

## **ADOPTED MINUTES**

A meeting of the Michigan Strategic Fund was held at the Michigan Economic Development Corporation, 300 N. Washington Square, Lansing, Michigan, on August 29, 2007.

### **MEMBERS PRESENT:**

Susan Corbin (acting on behalf of Keith W. Cooley, Director, Department of Labor and Economic Growth, authorization attached)  
James Epolito  
James Herbert  
George Jackson  
Robert Kleine  
Jeff Leithauser (via phone)  
Richard Rassel

### **MEMBERS ABSENT:**

Linda Ewing  
Paul Hodges  
Charles Rothstein  
Jay Shah

### **CALL TO ORDER:**

The meeting was called to order at 1:38 p.m.

### **ADOPTION OF JULY 25, 2007 MINUTES:**

George Jackson moved the July 25, 2007, minutes be approved. Richard Rassel seconded the motion. The motion carried.

### **PUBLIC COMMENT:**

There was no public comment.

John Czarnecki advised the Board that a revised agenda was before the Board. Item C.2 – the bond amount for Centerline Engineering, Inc. and CEI Properties, LLC had been changed from \$4,500,000 to \$3,850,000. Brentwood Advisory Group, LLC, S & S Holdings, LLC, S & S Holdings Two, LLC, and Lapeer Industries, Inc. (originally Item C.5) was being deferred at the request of the company due to a change in the project. Item F.1 – Renewal of MOU for Administrative Services had been removed from the agenda for consideration at the September meeting. Item F.4 MTTC-MLSC Investment NephRx Corporation had been added to the agenda.

Robert Kleine motioned approval of the revised agenda. George Jackson seconded the motion. The motion carried.

**COMMUNICATIONS:**

John Czarnecki advised the Board that recusal letters had been received from Jeffrey Leithauser and Richard Rassel for Private Activity Bond projects.

Mr. Czarnecki reported that a letter had been received from R. Thomas Martin of the Michigan Department of Labor and Economic Growth transmitting the third quarter report for the Biofuels Infrastructure Grant Program for the period April 1, 2007 through June 30, 2007.

**INDUSTRIAL DEVELOPMENT REVENUE BOND ISSUING:**

**Resolution 2007-105 – Wolverine Human Services – (Charter Township of Buena Vista, Saginaw County) – \$13,300,000 – New – Non-Profit**

This project is further described in proposed Resolution 2007-105.

James Epolito asked if there were any questions from the Board. There being none, Richard Rassel motioned approval of proposed Resolution 2007-105. Robert Kleine seconded the motion. The motion carried.

**ROLL CALL:**

**Adopted:**

AYES: Susan Corbin, James Epolito, James Herbert, George Jackson, Robert Kleine, Richard Rassel

NAYS: None

**Resolution 2007-106 – Centerline Engineering, Inc. and CEI Properties, LLC – (Alpine Township, Kent County) – \$3,850,000 – New – Manufacturing**

This project is further described in proposed Resolution 2007-106.

James Epolito asked if there were any questions from the Board. There being none, James Herbert motioned approval of proposed Resolution 2007-106. Richard Rassel seconded the motion. The motion carried.

**ROLL CALL:**

**Adopted:**

AYES: Susan Corbin, James Epolito, James Herbert, George Jackson, Robert Kleine, Richard Rassel

NAYS: None

**Resolution 2007-107 – BMT Aerospace USA, Inc. – (Fraser, Macomb County) – \$6,500,000 – New – Manufacturing**

This project is further described in proposed Resolution 2007-107.

James Epolito asked if there were any questions from the Board. There being none, Robert Kleine motioned approval of proposed Resolution 2007-107. George Jackson seconded the motion. The motion carried.

**ROLL CALL:**

**Adopted:**

AYES: Susan Corbin, James Epolito, James Herbert, George Jackson, Robert Kleine, Richard Rassel

NAYS: None

[Richard Rassel recused from meeting.]

[Jeff Leithauser began participating in the meeting by telephone]

**Resolution 2007-108 – Haviland Products Company, Haviland Consumer Products, Inc., Haviland Enterprises, Inc. and Enterprise Real Estate, Inc. – (Walker, Kent County and Grand Rapids, Kent County) – \$5,000,000 – New – Manufacturing**

This project is further described in proposed Resolution 2007-108.

