runs similar programs for the same intended purpose. SSBCI programs and MSDF programs provide for similar functionality but utilize different legal agreements, have different requirements and have different levels of delegated approval authority.

Guidelines

In both the MLPP and the MCSP, the MSF has set forth specific guidelines governing eligibility, review process, program mechanics, fees and charges, and various other aspects of the programs. Because both programs are used with participating lending institutions it is important that they be as consistently administered as possible in order to avoid confusion on both the credit evaluation and the legal/administrative sides of the project.

Pursuant to MCL 125.2088c(5), MEDC Staff held a Public Hearing on March 13, 2012 to receive comments and suggestions from the public and other interested stakeholders. There were no attendees at the public hearing and no data, views, questions, and arguments regarding the proposed MSDF Guideline Revisions were received by the MSF. Staff has reviewed the MSDF guidelines and is proposing a number of changes to them in order to both clarify intent and produce alignment with the SSBCI program guidelines. The changes to the MCSP Guidelines are provided in Exhibit A and changes to the MLPP Guidelines are provided in Exhibit B.

In addition, MEDC Staff proposes to revise the current delegations under MSDF to match those delegations approved by the MSF for SSBCI. Specifically, staff proposes delegated authority to the MSF Chairperson, MSF Manager, and State Treasurer Director, with two of the three required to sign, for MSDF awards up to \$2,500,000 (“Delegation of Authority”), as follows:

Level of Award under the MCSP and MLPP	Delegates
Award less than or equal to an original amount of \$2,500,000	Any two (2) of the following required to act: <ul style="list-style-type: none"> a. MSF Fund Manager, or b. MSF Chairperson, or c. State Treasurer Director

MEDC Staff will provide quarterly reports to the full MSF Board on all actions taken under the Delegation of Authority.

Finally, staff proposes that the MSF Board delegate to the MSF Fund Manager or the MSF Chairperson, with only one required to act, the authority to revise the MLPP Agreements, the Deposit Agreement and any related documents, and to negotiate and execute all final documents on behalf of the MSF, subject to standard due diligence and the availability of funds.

Recommendation

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

- Revision of the MSCP and MLPP Guidelines as provided in Exhibits A and B;
- Approval of the Delegation of Authority as provided in this memo; and
- Delegation to the MSF Fund Manager or MSF Chairperson, with only one required to act, of the authority to revise the MLPP Agreements, Deposit Agreement and any related documents, and to negotiate and execute all final documents on behalf of the MSF, subject to standard due diligence and the availability of funds.

Exhibit A
Michigan Collateral Support Program – Proposed Revised Guidelines

Program Guidelines*

- To be eligible for the program a borrower must fall under the definition of a firm which may be eligible to receive a MEGA tax credit. More specifically, a company must have a unique Federal Employer Identification number and participate in one or more of the following; mining, manufacturing, research and development, wholesale and trade, film and digital media production, office operations, or a business that is a qualified high technology business as described in MCL 207.803(n), as amended.
- The participating lending institution must execute a Deposit Agreement under which the terms of deposit, interest accrual, and pledge restrictions will be described.
- *The participating lender must be a depository institution regulated by the FDIC, OCC, NCUA, or Federal Reserve or a certified Non-Profit Community Development Finance Institution or a depository institution regulated by the State of Michigan's Office of Insurance and Financial Regulation.*
- The Program shall collect at its determination from the lead lending institution its credit analysis, borrower financial statements, risk rating justification, cash flows and other documents which the Program deems necessary in order to determine both 1) that the opportunity meets the economic development criteria established by the Program and 2) that the bank has performed a sufficient and acceptable analysis of the borrowers project and financial condition. This analysis should indicate that participation in the program will result in an extension of **commercial** credit by the bank.
- The program shall enhance the collateral position of borrowers by depositing cash into accounts at participating lending institutions which will then be pledged as collateral on behalf of the borrower on a transaction by transaction basis.
- *The program shall be obligated to support no more than 49.9% of the extension of commercial credit in any individual transaction.*
- Participating lending institutions will be required to collect and supply such information as may be required in order to determine the number of jobs created at the project, the return on investment, and the relative level of risk which each transaction is rated in the bank's risk rating structure. Such information will be reported to the MSF in a program-wide summary format periodically.
- The program balance shall be reduced proportionately with the principal reduction of the loan so as to eliminate over-reliance on program deposits as part of the collateral commitment on the loan.
- All reductions to account balances, interest, fees & charges, and recaptured balances shall be returned to the Michigan Supplier Diversification Fund for recapitalization.
- Program deposits shall not exceed **\$5,000,000** per project. ~~except in the case that such a deposit serves the intended program objectives, is supported by Program leadership, represents a compelling economic development interest, and is approved by the MSF Board. In such cases, a deposit over \$500,000 shall not exceed \$2.5 million. (subject also to all other limitations of the program).~~

The program shall have two fee structures as follows:

- ~~Tier One: A fee up to three percent of the value of the cash collateral account will be paid regardless of whether the transaction is new or a renewal. No annual fee is assessed.~~

- The fee structure used will be determined based on an evaluation of the percentage of reliance on deposits vs. the balance of collateral value on the extension of commercial credit as well as the potential economic development value of the project. In no case, can the deposit represent more than 49.9% of the total loan amount of the individual extension of commercial credit in any single Deposit Agreement. ~~The fee structure used will be determined based on an evaluation of the percentage of reliance on deposits vs. the balance of collateral value on the loan as well as the potential economic development value of the project. In no case, can the deposit represent more than 49.9% of the total loan amount in any single Deposit Agreement.~~

- Agreements under the programs shall include a fee which will reduce the claim made against cash collateral on deposit which is calculated based on the effectiveness of the liquidation of borrower's collateral by the participating lending institution.

