

**MICHIGAN STRATEGIC FUND BOARD
MEETING AGENDA
NOVEMBER 25, 2014
10:00 AM**

Public comment (*please keep public comments to three (3) minutes*)
Communications (Informational) Andrea Robach

A. Consent Agenda

Proposed Meeting Minutes – October 28, 2014
2015 Business Incubator Grant RFP – Request to Issue – Roselyn Zator
Compilation of Delegation of Authority – Amendments – Mark Morante
Mid Towne Hospitality, LLC – MCRP Amendment – Elizabeth Alexandrian
Universal/DeVlieg, LLC – Tool & Die Recovery Zone Revocation – Amy Lux
Exacto Tool Company, LLC – Tool & Die Recovery Zone Revocation – Amy Lux
MSF/Michigan Attorney General – NITC Representation MOU Renewal – Mark Morante
Council of Great Lakes Governors – FY14 Export Grant Amendment – John Wolf-Meyer

B. Catalyst Project

Detroit Events Center – Amendment to Bond Authorizing Resolution – Mark Morante

C. Business Growth

1. Business Investment

Canal Street Brewing (d/b/a Founder's Brewing) – MBDP/Brownfield TIF Amendment – Mike Gietzen
Covisint – MBDP Grant – Marcia Gebarowski

2. Access to Capital

Grow Michigan Holdings, LLLC – Capital Conduit Program – Chris Cook
Michigan Senate Office Building – Bond Inducement – Chris Cook
Holland Homes – Bond Authorizing – Chris Cook
Cascade PACE/United Methodist Retirement Communities – Bond Inducement – Chris Cook
Detroit Renewables – Bond Inducement Amendment – Chris Cook

MICHIGAN STRATEGIC FUND

RESOLUTION 2014-

**APPROVAL OF NOVEMBER CONSENT AGENDA
FOR THE MICHIGAN STRATEGIC FUND BOARD**

WHEREAS, the Michigan Strategic Fund (“MSF”), at its February 2014 board meeting, approved the use of consent agendas at future board meetings pursuant to defined guidelines.

WHEREAS, the MSF, at its February, 2014 board meeting, approved Guidelines for Preparation and Approval of Consent Agendas for the MSF (“Guidelines”).

WHEREAS, pursuant to the recommendation of MSF and MEDC staff, the MSF Board desires to approve the below Consent Agenda items;

NOW, THEREFORE, BE IT RESOLVED, the MSF approves the Consent Agenda items listed below and identified in the final Consent Agenda for this board meeting, for each of which supporting documentation is attached to this Resolution.

Consent Agenda Items:

1. October 28, 2014 Proposed Meeting Minutes
2. 2015 Business Incubator Grant RFP – Request to Issue
3. Compilation of Delegation of Authority – Amendments
4. Mid Towne Hospitality, LLC – MCRP Amendment
5. Universal/DeVlieg, LLC – Tool & Die Recovery Zone Revocation
6. Exacto Tool Company, LLC – Tool & Die Recovery Zone Revocation
7. MSF/Michigan Office of the Attorney General – NITC Representation MOU Renewal
8. Council of Great Lakes Governors – FY14 Export Grant Amendment

Ayes:

Nays:

Recused:

Lansing, Michigan
November 25, 2014

**MICHIGAN STRATEGIC FUND BOARD
PROPOSED MEETING MINUTES
OCTOBER 28, 2014**

Members Present:

Paul Anderson
Mike Finney
Mike Jackson
Andrew Lockwood (on behalf of Treasurer Clinton)
Jim Walsh
Shaun Wilson (via phone)
Mike Zimmerman

Members Absent:

Bill Martin
Terri Jo Umlor
Jody DePree Vanderwel

Call to Order: Mr. Finney called the meeting to order at 10:00 am

Public Comment: Mr. Finney asked if there were any members of the audience who wished to comment.

John Lauve addressed the Board regarding his contention of the Detroit Arena and Events Center (not on the October meeting agenda), stating it is an illegal use of state funding.

Communications: None.

Resolutions 2014-170 - 174 October 2014 Consent Agenda

Mr. Finney asked if there were any questions from the Board on any of the Consent Agenda items. There being none, Mike Zimmer motioned for the approval of the following:

October 2014 Consent Agenda – **2014-170**
September 17, 2014 Proposed Meeting Minutes
2015 MSF Board Meeting Dates
Deep Freeze Additional Funding – **2014-171**
Benteler Automotive Corp. – MEGA Amendment – **2014-172**
Toyota – MBDP Amendment – **2014-173**
MSF/MDOT Memorandum of Understanding Renewal – **2014-174**

Andrew Lockwood seconded the motion. **The motion carried: 7 ayes; 0 nays; 0 recused.**

ADMINISTRATIVE

Resolution 2014-175 – New International Trade Crossing Acknowledgements

Andrew Doctoroff, Senior Advisor to Governor's Office, provided the Board with information regarding this action item. This is a request to approve the MSF's execution of a Michigan Funding Activities Acknowledgment ("Funding Acknowledgment"), Confidentiality Acknowledgment and an acknowledgment regarding the operations of the International Authority ("International Authority Acknowledgment") (collectively, "Acknowledgments").

Because of the MSF's overall involvement as funding agent, and because it is a party to the Crossing Agreement, execution of the Acknowledgments is a condition precedent to further NITC-related activities,

including the receipt and disbursement of funds provided by Canada – funds necessary for the NITC project to move forward. The NITC project will create thousands of jobs in Michigan and catalyze long-term and sustained economic growth in this region. Thus, there is a strong business case for authorizing MSF's execution of the Acknowledgments. Approval of the Acknowledgments is requested at this time because: (1) Canadian participation in the funding and other aspects of the NITC project is conditioned on MSF's approval the acknowledgments; (2) it is expected that Canada's need to perform one or more specific obligations will arise within the near future; and (3) MSF's role in the Acknowledgments is administrative.

Staff Recommendation

MEDC Staff recommends approval of the Financing, Confidentiality and International Authority acknowledgments.

Board Discussion

Mr. Finney asked if there were any questions from the Board. There being none, Mike Jackson motioned for the approval of Resolution 2014-175. Andrew Lockwood seconded the motion. **The motion carried: 7 ayes; 0 nays; 0 recused.**

2014-176 & 2014-177 SESA Exemption Program Approval

Tyler Rossmassler, Senior Planning & Project Manager, provided the Board with information regarding these action items. In August 2014, voters approved a reformation proposal of Michigan's Personal Property Tax. As a result, beginning in 2016 personal property tax will no longer be levied on Eligible Manufacturing Personal Property (EMPP) and a new assessment, called the SESA, will be imposed on all EMPP. The personal property tax reform also provided the MSF Board with the ability to grant SESA Exemptions and Alternative SESAs to companies that make investments in eligible personal property greater than \$25 million. The SESA Exemptions are equal to 100% exemption of the SESA for a period of years. Alternative SESAs are equal to a 50% exemption for a period of years. Businesses that make eligible investments in Eligible Distressed Areas qualify for SESA Exemptions. Businesses that make eligible investments in non-distressed areas will qualify for an Alternative SESA.

Staff Recommendation

MEDC Staff recommends approval of both SESA Exemption and Alternative SESA program guidelines as provided.