James Epolito asked if there were any questions from the Board. There being none, James Herbert motioned approval of proposed Resolution 2007-108. Robert Kleine seconded the motion. The motion carried.

**ROLL CALL:**

**Adopted:**

AYES: Susan Corbin, James Epolito, James Herbert, George Jackson, Robert Kleine, Jeff Leithauser

NAYS: None

RECUSED: Richard Rassel

**Resolution 2007-109 – Thomson-Shore, Inc. – (Webster Township, Washtenaw County) – \$10,000,000 – New – Manufacturing**

This project is further described in proposed Resolution 2007-109.

James Epolito asked if there were any questions from the Board. There being none, Robert Kleine motioned approval of proposed Resolution 2007-109. George Jackson seconded the motion. The motion carried.

**ROLL CALL:**

**Adopted:**

AYES: Susan Corbin, James Epolito, James Herbert, George Jackson,  
Robert Kleine, Jeff Leithauser

NAYS: None

RECUSED: Richard Rassel

**INDUSTRIAL DEVELOPMENT REVENUE BOND INDUCEMENTS:**

**Resolution 2007-110 – Detroit Community Health Connection, Inc. – (Detroit, Wayne County) – \$4,700,000 – New – Non-Profit**

This project is further described in proposed Resolution 2007-110.

Rao Kakarala from Detroit Community Health Connection, Inc. provided the Board with background information about this project.

Detroit Community Health Corporation, Inc. (DCHC) was incorporated in Michigan in 1988 as a non-profit corporation. DCHC is a community-based primary health care organization whose mission is to provide comprehensive medical health care to the uninsured and underinsured residents of the City of Detroit, regardless of their ability to pay. DCHC is a federally qualified Health Center supported by federal grants, administered by the Bureau of Primary Health Care and the U.S. Department of Health and Human Services. It is committed to providing accessible, affordable, and quality service to all members of the community it serves. DCHC is located at 13901 East Jefferson Avenue, Detroit, Michigan, and employs approximately 95 individuals. DCHC has five health centers located in the City of Detroit.

The project includes financing (1) the purchase of land and an approximately 19,000 square foot existing building, and the rehabilitation of the building to bring it up to code for a medical care facility in the City of Detroit; (2) the purchase of land and an approximately 7,700 square foot existing building and the rehabilitation of the building to bring it up to code for a medical care facility in the City of Detroit. DCHC also plans to construct an approximately 5,000 square foot addition to this facility; (3) DCHC also intends to perform renovations to one or more of its existing healthcare facilities located within the City of Detroit; and (4) the acquisition of medical equipment and ancillary machinery, equipment, and fixtures for one or more of the facilities; and the buying of software for practice Management System including electronic medical records and upgrading information technology infrastructure for the health centers.

It is anticipated 10 new jobs will be created and a significant number of existing employees will be retained as a result of this project.

James Epolito asked if there were any questions from the Board. There being none, Robert Kleine motioned approval of proposed Resolution 2007-110. George Jackson seconded the motion. The motion carried.

[Richard Rassel returns to meeting.]

[Jeffrey Leithauser recused from meeting.]

**Resolution 2007-111 – Walter A. Hurley, Roman Catholic Bishop of the Diocese of Grand Rapids, Michigan and his successors/Cathedral Square, Inc. – (Grand Rapids, Kent County and Charter Township of Grand Rapids, Kent County) – \$30,000, 000 – New and Refinancing – Non-Profit**

This project is further described in proposed Resolution 2007-111.

Mr. T. Edward Carey, Jr., Chief Financial Officer and Vice Chancellor of the Roman Catholic Bishop of the Diocese of Grand Rapids, provided the Board with background information about this project.

