

MICHIGAN STRATEGIC FUND BOARD
April 28, 2010

ADOPTED MEETING MINUTES

A meeting of the Michigan Strategic Fund (MSF) Board was held on Wednesday, April 28, 2010 at the MEDC building, Lake Michigan Room, 300 N. Washington Sq., Lansing, Michigan.

MEMBERS PRESENT: Linda Ewing (via telephone); Mark Haas (acting on behalf of Robert Kleine, authorization attached); James Herbert; Paul E. Hodges, III (via telephone); George Jackson; Greg Main; Mitch Mondry; James Petcoff; Stanley “Skip” Pruss (Susan Corbin acting on his behalf at the end of the meeting, authorization attached); Richard Rassel (via telephone); Charlie Rothstein

MEMBERS ABSENT: None

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

APPROVAL OF MINUTES: Mr. Main asked for a motion to approve the March 26, 2010 meeting minutes. **Mr. Mondry motioned approval of the minutes. Mr. Pruss seconded the motion.** The motion carried unanimously – 11 ayes; 0 nays; 0 recused; 0 absent

PUBLIC COMMENT: Mr. Main asked if there was any other public comment. Ms. Virginia Colter read a letter on behalf of Dennis Aloia, Grand Traverse County Administrator in regards to the CDBG Consolidated Plan, and asked that the Board not approve the Consolidated Plan at this meeting due to confusion over the Revolving Loan Fund (RLF) section of the plan.

COMMUNICATION ITEMS: Nathan Ohle, MEDC Board Relations Liaison, advised the Board that he had received recusal letters from Richard Rassel and George Jackson for items on the agenda. Mr. Ohle indicated that four additional letters had been submitted for public comment in regards to the Consolidated Plan.

[RECUSED: Richard Rassel]

CONFIDENTIALITY REPORT:

Resolutions 2010-051 and 2010-053: Energetx Composites and Astraeus Wind Energy

Martin Dober, MEDC Vice President of New Markets, provided background for this action.

Mr. Dober indicated that Energetx Composites and Astraeus Wind Energy had requested confidentiality on portions of their Centers of Energy Excellence (COEE) applications.

Recommendation: MEDC Staff recommends the MSF Board approve the confidentiality requests for both Energetx Composites and Astraeus Wind Energy.

Board Discussion: Mr. Main asked if there were any questions from the Board. Being none, **Mr. Kleine made a motion for approval of Resolution 2010-051. Mr. Pruss seconded the motion.** The motion carried unanimously – 10 ayes; 0 nays; 1 recused; 0 absent. **Mr. Kleine made a motion for approval of Resolution 2010-052. Mr. Pruss seconded the motion.** The motion carried unanimously – 10 ayes; 0 nays; 1 recused; 0 absent.

21st CENTURY JOBS FUND:

COEE Financial Statement Policy

Minesh Mody, MEDC Chief Financial Officer, provided background for this item.

Mr. Mody indicated that staff had created a financial statement review process for the COEE program that requires COEE applicants that are being recommended for awards to deliver financial statements as part of the due diligence prior to award, and also ongoing financial statements for monitoring the projects.

Mr. Haas asked how the credibility of a small company that does not have audited financial statements will be upheld. Mr. Mody responded that there are several steps to the due diligence process, and that third party evaluators will be used whenever possible.

Mr. Herbert asked if searches for liens are a part of the financial due diligence process. John Walter, Chief Compliance Officer, indicated that lien searches are part of the regular due diligence process that he conducts for every 21st Century project.

Doug Parks, MEDC Senior Vice President Business Development, gave a short presentation on the COEE process and the focus of the program.

Resolution 2010-053: Centers of Energy Excellence (COEE) Investment – Energetx Composites

Martin Dober provided background for this action and introduced guest presenters: Kelly Slickers, Vice President, Energetx; and Robert Slickers, President, Energetx..

Mr. Dober indicated that Energetx Composites has requested \$3.5 million to establish a Center focused on wind turbine blade manufacturing, particularly focusing on innovative and new approaches to blade design and production. Mr. K. Slickers indicated that Energetx Composites is a spin-off of S2 Yachts, which will allow the company to use many of its core functions and apply them to wind turbine blade manufacturing. Mr. Dober indicated that the MSF COEE subcommittee had reviewed this proposal and recommends approval.

Mr. Rothstein asked how quickly the company would be able to get to market. Mr. K. Slickers indicated that they anticipate coming to market in the first quarter of 2011.

Mr. Herbert asked what was the current ownership of the company. Mr. R. Slickers responded that Energetx is a family owned business, currently in the 2nd and 3rd generation of the Slickers family.