Board Discussion

Mr. Finney asked if there were any questions from the Board. There being none, Andrew Lockwood motioned for approval of Resolutions 2014-176 & 2014-177. Mike Jackson seconded the motion. **The motion carried: 7 ayes; 0 nays; 0 recused.**

BUSINESS GROWTH

ENTREPRENEURSHIP

2014-178 Emerging Technologies Fund – MI-SBDC Grant Amendment

Antonio Luck, & Paula Sorrel of the Business Acceleration, Entrepreneurship & Innovation team, provided the Board with information regarding this action item. MEDC Staff recommends the MSF Board approve a grant amendment in the amount of \$2,076,500 to the Michigan Small Business Development Center (MI-SBDC) to fund the continuation of matching funds for Small Business Innovation Research (SBIR) and Small Business Technology Transfer Research (STTR) federal awards. The continued success of this program in 2014 has led to more successful SBIR and STTR funding awards and, as a result, the fund was exhausted as of September 2014. The MI-SBDC is disbursing approximately \$2 million in ETF awards per 12 month period and is proposing no change in program management. Renewed funding of \$2,076,500 for the ETF is expected to fund the program through to the end of this program in December 2015.

Staff Recommendation

MEDC Staff recommends the MSF Board approve this grant amendment for the amount of \$2,076,500, using funds allocated for the Fiscal Year 2014 21st Century Jobs Fund to support Entrepreneurship and Innovation. MEDC staff also recommends that the MSF Board delegate authority to the MSF Fund Manager, with the assistance of MEDC staff, to negotiate and execute the final terms and conditions and all necessary agreements with SBDC.

Board Discussion

Mr. Finney asked if there were any questions from the Board. Discussion ensued pertaining to the data supporting the fund matching statistics. Antonio will provide the Board with further clarity following the meeting. There being no further questions, Paul Anderson motioned for the approval of Resolution 2014-178. Andrew Lockwood seconded the motion. **The motion carried: 7 ayes; 0 nays; 0 recused.**

BUSINESS INVESTMENT

Resolution 2014-179 – Magna Exteriors and Interiors - MBDP

Mike Gietzen of Business Development Finance, provided the Board with information regarding these action items. This is request from the Applicant for a \$2,000,000 Performance-based grant. This project involves the creation of 281 Qualified New Jobs and a capital investment of up to \$57,021,097 in the Windsor Township in Eaton County, Michigan. Magna Exteriors and Interiors USA, Inc. is a subsidiary of Magna International, Inc. Magna International, Inc. and its subsidiaries design, develop, and manufacture automotive systems, assemblies, modules and components, and engineers and assembles complete vehicles, primarily for sale to the car and light truck OEMs. The intended use of the Windsor Township location will include core processes as well as assembly and sequencing of interior doors, floor consoles, and production of instrument panel components. Core processes will include injection molding and interior painting. Secondary operations will include IR welding, staking and clip installation, as well as multiple assembly and sequencing lines with build to broadcast capabilities. The facility is approximately 200,000 square feet of production and office space on a 60 acre parcel.

Staff Recommendation

MEDC Staff recommends approval as outlined in the resolution and terms sheet.

Board Discussion

Mr. Finney asked if there were any questions from the Board. There being none, Mike Zimmer motioned for the approval of Resolution 2014-179. Andrew Lockwood seconded the motion. **The motion carried: 7 ayes; 0 nays; 0 recused.**

Resolution 2014-180 Autosystems America, Inc. dba Magna Lighting – MBDP

Mike Gietzen of Business Development Finance, provided the Board with information regarding this action item. This is request from the Applicant for a \$3,000,000 Performance-based grant. This project involves the creation of 466 Qualified New Jobs and a capital investment of up to \$59,227,000 in the Plymouth Charter Township, Wayne County. Autosystems is a subsidiary of Magna International, Inc. Magna International, Inc. and its subsidiaries design, develop, and manufacture automotive systems, assemblies, modules and components, and engineers and assembles complete vehicles, primarily for sale to the car and light truck OEMs. Autosystems America Inc. dba Magna Lighting has secured a new contract to supply automotive lighting components and systems to a large OEM. This contract will require a new manufacturing facility and consolidate all of its engineering, R&D, sales and marketing, and Corporate Headquarters functions into one location.

Staff Recommendation

MEDC Staff recommends approval as outlined in the resolution and terms sheet.

Board Discussion

Mr. Finney asked if there were any comments from the Board. There being none, Paul Anderson motioned for approval of Resolution 2014-180. Mike Jackson seconded the motion. **The motion carried: 7 ayes; 0 nays; 0 recused.**

Resolution 2014-181 Mobis North America – MBDP

Josh Hundt, Business Development Finance, provided the Board with information regarding this action item.

This is request from the Applicant for a \$1,250,000 performance-based grant. This project involves the creation of 121 Qualified New Jobs, and a capital investment of up to \$26,570,000 in Plymouth Charter Township, Wayne County. The Applicant, established in 2005 and headquartered in Toledo, Ohio, manufactures complete chassis modules of the Jeep Wrangler. The Applicant is a subsidiary of Hyundai Mobis of South Korea. In 2010, the Applicant, known as Ohio Module Manufacturing Company (OMMC), opened a plant in Detroit, Michigan to assemble rear suspension modules for the Jeep Grand Cherokee and Dodge Durango. Through a merger with an affiliated entity in 2010, the Applicant established a sales and R&D presence in Michigan as well. The Applicant is at capacity in their facility in Farmington Hills and cannot further grow their engineering and sales operations in Michigan. The Applicant plans to purchase a larger facility to aid in the needed growth of R&D, engineering and sales operations in Plymouth Charter Township, make investments and create jobs related to engineering of automotive steering and suspension components.

Staff Recommendation

MEDC Staff recommends approval as outlined in the resolution and terms sheet.

Board Discussion

Mr. Finney asked if there were any questions from the Board. There being none, Andrew Lockwood motioned for the approval of Resolution 2014-181. Paul Anderson seconded the motion. **The motion carried: 7 ayes; 0 nays; 0 recused.**

2014-182 Greenfield Die and Manufacturing Corp. (Shiloh Industries) – MBDP

Josh Hundt, Business Development Finance, provided the Board with information regarding this action item.

This is request from the Applicant for a \$2,000,000 Performance-based grant. This project involves the creation of 128 Qualified New Jobs, and a capital investment of up to \$48 million in the Plymouth Township and Canton Charter Township, Wayne County. The Applicant was established in 1995 and is a subsidiary of Shiloh Industries (NASDAQ:SHLO). Shiloh Industries, through its subsidiaries, is a global supplier of light weighting and noise, vibration and harshness (NVH) solutions to the automotive, commercial vehicle and other industrial markets. Shiloh and its subsidiaries are headquartered in Valley City, Ohio with locations in North America, Europe and China and approximately 2,700 employees. The Applicant and its sister company, Shiloh Die Cast Midwest, LLC, propose to grow their respective operations in Michigan. The Applicant plans to establish a new sales and technical center in Plymouth Township. The Applicant plans to lease a facility to house this new operation in Michigan. The new sales and technical center will allow the Applicant to move some corporate functions from their manufacturing facility in Canton Township, enabling them to expand manufacturing capacity in Canton. This expansion requires an investment for new laser lines, presses, and welding equipment. A physical expansion at the Canton facility would also be planned to accommodate this growth.