The Diocese of Grand Rapids was established by Pope Leo XIII in 1882 and is a non-profit 501(c)(3) corporation. The Diocese of Grand Rapids currently is comprised of the counties of Kent, Ottawa, Ionia, Muskegon, Montcalm, Oceana, Newaygo, Mecosta, Mason, Lake, and Osceola. The Diocese operates 102 parishes and missions serving 175,000 people and employing 481 individuals, 35 elementary and middle schools, and 4 high schools serving 7,516 students and employing 798 faculty, administrators and staff; a social service agency serving an estimated 23,250 clients annually and employing 284 people; and a variety of other outreach and service programs. Cathedral Square Inc. was formed in 2006 to acquire and hold the land and buildings in the area immediately surrounding the Cathedral of St. Andrew in downtown Grand Rapids and is also a non-profit 501(c)3 corporation.

The Cathedral Square project involves the redevelopment of the area surrounding St. Andrew's Cathedral in the City of Grand Rapids, Kent County, Michigan. This area is in the center city of Grand Rapids and is a part of the Heartside neighborhood. The project will create a public campus space in an urban setting and establish a prominent campus identity, with unifying architectural details and landscaped areas. Pedestrian walkways will connect the campus facilities, including Catholic Central High School and St. Andrews Elementary School, and will establish a strong visual connection to the adjacent St. Mary's Hospital.

The project will involve the acquisition of land, the construction, reconstruction, furnishing and equipping of an approximately 91,460 square foot building to be located at 350 S. Division and 355 Sheldon for use for charitable purposes as Diocesan offices and a conference center. A portion of the building also will be leased to a third party for use as a pharmacy and will not be financed with bond proceeds; the construction of a new parking garage and the creation of additional public parking spaces; extend and enhance the north/south pedestrian way; enhance campus landscaping; create public campus spaces; create campus gateways; improve student drop-off and pick-up sequences for parents and buses; either demolish the existing St. Andrews Elementary School and construct, furnish and equip a new replacement facility for use as St. Andrews Elementary School or renovate, refurbish and re-equip the existing St. Andrews Elementary School for educational purposes; and develop and improve the sites thereof.

The Diocese of Grand Rapids will lease a significant portion of the Cathedral Square Project from Cathedral Square Inc. and will operate the project for charitable and educational purposes. Approximately 50 jobs for employees of the Diocese will be retained, consisting of 30 executives and 20 administrative staff.

The Secondary Schools project involves the financing or refinancing of the construction, furnishing and equipping of an approximately 40,000 square foot new competition gymnasium at West Catholic High School located at 1801 Bristol Road, N.W., Grand Rapids, Kent County, which features a standards court size that will allow the school to hold tournaments, events and education programs, a new weight room, an indoor track and locker facilities; and construct furnish and equip an approximately 36,400 square foot new practice gymnasium at the Catholic Central athletic fields located at 2770 Knapp Street, N.E., in the Charter Township of Grand Rapids, Kent County, which

will increase the amount of scheduled practice times and centralize most athletic practices in one geographic facility and will include multiple courts, an indoor track and increased equipment storage areas; and develop and improve the sites for each property.

As some portions of the above project may not be eligible for tax-exempt financing, the bonds will be used to pay only those costs of the project that qualify under federal and state law.

West Catholic High School employs 55 faculty and administrative staff and serves 632 students. Catholic Central High School employs 53 faculty and administrative staff and serves 791 students. All of the jobs at both high schools are expected to be retained.

James Herbert asked if there was any concern about religious versus non-religious aspect of the facilities. Tim Konieczny, Assistant Attorney General, responded that they were comfortable with the Michigan Strategic Fund's position with regard to financing religious school facilities, but would review all aspects of this proposed project for compliance with federal and state law.

James Epolito asked if there were any further questions from the Board. There being none, Richard Rassel motioned approval of proposed Resolution 2007-111. James Herbert seconded the motion. The motion carried.

[Jeff Leithauser returns to meeting via phone.]

**Resolution 2007-112 – L'Anse Warden Electric Company – (L'Anse, Baraga County) – \$20,000,000 – New – Solid Waste**

This project is further described in proposed Resolution 2007-112.

Mike Reid, General Manager and Chief Operating Officer of L'Anse Warden Electric Company, provided the Board with background information about this project.