Mr. Rothstein asked how staff would be marketing this project. Mr. Parks indicated that staff planned to promote this project prominently at the American Wind Energy Association trade show in Chicago. Mr. Rothstein complimented the company and encouraged it to tell its story as much as possible.

Mr. Herbert asked if the company felt that the next company on the agenda would be a competitor. Mr. K. Slickers responded that he felt as if Astraeus would actually be complimentary to Energetx, and that they could potentially collaborate on several projects. Mr. Pruss indicated that it appeared that the two companies were a perfect marriage and could work together to really create some dynamic products in the wind industry.

Recommendation: MEDC Staff recommends the MSF Board award \$3.5 million to Energetx Composites, LLC from the COEE allocation. The award that is recommended for funding will consume \$3.5 million of the \$13 million available, leaving \$9.5 million remaining in the COEE Program for the 2009-2010 fiscal year.

Board Discussion: Mr. Main asked if there were any additional questions from the Board. Being none, **Mr. Hodges made a motion for approval of Resolution 2010-053. Mr. Rothstein seconded the motion.** The motion carried – 10 ayes; 0 nays; 1 recused; 0 absent.

Resolution 2010-054: Centers of Energy Excellence (COEE) Investment – Astraeus Wind Energy

Martin Dober provided background for this action and introduced guest presenter: Jeff Metts, President and CEO, Astraeus.

Mr. Dober indicated that Astraeus Wind Energy has requested \$6 million to establish a Center focused on automated manufacturing of wind turbine blade components using advanced materials. Mr. Dober indicated that Astraeus is a new venture founded and owned by principals of MAG Industrial Automation Systems and Dowding Machining. Mr. Dober stated that this project will provide the wind industry with an integrated system solution and establish the basic materials, equipment, and process technology necessary for the next generation blades. Mr. Dober indicated that the MSF COEE subcommittee had reviewed this proposal and recommends approval. Mr. Metts thanked the Board for its consideration and indicated that he was very impressed with Energetx and hopes to partner with it in the future. Mr. Metts indicated that the new materials are going to be key to the wind energy industry, and that the company is primed to capture a lot of work in this new market.

Mr. Herbert asked if the company felt that they would be able to sell its technology and equipment. Mr. Metts indicated that MAG is a world leader in the advanced materials industry, and that Astraeus is very fortunate to have it as a partner in this project. Mr. Pruss indicated that there is so much potential in this space, and that it appears that Astraeus is in perfect position to take advantage of the market.

Mr. Petcoff asked what the was the projected job impact of this project. Mr. Dober responded that the company has indicated that there will be between 350-500 employees in each plant, and that Astraeus has the potential to have up to 4 plants.

Mr. Petcoff asked if the large blades are a shipping concern. Mr. Metts indicated that the large blades are hard to ship, but that they are currently being shipped all over the world. Mr. Metts indicated that Michigan is in a perfect location for the shipping of these blades because of the Great Lakes and the St. Lawrence Seaway.

Recommendation: MEDC Staff recommends the MSF Board award \$6 million to Astraeus Wind Energy from the COEE allocation. The award that is recommended for funding will consume \$6 million of the \$9.5 million available, leaving \$3.5 million remaining in the COEE Program for the 2009-2010 fiscal year.

Board Discussion: Mr. Main asked if there were any additional questions from the Board. Being none, **Mr. Petcoff made a motion for approval of Resolution 2010-054. Mr. Haas seconded the motion.** The motion carried – 10 ayes; 0 nays; 1 recused; 0 absent.

[RETURNS: Richard Rassel]

Resolutions 2010-055 and 2010-056: Pure Michigan Marketing

George Zimmermann, MEDC Vice President of Travel Michigan, provided information for the action.

Mr. Zimmermann indicated that the legislature passed \$9.5 million to go towards the tourism marketing campaign to promote tourism in Michigan. Mr. Zimmermann indicated that the MSF Board approved a RFP for tourism marketing on February 25, 2009. Mr. Zimmermann indicated that there were four proposals submitted in response to the RFP, which were scored by an independent Joint Evaluation Committee (JEC). McCann-Erickson USA, Inc. had the highest score of the four proposals.

Mr. Herbert asked if this was an appropriation from the legislature. Mr. Zimmermann indicated that the \$9.5 million was a direct appropriation from the legislature.

Recommendation: MEDC Staff recommends the MSF request the State Treasurer to transfer \$9,500,000 to the MSF for disbursement for the tourism marketing campaign. MEDC Staff also recommends the MSF award the tourism marketing campaign to, and enter into a contract with, McCann-Erickson for the fiscal year 2010.

Board Discussion: Mr. Main asked if there were any questions from the Board. Being none, **Mr. Herbert made a motion for approval of Resolution 2010-055. Mr. Jackson seconded the motion.** The motion carried unanimously – 11 ayes; 0 nays; 0 recused; 0 absent. **Mr. Mondry made a motion for approval of Resolution 2010-056. Mr. Petcoff seconded the motion.** The motion carried unanimously – 11 ayes; 0 nays; 0 recused; 0 absent.

