

**MICHIGAN STRATEGIC FUND BOARD
MARCH 18, 2009**

ADOPTED MEETING MINUTES

A meeting of the Michigan Strategic Fund (MSF) Board was held on March 18, 2009 at the Michigan Economic Development Corporation (MEDC), 300 North Washington Square, Lansing, Michigan.

MEMBERS PRESENT: James Epolito, Charles Rothstein, Jim Herbert, Linda Ewing; Robert Kleine; Jim Petcoff (via phone); Susan Corbin (acting on behalf of Stanley “Skip” Pruss, authorization attached); and Paul Hodges

MEMBERS ABSENT: George Jackson; Richard Rassel; and Mitch Mondry

CALL TO ORDER: Mr. Epolito called the meeting to order at 1:41 p.m. and began the meeting by welcoming back Mr. Herbert and thanked the Board for everything over the past 3½ years. He also acknowledged the MEDC staff, Chief Compliance Officer John Walter, the Attorney General’s Office and the great Executive Team he has had the honor to work with. Mr. Epolito thanked the Governor for her help in passing many bills related to the Board and the great work that they do.

Jim introduced his replacement, Mr. Greg Main from Oklahoma and Michigan native. Mr. Main said that he was happy to be here and excited about rebuilding Michigan’s economy and that he looked forward to working with all everyone.

APPROVAL OF MINUTES: Mr. Epolito asked for a motion to approve the February 25, 2009 meeting minutes. **Treasure Kleine motioned approval of the minutes. Ms. Corbin seconded the motion.** The motion carried unanimously – 8 ayes; 0 nays; 0 recused; 0 absent

PUBLIC COMMENT: Mr. Epolito opened the floor for public comment pertaining to anything on the agenda. Senator Alan Cropsy thanked Mr. Epolito for his dedication and work and acknowledged the MEDC staff for their great work. Senator Cropsy was here to talk on the Ambassador Bridge Project and stated that he “strongly urged” the MSF Board to approve Phase II of the Ambassador Bridge Project.

Mr. Epolito asked if there were any questions for the Senator. There were none.

Mr. Adolf Mongo from Detroit for Progress spoke supporting of the Ambassador Bridge Project.

Mr. Epolito asked if there were any questions. There were none.

COMMUNICATION: Nathan Ohle, MEDC Board Relations Liaison, advised the Board that numerous letters had been received regarding the Ambassador Bridge Project and that copies of those letters were distributed prior to the Board meeting. Mr. Ohle also noted that some new and updated agenda materials had been distributed prior to the start of the meeting.

21st CENTURY JOBS FUND:

Resolution 2009-026: Credit Suisse Quarterly Report

Paul Brown, MEDC Manager of Capital Markets Development, provided background information and introduced guests: Bob Payne, Mel Carter and Sean O’Donnell representing Credit Suisse. Mr. Carter acknowledged Mr. Epolito and appreciates all he has done while at the MEDC. The project is on track with regards to the investment and commitments phases and is on track to reach its targeted allocations. To date, the Michigan 21st Century Investment Fund (“M21stCIF”) has approved commitments of \$73.5

million to eight (8) fund managers and one co-investment opportunity. Mr. Payne spoke on the 11 Michigan based portfolio companies and their over 250 Michigan employees. In April of this year, Credit Suisse will host its 3rd Annual Small & Engineering Emerging Manager and In-State Investment Conference held in Detroit. They discussed how they have been able to attract new businesses and jobs since inception and have reached out to 22 private equity, mezzanine and venture capital firms. Mr. Payne spoke about the numerous phone, face to face and conference event contacts with more than 750 fund manager professionals and 219 entrepreneurs.