Staff Recommendation

MEDC Staff recommends approval as outlined in the resolution and terms sheet.

Board Discussion

Mr. Finney asked if there any questions from the Board. Discussion ensued pertaining to the types of job this project would incent. There being no further questions, Mike Zimmer motioned for the approval of Resolution 2014-182. Andrew Lockwood seconded the motion. **The motion carried: 7 ayes; 0 nays; 0 recused.**

Resolution 2014-183 Thompson Reuters – MBDP

Trevor Friedeberg, Business Development Finance, provided the Board with information regarding this action item. This is request from the Applicant for a \$2.4 million Performance-based grant. This project involves the creation of 300 Qualified New Jobs as a result of the project, and a capital investment of up to \$19,866,000 in Pittsfield Charter Township, Washtenaw County. Thomson Reuters (ultimate parent company) is a leading global source of intelligent information for businesses and professionals. Through trusted experts and progressive technology, the Applicant delivers the most comprehensive solutions to corporations, governments, accounting firms, financial institutions and more. These solutions include a wide range of compliance software solutions and the most comprehensive database of online information for tax, accounting and finance professionals. The company currently has four facilities in the Ann Arbor area with significant space constraints. The Applicant is looking to consolidate these existing operations into one location which can support future expansion in order to accommodate anticipated growth.

Staff Recommendation

MEDC Staff recommends approval as outlined in the resolution and terms sheet.

Board Discussion

Mr. Finney asked if there were any questions from the Board. Discussion ensued pertaining to the challenge the company is facing in finding skilled workers. There being no further questions, Andrew Lockwood motioned for the approval of Resolution 2014-183. Mike Jackson seconded the motion. The motion carried: 7 ayes; 0 nays; 0 recused.

ACCESS TO CAPITAL

Chris Cook, Capital Access Programs, provided the Board with information regarding these action items.

Resolution 2014-184, -185, -186 –Detroit Flooding Assistance – Program Guideline Amendments

This request is to amend the program guidelines for the Michigan Supplier Diversification Fund (“MSDF”) and Michigan Business Growth Fund (“MBGF”). The requested amendments would permit two programs that operate under MSDF and MBGF, the Loan Participation Program (“LPP”) and the Collateral Support Program (“CSP”), to better respond to businesses affected by natural disasters. The intent of the request is to assist those businesses in accessing necessary capital in order to support and maintain operations. Program guidelines for LPP and CSP operating under both MSDF and MBGF limit businesses receiving loan enhancement to those operating in the following industries: mining, manufacturing, research and development, wholesale and trade, film and digital media production, office operations, or a business that is a qualified high technology business as described in MCL 207.803(n), as amended. While these guidelines have proven effective in maximizing the economic benefit of available funding in supporting businesses in Michigan operating under normal circumstances, this eligibility standard would limit the ability of CSP and LPP to support businesses operating in areas affected by natural disaster, specifically retail businesses.

Staff Recommendation

Staff recommends that program guidelines be modified for MSDF-LPP, MSDF-CSP, MBGF-CSP, and MBGF-LPP in order to allow loan enhancement support for any companies effected by natural disaster.

Board Discussion

Mr. Finney asked if there were any questions from the Board. There being none, Mike Jackson motioned for the approval of Resolutions 2014-184,185 & 186. Andrew Lockwood seconded the motion. **The motion carried: 7 ayes; 0 nays; 0 recused.**

Resolution 2014-187 – Lansing YMCA – Bond Authorizing

The Young Men’s Christian Association of Lansing, Michigan d/b/a YMCA of Metropolitan Lansing (“Borrower”) is requesting private activity bond financing for the purpose of refunding the Michigan

Strategic Fund's (the "MSF") outstanding Variable Rate Demand Limited Obligation Revenue Bonds, (YMCA of Metropolitan Lansing Project) Series 2002 (the "2002 Bonds") issued in the original principal amount of \$10,000,000. Borrower is a non-profit youth development service organization established in 1877; it promotes and maintains activities and services contributing to the spiritual, intellectual, social and physical well-being of people. Borrower's metropolitan office is located at 119 N. Washington Square, Lansing, MI 48933.

Staff Recommendation

Based upon a determination by Miller Canfield, PLC and the State of Michigan Attorney General's office that the refunding complies with state and federal law requirements for tax-exempt financing the staff recommends the adoption of a Bond Authorizing Resolution in an amount not to exceed \$9,000,000. The MSF will charge an issuance fee of \$22,500.00.

Board Discussion

Mr. Finney asked if there were any questions from the Board. There being none, Paul Anderson motioned for the approval of Resolution 2014-187. Andrew Lockwood seconded the motion. **The motion carried via Roll Call Vote: 7 ayes; 0 nays; 0 recused.**

COMMUNITY VITALITY

Resolution 2014-188 250 West Larned, LLC - MCRP

Stacy Esbrook, Community Assistance Team, provided the Board with information regarding this action item. 250 West Larned LLC ("Applicant") is requesting approval of a Michigan Community Revitalization Program (MCRP) incentive in the amount of \$5,840,000 in the form of a performance-based other economic assistance (equity investment). The Applicant anticipates that the project could result in eligible investment of over \$23,417,040 and total capital investment in the amount of \$28,947,940 million in the City of Detroit and the creation of 97 full-time equivalent jobs. The Applicant plans to convert the former Detroit Fire Department Headquarters and the adjacent vacant building into an integrated, modern luxury 100 room boutique hotel with a first floor full service restaurant and a small retail unit on approximately 91,200 square feet of property located at 234-250 W. Larned in Detroit. The hotel will be called the Foundation Hotel. The project is located on the corner of Larned and Washington, adjacent to the Cobo Center, and promotes mixed-use and walkable community attractions. The development team will be doing a historic preservation of the property and the history of Detroit and particularly the historic features of the Fire Department building will be highlighted in the interior design and architecture of the redeveloped building.

Staff Recommendation

The MEDC staff recommends approval of an MCRP performance-based other economic assistance in the amount of \$5,840,000 for 250 West Larned LLC.

Board Discussion

Mr. Finney asked if there were any questions from the Board. There being none. Mike Zimmer motioned for the approval of Resolution 2014-188. Paul Anderson seconded the motion. **The motion carried: 7 ayes; 0 nays; 0 recused.**

Resolution 2014-189 & 190 20 East Fulton Project – Brownfield TIF/MBT Amendment

Ryan Kilpatrick, Community Assistance Team, presented the Board with information regarding these action items. The City of Grand Rapids Brownfield Redevelopment Authority is seeking approval of local and school tax capture for MSF eligible activities in the amount of \$ 6,177,565. 20 Fulton Street East LLC, 20 Fulton Street East LDHA LP, and 20 Fulton Street East II LDHA LP LLC requests the following amendments be made to the large Brownfield MBT credit approved for the 20 E. Fulton Project originally approved by the MEGA Board on April 14, 2009: addition of the following three qualified taxpayers: 20 Fulton Street East LLC, 20 Fulton Street East LDHA LP, and 20 Fulton Street East II LDHA LP LLC; a change in scope of the project; and an additional four years to complete the project.