Exhibit B
Michigan Loan Participation Program Proposed Revised Guidelines

Program Guidelines

- To be eligible for the program a company must fall under the definition of a firm which may be eligible to receive a MEGA tax credit. More specifically, a company must have a unique Federal Employer Identification number and participate in one or more of the following; mining, manufacturing, research and development, wholesale and trade, film and digital media production, office operations, or a business that is a qualified high technology business as described in MCL 207.803(n), as amended.
- The borrower and/or lead lending institution shall apply to the program.
- The Program shall participate in funding ~~loans~~ ***extensions of commercial credit*** with partner ***participating*** lending institutions or Michigan Business Development Corporations or subsidiaries.
- ***The participating lender must be a depository institution regulated by the FDIC, OCC, NCUA, or Federal Reserve or a certified Non-Profit Community Development Finance Institution or a depository institution regulated by the State of Michigan's Office of Insurance and Financial Regulation.***
- The participating lending institution shall be considered the “lead lender ~~bank.~~” and shall retain no less than 50.1% of the total loan balance at all times. The lead lender ~~bank~~ shall, under the terms of the Loan Participation and Servicing Agreement, service, document, perfect liens, collect interest, fees and principal; and in all other respects manage the loan.
- The Program shall collect at its determination from the lead lending institution its credit analysis, borrower financial statements, risk rating justification, cash flows and other documents which the Program deems necessary in order to determine both 1) that the opportunity meets the economic development criteria established by the Program and 2) that the bank has performed a sufficient and acceptable analysis of the borrowers project and financial condition. This analysis should indicate that participation in the program will result in an extension of ***commercial*** credit by the bank.
- Reductions in principal, partial losses and total losses, if any, will be taken proportionate to the percent of loan participation.
- All repayments including principal, interest, fees & charges, and recoveries shall be returned to the Michigan Supplier Diversification Fund for recapitalization.
- ***The Program may provide for the purchase of no more than 49.9% of an eligible extension of commercial credit.***
- ~~The Program portion of a participation loan, or Program “advance”, shall charge interest no later than 36 months after the closing of the loan agreement. After such time the effective rate of interest shall be no less than 1% and no more than 4% above the interest rate of the lead bank loan.~~

- The Program portion of a participation loan, or Program “advance”, shall require principal repayment begin no later than 36 months after the closing of the loan agreement and in such repayment shall be concurrent with any provision for interest repayment such that if interest is being collected a principal payment must also be collected.
- A prepayment fee may be charged to borrowers that pay off Program advances within 12 months of interest accrual.
- Program advances shall not exceed **\$5,000,000** per project ~~except in the case where it is determined that the project provides unique and high level Economic Development or Job Creation benefits to the State of Michigan. In such cases, the MSF Board may authorize larger participation amounts subject to funding availability such that no individual program advance represents more than 20% of the Program’s total funding allocation.~~
- The Program will charge a onetime loan closing fee to the borrower that may be deducted from the loan proceeds. The closing fee will be negotiated per deal. All other fees assessed by the lead bank shall apply to the Program advance and the bank advance and shall be received by both parties proportionate to their percentage of participation.
- ***The program will charge a fee not less than 1% and not more than 4% annually at such time as the participation agreement establishes the payment of interest. If the participation agreement provides for an interest free period, no annual fee is charged during that period.***
- Participating lending institutions will be required to collect and supply such information as may be required in order to determine the number of jobs created at the project, the return on investment, and the relative level of risk which each transaction is rated in the bank’s risk rating structure. Such information will be reported to the MSF in a program-wide summary format periodically.
- ~~A Supplemental Agreement shall be signed by the Borrower and the MSF, which among other things, shall provide the MSF direct rights against the Borrower. The Supplement Agreement shall set forth certain representations, obligations of the Borrower. The Supplemental Agreement~~ ***Any agreement under this program*** shall provide, among other things, affirmative representations of the Borrower that there exists no occurrence of criminal or civil activity prohibited under MCL 125.2088c(4), non-discrimination warranties, reporting requirements and that the Borrower shall provide access to its books and records related to the loan. In addition, the Supplemental Agreement shall provide direct rights against the Borrower for certain events of default, including as of the time determined by the MSF: (i) when the Borrower ceases to have substantially all of its employees (exclusive of sales staff) or operations located within the State of Michigan, or (ii) the occurrence of an event listed in MCL 125.2088(c)(4).

MICHIGAN STRATEGIC FUND

PROPOSED RESOLUTION 2012-

**APPROVAL OF AMENDMENTS TO THE
MICHIGAN LOAN PARTICIPATION PROGRAM GUIDELINES AND
THE MICHIGAN COLLATERAL SUPPORT PROGRAM GUIDELINES**

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

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

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

WHEREAS, on May 20, 2009, the MSF created the Michigan Supplier Diversification Fund (“MSDF”) as a loan enhancement program;

WHEREAS, on May 20, 2009, the MSF Board approved the creation and operation of the Michigan Loan Participation Program (“MLPP”) under the MSDF, and (ii) adopted guidelines for the Michigan Loan Participation Program (“MLPP Guidelines”);

WHEREAS, on June 24, 2009, the MSF Board approved the Loan Participation and Servicing Agreement (“Lender Agreement”) and the Supplemental Agreement (“Supplemental Agreement”) for the MLPP (collectively the “MLPP Agreements”);

WHEREAS, on June 24, 2009, the MSF Board approved the (i) creation and operation of the Michigan Collateral Support Program (“MCSP”) under the MSDF, (ii) adopted guidelines for the MCSP (“MCSP Guidelines”); (iii) approved the Authority of the Chairperson, subject to the MCSP Guidelines; and (iv) approved the Cash Collateral Deposit Agreement (“Deposit Agreement”);

WHEREAS, on August 26, 2009, the MCSP Guidelines were amended by the MSF and on February 24, 2010, the MLPP Guidelines were amended by the MSF;

WHEREAS, on March 13, 2012 a public hearing was held to discuss revisions to the MLPP Guidelines and the MCSP Guidelines (collectively the “MSDF Amendments”);

WHEREAS, there were no attendees at the public hearing and no data, views, questions, and arguments regarding the proposed MSDF Guideline Revisions were received by the MSF;

WHEREAS, the MSF Board has reviewed, and desires to approve, the MSDF Amendments contained in Exhibits A and B to this resolution;

WHEREAS, the MEDC recommends that the MSF delegate to the MSF Fund Manager, the MSF Chairperson, or the State Treasurer Director, with only two required to act, the authority to make all decisions with respect to awards that are less than or equal to an original amount of \$2,500,00 (“Delegation of Authority”); and

WHEREAS, the MSF desires to approve the Delegation of Authority.

NOW, THEREFORE, BE IT RESOLVED, that the MSF approves the MSDF Amendments and the Delegation of Authority; and

BE IT FURTHER RESOLVED, the MSF authorizes to the MSF Fund Manager and the MSF Chairperson, with only one required to act, to revise the MLPP Agreements, the Deposit Agreement, and all related documents, and to negotiate and execute all final documents on behalf of the MSF, subject to standard due diligence and the availability of funds.

