

MICHIGAN STRATEGIC FUND BOARD
February 24, 2010

ADOPTED MEETING MINUTES

A meeting of the Michigan Strategic Fund (MSF) Board was held on Wednesday, February 24, 2010 at the MEDC building, Lake Michigan Room, 300 N. Washington Sq., Lansing, Michigan.

MEMBERS PRESENT: Linda Ewing; Mark Haas; Paul E. Hodges, III; George Jackson (via telephone); Greg Main; Mitch Mondry; Stanley “Skip” Pruss; Richard Rassel; Charlie Rothstein

MEMBERS ABSENT: James Herbert; James Petcoff

CALL TO ORDER: Mr. Main called the meeting to order at 1:29 p.m.

APPROVAL OF MINUTES: Mr. Main asked for a motion to approve the January 27, 2010 meeting minutes. **Mr. Rassel motioned approval of the minutes. Ms. Ewing seconded the motion.** The motion carried unanimously – 9 ayes; 0 nays; 0 recused; 2 absent

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

COMMUNICATION ITEMS: Nathan Ohle, MEDC Board Relations Liaison, advised the Board that he had received recusal letters from Richard Rassel and Charlie Rothstein for items on the agenda.

21st CENTURY JOBS FUND:

Resolution 2010-021: Centers of Energy Excellence (COEE) Program

Doug Parks, MEDC Senior Vice President Business Development and Attraction, New Markets, and Martin Dober, MEDC Vice President, New Markets provided a presentation and background for this action.

Mr. Parks provided a detailed PowerPoint presentation about the COEE program history as well as the strategy moving forward.

[RECUSED: Richard Rassel]

Mr. Dober indicated that Dow Chemical has requested \$5 Million to establish a Center focused on Low Cost Carbon Fiber materials for non-industrial (non-aerospace) applications, such as advanced wind turbine blades for renewable energy generation as well as other applications in the transportation and pressure vessel sector. Mr. Dober introduced staff from Dow Chemical, Dr. Ari Kar, Dr. Mark Bernius, Eric Coleman and George Hamilton as well as Ray Boeman from Oakridge National Laboratory who also presented to the Board.

Mr. Rothstein asked where production would be located. Mr. Parks responded in Midland, MI.

Mr. Rothstein asked how much money is involved. Mr. Parks responded that there will be an overall investment of \$20 Million.

Mr. Rothstein asked what, if any, was the Energy/Cost Savings, and if there is a budget idea. Mr. Coleman answered that there would be significant savings and reduction, but specific numbers are not available yet.

Mr. Pruss stated that this is a huge opportunity for Michigan, that it is a target area and potential good lead. Mr. Pruss indicated that the MSF COEE Subcommittee was supportive of this project, and that Dow had the highest score ever for the COEE program.

Recommendation: MEDC Staff is requesting the MSF Board award \$5 million to The Dow Chemical Company from the COEE allocation. The award that is recommended for funding will consume \$5 Million of the \$21 Million available, leaving \$16 Million remaining in the COEE Program for the 2010-2011 fiscal year.

Board Discussion: Mr. Main asked if there were any questions from the Board. Being none, **Mr. Hodges made a motion for approval of Resolution 2010-021. Mr. Rothstein seconded the motion.** The motion carried unanimously – 8 ayes; 0 nays; 1 recused; 2 absent.

[RETURNS: Richard Rassel]

[RECUSED: Charlie Rothstein]

Resolution 2010-022: Business Marketing Contract

George Siegel, MEDC Director, Marketing and Web Development, provided information for the action.

Mr. Siegel indicated that staff had received several proposals in response to the Business Marketing RFP and indicated that the Joint Evaluation Committee (JEC) evaluated all proposals. The JEC indicated that Duffey, Petrosky & Company had the best score overall of the six companies who responded.

Recommendation: MEDC Staff recommends the MSF award the business marketing campaign to, and enter into a contract with, Duffey, Petrosky & Company for fiscal year 2010 allocation of \$1,425,000 to be used through September 30, 2011.