The school taxes and Brownfield tax credit will be utilized to redevelop approximately 0.66 acres of property located at 20 East Fulton in Grand Rapids. The project eligible investment will construct a twelve to fourteen story residential tower with commercial uses on the ground floor totaling 130,000 to 150,000 square feet. The residential portions of the project are divided between 45 one and two bedroom workforce housing units and 45 to 63 one and two bedroom market rate units. The ground floor of the building will include 8,000 to 9,000 square feet of commercial retail space facing the sidewalk on Fulton Street.

Staff Recommendation

The MEDC recommends approval of the request by City of Grand Rapids Brownfield Redevelopment Authority to capture local and school taxes for the MSF eligible activities totaling \$6,177,565 described above. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at \$4,126,101.

The MEDC recommends the approval of the requested Brownfield MBT amendment to add three qualified taxpayers; 20 Fulton Street East LLC, 20 Fulton Street East LDHA LP, and 20 Fulton Street East II LDHA LP LLC; change the scope of the project; and an additional four years to complete the project by April 14, 2018.

Board Discussion

Mr. Finney asked if there were any questions from the Board. There being none, Mike Jackson motioned for the approval of Resolutions 2014-189 & 2014-190. Paul Anderson seconded the motion. The motion carried: 7 ayes; 0 nays; 0 recused.

TALENT

Resolution 2014-191 & 192 Community College Equipment Program

Amy Cell, SVP of Talent & Chris Cook of Capital Access Programs, provided the Board with information regarding these action items. The Michigan Economic Development Corporation (“MEDC”) is requesting approval of the establishment of the Community College Skilled Trade Equipment Program (“CCSTEP”). The CCSTEP would provide \$50,000,000 in funding to certain Michigan Community Colleges for purchasing, installing and training students on equipment used in skilled trades that are in high-demand as identified by regional labor market conditions. The CCSTEP, authorized by Public Act 252 of 2014 (“PA 252”) would provide funding to that end. PA 252 authorizes the Michigan Strategic Fund (“MSF”) to issue Bonds in an amount sufficient to provide up to \$50,000,000 for the purpose of making grants from the CCSTEP, and appropriated \$4,600,000 to the MSF in the current fiscal year to service the debt.

Staff Recommendation

MEDC Staff makes the following recommendations with respect to the program(s): Establish the Community College Skilled Trades Equipment Program and adopt the proposed Program Guidelines for the “Community College Skilled Trades Equipment Program” pursuant to the new legislation, PA 252 of 2014. Adopt an Inducement Resolution to permit Bonds to be issued in an amount which will be sufficient to provide grant funds in the amount of not-to-exceed \$50,000,000.

Board Discussion

Mr. Finney commented on Governor Snyder’s focus on increasing talent in Michigan. He then asked if there were any questions from the Board. There being none, Mike Jackson motioned for the approval of Resolutions 2014-191 & 192. Andrew Lockwood seconded the motion. The motion carried: 7 ayes; 0 nays; 0 recused.

Mr. Finney adjourned the meeting at 10:55 am.

Staff Recommendation

MEDC staff recommends that the MOU be amended to extend the effective date of the MOU through September 30, 2015. MEDC staff also recommends that the MSF authorize the expenditure of 4% of the annual appropriation from the 21st CJTF for administrative expenses for fiscal year 2014-2015.

Board Discussion

Mr. Jackson asked if there were any questions from the Board. There being none, Bill Martin motioned for the approval of Resolution 2014-163. Jim Walsh seconded the motion. **The motion carried: 6 ayes; 0 nays; 1 recused.**

MEMORANDUM

Date: November 25th, 2014
To: Michigan Strategic Fund Board
From: Roselyn Zator, Managing Director, Entrepreneurial Services
Subject: *FY 2015 Business Incubator Programs Request for Proposals*

Action

The MEDC requests that the MSF Board approve the 2015 Business Incubator Programs Request for Proposals.

Background

Since 2009 the Michigan Strategic Fund (“MSF”) has provided funding to business incubators to stimulate the creation and continued growth of technology-based businesses and jobs by capitalizing on the State of Michigan's growing base of high technology industry, its skilled labor force, its nationally recognized university system, its SmartZones, and its business incubators. For the 2014 fiscal year, the business incubators reported the following results occurred as a result of their activities: 149 (145 companies created in 2013), 5,369 companies served (3,869 in 2013), 709 jobs created (587 in 2013), and \$438 million investment (\$135 million in 2013). These results reflect levels improved over 2012 and 2013 results. The Michigan Economic Development Corporation (“MEDC”) provides administrative services for the business incubator grants.

The MEDC requests that the MSF release the 2015 Business Incubator Request for Proposals (“RFP”) in the amount of \$6,435,000 to solicit proposals from organizations that have received prior MSF funding and require additional funding to support them in reaching self-sustainability or for those organizations associated with a SmartZone that require funding to support their gatekeeper, business accelerator fund, and pre-seed fund activities. Applicants requesting funds to support reaching self-sustainability must provide a sustainability plan clearly indicating how and when sustainability will occur.

The MEDC anticipates the following proposed timeline for the execution of this RFP:

Issue RFP to the Public: December 1st, 2014
Questions due from the Public: December 12th, 2014
Answers posted to the MEDC web page: December 16th, 2014
Applications Deadline: January 5th, 2015

The MEDC recommends that the MSF Board approve appointing a Joint Evaluation Committee (“JEC”) to review the proposals submitted and make recommendations to the MSF Board. The following individuals are recommended to be appointed to the JEC to review proposals:

Roselyn Zator – Entrepreneurial Services Managing Director, MEDC
Nadia Abunasser – Federal and Development Projects Manager, MEDC
Tangie Jones- Program Manager-Talent Enhancement, MEDC

Phil Tepley – Director of Technology Commercialization Services, SBDC
Steve Wilson – Director of Technology and Commercialization Assistance Program, University of Michigan

The MEDC recommends that the MSF Board approve the scoring and evaluation criteria attached as Exhibit A to the resolution to be used by the JEC members in their review of proposals submitted in response to the RFP.

Recommendation

MEDC Staff recommends that the MSF Board approve the following actions.

- 1) Allocation of \$6.435 million for the program;
- 2) Approval of the RFP attached as Exhibit A to the resolution;
- 3) Appointment of the JEC listed above; and
- 4) Approval of the scoring and evaluation criteria attached as Exhibit A to the resolution appointing the JEC and approving the scoring criteria.

EXHIBIT A

REQUEST FOR PROPOSALS

Michigan Strategic Fund

BUSINESS INCUBATOR PROGRAMS

RFP-CASE- 00119303

REMINDER

Please check your proposal to make sure you have included all of the specifications and required documents listed in the Request for Proposals. Please email one document that includes contact page, check list page, and proposal.

APPLICANTS ARE RESPONSIBLE FOR ASSURING THAT THE FOLLOWING IDENTIFYING INFORMATION APPEARS IN THE SUBJECT LINE OF YOUR EMAIL: "RFP-CASE- 00119303" with Company Name.