Resolution 2010-057: Michigan Collateral Support Program Investment – Kirtland Products

Paul Brown, MEDC Capital Markets Development Director provided information about the action and introduced presenter: Leon Tupper, CEO, Kirtland Products.

Mr. Brown indicated that Kirtland Products has requested a Michigan Collateral Support Program deposit for a loan to help it diversify into producing premium wood pellets for the residential and commercial heating markets. Mr. Brown indicated that Kirtland 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. Brown stated that Kirtland Products has brought in a leadership team with experience in the wood pellet industry, and that the company expects to hire 20-30 employees as a result of this project.

Mr. Rothstein asked if the loan goes bad, if the MSF's collateral is seized first. Mr. Brown indicated that the owner's collateral is seized first, and that the MSF's collateral is drawn down as the loan is paid off so that the MSF is never over 49.9% of the full loan outstanding.

Mr. Petcoff asked if staff was relying on the bank to do most of the underwriting. Mr. Brown responded that staff does some diligence, but that it relies mostly on the underwriting done by the bank.

Mr. Rothstein indicated that it seemed as if it was a big jump from manufacturing in the auto industry to the wood pellet industry, and asked what skill set the company had in this area. Mr. Tupper indicated that between he and his business partner, they have over 75 years of developing companies in new areas, and has succeeded because they have been able to identify each company's core competencies and built off of those competencies. Mr. Tupper indicated that Kirtland had spent a lot of time researching the wood pellet industry and has brought in experts in the field to help with the transition to this industry.

Mr. Herbert asked where Kirtland would get all of the raw materials needed for this project. Mr. Tupper indicated that Kirtland would get some of the raw materials from local saw mills in the area, and the rest from harvesting wood from the surrounding forests. Mr. Tupper indicated that the Jack Pine trees that are used to create these wood pellets have a 15 year life, and afterwards are razed and new trees planted. Mr. Tupper indicated that it was those trees that are on the forest floor that will be used as the raw product for this project. Mr. Herbert asked how far Kirtland would travel to get raw materials. Mr. Tupper indicated that they could travel up to 50 miles away to get materials.

Recommendation: MEDC Staff recommends approval of a Michigan Collateral Support Program deposit of \$1,484,152 and finalization of a Deposit Agreement for Kirtland Products, LLC.

Board Discussion: Mr. Main asked if there were any questions from the Board. Being none, **Mr. Petcoff made a motion for approval of Resolution 2010-057, Mr. Rassel seconded the motion.** The motion carried unanimously – 11 ayes; 0 nays; 0 recused; 0 absent.

Resolution 2010-058: Michigan Loan Participation Program Investment – Skilled Manufacturing

Paul Brown provided information about the action.

Mr. Brown indicated that Skilled Manufacturing, Inc. (SMI) has requested a loan participation through the Michigan Loan Participation Program to help the company diversify into the aerospace industry through its high volume precision machining. Mr. Brown indicated that SMI garnered a pilot contract with Honeywell Aerospace, and since that time has seen a gradual increase in orders from Honeywell. Because of the increase in business from Honeywell, SMI requires working capital and equipment to begin fulfilling orders. Mr. Brown stated that SMI expects to hire 75 people as a result of this project.

Recommendation: MEDC Staff recommends approval of a loan participation through the Michigan Loan Participation Program up to \$1,225,000 and finalization of a Loan Participation and Servicing Agreement and Supplemental Agreement.

Board Discussion: Mr. Main asked if there were any questions from the Board. Being none, **Mr. Herbert made a motion for approval of Resolution 2010-058. Mr. Mondry seconded the motion.** The motion carried unanimously – 11 ayes; 0 nays; 0 recused; 0 absent.

Resolution 2010-059: Accelerator Fund Peer Review Recommendation

Paul Brown provided information about the action.

Mr. Brown indicated that the SEIC Board has recommended Trillium Ventures, LLC as the peer review agency to be selected for the Accelerator Fund RFP that was previously released. Mr. Brown indicated that Trillium Ventures was founded by Tom Porter, a well respected private investment professional who specializes in medical technology companies. Mr. Brown indicated that Trillium Ventures would select a group of qualified individuals to sit on a review panel to score each proposal that is submitted for the program.

Mr. Rothstein indicated that the new process will go a long way in getting better investments made and hopefully better returns on those investments.

Recommendation: MEDC Staff recommends that the MSF Board approve Trillium Ventures, LLC as the independent reviewer for Accelerator Fund applicants, and approve entry into a contract with Trillium Ventures in an amount less than \$25,000.