On July 5, 2007, L'Anse Warden Electric Company (LWEC) acquired from the Upper Peninsula Power Company the currently idled J. H. Warden Power Plant. LWEC was established as a Delaware limited liability company qualified to do business in Michigan in January of 2007. LWEC is a subsidiary of Considar WP Acquisition Corp, the parent company to White Pine Electric Power. Considar WP Acquisition Corp is a subsidiary of Traxys North America, LLC, which is in turn a subsidiary of Traxys S.A., the ultimate parent company. LWEC is located in White Pine, Michigan.

The project consists of converting the former JH Warden Power Plant from coal generation to bio-mass cogeneration. The bio-mass boiler will produce electricity by burning low grade bio-mass fuel consisting of papermill sludge, railroad ties, wood pallets, land filled building debris, sawdust, and tire chips, all of which have no commercial value. The fuels to be used are presently land filled as solid waste. The boiler will produce high pressure steam that flows into the turbine, which turns a generator to produce electricity. The steam that travels through the turbine is cooled, condensed back into water, and returned to the boiler to start the process over.

The bio-mass boiler at the Warden plant will create steam at 900 pounds per square inch. The turbine is connected to the generator and will spin it to create alternating current at approximately 17.7 megawatts at 69,000 volts. Water from Lake Superior is pumped through tubes in a condenser to cool and condense the steam coming out of the turbines.

The Warden plant is expected to generate approximately 140 million kilowatt-hours each year, or enough electricity to supply 18,500 homes and send process steam to a neighboring industry to reduce its natural gas usage and hereby, its operating costs. To meet this demand, the Warden plant will need to burn about 400 tons of bio-mass fuel each day.

The project will be located in the City of L'Anse, Baraga County, Michigan. The company anticipates a total of 33 jobs to be created as a result of this project, including 6 salaried positions, 15 hourly positions, 12 indirect jobs (bio-mass delivery).

James Herbert commented on the use of 400 tons of bio-mass fuel each day, which appeared high and asked if all environmental agencies have signed off on the project. Mr. Reid responded that the project has gone through all permitting. He noted that the BTU value of the papermill sludge burns cleaner and produces more heat.

Richard Rassel asked about emission limits. Mr. Reid responded that the emissions will drop 40% to 50% by burning bio-mass fuel.

Mr. Herbert asked if this plant is the only one of this type in Michigan. Mr. Reid responded that it is the only one that burns tire derived products (TDP).

James Epolito asked if there were any further questions from the Board. There being none, Robert Kleine motioned approval of proposed Resolution 2007-112. Susan Corbin seconded the motion. The motion carried.

**Resolution 2007-113 – Speedrack Products Group, Ltd. – (Quincy, Branch County) – \$2,000,000 – New – Manufacturing**

This project is further described in proposed Resolution 2007-113.

Mark D. Sevald, a Partner with Warner, Norcross & Judd, LLP, provided the Board with background information about this project.

Speedrack Products Group, Ltd. is a privately held Michigan company incorporated in Michigan in 1989. The company is a manufacturer of metal warehouse pallet racks. The company's Sparta location is home to the corporate office/headquarters and their mid-western United States distribution center and employs 58 individuals. The company also has a manufacturing facility in Hamilton, Alabama, that has been operational since 1989 that employs 23 individuals. Their current flagship plant was opened in 2002 in Quincy, Michigan. In 2002, Speedrack was provided a MEGA which will expire in 2007. In 2002, Speedrack was granted a 12 year tax abatement in real property and personal property which will expire in 2014.

The project includes the acquisition and installation of machinery and equipment to be located at 42 Cole Street, Village of Quincy, Branch County, Michigan.

James Epolito asked if there were any questions from the Board. There being none, Richard Rassel motioned approval of proposed Resolution 2007-113. James Herbert seconded the motion. The motion carried.

**Resolution 2007-114 – Goodwill Industries of Northern Michigan, Inc. – (Traverse City, Grand Traverse County and Gaylord, Otsego County) – \$2,650,000 – Refinancing – Non-Profit**

This project is further described in proposed Resolution 2007-114.

Mark D. Sevald, a Partner with Warner, Norcross & Judd, LLP, provided the Board with background information about this project.