Ayes:

Nays:

Recused:

Lansing, Michigan
March 28, 2012

Exhibit A
Michigan Collateral Support Program – Proposed Revised Guidelines

Program Guidelines*

- To be eligible for the program a borrower must fall under the definition of a firm which may be eligible to receive a MEGA tax credit. More specifically, a company must have a unique Federal Employer Identification number and participate in one or more of the following; mining, manufacturing, research and development, wholesale and trade, film and digital media production, office operations, or a business that is a qualified high technology business as described in MCL 207.803(n), as amended.
- The participating lending institution must execute a Deposit Agreement under which the terms of deposit, interest accrual, and pledge restrictions will be described.
- The participating lender must be a depository institution regulated by the FDIC, OCC, NCUA or Federal Reserve or a certified Non-Profit Community Development Finance Institution or a depository institution regulated by the State of Michigan's Office of Insurance and Financial Regulation.
- The Program shall collect at its determination from the lead lending institution its credit analysis, borrower financial statements, risk rating justification, cash flows and other documents which the Program deems necessary in order to determine both 1) that the opportunity meets the economic development criteria established by the Program and 2) that the bank has performed a sufficient and acceptable analysis of the borrowers project and financial condition. This analysis should indicate that participation in the program will result in an extension of commercial credit by the bank.
- The program shall enhance the collateral position of borrowers by depositing cash into accounts at participating lending institutions which will then be pledged as collateral on behalf of the borrower on a transaction by transaction basis.
- The program shall be obligated to support no more than 49.9% of the extension of commercial credit in any individual transaction.
- Participating lending institutions will be required to collect and supply such information as may be required in order to determine the number of jobs created at the project, the return on investment, and the relative level of risk which each transaction is rated in the bank's risk rating structure. Such information will be reported to the MSF in a program-wide summary format periodically.
- The program balance shall be reduced proportionately with the principal reduction of the loan so as to eliminate over-reliance on program deposits as part of the collateral commitment on the loan.
- All reductions to account balances, interest, fees & charges, and recaptured balances shall be returned to the Michigan Supplier Diversification Fund for recapitalization.
- Program deposits shall not exceed \$5,000,000 per project. The fee structure used will be determined based on an evaluation of the percentage of reliance on deposits vs. the balance of collateral value on the extension of commercial credit as well as the potential economic development value of the project. In no case, can the deposit represent more than 49.9% of the total loan amount of the individual extension of commercial credit in any single Deposit Agreement.

- Agreements under the programs shall include a fee which will reduce the claim made against cash collateral on deposit which is calculated based on the effectiveness of the liquidation of borrower's collateral by the participating lending institution.

Exhibit B
Michigan Loan Participation Program Proposed Revised Guidelines

Program Guidelines

- To be eligible for the program a company must fall under the definition of a firm which may be eligible to receive a MEGA tax credit. More specifically, a company must have a unique Federal Employer Identification number and participate in one or more of the following; mining, manufacturing, research and development, wholesale and trade, film and digital media production, office operations, or a business that is a qualified high technology business as described in MCL 207.803(n), as amended.
- The borrower and/or lead lending institution shall apply to the program.
- The Program shall participate in funding extensions of commercial credit with partner participating lending institutions or Michigan Business Development Corporations or subsidiaries.
- The participating lender must be a depository institution regulated by the FDIC, OCC, NCUA, or Federal Reserve or a certified Non-Profit Community Development Finance Institution or a depository institution regulated by the State of Michigan's Office of Insurance and Financial Regulation.
- The participating lending institution shall be considered the "lead lender bank." and shall retain no less than 50.1% of the total loan balance at all times. The lead lender bank shall, under the terms of the Loan Participation and Servicing Agreement, service, document, perfect liens, collect interest, fees and principal; and in all other respects manage the loan.
- The Program shall collect at its determination from the lead lending institution its credit analysis, borrower financial statements, risk rating justification, cash flows and other documents which the Program deems necessary in order to determine both 1) that the opportunity meets the economic development criteria established by the Program and 2) that the bank has performed a sufficient and acceptable analysis of the borrowers project and financial condition. This analysis should indicate that participation in the program will result in an extension of commercial credit by the bank.
- Reductions in principal, partial losses and total losses, if any, will be taken proportionate to the percent of loan participation.
- All repayments including principal, interest, fees & charges, and recoveries shall be returned to the Michigan Supplier Diversification Fund for recapitalization.
- The Program may provide for the purchase of no more than 49.9% of an eligible extension of commercial credit.
- The Program portion of a participation loan, or Program "advance", shall require principal repayment begin no later than 36 months after the closing of the loan agreement and in such repayment shall be concurrent with any provision for interest repayment such that if interest is being collected a principal payment must also be collected.
- A prepayment fee may be charged to borrowers that pay off Program advances within 12 months of interest accrual.
- Program advances shall not exceed \$5,000,000 per project.

- The Program will charge a onetime loan closing fee to the borrower that may be deducted from the loan proceeds. The closing fee will be negotiated per deal. All other fees assessed by the lead bank shall apply to the Program advance and the bank advance and shall be received by both parties proportionate to their percentage of participation.

- The program will charge a fee not less than 1% and not more than 4% annually at such time as the participation agreement establishes the payment of interest. If the participation agreement provides for an interest free period, no annual fee is charged during that period.

- Participating lending institutions will be required to collect and supply such information as may be required in order to determine the number of jobs created at the project, the return on investment, and the relative level of risk which each transaction is rated in the bank's risk rating structure. Such information will be reported to the MSF in a program-wide summary format periodically.

- Any agreement under this program shall provide, among other things, affirmative representations of the Borrower that there exists no occurrence of criminal or civil activity prohibited under MCL 125.2088c(4), non-discrimination warranties, reporting requirements and that the Borrower shall provide access to its books and records related to the loan. In addition, the Agreement shall provide direct rights against the Borrower for certain events of default, including as of the time determined by the MSF: (i) when the Borrower ceases to have substantially all of its employees (exclusive of sales staff) or operations located within the State of Michigan, or (ii) the occurrence of an event listed in MCL 125.2088(c)(4).

MICHIGAN STRATEGIC FUND

RESOLUTION 2012-

APPROVAL OF THE DECISION DOCUMENT FOR THE MICHIGAN SUPPLIER DIVERSIFICATION FUND

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

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

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

WHEREAS, on May 20, 2009, the MSF created the Michigan Supplier Diversification Fund (“MSDF”) as a loan enhancement program;

WHEREAS, on May 20, 2009, the MSF Board approved the creation and operation of the Michigan Loan Participation Program (“MLPP”) under the MSDF, and (ii) adopted guidelines for the Michigan Loan Participation Program (“MLPP Guidelines”);

WHEREAS, on June 24, 2009, the MSF Board approved the Loan Participation and Servicing Agreement (“Lender Agreement”) and the Supplemental Agreement (“Supplemental Agreement”) for the MLPP (collectively the “MLPP Agreements”);

WHEREAS, on June 24, 2009, the MSF Board approved the (i) creation and operation of the Michigan Collateral Support Program (“MCSP”) under the MSDF, (ii) adopted guidelines for the MCSP (“MCSP Guidelines”); (iii) approved the Authority of the Chairperson, subject to the MCSP Guidelines; and (iv) approved the Cash Collateral Deposit Agreement (“Deposit Agreement”);

WHEREAS, on August 26, 2009, the MCSP Guidelines were amended by the MSF and on February 24, 2010, the MLPP Guidelines were amended by the MSF;

WHEREAS, on February 27, 2012, the MSF authorized the public notice of a public hearing to be held regarding the proposed revisions to the MSDF guidelines (“MSDF Guideline Revisions”);

WHEREAS, pursuant the public notice, a public hearing was held on March 13, 2012 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 MSDF Guideline Revisions;

WHEREAS, there were no attendees at the public hearing and no data, views, questions, and arguments regarding the proposed MSDF Guideline Revisions were received by the MSF;

WHEREAS, on March 28, 2012, the MSF approved the MSDF Guideline Revisions; 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 MSDF Guideline Revisions.