Board Discussion: Mr. Main asked if there were any questions from the Board. Being none, **Mr. Mondry made a motion for approval of Resolution 2010-059. Mr. Haas seconded the motion.** The motion carried unanimously – 11 ayes; 0 nays; 0 recused; 0 absent.

Resolution 2010-060: Choose Michigan Loan Modification – Ventower Industries

Leslie Smith, MEDC Director of Business Acceleration provided information about the action.

Ms. Smith indicated that the MSF Board awarded a \$5 million loan to Ventower Industries (Ventower) to be a full service fabricator and supplier of industrial-scale wind turbine towers. Ms. Smith indicated that part of the Convertible Loan Agreement signed between Ventower and MSF includes a “key man” provision calling for the MSF Board to approve any changes that occur with Ventower’s team of officers before the first loan disbursement. Ms. Smith indicated that one of the officers, Charles Wineland, has resigned, and MEDC Staff has been working closely with Ventower as it identified a proposed suitable replacement structure. Ms. Smith indicated that a new management team is in place, and that MEDC Staff did a thorough financial and industry review of the company. Ms. Smith indicated that the MSF Investment Subcommittee had reviewed the proposed management structure changes and recommends approval.

Mr. Jackson asked how the job numbers on these types of projects are monitored and tracked. Ms. Smith indicated that the structure of the loan guarantees that money will not be disbursed unless certain milestones are verified. Ms. Smith indicated that each disbursement is tied to specific milestone requirements.

Recommendation: MEDC Staff recommends the MSF Board approve accepting the new management team of Ventower, in accord with the proposed officers and board of management presented to MEDC Staff. MEDC Staff also recommends that the approval be conditioned upon Ventower providing evidence to the satisfaction

of the MEDC that the new team of officers and board of management have been formally approved in accord with Ventower's LLC governance documents.

Board Discussion: Mr. Main asked if there were any questions from the Board. Being none, **Mr. Herbert made a motion for approval of Resolution 2010-060. Mr. Rassel seconded the motion.** The motion carried unanimously – 11 ayes; 0 nays; 0 recused; 0 absent.

Resolution 2010-061: Lakeshore Advantage Bio-Economy Institute Investment

Leslie Smith, MEDC Director of Business Acceleration provided information about the action.

Ms. Smith indicated that through the Michigan General Government Appropriations Act, PA 128 of 2009, Section 1027, the funds appropriated in Part 1 for the Jobs for Michigan Investment Program, 21st Century Jobs Fund, \$3,000,000 may be allocated to Lakeshore Advantage for the same purposes as the fiscal year 2007-2008 allocation. Ms. Smith indicated that as of April 9th, 2010, the amount available for appropriation is \$1,425,000..

Recommendation: MEDC Staff recommends that the MSF Board amend the grant to Lakeshore Advantage to include the additional funds in the amount of \$1,425,000.

Board Discussion: Mr. Main asked if there were any questions from the Board. Being none, **Mr. Rothstein made a motion for approval of Resolution 2010-061. Mr. Jackson seconded the motion.** The motion carried unanimously – 11 ayes; 0 nays; 0 recused; 0 absent.

PRIVATE ACTIVITY BONDS – INDUCEMENT:

Resolution 2010-062: The Young Men's Christian Association of Greater Grand Rapids (Wyoming, Kent County) - \$19,000,000 – New/Non-Profit

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

Ms. Cranmer indicated that the project will include the construction of an approximately 96,000 square foot facility and the furnishing and equipping of the facility to be located in Wyoming, MI. Ms. Cranmer indicated that it is anticipated that 125 jobs will be created as a result of this project.

Recommendation: MEDC staff recommends the adoption of an Inducement Resolution in the amount of \$19,000,000 for this project.

Board Discussion: Mr. Main asked if there were any questions from the Board. Being none, **Mr. Mondry made a motion for approval of Resolution 2010-062. Mr. Petcoff seconded the motion.** The motion carried unanimously – 11 ayes; 0 nays; 0 recused; 0 absent.

Resolution 2010-063: MANS, LLC – c/o Moeller Manufacturing Company, Inc. (Wixom, Oakland County) - \$6,500,000 – New/Manufacturing

Diane Cranmer provided information for the action item.

Ms. Cranmer indicated that MANS, LLC is manufacturer for the aerospace industry and the proposed project includes the financing and acquisition and instillation of machinery and equipment. Ms. Cranmer indicated that MANS anticipates creating 15 new jobs as a result of this project.

Recommendation: MEDC staff recommends the adoption of an Inducement Resolution in the amount of \$6,500,000 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 2010-063. Mr. Haas seconded the motion.** The motion carried unanimously – 11 ayes; 0 nays; 0 recused; 0 absent.

