

MICHIGAN STRATEGIC FUND BOARD
APRIL 29, 2009

ADOPTED MEETING MINUTES

A meeting of the Michigan Strategic Fund (MSF) Board was held on April 29, 2009 at the Michigan Economic Development Corporation (MEDC), 300 North Washington Square, Lansing, Michigan.

MEMBERS PRESENT: Greg Main; Linda Ewing; Mark Haas (acting on behalf of Robert Kleine, authorization attached); James Herbert; Paul Hodges; George Jackson; Mitch Mondry; James Petcoff; Richard Rassel; and Charles Rothstein

MEMBERS ABSENT: Stanley “Skip” Pruss

CALL TO ORDER: Mr. Main called the meeting to order at 1:36 p.m.

APPROVAL OF MINUTES: Mr. Main asked for a motion to approve the March 18, 2009 meeting minutes. **Mr. Jackson motioned approval of the minutes. Ms. Ewing seconded the motion.** The motion carried unanimously – 8 ayes; 0 nays; 0 recused; 3 absent

PUBLIC COMMENT: Mr. Main opened the floor for public comment. There was no public comment.

COMMUNICATION: Nathan Ohle, MEDC Board Relations Liaison, advised the Board that letters had been received from George Jackson, Richard Rassel and Charles Rothstein recusing themselves from items on the April 29 MSF Board meeting agenda. Mr. Ohle also noted that some new and updated agenda materials had been distributed prior to the start of the meeting.

CONFIDENTIALITY REPORT: Ned Staebler, MEDC Vice President of Program Administration, reported that three companies had requested confidentiality from the 21st Century Jobs Fund Competition.

[Recused: Richard Rassel]

Resolution 2009-036: Confidentiality Acknowledgement – Danotek Motion Technologies, Inc.

Board Discussion: Mr. Main asked if there were any questions from the Board. Being none, **Mr. Haas motioned approval of Resolution 2009-036. Mr. Rothstein seconded the motion.** The motion carried unanimously – 7 ayes; 0 nays; 1 recused; 3 absent

[Returned: Richard Rassel]

Resolution 2009-037: Confidentiality Acknowledgement – Incept Biosystems, Inc. and Limo-Reid, Inc.

Board Discussion: Mr. Main asked if there were any questions from the Board. Being none, **Mr. Petcoff motioned approval of Resolution 2009-037. Mr. Jackson seconded the motion.** The motion carried unanimously – 8 ayes; 0 nays; 0 recused; 3 absent

21st CENTURY JOBS FUND:

[Recused: Charles Rothstein]

[Jim Herbert joined the meeting]

Resolution 2009-038: Marketing RFP Joint Evaluation Committee

George Zimmerman, MEDC Vice President of Travel Michigan, provided background information on the following action.

Mr. Zimmerman informed the Board that seven proposals had been received in response to the Marketing RFP the Board had approved in February. Three proposals had been submitted for the Business Marketing campaign, three for both the Business and Travel Marketing campaigns, and one proposal for the Travel Marketing campaign. Staff is requesting the Board approve a Joint Evaluation Committee to evaluate proposals for the Business and Travel Marketing campaigns.

Board Discussion: Mr. Main asked if there were any questions from the Board. Being none, **Mr. Rassel motioned approval of Resolution 2009-038. Mr. Haas seconded the motion.** The motion carried unanimously – 8 ayes; 0 nays; 1 recused; 2 absent.

[Returned: Charles Rothstein]

[Paul Hodges joined the meeting]

Resolution 2009-039: Accumed Put Extension

Ned Staebler provided background information on the following action.

Accumed Systems, Inc. (“Accumed”) received a 2001 Michigan Life Science Corridor Award of \$1,291,216. Accumed is in the process of raising equity in excess of \$5 million, and has received positive responses from the investment community and believes it can be fully funded by the first quarter of 2010. As part of this capital raise, Accumed is requesting that the MSF Board extend the time that the MSF may first exercise its Put Option until 2014 and allow for the exclusion of common stock issued to the University of Texas System (UTS) from the anti-dilution clause of the original award. In exchange, the MSF will receive additional shares of stock to keep the ownership percentage at the level it was after the 2001 award following this additional capital raise.