Goodwill Industries of Northern Michigan, Inc. was incorporated in Michigan in 1972 as a Michigan non-profit corporation. Goodwill provides vocational evaluation services, transitional housing, case

management, adjudicated services, on-the-job training, counseling, job placement services and operates a homeless shelter through its wholly-owned subsidiary (G.W. Homeless Services of Northern Michigan, Inc.). The corporation also operates three retail Goodwill stores to generate revenues to help support its programs and services and to provide job training sites. Goodwill is located in Traverse City, Michigan, and employs approximately 172 individuals.

The project includes refinancing existing financing on (1) a warehouse facility located at 2889 Aero Park Drive, Traverse City, Grand Traverse County, Michigan; (2) a retail outlet located at 505 South Wisconsin Street, Gaylord, Otsego County, Michigan; and (3) a retail outlet and corporate headquarters located at 2279 South Airport Road, Traverse City, Grand Traverse County, Michigan.

It is anticipated 172 jobs will be retained as a result of this project.

James Epolito asked if there were any questions from the Board. There being none, Richard Rassel motioned approval of proposed Resolution 2007-114. Robert Kleine seconded the motion. The motion carried.

**Resolution 2007-115 – Ford Motor Company – (Various Locations) – \$150,000,000 – New – Solid Waste**

This project is further described in proposed Resolution 2007-115.

Charles Pryde, Manager of the Michigan Office of Governmental Affairs for Ford Motor Company, provided the Board with background information about these projects.

Ford Motor Company was incorporated in Delaware in 1919. Ford acquired the business of a Michigan company, also known as Ford Motor Company that was incorporated in 1903, to produce and sell automobiles designed and engineered by Henry Ford. It is one of the world's largest producers of cars and trucks combined. Ford and its subsidiaries also engage in other businesses, including financing vehicles. The company headquarters is located at One American Road, Dearborn, Michigan. The company employed approximately 283,000 individuals at the end of 2006.

The projects will provide upgrades, modifications, improvements, and additions to existing facilities and the acquisition of new facilities located at multiple sites across the State of Michigan. The projects will preserve or enhance existing manufacturing jobs and/or create new construction jobs during construction.

The facilities consist of real estate, equipment, systems, components, and other items to be acquired, improved, modified, installed, and constructed for use as industrial sewage, wastewater treatment, and solid waste disposal or recycling facilities and, to the extent permitted, air and water pollution control facilities.

The facilities will be used to collect, remove, reduce, process, treat, dispose, or recycle industrial sewage, wastewater, and solid waste by any or a combination of chemical, physical or biological processes. The facilities include related process equipment, utilities, auxiliaries, support systems, site work, structures and buildings. The facilities also include real estate, equipment, systems, components and other items which are functionally related and subordinate to, but not limited to the foregoing, for the collection, removal, reduction, processing, treatment, disposal or recycling of industrial sewage, wastewater and solid waste.

The facilities also include air and water pollution control facilities. This includes all equipment, components and systems for the purpose of collecting, processing, treating and disposing of air and water emissions resulting from plant operations. The facilities also include real estate, equipment,

systems, components and other items which are functionally related and subordinate to, but not limited to the foregoing, for the collection, removal, reduction, processing, treatment, disposal or recycling of air and water emissions.

Robert Kleine asked how many sites were included in this project. Mr. Pryde responded eleven sites.

James Epolito asked if there were any further questions from the Board. There being none, Robert Kleine motioned approval of proposed Resolution 2007-115. Richard Rassel seconded the motion. The motion carried.

[Jeff Leithauser disconnects from the meeting.]

## **RENAISSANCE ZONES PROGRAM:**

### **Recent Amendments**

John Czarnecki outlined amendments that were made late last year to the Michigan Renaissance Zone Act (PA 376 of 1996) to allow for the designation of new subzones and the extension of time for one or more portions of existing subzones. Prior to these amendments, new subzones and time extensions were not allowed after December 31, 2002. The Michigan Strategic Fund Board has been given the authority to grant these new subzones and time extensions. Previously, the State Administrative Board was the body to approve these requests.

Mr. Czarnecki highlighted key requirements of the new subzone legislation including the following: the Renaissance Zone cannot have reached a maximum of 10 subzones, the new subzone must be located in or adjacent to a community on the Michigan State Housing Development Authority's distressed community list, and the applicant must demonstrate job creation and private investment.