PRIVATE ACTIVITY BONDS – ISSUING:

[RECUSED: Richard Rassel]

Resolution 2010-064: St. Catherine of Siena Academy (Wixom, Oakland County) \$36,000,000 – New Financing/Non-Profit

Diane Cranmer provided information for the action item.

Ms. Cranmer indicated that this project was previously approved at MSF meetings, however the placement agent is endeavoring to obtain a letter of credit for a reserve fund that satisfies new requirements of two of the major purchasers of the bonds, which requirements have recently been imposed. Ms. Cranmer indicated that this project includes financing the acquisition of land, the construction of a high school facility, and the furnishing and equipping of the facility.

Recommendation: Based upon a determination by Butzel Long and the State of Michigan Attorney General's Office that the project meets state and federal law requirements for this financing, staff recommends the adoption of the Bond Authorizing Resolution in the amount NTE \$36,000,000.

Board Discussion: Mr. Main asked if there were any questions from the Board. Being none, **Mr. Herbert made a motion for approval of Resolution 2010-064. Mr. Rothstein seconded the motion.** Trace Cooley, MEDC Legal Assistant, took a Roll-Call Vote.

Roll Call: **Ayes:** Linda Ewing; Mark Haas; James Herbert; Paul E. Hodges, III; George Jackson; Robert Kleine; Greg Main; Mitch Mondry; James Petcoff; Charles Rothstein
 Nays: None
 Recused: Richard Rassel
 Absent: None

The motion carried unanimously – 10 ayes; 0 nays; 1 recused; 0 absent.

[RETURNS: Richard Rassel]

Resolution 2010-065: CFP Michigan, LLC/Community Facility Partners (Bay City, Bay County) \$6,500,000 – New Financing/Non-Profit

Diane Cranmer provided information for the action item.

Ms. Cranmer indicated that this project was approved at the March 24, 2010 MSF Board meeting, and requires a one month extension of the resolution.

Recommendation: Based upon a determination by Dykema Gossett and the State of Michigan Attorney General's Office that the project meets state and federal law requirements for this financing, staff recommends the adoption of the Bond Authorizing Resolution in the amount NTE \$6,500,000.

Board Discussion: Mr. Main asked if there were any questions from the Board. Being none, **Mr. Mondry made a motion for approval of Resolution 2010-065. Mr. Haas seconded the motion.** Trace Cooley, MEDC Legal Assistant, took a Roll-Call Vote.

Roll Call: **Ayes:** Linda Ewing; Mark Haas; James Herbert; Paul E. Hodges, III; George Jackson; Robert Kleine; Greg Main; Mitch Mondry; James Petcoff; Richard Rassel; Charles Rothstein
 Nays: None
 Recused: None
 Absent: None

The motion carried unanimously – 11 ayes; 0 nays; 0 recused; 0 absent.

RENAISSANCE ZONES:

Resolution 2010-066: Magna Mirror Systems, Inc. – Amendment to Renaissance Zone Development Agreement

Kevin Bonds, MEDC Manager Business and Community Services, provided information for the action item.

Mr. Bonds indicated that Magna Donnelly Mirrors North America, LLC (Magna Mirror) received a Renaissance Zone designation on October 18, 2002. Mr. Bonds indicated that the Renaissance Zone was granted to retain 500 jobs and invest up to \$3 million in the facility. Mr. Bonds indicated that since 2005, Magna Mirror has dropped below the retention target of 500 employees and has been below that mark for

2006 and 2007. Mr. Bonds indicated that because Magna Mirror fell below the 500 retained employees threshold, they were in violation of their Renaissance Zone agreement.

Recommendation: MEDC staff recommends that the Renaissance Zone Development Agreement be amended and a Settlement Agreement be entered into to remedy the non-compliance with the following stipulations: (1) Magna Mirror repays 50 percent of the Michigan property taxes abated in the approximate amount of \$426,017; (2) Magna Mirror repays \$280,621 to the State of Michigan for the Single Business tax abated based on the percentages outlined; (3) Magna Mirror pays 100 percent of the Michigan property taxes for the 2008 and 2009 tax years; (4) Magna Mirror does not appeal the assessment values for the 2008 and 2009 tax years; (5) Magna Mirror continues to maintain in good working order the flow meter installed at the project facility; (6) Magna Mirror will make best efforts to keep this facility operational until at least 2012, which is the original end of the term for the MSF Designated Renaissance Zone; and (7) The tax benefits of the Renaissance Zone are foregone for the remainder of the term of the agreement.

Board Discussion: Mr. Main asked if there were any questions from the Board. Being none, **Mr. Petcoff made a motion for approval of Resolution 2010-066. Mr. Mondry seconded the motion.** The motion carried unanimously – 11 ayes; 0 nays; 0 recused; 0 absent.