NOW, THEREFORE, BE IT RESOLVED, the MSF Board approves the attached final Decision Document and authorizes the MSF Chairperson to sign it.

Ayes:

Nays:

Recused:

Lansing, Michigan
March 28, 2012

MSF Decision Document

Issue

Approval of the revisions to the Michigan Supplier Diversification Fund (“MSDF”) Guidelines

Background

As provided for in MCL 125.2088d(1), the Michigan Strategic Fund (“MSF”) shall create and operate a loan enhancement program. On May 20, 2009 the MSF approved the Michigan Supplier Diversification Fund (“MSDF”). On May 20, 2009, the MSF Board also approved the creation and operation of the Michigan Loan Participation Program (“MLPP”) under the MSDF and adopted guidelines for the Michigan Loan Participation Program (“MLPP Guidelines”). The MSF Board subsequently approved the Loan Participation and Servicing Agreement (“Lender Agreement”) and the Supplemental Agreement (“Supplemental Agreement”) for the MLPP (collectively the “MLPP Agreements”). On June 24, 2009, the MSF Board approved the (i) creation and operation of the Michigan Collateral Support Program (“MCSP”) under the MSDF, (ii) adopted guidelines for the MCSP (“MCSP Guidelines”); (iii) approved the Authority of the Chairperson, subject to the MCSP Guidelines; and (iv) approved the Cash Collateral Deposit Agreement (“Deposit Agreement”) for the MCSP. Both the MCSP Guidelines and the MLPP Guidelines were later amended by the MSF. The purpose of the MSDF is to promote access to capital for commercial borrowers who are base job creating companies and who, through the increased capital, will provide for employment opportunities and produce added tax revenue benefits in Michigan.

Public Hearing

A public hearing was held on March 13, 2012 to allow interested persons the opportunity to express data, views, questions, and arguments regarding the proposed revisions to the MSDF Guidelines. There were no attendees at the public hearing.

Decision

On March 28, 2012, the MSF Board approved the revisions to the MSDF Guidelines.

Michael A. Finney, Chairperson
Michigan Strategic Fund Board

MSF Decision Document

Issue

Approval of the revisions to the Michigan Supplier Diversification Fund (“MSDF”) Guidelines

Background

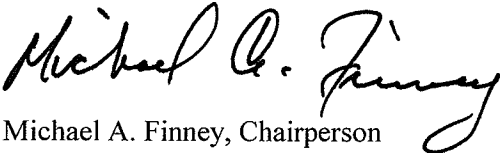
As provided for in MCL 125.2088d(1), the Michigan Strategic Fund (“MSF”) shall create and operate a loan enhancement program. On May 20, 2009 the MSF approved the Michigan Supplier Diversification Fund (“MSDF”). On May 20, 2009, the MSF Board also approved the creation and operation of the Michigan Loan Participation Program (“MLPP”) under the MSDF and adopted guidelines for the Michigan Loan Participation Program (“MLPP Guidelines”). The MSF Board subsequently approved the Loan Participation and Servicing Agreement (“Lender Agreement”) and the Supplemental Agreement (“Supplemental Agreement”) for the MLPP (collectively the “MLPP Agreements”). On June 24, 2009, the MSF Board approved the (i) creation and operation of the Michigan Collateral Support Program (“MCSP”) under the MSDF, (ii) adopted guidelines for the MCSP (“MCSP Guidelines”); (iii) approved the Authority of the Chairperson, subject to the MCSP Guidelines; and (iv) approved the Cash Collateral Deposit Agreement (“Deposit Agreement”) for the MCSP. Both the MCSP Guidelines and the MLPP Guidelines were later amended by the MSF. The purpose of the MSDF is to promote access to capital for commercial borrowers who are base job creating companies and who, through the increased capital, will provide for employment opportunities and produce added tax revenue benefits in Michigan.

Public Hearing

A public hearing was held on March 13, 2012 to allow interested persons the opportunity to express data, views, questions, and arguments regarding the proposed revisions to the MSDF Guidelines. There were no attendees at the public hearing.

Decision

On March 28, 2012, the MSF Board approved the revisions to the MSDF Guidelines.



Michael A. Finney, Chairperson
Michigan Strategic Fund Board



Memorandum

Date: March 28, 2012

To: Michigan Strategic Fund Board

From: Eric Hanna, Director, Debt Capital Programs

Subject: Request for a Public Hearing on Modifications to Develop Michigan - Capital Conduit Program: Real Estate Initiative Guidelines and Operating Company Initiative Guidelines

Background

On December 21, 2011, the Michigan Strategic Fund Board (“MSF”) approved the Capital Conduit Program and, within it the Real Estate Initiative (“REI”) and corresponding guidelines, as well as the Operating Company Initiative (“OCI”) and corresponding guidelines.

On January 25, 2012, the MSF designated Develop Michigan, Inc. (“DMI”), under the REI and further authorized a \$5.0M award from the Investment Fund in the form of a loan in order to begin funding investment activities, program development and rating activities. The MSF also approved Grow Michigan, LLC (“GMI”) under the OCI and further authorized a \$2.5M award from the Investment Fund in the form of a loan in order to begin funding investment activities and early pipeline development. In each case only \$500,000 of the loan was available for organization and formation activities with the balance being restricted to either the confirmation of private sector investments or in the case of Develop Michigan, Inc. only, the institution of a program that will enhance the rating of bonds issued for eligible projects.

On February 22, 2012, the MSF allocated \$22,500,000.00 from the Investment Fund to the Capital Conduit Program but did not make any specific program awards.

Request for Public Hearing for Modification from Loan to Investment under MSF Act

As staff began implementing and documenting the program with DMI, it was determined to restructure the REI to use commercial loan guarantees as the loan enhancement. This should simplify the program as well as clarify that other than the start-up loan, the REI may be engaged in providing commercial loan guarantees. A commercial loan guarantee is specifically discussed as an allowed 21st century investment in the Michigan Strategic Fund Act, MCL 125.2088a(u).