Mr. Czarnecki said the key consideration regarding the time extension legislation is determining whether the Renaissance Zone has not experienced significant development. The law is silent on the definition of "significant development." He expressed his hope that the legislature will amend the Act by defining significant development to mean job creation and investment.

### **Resolution 2007-116 – Berrien County/City of Benton Harbor/Benton Charter Township Renaissance Zone, Watervliet Industrial Development Subzone – Time Extension Request**

This project is further described in proposed Resolution 2007-116.

Berrien County/City of Watervliet/Watervliet Township is requesting a modification to the Watervliet Industrial Development Subzone in the Berrien County/City of Benton Harbor/Benton Charter Township Renaissance Zone. The request is for a five year time extension on one parcel of property in the subzone. The parcel of property is currently publicly owned. The parcel number is 11-21-0024-0001-13-3. The time extension would become effective on January 1, 2012, and only applies to this parcel. All other property in the subzone will expire on December 31, 2011.

NextGen Energy intends to construct a new ethanol production facility on property located in the Berrien County/City of Benton Harbor/Benton Charter Township Renaissance Zone. The Berrien County Brownfield Redevelopment Authority currently owns the property proposed for the project and has entered into a purchase agreement with NextGen Energy for the sale of the property. Over the next 18 months, NextGen will invest \$140 million in construction and new equipment for this ethanol facility. NextGen Energy's capital investment will increase Watervliet Township's state equalized value, currently \$142.8 million, by nearly 60%. The creation of 50 to 55 new jobs will increase the Township's production employment base, approximately 420 jobs, by 13%.

John Czarnecki said the MEDC endorses the application subject to several conditions, including the following: title to the parcel must be transferred from the Berrien County Brownfield Redevelopment Authority to NextGen Energy, LLC by December 15, 2007; NextGen Energy, LLC must obtain an unconditional written commitment to finance the construction of its new ethanol facility in the Watervliet Industrial Development subzone by December 15, 2007; and NextGen Energy, LLC must commence operations at the new ethanol facility in the subzone by December 1, 2009.

Mr. Czarnecki introduced Rick Johnson of Fraser Consulting, LLC, Dan Fettig, Director of Economic Development for Berrien County, and Cindy LaGrow of LaGrow Consulting, who provided the Board with additional information about the project.

Mr. Johnson said they expect to break ground on the project in early September 2007. He noted that the company has spent millions of dollars already and they will build the facility in Watervliet Township.

Richard Rassel asked if they expect to have difficulty meeting the three conditions established by the MSF Board. Mr. Johnson responded no.

James Epolito said the project summary indicates the plant is expected to create 50-55 jobs and he asked how they determine job creation numbers. Mr. Johnson responded that for a typical plant, one employee is needed for every one million gallons of production, but there are a lot of spin-off jobs (i.e., contracted service jobs).

James Herbert asked if the property is on a rail line. Mr. Johnson responded yes. Mr. Herbert asked about the availability of corn. Mr. Johnson responded that the plant would use 45,000 bushels of corn a day, 350 days a year, and they have contracts in place for the product.

James Epolito asked if there were any further questions from the Board. There being none, Richard Rassel motioned approval of proposed Resolution 2007-116. Robert Kleine seconded the motion. The motion carried.

## **21<sup>ST</sup> CENTURY JOBS FUND PROGRAM:**

### **Resolution 2007-117 – Investment Recommendation and Update on Investments**

This action is further described in proposed Resolution 2007-117.

Cindy Douglas introduced Robert D. Payne III, Manager of the Michigan Office for Credit Suisse Customized Fund Investment Group, Melford Carter, In-state Investment Specialist for Credit Suisse and Jessica Holsey, an Analyst for the firm.

Mr. Payne reviewed the milestones the Michigan 21<sup>st</sup> Century Investment Fund, LP has achieved, including opening a local office, successful execution of the Requests for Proposal (RFP) process and commitments closed on three funds – Arboretum Ventures, Nth Power, and Venture Investors. Three additional investments have been approved by the MSF Board, including Quad Partners, Relativity Fund, and EDF Ventures. One commitment, Ardesta Ventures I, L.P., is before the MSF Board for approval and would represent the program's seventh commitment. Mr. Payne noted the critical element to the program is networking. Credit Suisse has hosted several networking opportunities, including a program launch event held in Livonia during September 2006, roundtable events in Detroit, Ann Arbor, Grand Rapids, and Kalamazoo during October 2006, and ongoing meetings and discussions with fund managers.