Board Discussion: Mr. Epolito asked if there were any questions from the Board. Mr. Rothstein had a few questions: *In regards to fund managers that haven't invested yet – how do you move them along and what are the strings of doing so?* Mr. Payne responded that the economy and credit market are very active in the state but still helping them to find the right fit. *Mr. Rothstein asked if their funds have been closed. Or will they be, by a certain date?* Mr. Payne stated that Credit Suisse keeps its working relationships open and reminds the fund managers of their investment responsibilities; that there is no specific written timetable in the side letter. *Mr. Epolito asked if they could speak a little more on the April conference.* Mr. Carter discussed the opportunity to network, gain new contacts, participate in panels, key note speakers are not finalized, but they are excited about the “well known” speakers. He asked how you make it work. You do a few things: (1) bring in other states; incubator ideas; and finish up with panel discussion groups to share war stories. *Mr. Rothstein stated that he had been before that that it is a fantastic conference. Credit Suisse is doing us a great favor by holding this event in Michigan. Mr. Herbert asked what the expected attendance is.* Credit Suisse replied 350/400 people attended to the meeting they held in Los Angeles and that they were expecting the same here in Michigan. *Mr. Epolito suggested that Credit Suisse get in touch with Mr. Greg Main, if they hadn't already done so.*

PRIVATE ACTIVITY BONDS:

Resolution 2009-027: Detroit International Bridge Company – Detroit, Wayne County Inducement (“DIBC”) \$787,400,000.

Diane Cranmer, MEDC IDR Specialist, provided background information and introduced guests: Dan Stamper, President, Pat Moran, Counsel and Mickey Blashfield, Governmental Relations, all representing the DIBC

Legislative Guests:

*State Senator Randy Richardville – District 17;
State Representative Rashida Tlaib – District 12;*

Mr. Richardville began by thanking the Board for the opportunity to speak and that he appreciated that issues were being resolved in the proper forums and that luckily, the MSF is charged primarily with approving Phase II Inducement Bond only.

Mr. Epolito asked if there were any questions for the Senator, being none, Representative Tlaib addressed the group and said thank you and commended the Board members for reviewing the Phase II resolution in this now, 4th attempt on approving Phase II of the project. Rep. Tlaib asked that the MSF Board require the DIBC commit to Phase I and meet all federal and MDOT guidelines and refrain from approving until all concerns are met. The Representative stated that she understands the difficulty in this and that she “feels our pain” as her district is directly impacted. Over 500 people showed up yesterday in support of their cause and hopes that DIBC is not approved.

Mr. Epolito asked if there were any questions for the Representative, being none, Mr. Ned Staebler, MEDC Vice President, Program Administration stated that questions asked by the Board of the company have been responded to by the DIBC. A United States Department of Transportation letter has been received stating that all requirements have been met. A copy of this letter was passed out at today's

meeting. Mr. Staebler explained what an Inducement Resolution was, that it was a technical step in the Private Activity Bond process and that it wasn't an endorsement of the project; and that a number of contingencies had been placed into the resolution before the Board, and that it was a technical step and not the "final" step in the process. Mr. Staebler stated the staff recommendation is to approve Phase II of the DIBC as written. Treasurer Kleine asked if there were any specific challenges. Mr. Staebler replied that there were some issues as with any large construction project, that the DIBC and MDOT were in constant communication regarding the project, and that at this time MDOT has not communicated to staff any issues that were of such significance to merit not approving the resolution.

Board Discussion: Mr. Epolito asked if there were any questions from the Board. **Mr. Herbert motioned approval of Resolution 2009-027.** Ms. Ewing asked if there are similar instances where the Board has possibly rejected a project that it previously passed. Mr. Staebler referred to Mr. Timothy Konieczny of the Attorney General's office. Mr. Konieczny said that in at least one case, the Board had rejected a previous inducement of a project. Ms. Ewing said she attended the Coast Guard hearing on March 17 and was impressed to see 300-500 people from the community in attendance. She also stated that this is not a "shovel ready" project. March 30 is the deadline for all final Coast Guard statements, and no work can be done until all Canadian permits are issued. She finished with the fact that she remains puzzled why the United States Department of Transportation is tying up time on a project that is not ready to go. **Mr. Petcoff seconded the motion.** The motion carried— 7 ayes; 1 nay; 0 recused; 3 absent.

Resolution 2009-028: The Detroit Edison Company \$68,500,000 Refunding/Solid Waste

Diane Cranmer provided background information on the following action.

