

MICHIGAN STRATEGIC FUND BOARD
MAY 20, 2009

ADOPTED MEETING MINUTES

A meeting of the Michigan Strategic Fund (MSF) Board was held on Wednesday, May 20, 2009 at the MEDC building, Lake Michigan Room, 300 N. Washington Sq. N., Lansing, Michigan.

MEMBERS PRESENT: Greg Main; Linda Ewing; James Herbert; Paul E. Hodges, III; Robert Kleine; Mitch Mondry (by telephone); James Petcoff; Karen Towne (acting on behalf of Stanley “Skip” Pruss, authorization attached); Richard Rassel

MEMBERS ABSENT: George Jackson; Charlie Rothstein

CALL TO ORDER: Mr. Main called the meeting to order at 1:34 p.m.

Mr. Main spoke about the MEDC wanting to express their sorrow and their condolences for the sudden loss of Oakland County Economic Development Chief, Dennis Toffolo. Mr. Main praised Mr. Toffolo as an advocate of economic development and a strong supporter of the MEDC. Mr. Main then asked for a moment of silence to be observed for the loss of Mr. Toffolo.

APPROVAL OF MINUTES: Mr. Main asked for a motion to approve the April 29, 2009 meeting minutes. **Treasurer Kleine motioned approval of the minutes. Mr. Herbert seconded the motion.** The motion carried unanimously – 9 ayes; 0 nays; 0 recused; 2 absent

PUBLIC COMMENT: Mr. Main asked if there was any public comment.

Patrick A. Moran, Vice President and Corporate Counsel, CenTra, Inc., spoke on behalf of the Detroit International Bridge Company.

Mr. Moran addressed the Board and talked about on-going discussions with government parties about Phase I and II of the Detroit International Bridge Company’s Gateway project. Mr. Moran said that DIBC's USDOT allocation approval will expire in June. Mr. Moran mentioned that MDOT is questioning the work done by DIBC on the Gateway Project. Mr. Moran stated that he understands that the MEDC considers it inappropriate to move forward when there is conflict with other departments. Mr. Moran then asked for the MSF Board to draft a letter to the USDOT supporting a time extension for the DIBC’s grant.

Lorie Montcrief, President, Schmalz Tool & Die Inc.

Ms. Moncree spoke about Paul Brown, MEDC Capital Markets Development Manager, and how Mr. Brown had come up with an excellent banking solution for greatly difficult and stressful times.

Blake Arnett, Vice President, Large Corporate Lending, Comerica Bank

Mr. Arnet spoke about the strong talent base in Michigan and how much of it is presently connected to the auto industry. Mr. Arnet talked about the situation from his banking perspective. He referred to the ever depreciating assets that the struggling auto industry has and emphasized banks cannot, without appropriate collateral, lend responsibly. He continued by stating that it’s just not responsible to fund the diversification of the auto industry without sufficient collateral. Mr. Arnet then said he fully supported the program Mr. Brown devised with a federal guarantee. Mr. Arnet added that it was his hope the program would prove to be a winning program.

Mr. Main asked if there was any other public comment. There were none. Mr. Main thanked those who commented. Mr. Main spoke about the issue of the Bridge Company and asked if any Board members had an interest in taking up the issue today. There was no further comment.

COMMUNICATION ITEMS: Nathan Ohle, MEDC Board Relations Liaison, advised the Board that a letter had been received from Richard Rassel and Paul Hodges recusing themselves from projects on the May 20, 2009 MSF Board Agenda. Mr. Ohle also advised the Board that items had been removed from the agenda.

[Mitch Mondry dropped off of the phone and left for the remainder of the meeting]

21st CENTURY JOBS FUND:

[Recused: Richard Rassel]

Resolution 2009-044: SEIC Board Pre-Seed Fund Contract

Leslie Smith, MEDC 21st Century Jobs Competition Manager, provided the background on the following action.