Mr. Payne provided an overview of Ardesta Ventures I, L.P. whose three founding partners, Rick Snyder, Chris Rizik, and Steve Johns, have together raised over \$180 million for their two previous organizations, Avalon Investments and Ardesta, LLC.

Ms. Douglas explained that the resolution before the MSF Board would approve Ardesta, LLC to receive 21<sup>st</sup> century investments in an amount up to \$7.5 million and would authorize Credit Suisse to negotiate the contract terms.

James Epolito asked if there were any further questions from the Board. There being none, Robert Kleine motioned approval of proposed Resolution 2007-117. Richard Rassel seconded the motion. The motion carried.

### **Resolution 2007-118 – Amendment to Life Sciences Pipeline Agreement**

This action is further described in proposed Resolution 2007-118.

Vince Nystrom introduced Stephen Rapundalo, Executive Director of the Michigan Biosciences Industry Association (MichBio) and Michael Kurek, Ph.D., MBA, its President.

Mr. Nystrom said that as part of the 21<sup>st</sup> Century Jobs Fund legislative package, Public Act 213 of 2005 directed the MSF Board to establish a Michigan Life Science Pipeline. Specifically the legislation stated that the Pipeline is to promote the development of businesses in this state engaged in providing goods and services related to the development and commercialization of life sciences.

The MSF Board awarded a \$1,400,000 contract to MichBio and a sub-contract to CJPS Enterprises in July 2006 that had been recommended by the American Association for the Advancement of Science and a Joint Evaluation Committee selected by the MSF Board. MichBio is requesting modifications to the original contract budget. This request does not include additional funding, but does modify the expense and revenue structure. The existing contract between the MSF Board and MichBio provides that any changes to the budget included in Exhibit A will only be allowed upon written approval by the MSF Board. Mr. Nystrom said staff is recommending the MSF Board approve a new Exhibit A to replace the previously approved one.

Mr. Nystrom said staff also is recommending the MSF Board approve the incorporation of a new Exhibit B to set forth monthly, quarterly, and yearly milestones that will correspond to payment disbursements as an attachment to the Agreement.

Mr. Rapundalo reviewed deliverables MichBio was expected to meet under their contract and some of the highlights of the program. He stated they currently do not have any Life Sciences Pipeline members.

James Epolito asked how much funding had been expended the first year. Mr. Rapundalo responded that \$838,000 had been expended; of that amount \$220,000 went to MichBio and \$838,000 was a pass through to CJPS Enterprises.

James Herbert questioned why there are no Pipeline members. Mr. Rapundalo said there is no product to offer members at this time. They are developing commercialization pathways that they will be able to use for a marketing and branding campaign to market the Life Sciences Pipeline to potential members. They also expect to have a Web site landing page in October 2007.

Mr. Epolito expressed concern that MichBio had not met established milestones in the last year. Mr. Rapundalo said he believed they had completed their deliverables once their business plan was approved on February 1, 2007. Mr. Epolito reminded Mr. Rapundalo and staff that this project and all

others are subject to review by the Legislature and that on behalf of the MSF, Mr. Epolito is under constant scrutiny to assure the Legislature and others that 21<sup>st</sup> Century projects are proceeding in an acceptable manner. In that light, Mr. Epolito underscored the importance of moving this project forward without delay, and according to the spirit of the original grant. Mr. Epolito then asked Mr. Rapundalo if he was comfortable that MichBio had the capability to meet the requirements of the business plan going forward with the requested amendments. Mr. Rapundalo responded yes.

Mr. Herbert asked if any of the Life Sciences Pipeline funding is used for MichBio activities. Mr. Rapundalo responded no.

Richard Rassel said the budget breakdown submitted to the Board for review shows an increase of \$85,400 in for staffing and overhead. He asked why there has been an increase. Mr. Rapundalo responded that it is primarily for staffing overhead that was omitted from the original budget.