[**RECUSED:** George Jackson]

Resolution 2010-067: New Subzone – Wayne County Renaissance Zone – City of Detroit, Wayne County – Detroit Medical Center (DMC)

Kevin Bonds provided information for the action item and introduced guest presenters: Mike Duggan, CEO, DMC; Rob Jay, Senior VP and Chief Development Officer, Vanguard; and Jay Rising, CFO, DMC. Mr. Bonds indicated that Vanguard Health Systems (Vanguard) has agreed to buy the Detroit Medical Center (DMC), and will form VHS of Michigan, Inc. as a subsidiary once the agreement is in place. If the asset transfer is completed, Vanguard will retire all existing DMC debts and will assume the DMC employee pension fund deficit, its unfunded malpractice liability and working capital deficit along with a 10 year commitment to the continued operation and maintenance of all DMC hospitals. DMC has historically provided a substantial amount of charitable care. This along with the economic crisis in Detroit has made it difficult for DMC to gather further financing. Mr. Bonds indicated that as a result of this project, Vanguard will commit to making a \$400 million investment in the project, and will retain up to 12,000 jobs.

Mr. Duggan thanked the MEDC staff for all of the hard work that has gone into this project. Mr. Duggan indicated that as a non-profit, it has been very difficult for DMC to garner additional funding in this economic climate. Mr. Duggan indicated that the DMC is very committed to helping those in need, and while the health care provided has always been top notch, the facilities have not been sufficiently updated. Mr. Duggan stated that he had talked to many potential investors, but that Vanguard was by far the most impressive that he had talked to, and was very excited about this partnership.

Ms. Ewing asked for clarity on what DMC/Vanguard was committing to in return for the Renaissance Zone. Mr. Rising indicated that Vanguard has committed to invest at least \$400 million in the DMC facilities, and that Vanguard will commit to keeping the DMC facilities open for at least 10 years, and will retire all existing DMC obligations. Mr. Duggan indicated that the sale has not been finalized yet, but that this Renaissance Zone would be the final contingency in the deal and hoped to have it finalized by June 1, 2010. Mr. Duggan also indicated that the sale would have to gain final approval from the Attorney General's Office before it could be finalized.

Recommendation: MEDC Staff recommends MSF approval of Wayne County's request for a New Subzone in the Wayne County Renaissance Zone for a period of fifteen (15) years for property listed in Exhibit A and Exhibit B, contingent on the following: (1) Within one year of the Closing Date,

Vanguard shall have commenced the project outlined in the County of Wayne's application within the New Subzone designated for the MHC Subzone in Wayne County's Renaissance Zone located in the City of Detroit;

(2) A development agreement is negotiated and signed between DMC, VHS of Michigan, Inc. and the Michigan Strategic Fund along with the Consents; (3) DMC and Vanguard will enter into a binding contract wherein Vanguard will agree to acquire the DMC; (4) On or before December 31, 2010, Vanguard will close its acquisition of the DMC. The date such acquisition occurs shall be the "Closing Date"; (5) On or before December 31, 2010, a lease between Wayne State University and the Ellington Condominiums for the limited portion of the Ellington Condominiums included in the property listed on Exhibit A (and which is utilized by the adjacent Wayne State University garage for ingress and egress) shall be entered into and maintained in full force and effect through December 31, 2025; and the Owner and the Company shall not consent to termination or surrender of said lease between the Ellington Condominiums and Wayne State University, prior to January 1, 2026; (6) A revised Exhibit A shall be agreed to among the Parties no later than December 30, 2010, identifying all of the parcels included in the MHC Subzone and legal description now contained on Exhibit A, but identifying the parcels by tax parcel number; (7) For a minimum of 10 years from the Closing Date of the Vanguard acquisition of the DMC, Vanguard shall maintain a charity care policy at least as favorable as DMC's charity care policy at all hospital facilities; (8) For the duration of the zone, for property located within the MHC Subzone, Vanguard shall not enter into a lease for any office space with any non-affiliate office tenant of more than 5,000 square feet that is currently occupying office space in the City without the prior written consent of the City of Detroit's Planning and Development Director, or its successor. Any physician or other person involved in providing medical or support services related to the purposes of Vanguard or the DMC at facilities of, to the patients or employees of, or for the benefit of Vanguard or the DMC, whether as an employee, contractor, member of the medical staff, or in any other capacity shall be considered an affiliate; and (9) On the Closing Date, Vanguard will assume all DMC's obligations under the 1980 transaction by which DMC acquired Detroit Receiving Hospital, in respect of which, Vanguard will stand in the shoes of DMC and fully assume all obligations, whether contractual or statutory, even if the obligations extend beyond the 10-year mission support period provided in the binding contract between the parties.

