

**MICHIGAN STRATEGIC FUND BOARD  
DECEMBER 17, 2008**

**ADOPTED MEETING MINUTES**

A meeting of the Michigan Strategic Fund (MSF) Board was held on December 17, 2008 at the Michigan Economic Development Corporation (MEDC), 300 North Washington Square, Lansing, Michigan.

**MEMBERS PRESENT:** Susan Corbin (acting on behalf of Stanley “Skip” Pruss, authorization attached); Linda Ewing; Jim Herbert; Paul Hodges; Robert Kleine; Richard Rassel; Charlie Rothstein; George Jackson (via phone); Jeff Leithauser (via phone)

**MEMBERS ABSENT:** James Epolito

**CALL TO ORDER:** Treasurer Kleine called the meeting to order at 1:34 p.m.

**APPOINTMENT OF TEMPORARY CHAIR:** Mr. Rassel motioned to appoint Treasurer Robert Kleine as Temporary Chair in James Epolito’s absence for the December 17, 2008 MSF Board Meeting. Ms. Corbin seconded the motion. The motion carried unanimously – 6 ayes; 0 nays; 0 recused.

**APPROVAL OF MINUTES:** Treasurer Kleine asked for a motion to approve the November 25, 2008 meeting minutes. Mr. Rothstein motioned approval of the minutes. Ms. Corbin seconded the motion. The motion carried unanimously – 6 ayes; 0 nays; 0 recused

[George Jackson and Jeff Leithauser joined the meeting by phone.]

**PUBLIC COMMENT:** Treasurer Kleine opened the floor for public comment. There was no public comment.

**COMMUNICATION:** Nathan Ohle, MEDC Board Relations Liaison, advised the Board that a letter had been received from Jeff Leithauser and Richard Rassel recusing themselves from projects on the December 17, 2008 MSF Board Meeting Agenda. Mr. Ohle also provided clarification regarding the updated agenda materials distributed to each member.

[Jim Herbert joined the meeting in person.]

*Treasurer Kleine informed the Board that the Confidentiality Subcommittee had met twice and had not as of yet come to a conclusion on what the Board should allow confidentiality on. Treasurer Kleine will ask for a discussion of the full Board on this topic in the future.*

**CONFIDENTIALITY REPORT:** Ned Staebler, MEDC Vice President of Program Administration, reported that two applicant companies under the 21<sup>st</sup> Century Jobs Fund Competition program had requested confidentiality.

**Resolution 2008-201: Confidentiality Acknowledgement – Arbor Photonics**

**Board Discussion:** Treasurer Kleine asked if there were any questions from the board. Being none, Mr. Hodges motioned approval of Resolution 2008-201. Mr. Rothstein seconded the motion. The motion carried unanimously – 9 ayes; 0 nays; 0 recused

**[Recused:** Jeff Leithauser]

**Resolution 2008-202: Confidentiality Acknowledgement – Metabolic Solutions**

**Board Discussion:** Treasurer Kleine asked if there were any questions from the board. *Discussion ensued regarding the purpose for age information being confidential and how that was handled in the past.* Being no more discussion, **Mr. Rassel motioned approval of Resolutions 2008-202. Mr. Hodges seconded the motion.** The motion carried unanimously – 8 ayes; 0 nays; 1 recused

[Returned: Jeff Leithauser]

**21<sup>st</sup> CENTURY JOBS FUND:**

**Resolution 2008-203: Rescission of Investment in Ardesta**

*Ned Staebler provided background information on this action.*

Mr. Staebler explained that due to current market conditions, Ardesta had decided to cancel its fund raising efforts. Therefore, the previously approved investment into Ardesta in the amount of up to \$7.5 million dollars had been released and needed to be rescinded by the Board.

**Board Discussion:** Treasurer Kleine asked if there were any questions from the Board. Being none, **Mr. Rassel motioned approval of Resolution 2008-203. Ms. Corbin seconded the motion.** The motion carried unanimously – 9 ayes; 0 nays; 0 recused

**Credit Suisse Status of Investments Update:**

Vikram Bhaskar, Director/Partner and Bob Payne, Manager of the Michigan Office, both of Credit Suisse, provided an update on the status of the Investment Fund to date. Mr. Vikram began with a PowerPoint presentation. *Discussion ensued regarding the commitments made to date, how many of those are closed, and how much has been drawn down.* Mr. Payne continued by highlighting three of the actual companies investments had been made in: Incept BioSystems, Microposite, and Quantum Learning. The presentation continued with Mr. Payne sharing some of the highlights of the Fund since its inception, including number of responses to the RFP, media opportunities, etc. *Treasurer Kleine asked Mr. Payne and Mr. Bhaskar to discuss the impact the current economy was having on investment opportunities. Discussion continued.*