Ms. Smith spoke about the Commercialization Board's competition for a Pre-Seed Fund. As a part of the competitive process, applicants seeking the grant were required to submit proposals to the Commercialization Board that satisfied criteria established by the Commercialization Board and set forth in the Request for Proposals ("RFP"). Ann Arbor SPARK received a score of 75 out of 100 potential points in their review. The peer review agency recommended Ann Arbor SPARK as the awardee of the 2009 Pre-Seed Fund grant. At its March 25, 2009 meeting, the Commercialization Board approved the selection of SPARK as the awardee of the Pre-Seed Fund grant.

Recommendation: MEDC staff recommends that the MSF enter into a Grant Agreement with SPARK to memorialize the award consistent with the terms and conditions of the RFP authorized by the Commercialization Board.

Board Discussion: Mr. Main asked if there were any questions from the Board. Being none, **Treasurer Kleine made a motion for approval of Resolution 2009-044. Mr. Herbert seconded the motion.** The motion carried unanimously – 7 ayes; 0 nays; 1 recused; 3 absent.

[Returned: Richard Rassel]

Resolution 2009-045: Michigan Supplier Diversification Fund

Paul Brown, MEDC Capital Markets Development Manager, provided background information for the program.

Mr. Brown spoke about significant job and industry losses in Michigan, including 750,000+ jobs lost over last 7 years, 900,000+ manufacturing jobs projected to be lost between 2000-2010. Mr. Brown continued to talk about Supplier Diversification already underway. Mr. Brown informed the Board of the significant impediments to lending in the current economy: cash flow coverage; collateral shortfall; and credit risk. Mr. Brown then introduced the Michigan Supplier Diversification Fund, its guidelines, and three primary sections. Those sections were the Michigan Loan Participation Program (MLPP), Michigan Collateral Support Program (MCSP), and the Michigan Business Development Corporation Funding Program (MBDC).

Recommendation: MEDC staff recommends the MSF Board establish the Michigan Supplier Diversification Fund ("MSDF") under Section 88d(1) of the Michigan Strategic Fund Act, establish the Michigan Loan Participation Program (MLPP) under the MSDF, as well as the guidelines for the MLPP and authorize proceeding with the public hearing on the Michigan Collateral Support Program and its guidelines, with the MSF Board directing \$12 million for the Fund.

Mr. Herbert asked Mr. Brown who would qualify for this program. Mr. Brown answered saying everything will be considered on a case by case basis. Mr. Herbert asked for clarification about the \$500,000 limit. Mr. Brown noted exceptions to the limit could be made in exceptional circumstances. Mr. Staebler spoke about the MEDC exploring every possibility for program funding from the 21st Century Jobs fund to examining programs in other states. Mr. Main said that there were over 2000 supplier companies and 380,000 jobs at risk. Mr. called the \$12 million requested a drop in the bucket

and emphasized that the Board and the MEDC need to find ways to reach capital. Mr. Main added that the urgency of the situation has caught D.C.'s attention and that they're paying closer attention now. Mr. Rassel asked if the MEDC has heard from the constituents about shifting funds. Mr. Staebler said the funds were never allocated, and were being held as an attraction tool. Mr. Main talked about it being fair to say that no legislative action would be required. Mr. Main said he discussed the need but presently has received no feedback.

Board Discussion: Mr. Main asked if there were any questions from the Board. Being none, **Mr. Herbert made a motion for approval of Resolution 2009-045. Mr. Rassel seconded the motion.** The motion carried unanimously – 8 ayes; 0 nays; 0 recused; 3 absent. Mr. Main asked if there were any questions. Being none, **Mr. Rassel made a motion for approval of Resolution 2009-046. Mr. Hodges seconded the motion.** The motion carried unanimously – 8 ayes; 0 nays; 0 recused; 3 absent. Mr. Main asked if there were any questions from the Board. Being none, **Ms. Ewing made a motion for approval of Resolution 2009-047. Mr. Towne seconded the motion.** The motion carried unanimously – 8 ayes; 0 nays; 0 recused; 3 absent.

[Recused: Richard Rassel]

Resolution 2009-048: Choose Michigan Loan

Paul Brown provided the background for the program and the action item.