The MSF will not respond to telephone inquiries, or visitation by Applicants or their representatives. APPLICANTS OR ANY OF THEIR AUTHORIZED REPRESENTATIVES MAY NOT INITIATE CONTACT WITH MEDC OR MSF STAFF OR ANY MEMBER OF THE APPOINTED JOINT EVALUATION COMMITTEE (JEC), OTHER THAN THE CONTACT LISTED BELOW, FOR ANY REASON DURING THE RFP OR PROPOSAL EVALUATION PROCESS. Applicant's sole point of contact concerning the RFP is below and any communication outside of this process may result in disqualification.

Contracts and Grants
Michigan Strategic Fund
300 North Washington Square, 3rd Floor
Lansing, Michigan 48913
contractsandgrants@michigan.org

IMPORTANT DUE DATES

- **December 12, 2014 3:00 p.m.:** Questions from potential Applicants are due via email to contractsandgrants@michigan.org. Please note: The Michigan Strategic Fund ("MSF") will not respond to questions that are not received by the above date and time. In addition, questions that are phoned, faxed or sent through regular mail will not be accepted.
- **December 16, 2014, by close of business:** Responses to all qualifying questions will be posted on the MSF's website, <http://www.michiganbusiness.org/public-notices-rfps/>
- **January 5, 2015, at 3:00 p.m.:** Electronic versions of your Proposal due to the MSF via email to contractsandgrants@michigan.org. **Proposals will not be accepted via U.S. mail or any other delivery method.**

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REQUEST FOR PROPOSAL
BUSINESS INCUBATOR PROGRAMS
RFP-CASE- 00119303

This Request for Proposals (“RFP”) is issued by the Michigan Strategic Fund (the “MSF”), Contracts and Grants Unit (“C&G”). The Michigan Economic Development Corporation (the “MEDC”) provides administrative services associated with the programs and activities of the Michigan Strategic Fund Act on behalf of the MSF. C&G is the sole point of contact with regard to all application and contractual matters relating to the services described in this RFP. The MSF is the only office authorized to change, modify, amend, alter, clarify, etc. the specifications, terms and conditions of this RFP and any contract(s) awarded as a result of this RFP (the “Contract”). Contracts and Grants will remain the SOLE POINT OF CONTACT throughout the application process. ***The MSF will not respond to telephone inquiries, or visitation by Applicants or their representatives. Applicant’s sole point of contact concerning the RFP is below and any communication outside of this process may result in disqualification.***

Contracts and Grants
Michigan Strategic Fund
300 North Washington Square, 3rd Floor
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SECTION I
WORK STATEMENT

A) PURPOSE

Public Act 215 of 2005, Section 88k(2) allows the Strategic Economic Investment and Commercialization (“SEIC”) Board to award grants and loans from the 21st Century Jobs Fund for “... basic research, applied research, university technology transfer and commercialization of products, processes and services to encourage the development of competitive-edge technologies to create jobs in the state.” Under Executive Order 2010-8, the Governor ordered the SEIC Board abolished and all powers, duties and functions of the SEIC Board transferred to the Michigan Strategic Fund (“MSF”).

Through this 2015 Business Incubator Request for Proposals (the “Business Incubator RFP”), the MSF Board desires to allocate up to \$6.435 million (“Award Amount”), disbursed up to 2 years, to non-profit organizations/universities that operate business incubator/accelerator programs AND fulfill the ELIGIBILITY and QUALIFICATIONS below.

This RFP is focused on providing funding for organizations for two types of activities:

1) For those that have received prior MSF funding under the business incubator program and require additional funding to support them in reaching self-sustainability. Applicants must provide a sustainability plan clearly indicating how and when sustainability will occur.

2) For those that require funding to support their gatekeeper, business accelerator fund, and pre-seed

fund activities.

B) BACKGROUND STATEMENT AND OBJECTIVES

Since 2009 the MSF has provided funding to business incubators to **stimulate the creation and continued growth of technology-based businesses and jobs** by capitalizing on the State of Michigan's growing base of high technology industry, its skilled labor force, its nationally recognized university system, its SmartZones, and its business incubators. The MSF through this RFP continues to encourage this activity.

Funding (in the form of a grant) will be awarded to non-profit organizations/universities through a competitive process in which all submitted proposals will be reviewed by a Joint Evaluation Committee ("JEC"). Results from the JEC review will be provided, in the form of numerical scores and award recommendation(s), to the MSF Board.

C) ELIGIBILITY

- Organizations with MSF/MEDC grants under the business incubator program that end 10/16/2015 or later are not eligible to apply.
 - **Only organizations that FULFILL one of the following criteria are eligible to apply. DO NOT APPLY IF YOU DO NOT FULFILL ONE OF THE FOLLOWING CRITERIA.**
 1. Eligibility Criteria 1: Incubators that are receiving existing funding from MSF/MEDC (under the business incubator program) with collaborative partners, that provide services to high tech entrepreneurs and high tech early stage companies, can document **success (defined below)**, will include sustainability plan in proposal, AND current funding ends prior to 10/16/2015.
- OR
2. Eligibility Criteria 2: Incubators located in or associated with a SmartZone (including SmartZone Satellites).

"Success" in the program identified above resulted in additional companies created, additional jobs created, follow-on funding by the companies served, or the organization leveraged the program funding and received additional funding to support technology commercialization activities.

D) QUALIFICATIONS AND AWARD INFORMATION

IF APPLICANT IS ELIGIBLE UNDER EITHER OF THE ELIGIBILITY CRITERIA LISTED ABOVE, APPLICANT MUST ALSO FULFILL the following criteria:

- **Purpose**

Proposals submitted MUST fulfill ONLY one of the following purposes. You can only apply under ONE of the following:

1. Associated with Eligibility Criteria 1: To continue existing activities at the incubators that are currently being funded from MSF/MEDC awards (or activities that are similar to those currently receiving MSF/MEDC funding) that will lead to sustainability. Must include sustainability plan and how the

expected milestones and outcomes will lead to sustainability. Applicant must identify at least a 1-1 match. The funding available for each proposal is up to \$500,000.

OR

2. Associated with Eligibility Criteria 2: To assist SmartZone incubators with the following activities: gatekeeping activities (identifying and attracting clients and helping them navigate through the entrepreneurial ecosystem) and supporting BAF and Pre-Seed Fund Applications. Proposals for up to \$100,000/year for 2 years may be submitted. Applicant must provide at least a 1-1 match. This funding will only be available to pay the salary of a key person and his/her expenses. The key person must perform the following duties:

- a. Help clients with gatekeeping activities
- b. Help clients with BAF applications and support BAF activities
- c. Help clients with Pre-Seed Funds applications and support Pre-Seed Fund activities
- d. Must provide resume of key person (and contingent upon approval of MEDC). This person should have at least one year experience working for a technology start-up or early stage company. If not, must provide a process whereby this person is coached by an approved service provider such as SBDC to work with technology companies.
- e. This person will be the key person on the grant agreement and attend SmartZone meeting.
- f. The proposal must identify the need for such a person, how the person meets the need, and how the person will carry out his/her responsibilities.
- g. If the incubator's performance metrics of companies created increases by 2X by the end of the agreement, the incubator is entitled to an additional \$50,000 to be used to support the person for an additional 6 months.