The commercial loan guarantee investment will utilize a “Pledge Agreement” which will be similar in many respects to the Cash Collateral Deposit Agreement used by the current SSBCI collateral support program. This instrument will allow for the placement of funds to which credit risk is assigned or associated, as a loan enhancement. Proposed General Requirements and Proposed Revised REI Guidelines are attached in Exhibit A and B respectively.

Likewise, it was determined to restructure the program with GMI to make an equity membership investment instead of the line of credit loan. For GMI, the MSF will be asked to consider an equity investment pursuant to a Private Placement Offering which will differ from the offering to private investors in two critical ways. First, 75% of the MSF investment will be subordinated to returning the private investor capital. Second, the MSF investment will carry a specified return of .25% per annum and

will participate in 10% of the profits of GMI after the private investors have received a 15% annual return on their capital. GMI will make loans as part of a loan enhancement program.

Despite these modifications, the funding set aside for organization and formation activities will still need to be provided as a separate and distinct loan. This will necessitate separate loan agreements. Attached is a more detailed description of the agreements, anticipated program structures and activities, and highlights of the anticipated use of MSF Funds. Proposed Revised OCI Guidelines are attached in Exhibit C.

Recommendation

Pursuant to MCL 125.2088c(5), before adopting a resolution that substantially changes a 21st century investment program, including any fees, charges or penalties attached to that program, the MSF Board is required to hold a public hearing to provide an opportunity for people to present data, views, questions and arguments related to the proposed changes. Staff recommends that the MSF Board issue a Notice of Public Hearing to be held on April 11, 2012, at the Michigan Economic Development Corporation for the purpose of receiving public comment on the proposed changes to the REI and OCI guidelines.

Additional discussion and background on how the proposed changes will affect each organization is provided in **Appendix 1** to this memo.

Appendix 1

Detailed Discussion of MSF Capital Participation in DMI and GMI

Develop Michigan, Inc.

Develop Michigan, Inc. (“DMI”) is a non-profit development finance organization which brings together a number of different financial tools to accomplish large, complex redevelopment projects related to all types of real property. It is proposed that the MSF modify its existing program to provide DMI with:

\$500,000 Line of Credit	Organization and Formational Cash Flow Support
\$4,500,000 Pledge Agreement	Bond Commercial Loan Guarantee Program
\$15,000,000 Anticipated Pledge Agreement ¹	Bond Commercial Loan Guarantee Program

Line of Credit

This Line of Credit will be used to pay for legal, accounting, investor relations expenses, expenses related to obtaining Standard & Poor’s credit enhancement rating, consulting and the retention of an Investment Bank which will support the marketing of the proposed bond issues. The line is an obligation of the company and will be repaid with earnings from operations. Proposed Revised DMI Administrative Loan Terms are attached in Exhibit D.

Bond Commercial Loan Guarantee Program

This program will be used to upgrade the investment rating of bonds for eligible projects issued by DMI from non- or below-investment grade to investment grade levels allowing for better terms and broader market acceptance. The tool will use uniform underwriting standards, third party confirmation of project underwriting results, and the diversity of projects along with its capital to reduce the risk of non-payment on coupons, as well as principal of the bonds in extreme cases. This tool does not require a direct private sector capital raise, although DMI is pursuing one to provide an additional tool for its projects.

Grow Michigan, LLC

Grow Michigan, LLC is a for profit company formed to supply growth, restructuring and succession/acquisition financing to small businesses and lower middle market job creating businesses in Michigan. It is proposed that the MSF modify its existing program to provide GMI with:

\$500,000 Line of Credit	Organizational and Formational Cash Flow Support
\$2,000,000 Equity Investment	LLC Membership Investment for Commercial Loan Guarantee
\$7,500,000 Anticipated Equity Investment ²	LLC Membership Investment for Commercial Loan Guarantee

¹ On February 22, 2012, the MSF allocated \$22,500,000.00 from the Investment Fund to the Capital Conduit Program but did not make any specific program awards. DMI shall develop the legal and financial framework for the Bond Commercial Loan Guarantee Program. Once that has occurred, DMI may request the ability to execute a Pledge Agreement under the newly adopted guidelines for the entire \$19,500,000 planned program. This will then be brought before the MSF as a separate and distinct matter to award the additional \$15,000,000.

² On February 22, 2012, the MSF allocated \$22,500,000.00 from the Investment Fund to the Capital Conduit Program but did not make any specific program awards. GMI shall request the additional funding upon attaining written commitments of investor capital at the various closings of funding rounds. No change in the level of private sector commitment thresholds is contemplated and GMI currently expects to exceed its original projected investor commitments. This will then be brought before the MSF as a separate and distinct matter to award the additional \$7,500,000.

Line of Credit

This Line of Credit will be used to pay for legal, accounting, investor relations expenses, formation and other organizational expenses. It will be an obligation of the company and will be repaid from fees, interest and other earnings of the company. Proposed Revised GMI Administrative Loan Terms are attached in Exhibit E.

Membership Investment for Commercial Loan Guarantee

The proposed MSF investment contemplates acting as a return and credit enhancement by impacting the private sector investors in two ways. First the earnings potential of the private investors is improved by virtue of an earnings cap on the MSF Investment, the surplus of which is partially provided to investors. Second, to the extent that the enterprise returns are not in excess of the principal investment amount, with 75% subordination, the MSF would only get .25 of its share (to be determined) of the first distributions until the private investors receive all their capital back. If there was no more cash or distributions after that point, then the MSF would lose .75 of its share or investment. This allows investors such as banks, who must provide a risk weighted set aside out of their capital base, to reduce the weighting which allows them to free up additional lending capacity. Collectively, these two impacts improve the attractiveness of the investment opportunity for potential private investors.

Actions Required

In order to accomplish the necessary programmatic changes to allow the MSF to support these two initiatives as proposed and intended, a series of events need to occur.

- Because the Program and capital is now contemplated to be deployed as an “Investment” under the Act instead of as a “Loan” a Public Hearing must be held to hear comments on the modifications to the “Guidelines.”
- The “Capital Conduit Program General Requirements” need to be adopted as provided in Exhibit A. **(Public Hearing Item)**
- The “Real Estate Initiative Guidelines” need to be modified to reflect those in Exhibit B. **(Public Hearing Item)**
- The “Operating Company Initiative Guidelines” need to be modified to reflect those in Exhibit C. **(Public Hearing Item)**
- The \$5.0M Loan Approval for DMI must be revised to \$500,000 under terms described in Exhibit D.
- The \$5.0M Loan Approval for GMI must be revised to \$500,000 under terms described in Exhibit E.