Mr. Epolito expressed concern that MichBio had not met established milestones in the last year. Mr. Rapundalo said he believed they had completed their deliverables once their business plan was approved on February 1, 2007.

Mr. Epolito asked Mr. Rapundalo if he was comfortable that MichBio had the capability to meet the requirements of the business plan going forward. Mr. Rapundalo responded yes.

James Epolito asked if there were any further questions from the Board. There being none, Richard Rassel motioned approval of proposed Resolution 2007-118. Robert Kleine seconded the motion. The motion carried.

### **Resolution 2007-119 – MTTC/MLSC Investment NephRx Corporation**

This action is further described in proposed Resolution 2007-119.

Cindy Douglas introduced Mr. Philip Long, President of NephRx Corporation, and Betsy Long, Chief Financial Officer, who provided the Board with information about the company and their request for the MSF to convert to the Series A round shares.

Philip Long said that NephRx is a biotechnology company dedicated to the discovery and development of therapeutic products for the treatment of kidney failure/disease, diseases of the gastrointestinal tract, and oral mucositis. The company has made significant progress over the past three years, demonstrating the efficacy of its lead products – a kidney growth factor peptide – in two animal models for acute renal failure. NephRx also will focus on its second lead products – AMP-18 – a gastric growth factor.

In June 2004, NephRx received an award for \$799,500 from the Michigan Technology Tri-Corridor (MTTC) to develop the first peptide for kidney failure. In June 2005, the company received another award of \$665,000 from the MTTC for research on AMP, the company's treatment for chemo- and radiation-induced mucositis in cancer patients.

Betsy Long said that NephRx is in the final stages of raising a B round of funding and has attracted professional investors. The current contracts state that the MSF shall be entitled to convert the indebtedness into that number of shares of the same type of equity securities. The new investors have requested that the MSF subordinate to the new money. This is not an atypical request for new investors. Specifically, that the MSF convert to the Series A round shares and the new investors purchase Series B shares. In return for waiving that right, the company has offered the MSF an increase of one percentage point on each note, a value of approximately \$22,000. This will result in the MSF holding additional shares in the company and assist them in their fundraising efforts.

Ms. Douglas said that the Investment Subcommittee has reviewed and discussed this request and recommends approving the conversion request if NephRx agrees to restated notes increasing the interest rate from 7% to 8%.

James Herbert asked if this change only affects preference in liquidation. Ms. Long responded yes. Mr. Herbert asked about the total investment in the company to date. Ms. Long responded approximately \$3.5 million. Mr. Herbert asked about total capitalization and Michigan's share of the company. Ms. Long responded that Michigan would own less than 20%.

James Epolito asked if there were any further questions from the Board. There being none, James Herbert motioned approval of proposed Resolution 2007-119. George Jackson seconded the motion. The motion carried.

**COMMUNITY DEVELOPMENT BLOCK GRANT – ECONOMIC DEVELOPMENT JOB CREATION:**

**Resolution 2007-120 – City of Kingsford – Oldenburg Group, Inc. – \$200,000**

This project is further described in proposed Resolution 2007-120.

**Resolution 2007-121 – City of Greenville – United Solar Ovonix – \$9,947,889**

This project is further described in proposed Resolution 2007-121.

James Epolito asked if there were any questions from the Board. There being none, Richard Rassel motioned approval of proposed Resolutions 2007-120 and 2007-121. George Jackson seconded the motion. The motion carried.

**COMMUNITY DEVELOPMENT BLOCK GRANT – AMENDMENT:**

**Resolution 2007-122 – Oscoda Township – Seissenschmidt AG – \$120,000**

This project is further described in proposed Resolution 2007-122.

James Epolito asked if there were any questions from the Board. There being none, James Herbert motioned approval of proposed Resolution 2007-122. Richard Rassel seconded the motion. The motion carried.

**COMMUNITY DEVELOPMENT BLOCK GRANT – STATUS OF FUNDS AND AVAILABLE BALANCES:**

Doug Voshell provided the Board with an update on the Community Development Block Grant status of funds and available balances.

The meeting adjourned at 3:47 p.m.