- **Technology Sectors**

Proposals submitted **MUST** be to foster the growth of Michigan's technology based economy by supporting early stage companies and entrepreneurs to create jobs and commercialize product(s) within one or more of the competitive edge technology sectors defined in Section 125.2088a of the MSF Act, as amended, and as approved by the MSF Board, including Advanced Automotive, Manufacturing, Materials, Information, and Agricultural Processing Technology, Alternative Energy, Homeland Security and Defense Technology, Life Sciences, and Other Innovative Technologies.

- **Non-Profit Entities and Institutions of Higher Education**

Only non-profit organizations and Michigan institutions of higher education are eligible to receive funding through this RFP. To be eligible as a non-profit corporation, an applicant must, at the time the award is made, be: (i) a non-profit corporation duly organized under the laws of Michigan; or (ii) a foreign non-profit corporation duly authorized to transact business in Michigan. The principal site for the applicant's project must be a facility located in Michigan. Such a facility must be either: (i) owned or leased by the non-profit organization; or (ii) owned or leased by an organization collaborating on the project. If the principal site is owned or leased by a collaborating organization, the organization must meet the "principal site of the project" requirement for a non-profit corporation, as defined in this section. Eligible non-profit organizations must be authorized to conduct business in the State of Michigan. Universities must be Michigan universities.

- **Leverage and Match**

The MSF Board encourages applicants to leverage other resources as a condition of the award. Each proposal must provide specific financial or in-kind contribution committed to, or available for, the direct support of the proposed plan to reach the required 1:1 match. Cash match is favored. Other State of Michigan grant funds are not eligible to meet the match requirement. Letters of financial commitment and proposal support are not required in the proposal though may be requested during the award process.

- **Award and Grant Agreements**

All grant agreements approved by the MSF Board will contain a provision that the Auditor General has access to the books and records, including financial records and all other information and data relevant to the terms of the grant agreement related to the use of the funds.

Successful proposals approved for funding by the MSF Board are subject to the final execution of a legal grant agreement and successful completion of a due diligence review which may include, among other things, a criminal and civil background check of the Applicant and certain key personnel.

Insufficient or inappropriate proposals will not be funded.

- **Award Reporting Requirements**

Progress Reports are due every six (6) months, due in October and April throughout the term of the grant agreement, though metrics reporting is for five (5) years. After the term of the grant agreement the reports are annual reports. For Progress Reports, grantees must report on Milestones, Budget, and Metrics. For the annual reporting, grantees must report on metrics. The grantee is responsible for timely submission of reports that must be submitted electronically through the MEDC Portal.

Monthly Metrics are due monthly and include the following: dollars leveraged (match dollars), new companies created, companies expanded, companies served, jobs created, jobs retained, new investments in companies served (MEDC Funds, federal funds, venture capital, angel funds, bank/loan, owner investment, new sales, other), companies/people attending events. The grantee is responsible for timely submission of reports that must be submitted electronically through MEDC's Google Docs process.

Delayed, incomplete, or incorrect reporting filed will likely result in a loss of funding to the incubator/accelerator.

Annual site visits are conducted by the MEDC Grant Manager.

- **Overhead Rates**

The overhead rate (indirect administration costs) for the award recipient is limited to reflect actual overhead, but not greater than 15 percent (15%) of the Award Amount over the lifetime of the grant agreement. Preference will be given to proposals that are able to leverage outside funding sources to reduce overhead expenses for the award recipient.

SECTION II PROPOSAL FORMAT

To be considered, each Applicant must submit a COMPLETE proposal in response to this RFP using the format specified. APPLICANTS MUST NOT COMMUNICATE REGARDING THIS RFP WITH MEDC PERSONNEL OR JEC MEMBERS DURING THE ENTIRE PROCESS THROUGH THE APPROVAL OF THE MSF BOARD APPROVAL. Applicant's proposal must be submitted in the format outlined below.

There should be no attachments, enclosures, or exhibits other than those required in the RFP or considered by the Applicant to be essential to a complete understanding of the proposal. All proposals must be signed by an individual authorized by the Applicant to submit the application on its behalf. Each section of the proposal should be clearly identified with appropriate headings:

A) COMPLETE PROPOSAL

- 1) Contact Page – State the Organization’s full name, address, and phone and facsimile number. Also included should be contact information, including phone number, email, cell phone number, and fax numbers. Also include signature of the authorized signor of the applicant organization.
- 2) Check List Page – Include a checklist of the required sections of the proposal, as listed in this Section II-A) 3 a-h and an indication that the section is included in the proposal. And include as indicated in Section III.O. below the following: “Applicant certifies that it is not an Iran-linked business as defined in MCL 129.312.” Applicant should provide Conflict of Issues information if applicable, see IIIF.
- 3) Proposal (up to 10 pages) – Provide a proposal and include the required elements a-h, as described here. **In the Proposal clearly identify the following sections as headers.**

a) Eligibility

The Applicant must clearly identify how they are eligible to apply under one of the following criteria:

1. Eligibility Criteria 1: Incubators that are receiving existing funding from MSF/MEDC under the business incubator program with collaborative partners, that provide services to high tech entrepreneurs and high tech early stage companies, can document **success (defined below)**, will include sustainability plan in proposal, AND current funding ends prior to 10/16/2015.

OR

2. Eligibility Criteria 2: Incubators located in or associated with a SmartZone (including SmartZone Satellites)

“Success” in the program identified above resulted in additional companies created, additional jobs created, follow-on funding by the companies served, or the organization leveraged the program funding and received additional funding to support technology commercialization activities.

b) Executive Summary

The Executive Summary should summarize the information provided in response to paragraphs (a) above and (c) through (h) below. And specifically indicate:

- **THE NAME OF THE APPLICANT ORGANIZATION**
- **THE ELIGIBILITY CRITERIA (See Section I.C. above) AND PROOF OF SUCCESS**
- **THE AMOUNT OF FUNDS REQUESTED**
- **THE AMOUNT OF MATCHING FUNDS**
- **THE TERM (up to 2 years)**

- **THE PURPOSE OF THE FUNDING**
- **TARGETED NUMBERS FOR:**
 - **Companies Created**
 - **Jobs Created**
 - **Increase Investment/Revenue**

c) Purpose of Funds

The Applicant must clearly indicate whether the organization is a non-profit corporation or an institution of higher education. The Applicant must clearly describe how the proposed use of funds will foster the growth of Michigan’s technology based economy and clearly identify the specific competitive edge technology sectors that the Applicant will serve.

The Proposals must clearly indicate how the Applicant will fulfill ONLY one of the following purposes (the Applicant can only apply under one criteria below):

1. Associated with Eligibility Criteria 1: To continue existing activities at the incubators that are currently being funded from MSF/MEDC awards (or activities that are similar to those currently receiving MSF/MEDC funding) that will lead to sustainability. Must include sustainability plan and how the expected milestones and outcomes will lead to sustainability. Applicant must identify at least a 1-1 match. The funding available for each proposal is up to \$500,000.