Board Discussion: Mr. Main asked if there were any questions from the Board. Being none, **Mr. Rassel made a motion for approval of Resolution 2010-022. Mr. Mondry seconded the motion.** The motion carried unanimously – 8 ayes; 0 nays; 1 recused; 2 absent.

Resolution 2010-023: MSF Investment Subcommittee Designation

Nathan Ohle provided information about the action.

Recommendation: MEDC Staff recommends that Paul Hodges III be designated as a member of the MSF Investment Subcommittee.

Board Discussion: Mr. Main asked if there were any questions from the Board. Being none, **Mr. Rassel made a motion for approval of Resolution 2010-023. Mr. Mondry seconded the motion.** The motion carried unanimously – 8 ayes; 0 nays; 1 recused; 2 absent.

[RETURNS: Charlie Rothstein]

Resolutions 2010-024, 2010-025 and 2010-026: Credit Suisse Investment Period Extension & Investment Recommendation

Mr. Paul Brown, Manager, Capital Markets Development provided information about the action and introduced the presenters: Bob Payne, Manager, Michigan Office, Credit Suisse; and Sean O'Donnell, Michigan In-State Investment Specialist, Credit Suisse.

Mr. Brown indicated that the commitment period for Credit Suisse to make investments had closed on December 31, 2009, with \$14.5 million still to be committed. Mr. Payne indicated that Credit Suisse is recommending the MSF Board approve a \$10 million investment in Pegasus Partners V, LP.

Recommendation: MEDC Staff recommends that the MSF Board extend the Commitment Period for the Michigan 21st Century Investment Fund to the earlier of May 31, 2010 or the date on which the General Partner shall deem the Partnership to be fully invested or committed for investment. MEDC staff also recommends that the MSF Board rescind the previous commitment to Peninsula Fund V, L.P. (approved on June 24, 2009), and approve a commitment of \$10 million to Pegasus Partners V, LP.

Board Discussion: Mr. Main asked if there were any questions from the Board. Being none, **Mr. Jackson made a motion for approval of Resolution 2010-024. Mr. Jackson seconded the motion.** The motion carried unanimously – 9 ayes; 0 nays; 0 recused; 2 absent.

Mr. Mondry asked why Credit Suisse was not recommending the full amount available. Mr. Payne responded that they don't want their largest investor to be out of state.

Mr. Rothstein commented that Pegasus had already done diligence on several deals in Michigan and would be able to invest this money in a relatively quick fashion.

Mr. Main asked if there were any additional questions from the Board about the second resolution. Being none, **Mr. Rassel made a motion for approval of Resolution 2010-025. Mr. Haas seconded the motion.** The motion carried unanimously – 9 ayes; 0 nays; 0 recused; 2 absent. Mr. Main asked if there were any questions from the Board about the third resolution. Being none, **Mr. Mondry made a motion for approval of Resolution 2010-026. Mr. Rothstein seconded the motion.** The motion carried unanimously – 9 ayes; 0 nays; 0 recused; 2 absent.

Resolution 2010-027: Michigan Loan Participation Program Template and Guideline Changes

Paul Brown, MEDC Capital Markets Development Manager, provided information for the action item.

Mr. Brown discussed changes to the Michigan Loan Participation Program Template which include primarily administrative and/or language modifications that improve the program's clarity and function, as well as a change in the interest rate terms to add a 1%-4% annual fee on the outstanding balance, instead of creating a higher interest rate overall as had previously been stated.

Mr. Rassel asked if this really changed the loan overall or if it would in effect do the same thing. Mr. Brown responded that it would not change the loan at all, but that it was easier for the bank because it would not have to write two separate loans based on the interest rate.

Recommendation: MEDC Staff recommends the MSF Board approve the proposed changes to the program guidelines as identified in the memorandum.

Board Discussion: Mr. Main asked if there were any questions from the Board. Being none, **Ms. Ewing made a motion for approval of Resolution 2010-027. Mr. Hodges seconded the motion.** The motion carried unanimously – 9 ayes; 0 nays; 0 recused; 2 absent.

Michigan Collateral Support Program Investment – Kirkland Products

Paul Brown provided information about the action.