Mr. Brown talked about A123 Systems, Inc. A123 Systems designs, develops, manufactures, and sells advanced, rechargeable lithium-ion batteries and battery systems. A123 Systems, Inc. is the largest producer of lithium ion batteries in North America and is planning to accelerate and expand domestic battery manufacturing capability in Michigan. As a result of this project, A123 Systems, Inc. anticipates it will invest approximately \$55.7 million and create up to 844 jobs over the next five years. To support its efforts to expand battery manufacturing capabilities in Michigan, A123 Systems, Inc. is requesting a forgivable Choose Michigan Loan in the amount of \$4 million to be used for the purchase of equipment.

Recommendation: MEDC staff recommends approval of a forgivable Choose Michigan loan in the amount of \$4 million for A123 Systems subject to the following: satisfactory completion of the due diligence process; and satisfactory completion of a loan agreement.

Mr. Herbert mentioned that an overview of Michigan's focus on advanced battery technology would be nice to see. Mr. Main said that a presentation, by Senior Vice President Doug Parks, would be interesting and well worth the Board's time. Mr. Main spoke about arranging that for next meeting. Treasurer Kleine asked Mr. Brown for clarification about 350 jobs and how it related to the forgivable loan. Mr. Brown referred back to the briefing memo and mentioned that each job created would forgive \$11,500 of the loan.

Board Discussion: Mr. Main asked if there were any questions from the Board about the Choose Michigan Loan. Being none, **Ms. Towne made a motion for approval of Resolution 2009-048. Treasurer Kleine seconded the motion.** The motion carried unanimously – 7 ayes; 0 nays; 1 recused; 3 absent.

[Returned: Richard Rassel]

Resolution 2009-052: Lawton Processing LLC, Township of Porter, Van Buren County – Agricultural Processing Renaissance Zone

Kevin Bonds, MEDC Business and Community Services Manager provided background information and introduced Glen Rogers, Lawton Processing; Matt Wiitala, MDOT; and Bob Craig, Department of Agriculture.

Mr. Rogers spoke about the project which is forming a joint venture/partnership, Lawton Processing LLC, with the principals of Honee Bear Canning and Pasco Processing of Pasco, Washington. The currently idled processing plant which produced canned fruit products from 1984 thru 2002 is being refurbished by Lawton Processing LLC to package and process frozen foods. A new 50,000 square foot freezer will be constructed along with the existing building renovation. Approximately \$17.7 million of capital investment will be needed to bring this operation to fruition. Van Buren County has made application on behalf of Lawton Processing LLC for a new Agricultural Processing Renaissance Zone supported by the Township of Porter for a 15 year designation. This designation requires recommendation of approval by the Michigan Commission of Agriculture and the Michigan Strategic Fund Board to submit for final approval by the State Administrative Board. The Michigan Commission of Agriculture convened on Tuesday, April 28, 2009, and made their recommendation.

Recommendation: MEDC staff recommends the MSF approval to the State Administrative Board for a new Agricultural Processing Renaissance Zone to be designated in the Township of Porter and Van Buren County for a 15 year designation. The property parcel numbers are 80-16-005-009-00, 80-16-005-016-20, 80-16-005-020-00.

Board Discussion: Mr. Main asked if there were any questions from the Board. *Mr. Herbert asked what percentage of raw food would be coming from Michigan farms for processing. Mr. Rogers answered saying that approximately 70-80% would be grown in Michigan and the rest would come from outside Michigan in the south where the growing seasons are longer.* Mr. Main asked if there were any questions. Being none, **Treasurer Kleine made a motion for approval of Resolution 2009-052. Mr. Rassel seconded the motion.** The motion carried unanimously – 8 ayes; 0 nays; 0 recused; 3 absent.

Resolution 2009-053: Woodsman LLC aka Woodsman Chippers, Village of Farwell, Clare County – Subzone Time extension.

Kevin Bonds provided background information and introduced Tom Johnson, Engineering Manager.

Mr. Bonds stated that this project is the business expansion of Woodsman, LLC. Woodsman will move from its current 16,000 square foot location to occupy half of a 120,000 square foot facility located within a relatively new industrial park in the Village of Farwell, Clare County. Total investment for this project is expected to be approximately \$1.1 million and create up to 100 jobs over the next 5 to 7 years. The County of Clare is requesting a modification to the Village of Farwell subzone in the Mid-Michigan Economic Growth Corridor Renaissance Zone.