Exhibit A
Capital Conduit Program
General Requirements

Funds provided under the program must de-risk or enhance the terms of eligible risk capital instruments such as loans or investments in or for the benefit of eligible projects.

Funds will be provided either as a loan or an investment, such as, but not limited to, a Commercial Loan Guarantee instrument.

A recipient company shall provide the MSF three appointments to its Board of Directors. Appointments carry a specific term with the first term staggered such that the following term expirations occur:

Appointee #1	Initial Term 1 Year	Subsequent Term 5 Years
Appointee #2	Initial Term 3 Years	Subsequent Term 5 Years
Appointee #3	Initial Term 5 Years	Subsequent Term 5 Years

A maximum of \$500,000 per recipient company may be provided as a loan for the purpose of funding formation, investment and organizational activities. The loan may have favorable interest and cost terms and may extend for up to 10 years on a single approval with the Fund Manager authorized to create and execute such documents.

Recipients are required to submit audited financial statements to the MSF annually. Accompanying these reports will be a management discussion regarding overall financial performance and long term financial sustainability of the recipient.

Recipients are required to submit to the Fund Manager Activity and Progress reports to the MSF as requested, but at least annually. These reports will discuss the public benefits in the form of employment either created or retained, or an expansion of the tax base, or an additional physical capital investment.

Projects funded by recipients under this program must occur and be located within the State of Michigan.

Projects supported by capital provided under the MSF Act and/or the Investment Fund must comply with the MSF Act and meet all other applicable state and federal laws.

The management of a recipient shall demonstrate that it has capital at risk either as an investment in an investment vehicle (such as a fund) or as paid-in-capital to the recipient which is expended in support of projects or in another allowable form acceptable to the Fund Manager.

Exhibit B
Real Estate Initiative
Guidelines

Projects financed by the recipient will consist of residential, commercial and/or industrial real estate, in any combination, and will be located on a site that has now or has in the past been developed or is determined by the Fund Manager to be an eligible site for redevelopment.

The Board of Directors will be comprised of MSF appointees, investor members, and members selected by the management team of the recipient.

The program may provide capital for project activities in the form of either a loan guarantee or investment or other category which is now or may become in the future eligible under the MSF Act and shall be used to support individual projects or pools of projects as determined by the recipient's Board of Directors or acting Formation Board prior to the full constitution of the Board of Directors.

The program may provide capital in the form of a loan or investment or other eligible category which is now or may become in the future available under the MSF Act as determined by the Fund Manager for up to \$500,000 for the purposes of supporting formation and capitalization activities and other administrative costs as may be required to execute the program's mission.

A recipient may have subsidiary entities, all of which shall have a Board of Directors identical to the recipient Board of Directors. The recipient may place MSF Capital with a subsidiary provided the program under which the funding is approved allows for such placement and the Fund Manager concurs.

Bylaws or an Operating Agreement of the recipient or any subsidiary shall have provisions which deal with Conflicts of Interest, Fraud, Theft, and Negligence which are satisfactory to the MSF or to its Appointees to the Board of Directors prior to the receipt of MSF capital in excess of \$500,000.

In addition to Financial Reporting and Activity Reporting required under the General Requirements of the Capital Conduit Program, the recipient shall report acreage and/or square feet redeveloped, zoning status, location, and any contamination or other environmental hazard which was mitigated through the process of redevelopment. It shall also report if the project has any LEED certification.

The recipient shall report all the sources of capital which account individually for more than 5% of the total capital for each transaction it arranges and supports and describe as a ratio, the leverage that MSF capital attracted to the project. It shall further describe any reduction in the cost of capital which it believes was associated with MSF capital support.

At least one MSF Appointee to the Board of Directors must participate in any board action involving compensation, staffing, any activity which involves incurring non-project related liabilities outside of a liability to the MSF under the program, and the replacement or sanction of any member of the Board of Directors who is not an MSF Appointee except where such participation is determined to create a conflict of interest.

A request for MSF Capital under this initiative over \$500,000 for project activities must project upon submission that it will produce leverage equal to or greater than \$3.00 in Private Financing for every \$1.00 of MSF Capital over the duration of the anticipated project activities.

Exhibit C
Operating Company Initiative
Guidelines

Projects financed by the recipient shall promote the revenue and/or employment growth, optimization of capital cost and/or terms, or facilitate succession or acquisition for the purpose of retaining or growing employment, revenues, or taxes within the State of Michigan.

The Board of Directors will be comprised of MSF appointees, investor members, and members selected by the management team of the recipient.

The program may provide capital for project activities in the form of either a loan or investment or other category which is now or may become in the future eligible under the MSF Act and shall be used to support individual projects or pools of projects as determined by the Board of Directors or acting Formation Board prior to the full constitution of the Board of Directors.

The program may provide capital in the form of a loan or investment or other eligible category which is now or may become in the future available under the MSF Act as determined by the Fund Manager for up to \$500,000 for the purposes of supporting formation and capitalization activities and other administrative costs as may be required to execute the program's mission.

A recipient may have subsidiary entities, all of which shall have a Board of Directors identical to the recipient Board of Directors. The recipient may place MSF Capital with a subsidiary provided the program under which the funding is approved allows for such placement and the Fund Manager concurs.

At least one MSF Appointee to the Board of Directors must participate in any board action involving compensation, staffing, any activity which involves incurring non-project related liabilities outside of a liability to the MSF under the program, and the replacement or sanction of any member of the Board of Directors who is not an MSF Appointee except where such participation is determined to create a conflict of interest.

Bylaws or an Operating Agreement of the recipient or any subsidiary shall have provisions which deal with Conflicts of Interest, Fraud, Theft, and Negligence which are satisfactory to the MSF or to its Appointees to the Board of Directors prior to the receipt of MSF capital in excess of \$500,000.

The recipient shall report all the sources of capital for each transaction which it arranges and supports and describe as a ratio the leverage that MSF capital attracted to the project. It shall further describe any reduction in the cost of capital which it believes was associated with MSF capital support.

The recipient shall report to the MSF the overall condition of its portfolio companies, a summary of the job retention and creation which occurred in portfolio companies, anticipated impacts on state and local tax receipts, and anticipated revenues from portfolio companies collectively in the form of a financial *proforma* which shall cover the entire term of the initial investments made or the longest term of any agreement to extend capital by the MSF.

Capital extended under a Loan or Investment shall be based on private sector investment and shall be at a ratio equal to or greater than \$2.00 in private investment for every \$1.00 in MSF Capital provided.