Board Discussion: Mr. Main asked if there were any questions from the Board. *Mr. Rothstein noted that this had been reviewed by the MSF Investment subcommittee and that they were supportive of this item. Mr. Haas asked whether the MSF had anti-dilution protection on just the new stocks being issued or on all stocks. Mr. Staebler replied that they were protected on all stocks excluding the stock issued to UTS and other normal exceptions.* Being no further discussion, **Mr. Rothstein motioned approval of Resolution 2009-039. Mr. Mondry seconded the motion.** The motion carried unanimously – 10 ayes; 0 nays; 0 recused; 1 absent

Resolution 2009-040: Metabolic Solutions Development Co. (MSD) Conversion Request

Ned Staebler provided background information on the following action.

In January 2009, the MSF entered into a Convertible Loan Agreement with MSD through the 2008 21CJF business plan competition. In March 2009, MSD issued a fund-raising Memorandum seeking to raise new capital among current and new investors, and have subsequently received commitments that trigger conversion of the outstanding debt under the Convertible Loan Agreement with the MSF. MEDC staff has been negotiating with the company on how to handle this conversion request, and MSD would like the MSF Board to consider converting the outstanding debt and the next disbursement scheduled to go out to the company, while keeping the remainder of the loan outstanding.

Board Discussion: Mr. Main asked if there were any questions from the Board. *Mr. Herbert noted that this had been reviewed by the MSF Investment subcommittee and that they were supportive of this item. He also stated that MEDC staff had been working hard on this negotiation and that they should be recognized for their efforts to come to a positive conclusion for both the MSF and the company.* Being no further discussion, **Mr. Herbert motioned approval of Resolution 2009-040. Mr. Rothstein seconded the motion.** The motion carried unanimously – 10 ayes; 0 nays; 0 recused; 1 absent

2008 Business Plan Competition Update: Ned Staebler provided a summary of the 2008 Business Plan Competition. In total, 18 companies currently have an award from the competition. Those companies are expected to bring over 1400 jobs to the state due to their investments, and have been able to leverage over

\$62 million. Mr. Staebler also noted that over half of the awards went to Life Science companies, while the other awards were evenly distributed among the Homeland Security and Defense, Advanced Automotive, Manufacturing, and Materials, and Alternative Energy industries. *Mr. Rothstein noted that the competition may be funding industries that typically do not have a lot of investment options, and that may be why you see the disparity in numbers. Mr. Rassel asked whether the MEDC staff has had a lot of pushback from companies that do not like the investment terms. Mr. Haas stated that the reason behind the pushback may be that in the past companies were given the expectation that their loans may be forgiven in the future, and the MSF needed to hold strong on keeping companies to their word so that more investments could be made in other companies as well. Mr. Rothstein also noted that other states are being very competitive with incentives at this point, and that companies are trying to take advantage of those opportunities to get the best deal.*

PRIVATE ACTIVITY BONDS:

[Recused: George Jackson and Richard Rassel]

Resolution 2009-041: Detroit Edison Company – Supplemental Indenture/\$119,175,000 Conversion/Pollution Control

Diane Cranmer, MEDC IDR Specialist, provided background information on the following action.

The project is a conversion of the interest rate mode for the \$119,175,000 Michigan Strategic Fund Variable Rate Limited Obligation Revenue Refunding Bonds (The Detroit Edison Company Exempt Facilities Project) Series 2008ET from the weekly rate mode to a term mode. A supplemental indenture is required to accomplish this conversion.

Board Discussion: Mr. Main asked if there were any questions from the Board. *Mr. Herbert asked if this was the first of this type of change that we have seen. Ms. Cranmer responded that it was the first of 2009, but that the Board had approved similar actions in 2008. Mr. Petcoff motioned approval of Resolution 2009-027. Mr. Haas seconded the motion.* The motion carried– 8 ayes; 0 nays; 2 recused; 1 absent.