Mr. Brown indicated that Kirkland Products has requested a Michigan Collateral Support Program deposit for a loan to help them diversify into producing premium wood pellets for the residential and commercial heating markets. Mr. Brown indicated that Kirkland has received strong responses on potential orders, and that the company is planning to build a production facility capable of producing over 50,000 tons of wood pellets.

Mr. Rothstein indicated that he was concerned that this was not a true diversification, and questioned whether the management team had enough experience in this industry. Mr. Brown said that no special expertise is required, and that the company has significant interest in the new product to be produced already.

Mr. Rothstein asked how much money would go to this loan. Mr. Brown responded that the MSF Board's commitment would be \$1,124,379 of the full \$3,802,379 loan.

Mr. Rothstein asked if Mr. Brown had spoken to the bankers on this project, and why the bank feels that this is a good strategic fit. Mr. Brown responded that yes, they have and that the price of feedstock and the market is already there for success. The key is the tremendous demand, especially in international markets.

Mr. Rothstein asked if this item was time sensitive, and whether the Board had to approve the deal at this meeting.

Mr. Pruss stated that there were other wood pellet facilities starting in the State, and asked if there is too much competition for feedstock? Mr. Dober responded that there was such a demand for the product that staff was comfortable that several companies could succeed in this market.

Mr. Main said the issue of biomass has been prevalent over the past couple of years, and that the MEDC just commissioned a UP study of biomass. Mr. Main indicated that the study had shown that there is a tremendous amount of resources available, so much is there that we could never use it all.

Mr. Rothstein questioned whether the company had sufficient expertise in this area, and asked whether they had brought in someone specifically to focus on this area. Mr. Rothstein again asked what prompted the bank to do this deal, and the reasons behind their decision.

Mr. Main stated it is important to recognize that these programs were set up to do just this kind of thing, help companies diversify.

Mr. Rothstein stated diversifying means going a little to the left or to the right, and that this seems to be a large change in direction.

Board Discussion: Mr. Main asked if there were any questions from the Board. Being none, **Mr. Rothstein made a motion to postpone the project at this time pending additional information from the management team. Mr. Haas seconded the motion.** The motion carried unanimously – 9 ayes; 0 nays; 0 recused; 2 absent.

Resolution 2010-028: Michigan Collateral Support Program Amendment – Morley Companies

Paul Brown provided information about the action.

Mr. Brown indicated that the MSF Board had previously approved this project at the August 26, 2009 board meeting. Pursuant to the MSF approval, the company was required to enter into an agreement which required it to deposit with the lender an identical dollar amount of the MEGA Tax Credit Award received each year beginning with the 2011 tax year, regardless of tax liability. On September 1, 2009 Citizens Bank closed their loan package with Morley prior to executing the Cash Collateral Deposit Agreement. Without these agreements in place, and without MSF collateral support deposited due to the time sensitivity of the company's project requirements, the company was required to have the financing in place for real estate, working capital, and equipment by the date in order to avoid a breach of contract with IBM. We judged this timeline to be acceptable and necessary.

Recommendation: MEDC Staff recommends approval of the requested modification to the MSF approval and the ensuring Supplemental Agreement to reflect that the beginning tax year for payment of the MEGA match amount is the 2012 tax year start date, rather than 2011.

Board Discussion: Mr. Main asked if there were any questions from the Board. Being none, **Mr. Pruss made a motion for approval of Resolution 2010-028. Mr. Rassel seconded the motion.** The motion carried unanimously – 9 ayes; 0 nays; 0 recused; 2 absent.

Company Formation & Growth Fund Presentation

Zakaria Shaikh provided a presentation on the Company Formation and Growth Fund progress to date

Mr. Jackson stated that this was a very good presentation and the client base outside of Michigan is very impressive.

[CHARLIE ROTHSTEIN LEAVES FOR THE REMAINDER OF THE MEETING]

PRIVATE ACTIVITY BONDS – INDUCEMENTS:

Resolution 2010-029: Christian Care (Muskegon, Muskegon County) \$9,500,000 – New Financing/Refinancing/Non-Profit

Diane Cranmer, MEDC IDR B Specialist, provided information for the action item.