The Board reviewed the Private Activity Bond Authorizing Resolution for the Detroit Edison Company. This project includes the refunding of the MSF's \$68,500,000 Series 2008DT Bonds which were issued by the MSF in April of 2008. After numerous meetings with investment banking firms, Detroit Edison has been advised refunding of the Series 2008DT Bonds into non-AMT refunding bonds will result in a significant interest cost savings to Detroit Edison over the life of the bond issue. Staff recommends approval of this resolution in an amount not to exceed the \$68,500,000.

Board Discussion: Mr. Epolito asked if there were any questions from the Board. Being none, **Treasurer Kleine motioned approval of Resolution 2009-028.** **Ms. Corbin seconded the motion.** The motion carried unanimously – 8 ayes; 0 nays; 0 recused; 3 absent.

Roll Call:

- Ayes:** James Epolito, Linda Ewing; Treasurer Kleine; Jim Petcoff (*via phone*); James Herbert; Paul Hodges; Charlie Rothstein; and Sue Corbin, (*acting on behalf of Stanley "Skip" Pruss, authorization attached*)
- Nays:** None
- Recused:** None
- Absent:** George Jackson; Richard Rassel and Mitch Mondry

Resolution 2009-029: GMA Cover Corporation – Amendment to Inducement

Diane Cranmer provided background information on the following action.

On July 23, 2008, the MSF Board approved GMA's request to extend the expiration of their inducement from September 27, 2008 to June 30, 2009. At this time, GMA is requesting another extension of their Resolution 2008-104, changing the date to December 31, 2009. In addition, the company has grown in size from 60 employees to a current staff of 200, therefore, GMA is requesting not only the extension of deadline, but also an increase to the size of the inducement from the original \$9,700,000 to \$10,000,000. Staff recommends the approval of this new expiration date as well as the change in project size.

Board Discussion: Mr. Epolito asked if there were any questions from the Board. Being none, **Treasure Kleine motioned approval of Resolution 2009-029. Mr. Rothstein seconded the motion.** The motion carried unanimously – 8 ayes; 0 nays; 0 recused; 3 absent.

Resolution 2009-030: Hausbeck Pickle Company – Reissuing/Amendment

Diane Cranmer provided background information on the following action.

In 2007 bonds were issued to the Hausbeck Pickle Company (“Hausbeck”) on behalf of the MSF. Citizens Bank secured these bonds with a letter of credit. Last fall, bond holders exercised their “put” or “tender” rights (i.e. their rights to have the Trustee repurchase their bonds, since the Citizens Bank Letter of Credit was not strong enough given unstable markets). Currently, the bonds have not been resold/remarketed as they would have been if tendered for the same reason. Federal Home Loan Bank of Indianapolis (which carries an “AAA” rating) should replace the Citizens Bank Letter of Credit in order to return the bonds to the marketplace. The reissuance is considered refunding of the original bonds even though new bonds were not issued. Allowing the refunding lets the Federal Home Loan Bank be substituted as a new letter of credit issuer under 2009 Federal law. With the required amendment of the original Indenture of Trust, MSF Board approval is required. Staff has reviewed and recommends approval of the amending documents.

Board Discussion: Mr. Epolito asked if there were any questions from the Board. Being none, **Mr. Rothstein motioned approval of Resolution 2009-030. Treasure Kleine seconded the motion.** The motion carried unanimously – 8 ayes; 0 nays; 0 recused; 3 absent.

Resolution 2009-031: Genesee Packaging, Inc. and V.W. Leasing, L.L.C. – Reissuing/Amendment

Diane Cranmer provided background information on the following action.

In 1998 bonds were issued to Genesee Packaging, Inc. and V.W. Leasing, L.L.C. on behalf of the MSF. Citizens Bank secured these bonds with a letter of credit. The request to replace the Citizens Bank Letter of Credit with a letter of credit from Federal Home Loan Bank. This is the same situation as described in the Hausbeck Pickle Company agenda item. Staff has reviewed and recommends approval of the amending documents.

Board Discussion: Mr. Epolito asked if there were any questions from the Board. Being none, **Treasure Kleine motioned approval of Resolution 2009-031. Ms. Corbin seconded the motion.** The motion carried unanimously – 8 ayes; 0 nays; 0 recused; 3 absent.