Exhibit D
Develop Michigan, Inc.
Administrative Loan Terms (Revised)

Maximum Loan Amount:	\$500,000	Maximum of 1 draw per month
Principal Payments:	100% at Maturity	No Prepayment Penalty
Term:	10 years	
Interest Payments:	Year 1	0%
	Year 2	1% Simple Interest on Outstanding Balance as of the anniversary date of the Note.
	Year 3	1% Same
	Year 4	2% Same
	Year 5	2% Same
	Year 6	2% Same
	Year 7	2% Same
	Year 8	2% Same
	Year 9	3% Same
	Year 10	3% Same
Extensions:	As determined by the MSF annually after maturity.	
Draw Procedure:	Certification by Officer of the Company Invoice Describing Use of Proceeds Consent and Recommendation of Portfolio Manager Wire within reasonable administrative time.	
Acceleration:	Event of Default under the Loan Agreement that is not cured within 45 days of written notice.	
Events of Default:	Failure to adhere to Program guidelines Fraud, negligence, misconduct, failure to avoid conflict, failure to make progress toward economic development objectives measured by the consummation of at least one qualified transaction within 12 months of the closing of the loan, breach of a representation or warranty under the Loan Agreement.	

Exhibit E
Grow Michigan, LLC
Administrative Loan Terms Revised

Maximum Loan Amount:	\$500,000	Maximum of 1 draw per month
Principle Payments:	100% at Maturity	No Prepayment Penalty
Term:	7 Years	
Interest Payments:	Year 1	0%
	Year 2	1% Simple Interest on Outstanding Balance as of the anniversary date of the Note.
	Year 3	1% Same
	Year 4	1% Same
	Year 5	2% Same
	Year 6	2% Same
	Year 7	3% Same
Extensions:	As determined by the MSF annually after maturity.	
Draw Procedure:	Certification by Officer of the Company Invoice Describing Use of Proceeds Consent and Recommendation of Portfolio Manager Wire within reasonable administrative time.	
Acceleration:	Event of Default under the Loan Agreement which was not cured within 45 days after written notice.	
Events of Default:	Failure to adhere to Program guidelines Fraud, negligence, misconduct, failure to avoid conflict, failure to make progress toward economic development objectives measured by the consummation of at least one qualified transaction within 18 months of the closing of the first round of fundraising, breach of a representation or warranty under the Loan Agreement.	

MICHIGAN STRATEGIC FUND

RESOLUTION 2012-

**NOTICE OF PUBLIC HEARING - AMENDMENTS TO THE
DEVELOP MICHIGAN – CAPITAL CONDUIT PROGRAM REAL ESTATE INITIATIVE AND
OPERATING COMPANY INITIATIVE GUIDELINES**

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

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

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

WHEREAS, on May 20, 2009, the MSF created the Michigan Supplier Diversification Fund (“MSDF”) as a loan enhancement program;

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

WHEREAS, on December 21, 2011, the MSF (1) approved the creation and operation of the Real Estate Initiative (“REI”) under the CCP and (2) adopted guidelines for the REI (“REI Guidelines”);

WHEREAS, on December 21, 2011, the MSF (1) approved the creation and operation of the Operating Company Initiative (“OCI”) under the CCP and (2) adopted guidelines for the OCI (“OCI Guidelines”);

WHEREAS, pursuant to MCL 125.2088c(5), prior to adopting the attached draft resolution (“Proposed Resolution”) that would make substantial changes to the REI Guidelines and the OCI Guidelines, the MSF Board shall hold a public hearing that provides an opportunity for public comment;

WHEREAS, the MSF desires to hold a public hearing with respect to the Proposed Resolution on April 11, 2012, to offer persons an opportunity to present data, views, questions and arguments; and

WHEREAS, the MSF desires to approve the Notice of Public Hearing and to authorize the Fund Manager to be present at the hearing and participate in the public discussion regarding the Proposed Resolution.

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

BE IT FURTHER RESOLVED, that the MSF Fund Manager to be present at the public hearing and participate in the public discussion of the Proposed Resolution; and

BE IT FURTHER RESOLVED, pursuant to MCL 125.2088c(5), that no sooner than 14 days after the public hearing, the MSF intends to adopt a final resolution implementing changes to the REI Guidelines and the OCI Guidelines and Capital Conduit Program General Requirements.

Ayes:

Nays:

Recused:

Lansing, Michigan
March 28, 2012

NOTICE OF PUBLIC HEARING

On April 11, 2012, the Michigan Strategic Fund Board ("MSF Board") will hold a public hearing with respect to the attached proposed resolution of the MSF Board approving changes to the 21st Century Jobs Fund program for fiscal year 2012. The proposed resolution seeks to amend the guidelines of the Develop Michigan – Capital Conduit Program.

The hearing will commence at 9:00 a.m. and will be held in the Lake Michigan Conference Room of the Michigan Economic Development Corporation ("MEDC") located at 300 North Washington Square, Lansing, Michigan 48913. Interested persons wishing to express any data, views or arguments regarding the Proposed Resolution will be given an opportunity to do so at the public hearing. Written comments will be accepted by the MSF Board at Michigan Strategic Fund Board, c/o Fund Manager, 300 North Washington Square, Lansing, MI 48913, or electronically to 21stCenturyJobs@michigan.org, but must be mailed or electronically transmitted on or before the date and time of the hearing.

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

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

Dated: March 28, 2012

Ellen Graham
Michigan Strategic Fund Board
300 North Washington Square
Lansing, Michigan 48913
(517) 241-2244

MICHIGAN STRATEGIC FUND

PROPOSED RESOLUTION 2012-

**APPROVAL OF AMENDMENTS TO THE
DEVELOP MICHIGAN – CAPITAL CONDUIT PROGRAM REAL ESTATE INITIATIVE AND
OPERATING COMPANY INITIATIVE GUIDELINES**

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

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

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

WHEREAS, on May 20, 2009, the MSF created the Michigan Supplier Diversification Fund (“MSDF”) as a loan enhancement program;

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

WHEREAS, on December 21, 2011, the MSF (1) approved the creation and operation of the Real Estate Initiative (“REI”) under the CCP and (2) adopted guidelines for the REI (“REI Guidelines”);

WHEREAS, on December 21, 2011, the MSF (1) approved the creation and operation of the Operating Company Initiative (“OCI”) under the CCP and (2) adopted guidelines for the OCI (“OCI Guidelines”);

WHEREAS, on April 11, 2012 a public hearing was held and public comments were received on amendments to the REI Guidelines, the OCI Guidelines and the Capital Conduit Program (collectively the “CCP Amendments”); and

WHEREAS, the MSF Board has reviewed and desires to approve the CCP Amendments contained in Exhibits A, B and C to this resolution.