OR

2. Associated with Eligibility Criteria 2: To assist SmartZone incubators with the following activities: gatekeeping activities (identifying and attracting clients and helping them navigate through the entrepreneurial ecosystem) and supporting BAF and Pre-Seed Fund Applications. Proposals for up to \$100,000/year for 2 years may be submitted. Applicant must provide at least a 1-1 match. This funding will only be available to pay the salary of a key person and his/her expenses. The key person must perform the following duties:
 - a. Help clients with gatekeeping activities
 - b. Help clients with BAF applications and support BAF activities
 - c. Help clients with Pre-Seed Funds applications and support Pre-Seed Fund activities
 - d. Must provide resume of key person (and contingent upon approval of MEDC). This person should have at least one year experience working for a technology start-up or early stage company. If not, must provide a process whereby this person is coached by an approved service provider such as SBDC to work with technology companies.
 - e. This person will be the key person on the grant agreement and attend SmartZone meeting.
 - f. The proposal must identify the need for such a person, how the person meets the need, and how the person will carry out his/her responsibilities.
 - g. If the incubator’s performance metrics of companies created increases by 2X by the end of the agreement, the incubator is entitled to an additional \$50,000 to be used to support the person for an additional 6 months.

d) Past Experience

The Applicant should indicate past experience with technology based business

incubation/acceleration, including success if applying under the first criteria.

e) Team

Summarize key personnel, their time commitment to the project, their specific responsibilities, and their value. Identify collaborative partners, their responsibilities, and value. If applying under the second criteria, must include RESUME of key person. Key person must have at least one-year experience working for a technology start-up or early stage company, or include a process whereby he/she will work with an approved service provider for coaching and guidance.

f) Milestones/Deliverables

Identify semi-annual milestones/deliverables that the Applicant will commit to as a result of providing the proposed services. If Applicant is awarded funding, Progress Reports are due April 15 and October 15 every year throughout the award, therefore provide milestones/deliverables that will be completed in April and October over the course of the proposal. Include a “targeted metrics” milestone for each reporting period. For this milestone, the applicant should indicate a targeted number for each of the following metrics: companies created, jobs created, and follow on funding. Identify how milestone completion will result in specific Economic Impact identified in (h).

Additionally, Applicants selected for funding will be required to submit monthly performance metrics to measure the effectiveness of the program; these metrics include, but are not limited to: dollars leveraged, new companies created, companies expanded, companies served, jobs created, jobs retained, new sales, and funding obtained by client companies, including amount and source of such funding (sources including state funds, federal funds, venture capital, angel funds, bank/loan, owner investment, other), as well as the names and amounts of companies funded by the program.

g) Budget Request

Attach a schedule of all expenses covering each of the services and activities identified in your proposal. Specifically identify THE AMOUNT OF FUNDS REQUESTED, the TERM REQUESTED, PUBLIC AND/OR PRIVATE LEVERAGED FUNDS (identify the 1:1 match), and what the Applicant proposes to do with FUNDS APPLIED THROUGH THIS RFP and the TIMING OF THE FUNDS. Progress Reports are due in April and October so proposals should include 6-month budgets of relevant line items that align with these dates. Include the budget in a table format with column headings, Start of grant—4/1/2015-9/30/2015, etc. and rows should include the expense line-items. Preference is that this funding should not overlap other MSF Board approved funding, and this grant starts at the end of existing grant. Grants under Criteria 2 should start 4/1/2015 or 10/1/2015.

If submitting under the second criteria, budget line-items should be only for the pay and expenses of the key person.

h) Economic Impact

Identify the targeted number of companies created, jobs created, and follow on funding or increases in investment/revenue resulting from the services. Include justification and assumptions related to these expectations. You will be held responsible for delivering these specific numbers in your semi-annual Progress Reports. Explain how you define success and will deliver a successful program. Identify how you will make an economic development impact and be sustainable.

B) PROPOSAL SUBMITTAL

Submit an electronic version of your proposal (one document that includes contact page, check list page and proposal) to the MSF via email to contractsandgrants@michigan.org not later than **3:00 p.m. on January 5, 2015**. The MSF has no obligation to consider any proposal that is not timely received. **Proposals will not be accepted via U.S. mail or any other delivery method.**

APPLICANTS ARE RESPONSIBLE FOR ASSURING THAT THE FOLLOWING IDENTIFYING INFORMATION APPEARS IN THE SUBJECT LINE OF YOUR EMAIL: *"RFP-CASE- 00119303" with Applicant Name.*

**SECTION III
RFP PROCESS AND TERMS AND CONDITIONS**

A) QUESTIONS

Questions from Applicants concerning the specifications in this RFP must be received via e-mail no later than **3:00 pm on December 12, 2014**. Questions must be submitted to:

Contracts and Grants
contractsandgrants@michigan.org

B) PROPOSALS

To be considered, Applicants must submit a complete response to this RFP, using the format provided in Section II of this RFP, by **3:00 p.m. on January 5, 2015 to contractsandgrants@michigan.org**. No other distribution of proposals is to be made by the Applicant. Applicant is responsible for ensuring that the proposal is submitted to the proper e-mail address.

C) ECONOMY OF PREPARATION

Each proposal should be prepared simply and economically, providing a straightforward, concise description of the Applicant's ability to meet the requirements of the RFP. Emphasis should be on completeness and clarity of content.

D) SELECTION CRITERIA

Responses to this RFP will be evaluated based upon a two-step review process. The proposal must address the requirements described in Section II of this RFP.

The first step is an evaluation of which proposals satisfactorily meet the requirements of this RFP as stated in Section II. Incomplete proposals will not be accepted or reviewed.

1) Step I – Initial evaluation for compliance

a) *Proposal Content* – Contracts and Grants will screen the proposals for technical compliance to include but not limited to:

- Timely submission of the proposal
- Eligibility
- Executive Summary
- Purpose
- Past Experience
- Team
- Milestones/deliverables
- Budget
- Economic impact – Expected number of businesses created, jobs created, and private investment leveraged.
- Proposal signed physically or electronically by an official of the Applicant authorized to bind the Applicant to its provisions.
- Proposals satisfy the form and content requirements of this RFP.

2) Step II – Criteria for Satisfactory Proposals

a.) During the second step of the selection process, proposals will be considered by a JEC comprised of individuals selected by the MSF. Only those proposals that satisfy the technical requirements described in this RFP, as determined in the sole discretion of the JEC, will be considered for evaluation in Step II. The JEC reserves the right to request additional information from any Applicant.

b.) *Purpose, Economic Impact, and Competence of Personnel* – The proposal should indicate the ability of the Applicant to meet the eligibility and requirements of this RFP and achieve the economic impact. The proposal should indicate the competence of the personnel whom the Applicant intends to assign to the project, including education and experience.

		Weight
1.	ELIGIBILITY	Yes or No
2.	Executive Summary	5
3.	Purpose	15
4.	Past Experience	10
5.	Team	20
6.	Milestones/Deliverables	10
7.	Budget	10
8.	Economic Impact	15
9.	Preferences	15
TOTAL		100

c.) Statutorily-required preferences and additional preferences –

- a. Contributes to the development of economic diversification or the creation of employment opportunities in this state.
- b. Promotes collaborations between institutions of higher education, Michigan nonprofit research institutions, Michigan nonprofit corporations, and qualified businesses.
- c. Meets 1 or more of the following: (i) Forecasts revenues within 2 years; (ii) Has outside

investments from investors with experience and management teams with experience in the industry targeted by the proposal; and (iii) Has outside directors with expertise in the industry targeted by the proposal.