Roll Call:

Ayes: Greg Main; Linda Ewing; Mark Haas (acting on behalf of Robert Kleine, authorization attached); James Herbert; Paul Hodges; Mitch Mondry; James Petcoff; and Charles Rothstein

Nays: None

Recused: George Jackson; Richard Rassel

Absent: Stanley “Skip” Pruss

RENAISSANCE ZONES:

[Returned: George Jackson and Richard Rassel]

Resolution 2009-042: Heat Transfer International (HTI), City of Kentwood, Kent County – Renewable Energy Zone

Kevin Bonds, MEDC Business and Community Services Manager, provided background information and introduced the guest presenters: Rick Chapla, Vice President of Business Development, The Right Place; Dave Prouty, President of HTI; and Mike DiBernardo, Michigan Department of Agriculture.

HTI manufactures custom biomass gasification electrical generation systems. Their propriety systems convert solid and semi-solid waste like animal manure, agricultural waste, solid waste from landfills, waste water treatment sludge, and hazardous waste into a combustible syngas that can power generators, dryers, heaters and cooling equipment. HTI is looking to expand, and will be renovating a 17,000 square foot building for its new operations. The project anticipates creating up to 20 full-time jobs within the first 5 years in addition to the 10 current employees currently co-located with another manufacturing

company in Caledonia Township. This request is for a 15 year designation of the property as a Renewable Energy Renaissance Zone. Mr. Bonds also explained that this project had been approved by the Michigan Agriculture Commission the day before, and if passed by the MSF Board, would then move on to the State Administrative Board.

Board Discussion: Mr. Main asked if there were any questions from the Board. *Mr. Petcoff asked if this project was a profitable venture, and if the end product would replace natural gas. Mr. Prouty responded that the company produces equipment that powers turbines and other heavy machinery and equipment, and that it will replace natural gas for those using the technology. He continued by shaping some of the company's business plan, and that they hoped to be profitable in their venture.* Being no more questions, **Mr. Petcoff motioned approval of Resolution 2009-042. Mr. Jackson seconded the motion.** The motion carried unanimously – 10 ayes; 0 nays; 0 recused; 1 absent.

COMMUNITY DEVELOPMENT BLOCK GRANTS:

Resolution 2009-043-Infrastructure: City of Norway - United Kiser Services, LLC Project-\$352,200
Kevin Bonds provided background information on the following action.

United Kiser Services, LLC manufactures all sizes of radial arms and steel sluice gates, penstocks, draft tubes and turbine replacement parts and will be undertaking an expansion and investing over \$1,056,600 in building renovations and leasehold improvements. The expansion is expected to result in an increase in the creation of 25 new jobs over the next two years. The City of Norway is requesting \$352,200 of CDBG funds for public storm sewer and public street improvements for this project.

Board Discussion: Mr. Main asked if there were any questions from the Board. Being none, **Mr. Rassel motioned approval of Resolution 2009-043. Mr. Haas seconded the motion.** The motion carried unanimously – 10 ayes; 0 nays; 0 recused; 1 absent.

ICE Offering: Mr. Bonds reported that the MEDC had sent a letter out to all non-entitlement communities throughout the State of Michigan that spelled out the Infrastructure Capacity Enhancement program and how communities could apply for funds from the program. This is the 7th time the ICE program has been used, and the purpose of the CDBG ICE program is to accelerate economic development and provide benefit to low and moderate-income communities in Michigan. This \$9 million program is going to be used to compliment the stimulus money that will be coming through for CDBG projects. *Mr. Main noted that the Governor had asked the MEDC to survey sites throughout Michigan that could be deemed "shovel ready", and there were a huge amount of responses. He continued by stating that there is a great demand for infrastructure repair projects in the state.*

STATUS OF FUNDS REPORT: Mr. Bonds provided an update on the CDBG status of funds and available resources. There were no additional questions from the Board.

ADDITIONAL BUSINESS: Mr. Main asked if there was any additional business to discuss.

ADJOURNMENT: Being no more additional business, Mr. Main adjourned the March 25, 2009 MSF Board Meeting. The meeting was adjourned at 2:13 p.m.