**Resolution 2008-204: Investment Recommendation – RPM Ventures II**

*Bob Payne provided background information on this action.*

Mr. Payne brought an investment recommendation before the Board for approval. He explained that the Board had previously approved a \$3.75 million investment in RPM Ventures. Normally, the initial investment recommendation is 10% of a fund total. However, because funds were not available at that time to invest the full 10% (\$6 million), the Board only approved \$3.75 million. Due to the Ardesta investment being rescinded, funds are now available and Credit Suisse is recommending to the Board that they approve the remaining \$2.25 million to RPM to fill out the 10% usually invested, bringing the total to \$6 million.

**Board Discussion:** Treasurer Kleine asked if there were any questions from the Board. Being none, **Mr. Herbert motioned approval of Resolutions 2008-204. Mr. Rothstein seconded the motion.** The motion carried unanimously – 9 ayes; 0 nays; 0 recused

**Resolution 2008-205: Funding Allocation to the Small Business and Technology Development Centers**

*Ned Staebler provided background information on this action.*

As appropriated in 2008 PA 261, Sec. 1024, \$1,400,000 shall be granted by the MSF Board to the Michigan Small Business and Technology Development Centers (MiSBTDC) to continue to be used for the SBIR or STTR grant or loans matching program and referred to as the Emerging Technology Fund Matching Program. These funds shall only be used to provide the required match. Grants or loans under this section shall not exceed 25% of the federal funds and must leverage third-party commercialization funding at both the phase I and phase II levels. The MSF approved a similar appropriation for FY 2007 for \$1,400,000 and all funds have been tentatively committed to 18 projects with the following

breakdown: 18% to advanced manufacturing projects, 26% to alternative energy, 21% to homeland /defense, and 35% to life sciences. One-third of the projects are Phase I and the remainder are Phase II. They have been tentatively committed because although the company has been notified that they received the federal award, they still need to raise matching funds before receiving this funding.

**Board Discussion:** Treasurer Kleine asked if there were any questions from the Board. Being none, **Ms. Corbin motioned approval of Resolutions 2008-205. Mr. Rassel seconded the motion.** The motion carried unanimously – 9 ayes; 0 nays; 0 recused

**Resolution 2008-206: Integrated Sensing Systems, Inc. Conversion**

*Michael Psarouthakis, MEDC Senior Portfolio Manager, provided background information on this action.*

Integrated Sensing Systems (ISSYS) specializes in microelectromechanical systems (MEMS) for medical and scientific sensing applications. ISSYS has designed and developed products that provide extremely high measurement accuracies, in the smallest sizes available on the market, with high levels of biocompatibility and corrosion resistance. ISSYS has received a total of \$4,251,485 in funding from the MEDC and MSF.

ISSYS is currently in the process of raising a Preferred Series C round in the amount of \$20 million. The post money valuation upon the close of the Preferred Series C round is \$120 million. ISSYS has or is very close to closing two significant industry investment/partnerships. The first partnership is with GreatBatch, who has invested \$4 million in the Preferred Series C round with an option to invest an additional \$1 million in 2009. The second partnership involves a European company (“Company”) that is recognized as a worldwide leading supplier of industrial measurement and automation equipment. The Company is in the last stages of due diligence and is expected to commit \$8 million on December 18, 2008 upon approval of the conversion by the MSF board. ISSYS is requesting MSF board approve a full conversion of its current holdings into Preferred Series C round shares. Also, ISSYS has secured \$500,000 from previous angels for the Preferred Series C round.