COMMUNITY DEVELOPMENT BLOCK GRANTS:

Resolution 2009-032-Jobs Creation: Thomas Township, Saginaw County, Hemlock Semiconductor Infrastructure Project - \$6,795,000

Kevin Bonds, MEDC Manager, Business and Community Services provided background information on the following action.

Mr. Epolito said this is the largest producer of polycrystalline silicon in the world. This is a “fabulous anchor for our state” and the industry is growing at a rate over 30% per year. Thomas Township is seeking \$6,795,000 in CDBG funding for two major public infrastructure projects. This grant is also being requested to construct a 20” water transmission line. The grant will be used toward the estimated total construction costs. Staff has reviewed this proposal and states that it meets the CDBG program requirements, and we therefore, support the expansion plans and acknowledge the expected creation of 300 new full-time jobs within the next two years.

Board Discussion: Mr. Epolito asked if there were any questions from the Board. *Ms. Ewing asked if there was any other bidding or friendly competition? Mr. Epolito responded not friendly – intense bidding wars and that JoAnne Crary from Saginaw Future was tremendous in getting this done.* Being

no more questions, **Treasure Kleine motioned approval of Resolution 2009-032. Mr. Rothstein seconded the motion.** The motion carried unanimously – 8 ayes; 0 nays; 0 recused; 3 absent.

Resolution 2009-033-Planning: Manistee County – Manistee Lake Legacy Initiative \$35,000.

Kevin Bonds provided background information on the following action.

Manistee County requests \$35,000 in CDBG to fund a study regarding the relocation of a railroad line. Manistee County previously received a CDBG grant that assisted in studying whether the relocation of the lines was feasible. Should this project move forward, several miles of lakefront potential redevelopment area will open up. Manistee County has committed to at least 51% of future created positions that are available to, or held by moderate-income persons. After the review of this proposal, staff concluded that it meets all necessary requirements and recommends support of this project in the amount of \$35,000.

Board Discussion: Mr. Epolito asked if there were any questions from the Board. Being none, **Treasure Kleine motioned approval of Resolution 2009-033. Ms. Corbin seconded the motion.** The motion carried unanimously – 8 ayes; 0 nays; 0 recused; 3 absent

Resolution 2009-034-Downtown Infrastructure: Village of Caro, Tuscola County, Reconstruction of 3 Public Parking Lots in Downtown District - \$260,000.

Kevin Bonds provided background information on the following action.

Village of Caro (“Tuscola County”) is requesting \$260,000 in CDBG to fund the reconstruction of three public parking lots in the downtown district. Community contribution is \$195,000 which is 43% of the total project cost. Village of Caro local funds will come from Caro Downtown Development Authority Tax Increment Finance District. All activities benefit all of the residents of the project area and at least 51% of the residents in the community are low and moderate income persons. The village of Caro is 73.1% low to moderate income persons. Staff stated that this meets all requirements and recommends support of this project in the amount of \$260,000.

Board Discussion: Mr. Epolito asked if there were any questions from the Board. Being none, **Treasure Kleine motioned approval of Resolution 2009-034. Ms. Corbin seconded the motion.** The motion carried unanimously – 8 ayes; 0 nays; 0 recused; 3 absent

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. Epolito asked if there was any additional business to discuss. *Mr. Herbert offered Resolution 2009-035 to honor James C. Epolito and his service to the MSF Board. Mr. Herbert motioned approval of Resolution 2009-035. Treasurer Kleine seconded the motion.* The motion carried unanimously – 8 ayes; 0 nays; 0 recused; 3 absent
Mr. Epolito again, thanked the Board for their service and willingness to help Michigan’s economy continue to move forward.

ADJOURNMENT: Being all information was covered and no further information to discuss, Mr. Epolito asked for a motion to adjourn the March 25, 2009 MSF Board Meeting. **Mr. Herbert motioned to adjourn the meeting. Mr. Hodges seconded the motion.** The motion carried unanimously – 8 ayes; 0 nays; 0 recused; 3 absent The meeting was adjourned at 2:43 p.m.