Recommendation: MEDC staff recommends MSF approval of Clare County's request for a ten (10) year time extension for property parcel number 041-023-400-16 in the Village of Farwell subzone in the Mid-Michigan Economic Growth Corridor Renaissance Zone, contingent upon the following: By May 20, 2010, Woodsman, LLC shall have commenced the project outlined in Clare County's application in the Village of Farwell subzone in the Mid-Michigan Economic Growth Corridor Renaissance Zone. And a development agreement is negotiated and signed between Woodsman, LLC, North Ten, LLC, and the Michigan Strategic Fund.

Board Discussion: Mr. Main asked if there were any questions from the Board. Being none, **Treasurer Kleine made a motion for approval of Resolution 2009-053. Mr. Rassel seconded the motion.** The motion carried unanimously – 8 ayes; 0 nays; 0 recused; 3 absent.

Resolution 2009-054: Motown Motion Pictures, LLC City of Pontiac, Oakland County – MSF Designated Renaissance Zone

Penny Lauenstein, MEDC Site Selection & Special Projects Manager, introduced Linden Nelson, CEO, Motown Motion Pictures; Steve Lemberg CFO, Nelson Ventures; Fred Frank, Counsel for Motown Motion Pictures; and Khalfani Stephens, Deputy Director Pontiac Growth Group, whom provided background information for this action.

Mr. Nelson spoke about how important the project is saying Motown Motion Pictures, LLC a new joint business venture, will be both a film studio and production services company. Raleigh Studios, the largest independent studio operator in the United States; the Endeavor Agency, one of the most prominent talent agencies in the film and TV production industry; and three lifelong successful Michigan entrepreneurs came together to create Motown Motion Pictures. Motown Motion Pictures will redevelop a vacant building that is approximately 400,000 square feet currently located on the property and the planned development and construction of an additional 180,000 square feet of space. The development is projected to include up to 9 sound stages (180,000 square feet), an education and training facility and 400,000 square feet of support space. Motown Motion Pictures' business plan contemplates the company and others providing the following services at the Project site to include: Equipment rental, production consulting services, catering and craft services, post production services, music production, video game development, education and training. The company plans to spend at least \$40 million for this project, and, depending on circumstances, the cost may be as high as \$70 million. The company's current business plan envisions the employment of up to 3,000 people at the Project by the end of 2010 and up to 3,600 people at full build out in 2014. The City of Pontiac has made application on behalf of Motown Motion Pictures, LLC for a MSF Designated Renaissance Zone for a 15 year designation. The request is for 22.057 acres, to be owned by Motown Motion Pictures, LLC, parcel number 64-19-03-201-002. The MSF Designated Renaissance Zone would become effective on January 1, 2010, and end on December 31, 2024.

Recommendation: MEDC staff recommends the MSF approval of the City of Pontiac's request for a MSF Designated Renaissance Zone for Motown Motion Pictures, LLC for a 15 year designation. The property parcel number is 64-19-03-201-002, contingent upon the following: (i) By May 20, 2010, Motown Motion Pictures shall have commenced the project outlined in the City of Pontiac's application for a MSF Designated Renaissance Zone. (ii) A development agreement is finalized between the Michigan Strategic Fund and Motown Motion Pictures, LLC. (iii) On or before May 20, 2009, Motown Motion Pictures shall acquire ownership of the property parcel number 64-19-03-201-002.