**Board Discussion:** Treasurer Kleine asked if there were any questions from the Board. *Discussion ensued regarding the requirement of a seat on ISSYS’s Board, as well as expenses incurred for serving on that Board and the possibility of getting those costs reimbursed.* Being no more discussion, **Mr. Herbert motioned approval of Resolutions 2008-206. Mr. Rothstein seconded the motion.** The motion carried unanimously – 9 ayes; 0 nays; 0 recused

**RENAISSANCE ZONES:**

*Kevin Bonds, MEDC Manager of Business and Community Services, provided background information on the following three actions which were approved with one combined vote.*

**Resolution 2008-207: Time Extension Request – Sietsema Farms Feeds, LLC**

**Montcalm and Gratiot Counties Renaissance Zone – Pierson Township/Howard City Subzone**

Sietsema Farms Feeds, LLC is a feed manufacturing operation specializing in feed for turkey and swine operations in western Michigan. This 15-year time extension request is for one 21.5 acre parcel which is owned by the Company subject to the proposed extension. The Company constructed a feed manufacturing facility on the property which produces and delivers feed products for west Michigan turkey and swine farms. In the last 2-3 years, energy costs have increased dramatically and have not allowed for further expansion. A time extension to its existing Renaissance Zone designation will allow for further expansion. The Company plans on constructing a state-of-the-art, new 15,000 square foot biomass gasification plant which will convert turkey litter to renewable energy and value added fertilizer. It is anticipated that this project will allow for six immediate new hires and an additional four new hires minimum over the next five years.

**Resolution 2008-208: Time Extension Request – General Motors**

**City of Flint Renaissance Zone – Historic-Industrial-Housing Subzone**

General Motors Corporation (GM) is the world's largest automaker, and has been the global industry sales leader for 76 years. This time extension request is for a parcel located in the City of Flint Renaissance Zone. GM is considering an investment of approximately \$5 million to install a new technology Die Verification Cell process in its Flint Tool and Die plant. This process, utilizing latest technology hydraulic tryout presses, will enable the plant to build high quality dies used in a number of the company's operations. It is anticipated that this project will result in 50 die manufacturing jobs being added to the existing workforce. Additionally, to support the die engineering process, 184 jobs have just been relocated to Flint. The new proposed investment of \$5 million will be approved subject to a favorable business case by GM. If approved, it is anticipated the project will be completed in 2009.

**Resolution 2008-209: Amendment to MSF Designated Pharmaceutical Recovery Renaissance Zone – City of Kalamazoo – MPI Research, Inc.**

In June of 2008, the MSF Board approved a new Pharmaceutical Recovery Renaissance Zone for the MPI Research, Inc. (MPI) project. The project is being brought back to the MSF board in order to amend the designation as a result of the re-parceling of the original designated property. The City of Kalamazoo will be re-parceling the original parcel numbers to account for exclusions to the property, as well as errors in the original property descriptions, which resulted in an underestimation of the total acreage size to be designated as a renaissance zone. A survey that was presented to the City of Kalamazoo on Wednesday, December 10, 2008, brought light to these discrepancies.

**Board Discussion:** Treasurer Kleine asked if there were any questions from the Board. Being none, **Mr. Rassel motioned approval of Resolutions 2008-207; 2008-208; and 2008-209. Ms. Corbin seconded the motion.** The motion carried unanimously – 9 ayes; 0 nays; 0 recused

**TOOL & DIE RECOVERY ZONES:**

[Recused: Richard Rassel]

**Resolution 2008-210: Plastic Engineering & Technical Services, Inc. – Auburn Hills (Oakland County) Request to Join Existing Global Tooling Alliance Recovery Zone**

*Kevin Bonds provided background information on this action.*

Plastic Engineering & Technical Services, Inc. (PETS) was established in 1984, specializing in the design and manufacturing of leading-edge plastics technologies. PETS also provides technical services such as mold tryout support and quality product solutions for mold makers and injection molding customers worldwide. PETS currently employs 36 workers.

The MEDC received a request from the Global Tooling Alliance (GTA) to allow PETS, located in Auburn Hills, to join its existing Recovery Zone. PETS obtained approval from the City of Auburn Hills for an 8 year Recovery Zone, effective January 1, 2009, with an expiration of 2016.

The GTA Recovery Zone/collaborative agreement members voted unanimously to allow PETS to join the GTA. The GTA is confident that the inclusion of PETS into the collaborative agreement will permit the GTA to fully utilize PETS' attributes to develop synergies among the collaborative members.