Ms. Cranmer indicated that Christian Care plans to refinance the purchase of land, site development, and the construction of a 49,500 square foot nursing home.

Recommendation: After reviewing the Private Activity Bond Application for Christian Care, staff recommends the adoption of an Inducement Resolution in the amount of \$9,500,000 for this project.

Board Discussion: Mr. Main asked if there were any questions from the Board. Being none, **Mr. Herbert made a motion for approval of Resolution 2010-029. Mr. Mondry seconded the motion.** The motion carried unanimously – 8 ayes; 0 nays; 0 recused; 3 absent.

Resolution 2010-030: GreenPath, LLC (Farmington Hills, Oakland County) \$17,500,000 – New Financing/Non-Profit

Diane Cranmer provided information for the action item.

Ms. Cranmer indicated that GreenPath plans to finance the acquisition of land, and construct a 125,000 square foot facility to consolidate operations.

Recommendation: After reviewing the Private Activity Bond Application for GreenPath, staff recommends the adoption of an Inducement Resolution in the amount of \$17,500,000 for this project.

Board Discussion: Mr. Main asked if there were any questions from the Board. Being none, **Mr. Herbert made a motion for approval of Resolution 2010-030. Mr. Mondry seconded the motion.** The motion carried unanimously – 8 ayes; 0 nays; 0 recused; 3 absent.

[RECUSED: Richard Rassel]

Resolution 2010-031: International Master Products Corporation (Montague, Muskegon County) \$4,700,000 – New Financing/Manufacturing

Diane Cranmer provided information for the action item.

Ms. Cranmer indicated that International Master Products plans to finance an approximately 24,000 square foot addition to the IMP's existing facility.

Recommendation: After reviewing the Private Activity Bond Application for IMP, staff recommends the adoption of an Inducement Resolution in the amount of \$4,700,000 for this project.

Board Discussion: Mr. Main asked if there were any questions from the Board. Being none, **Mr. Hodges made a motion for approval of Resolution 2010-031. Mr. Pruss seconded the motion.** The motion carried unanimously – 8 ayes; 0 nays; 0 recused; 3 absent.

[RETURNS: Richard Rassel]

PRIVATE ACTIVITY BONDS – ISSUING:

Resolution 2010-032: CPF Michigan, LLC/Community Facility Partners (Bay City, Bay County) \$6,500,000 – New Financing/Manufacturing

Diane Cranmer, MEDC IDR B Specialist, provided information for the action item.

TOOL & DIE RECOVERY ZONES:

Resolution 2010-034: Existing Zone –Join Existing Tool & Die Recovery Zone – Extreme Tool and Engineering, Inc. - Wakefield Township, Gogebic County, to Join the Michigan Coast to Coast Tool & Die Collaborative

Kevin Bonds provided information to the Board for the action item.

Mr. Bonds indicated that staff has received a request from Extreme Tool and Engineering, Inc. to join the Michigan Coast to Coast Tool & Die Collaborative. There was a unanimous vote by the Michigan Coast to Coast Tool & Die Collaborative to accept Extreme Tool and Engineering, Inc. as a member.

Recommendation: MEDC Staff recommends MSF approval of the property for Extreme Tool and Engineering to be designated as a Recovery Zone and join the Michigan Coast to Coast Tool & Die Collaborative.

Board Discussion: Mr. Main asked if there were any questions from the Board. Being none, **Ms. Ewing made a motion for approval of Resolution 2010-034. Mr. Hodges seconded the motion.** The motion carried unanimously – 7 ayes; 0 nays; 1 recused; 3 absent.

[RETURNS: Richard Rassel]

COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM – JOB CREATION:

Resolution 2010-035: Village of Blissfield, Lenawee County – BioDri Michigan, LLC, Machinery & Equipment Acquisition Grant - \$900,000

Kevin Bonds provided information to the Board for the action item.