Ms. Ewing asked about which facility had been selected for the project. Mr. Nelson said that the Centerpoint Facility was the selected facility. He talked about how it used to be office space for about 3000 engineers, now it's abandoned and that he hopes to break ground in June. Mr. Nelson went on to say that from the architects to the contractors all are Michigan based. Treasurer Kleine asked about if Mr. Nelson was confident about the employment numbers. Mr. Nelson responded by stating that they are changing the status quo for film studios. He went on to talk about working with the carpenters union which he said was wonderful and accommodating in growing a new work force of 3000 when the studio is at full capacity. Mr. Staebler informed the Board that the MEDC staff is very excited about Motown Motion Picture's demonstration of their dedication to Michigan. Treasurer Kleine talked about how important this project was the City of Pontiac which was recently declared a "Financial Emergency" by the State. Mr. Nelson talked about how their CFO had hoped to close today but the bureaucracy of the State, the City, and General Motors has slowed things up. He also noted that the U.S. Department of Treasury was involved. Mr. Nelson said that he hoped to close next week and asked for Treasurer Kleine's assistance if necessary. Mr. Rassel asked Mr. Nelson if Motown Motion Pictures would try to capture more Renaissance Zones if the project works. Mr. Nelson answered yes and noted that it would be one phase at a time.

Board Discussion: Mr. Main asked if there were any questions from the Board. Being none, **Treasurer Kleine made a motion for approval of Resolution 2009-054. Mr. Petcoff seconded the motion.** The motion carried unanimously – 8 ayes; 0 nays; 0 recused; 3 absent.

COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM:

Resolution 2009-055: Van Buren County – Honee Bear Canning Project

Kevin Bonds provided background information for this action.

Mr. Bonds stated that the new project will house a food packaging facility that will create consumer packs of frozen meals from bulk ingredients. Lawton Processing, LLC will make a total capital investment of

approximately \$10.1 million related to this expansion. Van Buren County and Honee Bear Canning are requesting \$160,000 of CDBG assistance for the purchase of machinery and equipment related to Honee Bear's proposed expansion.

Recommendation: MEDC staff recommends that an application in the amount of \$160,000 be authorized for Van Buren County.

Board Discussion: Mr. Main asked if there were any questions from the Board. Being none, **Mr. Russel made a motion for approval of Resolution 2009-055. Mr. Petcoff seconded the motion.** The motion carried unanimously – 8 ayes; 0 nays; 0 recused; 3 absent.

Resolution 2009-056: Village of Hillman

Kevin Bonds provided background information for this action.

Mr. Bonds stated that this project will also replace an aging asbestos/cement gravity sanitary sewer pipe located adjacent to State Street, the road MDOT will be replacing. The total cost of all improvements, MDOT and CDBG projects, is \$6,303,095 with total local matching funds of \$288,416 for the project by the community. The CDBG portion of the project is a total of \$481,090 with the CDBG grant request of \$240,545 and an equal amount of \$240,545 being matched by the community.

Recommendation: MEDC staff recommends that an application in the amount of \$240,545 be authorized for the Village of Hillman.

Board Discussion: Mr. Main asked if there were any questions from the Board. Being none, **Treasurer Kleine made a motion for approval of Resolution 2009-056. Mr. Russel seconded the motion.** The motion carried unanimously – 8 ayes; 0 nays; 0 recused; 3 absent.

Resolution 2009-057: City of Galesburg

Kevin Bonds provided background information for this action.

Mr. Bonds stated that the City of Galesburg is requesting a \$614,609 Community Development Block Grant (CDBG) to fund a widespread downtown infrastructure reconstruction project. The project seeks to repave City streets and three parking lots that currently serve local businesses in the downtown.

Recommendation: MEDC staff recommends that an application in the amount of \$614,609 be authorized for the City of Galesburg.

Board Discussion: Mr. Main asked if there were any questions from the Board. Being none, **Treasurer Kleine made a motion for approval of Resolution 2009-057. Mr. Hodges seconded the motion.** The motion carried unanimously – 8 ayes; 0 nays; 0 recused; 3 absent.

STATUS OF FUNDS REPORT:

Kevin Bonds gave background information for this item.

Mr. Bonds informed the Board that the MEDC staff is waiting for Federal funds, Mr. Bonds likened delay to old cliché. Mr. Herbert asked Mr. Bonds if there was any word of when funds would be available for CDBG. Mr. Bonds answered and said there was no new word but the MEDC continues to approve many projects that improve infrastructure.

ADDITIONAL BUSINESS: Mr. Main asked if there was any additional business to discuss. There were none.

ADDITIONAL BUSINESS: Mr. Main adjourned the meeting at 2:35 p.m.