**Board Discussion:** Treasurer Kleine asked if there were any questions from the Board. Being none, **Ms. Ewing motioned approval of Resolutions 2008-210. Ms. Corbin seconded the motion.** The motion carried unanimously – 8 ayes; 0 nays; 1 recused

[Returned: Richard Rassel]

*Mr. Herbert asked how many Renaissance Zones and Tool & Die Recovery Zones were currently established. Mr. Bonds provided the following breakdown:*

- *Geographic Renaissance Zones: 21 approved zones (155 locations)*
- *Agricultural Processing Renaissance Zones: 22 approved zones*
- *MSF Board Designated Renaissance Zones: 11 approved zones*
- *Renewable Energy Renaissance Zones: 1 approved zone*
- *Forest Products Renaissance Zones: 0 approved zones*
- *Tool & Die Recovery Zones: 25 approved zones (238 companies in 33 counties)*

***Kevin Bonds provided background information on the following nine actions which were approved with one combined vote.***

**Resolution 2008-211: Thunder Bay Pattern Works, Inc. – Clinton Township (Macomb County)  
Request to Join Existing United Tooling Coalition Recovery Zone**

Thunder Bay Pattern Works, Inc. has been in business since June 2000. The Company builds Styrofoam patterns from CAD data or blue prints for automotive stamping dies which are shipped to foundries to be casted into cast iron or steel. Thunder Bay currently has 17 full-time employees.

The MEDC received a request from the United Tooling Coalition (UTC) to allow the Company, located in Clinton Charter Township, to join its existing Recovery Zone. The Company obtained approval from Clinton Charter Township for an 11-year Recovery Zone, effective January 1, 2009, with an expiration of 2019. The UTC Recovery Zone/collaborative agreement members voted unanimously to allow the Company to join the coalition. The UTC wants Thunder Bay as a member because the Company offers machining and pattern making services that complement the existing composition of the coalition. These services extend the vertical supply chain for tool making to include patterns; a capability that previously did not exist in the UTC.

**Resolution 2008-212: Urgent Plastic Services, Inc. – Rochester Hills (Oakland County)  
Request to Join Existing United Tooling Coalition Recovery Zone**

Urgent Plastic Services, Inc. is a tool and die manufacturer of plastic and metal tooling and components serving the automotive industry and several other emerging markets, such as alternative energy and renewable energy. The company currently has 68 full-time employees.

The MEDC received a request from the United Tooling Coalition (UTC) to allow the Company, located in Rochester Hills, to join its existing Recovery Zone. The Company obtained approval from the City of Rochester Hills for a five-year Recovery Zone, effective January 1, 2009, with an expiration of 2013. The UTC Recovery Zone/collaborative agreement members voted unanimously to allow the Company to join the coalition. The UTC wants the Company as a member because it is a tool and die manufacturer of plastic and metal tooling and components which complement the existing composition of the coalition. The Company also is a key supplier to the emerging sectors of alternative energy and renewable energy, including the design and development of fuel-cells and Lithium-Ion batteries, a capability that previously did not exist in the UTC.

**Resolution 2008-213: D.S. Mold, LLC – Belding (Ionia County)  
Request to Join Existing Central Michigan Collaborative Recovery Zone**

D.S. Mold, LLC is a tooling manufacturer that builds, repairs and performs engineering changes for foam molds; builds dies from designs; builds checking and form fixtures; and fabricates a wide range of components. The Company currently employs eight full-time and two part-time employees.

The MEDC received a request from the Central Michigan Collaborative to allow the Company, located in the City of Belding, to join its existing Recovery Zone. The Company obtained approval from the City of Belding for a 12-year Recovery Zone, effective January 1, 2009, with an expiration of 2020. The Central Michigan Collaborative Recovery Zone/collaborative agreement members voted unanimously to allow the Company to join the coalition. The members believe the opportunity to include D.S. Mold offers the group the ability to compete on a global level relative to the Company's niche market. In addition,

because of the capabilities of the collaborative's existing membership, the Company will be able to expand its customer base to include projects that it may not currently be able to service.

**Resolution 2008-214: Tooling Systems Group Components – Revocation of Former Location**

The MSF Board approved Tooling Systems Group Components, Inc. to join the Tooling Systems Group Recovery Zone/collaborative agreement on December 20, 2006, effective January 1, 2007, for a 13-year term to expire 2019. In 2008 the Company moved to a new location (from the City of Walker to the City of Belmont). The Company joined the Tooling Systems Group Recovery Zone/collaborative agreement in 2006. Because it has ceased operations at its former location in the City of Walker, the Company requests that the Board revoke the Recovery Zone designation for those parcels.

**Resolution 2008-215: Tooling Systems Group Components – Designation of New Location**

Upon designation by the MSF Board in December 2004, Tooling Systems Group Components, Inc. joined the Tooling Systems Group Recovery Zone in 2006, effective 2007. Since designation, the Company moved from the City of Walker to Plainfield Charter Township. The Company continues to be an active participant in the Tooling Systems Group collaborative agreement and is conducting tool and die business operations at its new location. The Company is applying for a new Recovery Zone parcel designation at its new location.