Board Discussion: Mr. Main asked if there were any questions from the Board. Being none, **Mr. Rothstein made a motion for approval of Resolution 2010-067. Mr. Mondry seconded the motion.** The motion carried unanimously – 10 ayes; 0 nays; 1 recused; 0 absent.

[RETURNS: George Jackson]

[LEAVES MEETING: Jim Petcoff, Stanley "Skip" Pruss, Richard Rassel and Charles Rothstein]

Sante Perrelli, Assistant Attorney General indicated that the Board no longer had a quorum for taking action.

Meeting was paused for 9 minutes while waiting for a quorum.

[Susan Corbin returns to represent Stanley "Skip" Pruss]

Mr. Perrelli indicated that the Board now had a quorum and could proceed.

COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM – ADMINISTRATIVE:

Resolution 2010-068: Approval of the State of Michigan Community Development Block Grant Consolidated Plan for program period July 1, 2010 – June 30, 2015

Kevin Bonds provided information to the Board for the item.

Mr. Bonds indicated that the State of Michigan's Housing and Community Development Consolidated Plan is submitted as a single submission covering the planning and application aspects of the U.S. Department of

Housing and Urban Development's (HUD) programs. According to HUD, the Consolidated Plan creates the opportunity for strategic planning and citizen participation to take place in a comprehensive context. Mr. Bonds indicated that the consolidated plan includes five action plans, of which the Michigan Strategic Fund has authority over Action Plan B. Mr. Bonds read through the specific sections that the MSF would have authority over, including Farm to Food, Incubators, and Revolving Loan Funds. Mr. Bonds also stated that staff is requesting changes to the Consolidated Plan, specifically regarding the RLF section, to include the following: the regionalization of local revolving loan funds would not be required, but would be pursued. Likewise, before any funds or assets held by a local revolving loan fund were recaptured by the State, that action would be brought before the MSF Board for approval.

Rep. Mike Lahti indicated that the Upper Peninsula has historically used many of these funds to great benefit, and stated that he was pleased that staff had taken into account many of the successful programs developed from his area. Rep. Lahti indicated that the jobs created from these programs are very important to the area, and that staff's continued interaction with citizens in all areas of the State is imperative to these programs continuing to grow and prosper.

Mr. Main indicated that the Revolving Loan Fund portion of the Consolidated Plan has been a large issue throughout the State of Michigan, especially when considering small understaffed communities and their ability to underwrite loans. Mr. Main indicated that the input of the smaller communities is imperative to their success, and that staff will continue to work with them to come up with the best answers possible.

Recommendation: MEDC Staff recommends that the MSF Board approve the 5-year consolidated plan with the requested changes as stated above.

Board Discussion: Mr. Main asked if there were any questions from the Board. Being none, **Mr. Herbert made a motion for approval of Resolution 2010-068. Mr. Haas seconded the motion.** The motion carried unanimously – 8 ayes; 0 nays; 0 recused; 3 absent.

Resolution 2010-069: American Recovery and Reinvestment Act (ARRA) Request for Proposals

Kevin Bonds provided information to the Board for the item.

Mr. Bonds indicated that during 2009, the State of Michigan CDBG program has been allocated \$9 million in American Recovery and Reinvestment Act (ARRA) funds from HUD. The intent of this funding is to modernize the State's infrastructure with an emphasis on job creation. Mr. Bonds indicated that \$3,375,000 of the original \$9 million is still available, and that staff will invite all of the State's non-entitlement communities will be invited to submit a proposal with a due date of June 1, 2010, based on the RFP developed for these funds.

Recommendation: MEDC Staff recommends the MSF Board release the RFP to eligible communities for project funding consideration.

Board Discussion: Mr. Main asked if there were any questions from the Board. Being none, **Mr. Jackson made a motion for approval of Resolution 2010-069. Mr. Haas seconded the motion.** The motion carried unanimously – 8 ayes; 0 nays; 0 recused; 3 absent.

COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM – JOB CREATION:

Resolution 2010-070: Holland Charter Township, Ottawa County, Request Foods, Inc. – Wastewater Pretreatment System Improvements - \$5,425,000

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

Mr. Bonds indicated that Holland Charter Township has requested a \$5,425,000 CDBG grant to assist with the construction of public wastewater pretreatment system improvements. Mr. Bonds indicated that it is anticipated that \$35,250,000 will be invested and 155 new jobs will be created by Request Foods, Inc. as result of this project.

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 \$5,425,000 be authorized for Holland Charter Township.

Board Discussion: Mr. Main asked if there were any questions from the Board. Being none, **Mr. Herbert made a motion for approval of Resolution 2010-070. Mr. Haas seconded the motion.** The motion carried unanimously – 8 ayes; 0 nays; 0 recused; 3 absent.