NOW, THEREFORE, BE IT RESOLVED, that the MSF approves the CCP Amendments.

Ayes:

Nays:

Recused:

Lansing, Michigan
April 25, 2012

Exhibit A
Capital Conduit Program
General Requirements

Funds provided under the program must de-risk or enhance the terms of eligible risk capital instruments such as loans or investments in or for the benefit of eligible projects.

Funds will be provided either as a loan or an investment, such as, but not limited to, a Commercial Loan Guarantee instrument.

A recipient company shall provide the MSF three appointments to its Board of Directors. Appointments carry a specific term with the first term staggered such that the following term expirations occur:

Appointee #1	Initial Term 1 Year	Subsequent Term 5 Years
Appointee #2	Initial Term 3 Years	Subsequent Term 5 Years
Appointee #3	Initial Term 5 Years	Subsequent Term 5 Years

A maximum of \$500,000 per recipient company may be provided as a loan for the purpose of funding formation, investment and organizational activities. The loan may have favorable interest and cost terms and may extend for up to 10 years on a single approval with the Fund Manager authorized to create and execute such documents.

Recipients are required to submit audited financial statements to the MSF annually. Accompanying these reports will be a management discussion regarding overall financial performance and long term financial sustainability of the recipient.

Recipients are required to submit to the Fund Manager Activity and Progress reports to the MSF as requested, but at least annually. These reports will discuss the public benefits in the form of employment either created or retained, or an expansion of the tax base, or an additional physical capital investment.

Projects funded by recipients under this program must occur and be located within the State of Michigan.

Projects supported by capital provided under the MSF Act and/or the Investment Fund must comply with the MSF Act and meet all other applicable state and federal laws.

The management of a recipient shall demonstrate that it has capital at risk either as an investment in an investment vehicle (such as a fund) or as paid-in-capital to the recipient which is expended in support of projects or in another allowable form acceptable to the Fund Manager.

Exhibit B
Real Estate Initiative
Guidelines

Projects financed by the recipient will consist of residential, commercial and/or industrial real estate, in any combination, and will be located on a site that has now or has in the past been developed or is determined by the Fund Manager to be an eligible site for redevelopment.

The Board of Directors will be comprised of MSF appointees, investor members, and members selected by the management team of the recipient.

The program may provide capital for project activities in the form of either a loan guarantee or investment or other category which is now or may become in the future eligible under the MSF Act and shall be used to support individual projects or pools of projects as determined by the recipient's Board of Directors or acting Formation Board prior to the full constitution of the Board of Directors.

The program may provide capital in the form of a loan or investment or other eligible category which is now or may become in the future available under the MSF Act as determined by the Fund Manager for up to \$500,000 for the purposes of supporting formation and capitalization activities and other administrative costs as may be required to execute the program's mission.

A recipient may have subsidiary entities, all of which shall have a Board of Directors identical to the recipient Board of Directors. The recipient may place MSF Capital with a subsidiary provided the program under which the funding is approved allows for such placement and the Fund Manager concurs.

Bylaws or an Operating Agreement of the recipient or any subsidiary shall have provisions which deal with Conflicts of Interest, Fraud, Theft, and Negligence which are satisfactory to the MSF or to its Appointees to the Board of Directors prior to the receipt of MSF capital in excess of \$500,000.

In addition to Financial Reporting and Activity Reporting required under the General Requirements of the Capital Conduit Program, the recipient shall report acreage and/or square feet redeveloped, zoning status, location, and any contamination or other environmental hazard which was mitigated through the process of redevelopment. It shall also report if the project has any LEED certification.

The recipient shall report all the sources of capital which account individually for more than 5% of the total capital for each transaction it arranges and supports and describe as a ratio, the leverage that MSF capital attracted to the project. It shall further describe any reduction in the cost of capital which it believes was associated with MSF capital support.

At least one MSF Appointee to the Board of Directors must participate in any board action involving compensation, staffing, any activity which involves incurring non-project related liabilities outside of a liability to the MSF under the program, and the replacement or sanction of any member of the Board of Directors who is not an MSF Appointee except where such participation is determined to create a conflict of interest.

A request for MSF Capital under this initiative over \$500,000 for project activities must project upon submission that it will produce leverage equal to or greater than \$3.00 in Private Financing for every \$1.00 of MSF Capital over the duration of the anticipated project activities.

Exhibit C
Operating Company Initiative
Guidelines

Projects financed by the recipient shall promote the revenue and/or employment growth, optimization of capital cost and/or terms, or facilitate succession or acquisition for the purpose of retaining or growing employment, revenues, or taxes within the State of Michigan.

The Board of Directors will be comprised of MSF appointees, investor members, and members selected by the management team of the recipient.

The program may provide capital for project activities in the form of either a loan or investment or other category which is now or may become in the future eligible under the MSF Act and shall be used to support individual projects or pools of projects as determined by the Board of Directors or acting Formation Board prior to the full constitution of the Board of Directors.

The program may provide capital in the form of a loan or investment or other eligible category which is now or may become in the future available under the MSF Act as determined by the Fund Manager for up to \$500,000 for the purposes of supporting formation and capitalization activities and other administrative costs as may be required to execute the program's mission.

A recipient may have subsidiary entities, all of which shall have a Board of Directors identical to the recipient Board of Directors. The recipient may place MSF Capital with a subsidiary provided the program under which the funding is approved allows for such placement and the Fund Manager concurs.

At least one MSF Appointee to the Board of Directors must participate in any board action involving compensation, staffing, any activity which involves incurring non-project related liabilities outside of a liability to the MSF under the program, and the replacement or sanction of any member of the Board of Directors who is not an MSF Appointee except where such participation is determined to create a conflict of interest.

Bylaws or an Operating Agreement of the recipient or any subsidiary shall have provisions which deal with Conflicts of Interest, Fraud, Theft, and Negligence which are satisfactory to the MSF or to its Appointees to the Board of Directors prior to the receipt of MSF capital in excess of \$500,000.

The recipient shall report all the sources of capital for each transaction which it arranges and supports and describe as a ratio the leverage that MSF capital attracted to the project. It shall further describe any reduction in the cost of capital which it believes was associated with MSF capital support.

The recipient shall report to the MSF the overall condition of its portfolio companies, a summary of the job retention and creation which occurred in portfolio companies, anticipated impacts on state and local tax receipts, and anticipated revenues from portfolio companies collectively in the form of a financial *proforma* which shall cover the entire term of the initial investments made or the longest term of any agreement to extend capital by the MSF.

Capital extended under a Loan or Investment shall be based on private sector investment and shall be at a ratio equal to or greater than \$2.00 in private investment for every \$1.00 in MSF Capital provided.