**Resolution 2008-216: Eckhart & Associates, Inc. – Watertown Township (Clinton County)**

**Request to Add One Year to Zone Duration**

On December 20, 2006, the MSF Board designated H.A. Eckhart & Associates, Inc. d/b/a Eckhart & Associates Inc. as a Recovery Zone, effective January 1, 2007, along with the Capital Area Tooling Partnership. The member companies of the Capital Area Tooling Partnership were approved for Recovery Zone designations of various durations. The Company received a five-year designation with an expiration date of 2011. The MEDC received a resolution from Watertown Charter Township requesting that the MSF approve an extension of the original five-year Recovery Zone designation for the Company for an additional one year, bringing the total duration of the Recovery Zone designation to a total of six years.

**Resolution 2008-217: Midwest Mold Services, Inc. – City of Roseville (Macomb County)**

**Request to Add One Year to Zone Duration**

On December 20, 2006, The MSF Board designated the Michigan Coast to Coast Tool & Die Collaborative as a Recovery Zone, effective January 1, 2007. Midwest Mold Services Inc. was designated as a Recovery Zone along with the Michigan Coast to Coast Tool & Die Collaborative for a term of five years, with an expiration date of 2011. The MEDC received a resolution from the City of Roseville requesting that the MSF approve an extension to the Company's original five-year Recovery Zone designation for an additional one year. If extended, the total duration of the Company's Recovery Zone designation will be six year, and have a new expiration date of 2012.

**Resolution 2008-218: Mattson Tool & Die Corporation – Plainfield Township (Kent County)**

**Revocation of Existing Tool & Die Recovery Zone Property**

On December 20, 2006, the MSF Board designated Mattson Tool & Die Corporation as a Recovery Zone as part of the Michigan Coast to Coast Tool & Die Collaborative for a ten year term, with an expiration date of 2016. The MEDC received written notification from both the Company and the Plainfield Township assessor that the company had closed. Due to the closure, the company is no longer a member of and participating in the collaborative agreement with the members of the Michigan Coast to Coast Tool & Die Collaborative. The MEDC confirmed that the Company ceased tool and die business operations and notified the coalition that a recommendation would be made to the Board at its December 2008 meeting to revoke the Company's Recovery Zone designation.

**Resolution 2008-219: Industrial Wire EDM Service, Inc. – Leoni Township (Michigan Center)**

**Revocation of Existing Tool & Die Recovery Zone Property**

On December 21, 2005, the MSF Board designated Industrial Wire EDM Service as a Recovery Zone, as part of Automation & Tooling Alliance of North America (ATANA or the Coalition), for a 15-year term to expire in 2020. The MEDC received written notification from the ATANA Recovery Zone contact person that the Company has gone out of business and closed. The company is no longer a member participating in the collaborative agreement with the members of ATANA. The MEDC confirmed that the Company ceased tool and die business operations and notified the Coalition that a recommendation would be made to the MSF Board at its December 2008 meeting to revoke the Company's Recovery Zone designation.

**Board Discussion:** Treasurer Kleine asked if there were any questions from the Board. Being none, **Ms. Corbin motioned approval of Resolutions 2008-211; 2008-212; 2008-213; 2008-214; 2008-215; 2008-216; 2008-217; 2008-218; and 2008-219. Mr. Rassel seconded the motion.** The motion carried unanimously – 9 ayes; 0 nays; 0 recused

**ADDITIONAL BUSINESS:** *Treasurer Kleine informed the Board that the Board Member Appointments for Paul Hodges and Jeff Leithauser had expired, and since this would be their last meeting, during their initial term, two resolutions were introduced for adoption that recognized Mr. Hodges and Mr. Leithauser individually for their service to the MSF Board and the State of Michigan. Mr. Rassel motioned approval of Resolution 2008-220 honoring Paul Hodges for his service. Mr. Rothstein seconded the motion. The motion carried unanimously – 8 ayes; 0 nays; 1 recused. Then, Mr. Rassel motioned approval of Resolution 2008-221 honoring Jeff Leithauser for his service. Ms. Corbin seconded the motion. The motion carried unanimously – 8 ayes; 0 nays; 1 recused.*

**ADJOURNMENT:** Being no more additional business, Treasurer Kleine adjourned the meeting at 2:23 p.m.