Resolution 2010-071: City of Brighton, Livingston County – Streetscape Improvement - \$361,043

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

Mr. Bonds indicated that the City of Brighton has requested a \$361,043 CDBG grant to fund streetscape activities benefiting the proposed new location for a Bagger Dave's restaurant. Mr. Bonds indicated that it is anticipated that \$40,116 will be invested and 20 new jobs will be created as result of this project.

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 \$361,043 be authorized for the City of Brighton.

Board Discussion: Mr. Main asked if there were any questions from the Board. Being none, **Mr. Herbert made a motion for approval of Resolution 2010-071. Mr. Haas seconded the motion.** The motion carried unanimously – 8 ayes; 0 nays; 0 recused; 3 absent.

Resolution 2010-072: City of Brighton, Livingston County – Downtown Façade Improvement - \$175,000

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

Mr. Bonds indicated that the City of Brighton has requested a \$175,000 CDBG grant to fund façade improvements for two buildings located within their Downtown Development Authority. Mr. Bonds indicated that it is anticipated that \$67,500 will be invested and 5 new jobs will be created as result of this project.

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 \$175,500 be authorized for the City of Brighton.

Board Discussion: Mr. Main asked if there were any questions from the Board. Being none, **Mr. Herbert made a motion for approval of Resolution 2010-072. Mr. Haas seconded the motion.** The motion carried unanimously – 8 ayes; 0 nays; 0 recused; 3 absent.

Resolution 2010-073: City of Adrian, Lenawee County – Downtown Façade Improvement - \$195,968

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

Mr. Bonds indicated that the City of Adrian has requested a \$195,968 CDBG grant to fund façade improvements for three buildings located within their Downtown Development Authority. Mr. Bonds indicated that it is anticipated that \$294,433 will be invested and 9 new jobs will be created as result of this project.

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 \$195,968 be authorized for the City of Adrian.

Board Discussion: Mr. Main asked if there were any questions from the Board. Being none, **Mr. Herbert made a motion for approval of Resolution 2010-073. Mr. Haas seconded the motion.** The motion carried unanimously – 8 ayes; 0 nays; 0 recused; 3 absent.

Resolution 2010-074: City of Ludington, Mason County – Downtown Façade Improvement - \$36,705

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

Mr. Bonds indicated that the City of Ludington has requested a \$36,705 CDBG grant to fund façade improvements for one building located within their Downtown Development Authority. Mr. Bonds indicated that it is anticipated that \$34,000 will be invested and 2 new jobs will be created as result of this project.

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 \$36,705 be authorized for the City of Ludington.

Board Discussion: Mr. Main asked if there were any questions from the Board. Being none, **Mr. Herbert made a motion for approval of Resolution 2010-074. Mr. Haas seconded the motion.** The motion carried unanimously – 8 ayes; 0 nays; 0 recused; 3 absent.

COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM – GRANT AGREEMENT:

Resolution 2010-075: City of Cheboygan, Cheboygan County - \$35,000

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

Mr. Bonds indicated that the City of Cheboygan has requested a \$35,000 CDBG grant increase to cover legal expenses related to the bankruptcy proceedings involving The Great Lakes Tissue Company and the pursuit of a favorable ruling on the status and priority of the City and State's claim.

Mr. Herbert asked if the grant increase was the entire amount needed for legal fees, or just our share of the entire amount. Mr. Bonds indicated that it was just our share.

Recommendation: MEDC Staff recommends that a \$35,000 grant increase be approved 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 2010-075. Mr. Haas seconded the motion.** The motion carried unanimously – 8 ayes; 0 nays; 0 recused; 3 absent.

Resolution 2010-076: Hubbardston Village, Ionia County - \$18,454

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

Mr. Bonds indicated that the MSF Board previously approved a CDBG grant for \$96,301 to Hubbardston Village for its Community Center Boiler System Replacement Project. To save costs, the Village elected to replace the controls on only one side of the Community Center, and subsequently the boiler system continues to fail. Mr. Bonds indicated that Hubbardston Village has requested a \$18,454 grant increase to replace the controls for the boiler system on the other half of the Community Center.

Recommendation: MEDC Staff has concluded that the project meets the minimum program requirements to be eligible under the CDBG program. Staff recommends that an \$18,454 grant increase be approved for this project.

Board Discussion: Mr. Main asked if there were any questions from the Board. Being none, **Mr. Mondry made a motion for approval of Resolution 2010-076. Ms. Corbin seconded the motion.** The motion carried unanimously – 8 ayes; 0 nays; 0 recused; 3 absent.

ADDITIONAL BUSINESS: Mr. Main asked if there was any additional business to discuss. Being none, Mr. Main adjourned the meeting at 3:39 p.m.