Mr. Bonds indicated that the Village of Blissfield has requested a \$900,000 CDBG to assist BioDri Michigan, LLC with the purchase of prototype and research and development equipment needed for this project that will create 150 new full time positions over the next two years.

Recommendation: MEDC Staff has concluded that the project meets the minimum program requirements to be eligible under the CDBG program. Staff recommends that an application in the amount of \$900,000 be authorized for the Village of Blissfield.

Board Discussion: Mr. Main asked if there were any questions from the Board. Being none, **Mr. Rassel made a motion for approval of Resolution 2010-035. Mr. Mondry seconded the motion.** The motion carried unanimously – 8 ayes; 0 nays; 0 recused; 3 absent.

Resolution 2010-036: City of Gladwin, Gladwin County – Signature Building Acquisition Grant - \$100,000

Kevin Bonds provided information to the Board for the action item.

Mr. Bonds indicated that the City of Gladwin has requested a \$100,000 CDBG to fund the acquisition of a Signature Building within their downtown district.

Recommendation: MEDC Staff has concluded that the project meets the minimum program requirements to be eligible under the CDBG program. Staff recommends that an application in the amount of \$100,000 be authorized for the City of Gladwin.

Board Discussion: Mr. Main asked if there were any questions from the Board. Being none, **Mr. Rothstein made a motion for approval of Resolution 2010-036. Mr. Hodges seconded the motion.** The motion carried unanimously – 8 ayes; 0 nays; 0 recused; 3 absent.

Resolution 2010-037: City of Greenville, Montcalm County – Electrical Upgrades - \$120,000

Kevin Bonds provided information to the Board for the action item.

Mr. Bonds indicated that the City of Greenville has requested a \$120,000 CDBG to assist WMC, LLC with the electrical upgrades that are needed at the new location.

Recommendation: MEDC Staff has concluded that the project meets the minimum program requirements to be eligible under the CDBG program. Staff recommends that an application in the amount of \$120,000 be authorized for the City of Greenville.

Board Discussion: Mr. Main asked if there were any questions from the Board. Being none, **Mr. Mondry made a motion for approval of Resolution 2010-037. Mr. Haas seconded the motion.** The motion carried unanimously – 8 ayes; 0 nays; 0 recused; 3 absent.

COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM – DOWNTOWN DEVELOPMENT:

Resolution 2010-038: City of Cheboygan, Cheboygan County – Downtown Infrastructure Project - \$439,440

Kevin Bonds provided information to the Board for the action item.

Mr. Bonds indicated that the City of Cheboygan has requested a \$439,440 CDBG to fund demolition, site preparation, and park/pavilion construction on the property after serious neglect and damage from its previous owner.

Recommendation: MEDC Staff has concluded that the project meets the minimum program requirements to be eligible under the CDBG program. Staff recommends that an application in the amount of \$439,440 be authorized for the City of Cheboygan.

Board Discussion: Mr. Main asked if there were any questions from the Board. Being none, **Mr. Haas made a motion for approval of Resolution 2010-038. Mr. Hodges seconded the motion.** The motion carried unanimously – 8 ayes; 0 nays; 0 recused; 3 absent.

Resolution 2010-039: City of Gaylord, Otsego County – Façade Improvement Project -- \$350,000

Kevin Bonds provided information to the Board for the action item.

Mr. Bonds indicated that the City of Gaylord has requested a \$350,000 CDBG to fund improvements to the façade of eight buildings located in the Downtown Development Authority District in Otsego County.

Recommendation: MEDC Staff has concluded that the project meets the minimum program requirements to be eligible under the CDBG program. Staff recommends that an application in the amount of \$350,000 be authorized for the City of Gaylord.

Board Discussion: Mr. Main asked if there were any questions from the Board. Being none, **Mr. Haas made a motion for approval of Resolution 2010-039. Mr. Hodges seconded the motion.** The motion carried unanimously – 8 ayes; 0 nays; 0 recused; 3 absent.

ADDITIONAL BUSINESS: Mr. Main thanked the Board Members for their time and asked if there was any additional business to discuss. Being none, Mr. Main thanked all those in attendance once more and adjourned the meeting at 3:08 p.m.