- d. Is contributing a cash match.
- e. Is able to leverage outside funding sources to reduce overhead expenses.

d.) During the JEC's review, Applicants may be required to make oral presentations of their proposals to the JEC. These presentations provide an opportunity for the Applicants to clarify the proposals. The MEDC will schedule these presentations, if required by the JEC. Only those Applicants that score 70 points or higher on the written review will be invited for an oral presentation if the JEC determines that an oral presentation is necessary.

E) TAXES

The MSF may refuse to award a contract to any Applicant who has failed to pay any applicable taxes or if the Applicant has an outstanding debt to the State or the MSF.

Except as otherwise disclosed in an exhibit to the Proposal, Applicant certifies that all applicable taxes are paid as of the date the Applicant's Proposal was submitted to the MSF and the Applicant owes no outstanding debt to the State or the MSF.

F) CONFLICT OF INTEREST

The Applicant must disclose, in an exhibit to the proposal, any possible conflicts of interest that may result from an award under this RFP.

Except as otherwise disclosed in the proposal, the Applicant affirms that to the best of its knowledge there exists no actual or potential conflict between the Applicant, the Applicant's project manager(s) or its family's business or financial interests ("Interests") and the MSF or MEDC. In the event of any change in the RFP, the Applicant will inform the MSF and the MEDC regarding possible conflicts of interest which may arise as a result of such change and agrees that all conflicts shall be resolved to the MSF's satisfaction or the Applicant may be disqualified from consideration under this RFP. As used in this Section, "conflict of interest" shall include, but not be limited to, the following:

1. Giving or offering a gratuity, kickback, money, gift, or anything of value to an official, officer, or employee of the MSF or the MEDC with the intent of receiving an award from the MSF or favorable treatment under a contract;
2. Having or acquiring at any point during the RFP process or during the term of the award, any contractual, financial, business or other interest, direct or indirect, that would conflict in any manner or degree with Applicant's performance of its duties and responsibilities to the MSF under the award or otherwise create the appearance of impropriety with respect to the award or performance of the award; or
3. Currently in possession of or accepting during the RFP process or the term of the award anything of value based on an understanding that the actions of the Applicant or its affiliates or Interests on behalf of the MSF will be influenced.

G) BREACH OF CONTRACT

Except as otherwise disclosed in an exhibit to Applicant's proposal, Applicant is not in material default or breach of any contract or agreement that it may have with the State of Michigan or any of its departments, commissions, boards or agencies, or any other public body in the State of Michigan. Further, Applicant represents and warrants that it has not been a party to any contract with the State or any public body that was terminated within the previous five (5) years because the Applicant failed to perform or otherwise breached an obligation of such contract.

H) FALSE INFORMATION

If the MSF determines that an Applicant purposefully or willfully submitted false information in response to this RFP, the Applicant will not be considered for an award and any resulting Contract that may have been executed may be terminated.

I) DISCLOSURE

All Applicants should be aware that proposals submitted to the MSF in response to this RFP may be subject to disclosure under the provisions of Public Act 442 of 1976, as amended, known as the Freedom of Information Act ("FOIA"). Accordingly, confidential information should be excluded from Applicant's proposals. Applicants, however, are encouraged to provide sufficient information to enable the MSF to determine the Applicant's qualifications and to understand or identify areas where confidential information exists and could be provided. The FOIA also provides for the complete disclosure of the contract and any attachments or exhibits thereto.

J) CLARIFICATION/CHANGES IN THE RFP

Any change or update to the acceptance of proposals will be posted on the MEDC website. Such postings shall constitute constructive notice to the general public and to all Applicants of any modifications or alterations of the deadline for proposals. Therefore, Applicants are strongly encouraged to continuously check the MEDC website at <http://www.michiganbusiness.org/public-notice-rfps/>.

Neither the MSF nor the MEDC will directly notify Applicants of any changes to the RFP.

K) ELECTRONIC RECEIPT OF PROPOSALS

AN ELECTRONIC VERSION OF YOUR PROPOSAL MUST BE RECEIVED AND TIME-STAMPED BY THE MSF TO contractsandgrants@michigan.org, ON OR BEFORE **3:00 p.m. on January 5, 2015**. Applicants are responsible for timely submission of their proposal. THE MSF HAS NO OBLIGATION TO CONSIDER ANY PROPOSAL THAT IS NOT RECEIVED BY THE APPOINTED TIME.

L) RESERVATION OF MSF DISCRETION

Notwithstanding any other statement in this RFP, the MSF reserves the right to:

- 1) reject any and all proposals;
- 2) waive any errors or irregularities in the application process or in any proposal;
- 3) reissue the RFP;
- 4) negotiate with any Applicant for a different award amount;
- 5) reduce or expand the scope of the project, and reissue the RFP or negotiate with any Applicant regarding the revised project
- 6) extend the term of the project and add additional funding as necessary or appropriate; or
- 7) defer or abandon the project.

Decisions by the MSF are final and not subject to appeal.

Any attempt by an Applicant, collaborating entity, or other party of interest to the project to influence the awards process, to appeal, and/or take any action, including, but not limited to, legal action, regarding the proposal or awards process in general may result in the Applicant's disqualification and elimination from the award process.

M) PROTEST PERIOD

If an Applicant wishes to initiate a protest of the award recommendation, the Applicant must submit a protest in writing by 5:00 p.m. within five (5) calendar days from the date of the notice of award sent by the MSF. The written protest should include the RFP number, clearly state the facts believed to constitute an error in the award recommendation, and describe the desired remedy. Only the information provided within the protest period will be considered in arriving at a decision. The MSF is not required to take into consideration any material filed by any party after the protest deadline. The MSF President will provide a written decision to the protesting party after investigating the matter or, if more information is needed, will schedule an informal meeting before issuing a decision. This decision is final.

To maintain the integrity of the procurement process and to ensure that procurements are received without undue delay, protests requesting a waiver of the following omissions and requirements cannot be granted:

1. Failure of an Applicant to properly complete proposal submission instructions;
2. Failure of an Applicant to submit the proposal by the due date and time;
3. Failure of an Applicant to provide samples, descriptive literature or other required documents by the date and time specified;
4. Failure of an Applicant to submit a protest within the time stipulated in the Business Incubator RFP.

In fairness to Applicants who meet the RFP specifications and to prevent delays in program implementation, the MSF will not withdraw an award or re-evaluate proposals when a protest maintains that the RFP specifications were faulty.

N) JURISDICTION

In the event that there are conflicts concerning this RFP that proceed to court, jurisdiction will be in a Michigan court of law. Nothing in this RFP shall be construed to limit the rights and remedies of the MSF or the MEDC that are otherwise available.

O) ADDITIONAL CERTIFICATION

Pursuant to Public Act 517 of 2012, an Iran linked business is not eligible to submit an application or proposal to a request for proposal issued by a public entity.

Applicants must include the following certification in the proposal:

“Applicant certifies that it is not an Iran-linked business as defined in MCL 129.312.”

Failure to submit this certification will result in disqualification from consideration.

**MICHIGAN STRATEGIC FUND
RESOLUTION**

2014-

**APPROVAL OF THE JOINT EVALUATION COMMITTEE AND SCORING AND
EVALUATION CRITERIA FOR THE BUSINESS INCUBATORS REQUEST FOR
PROPOSALS**

WHEREAS, Public Acts 215 and 225 of 2005 (“Act”) established the 21st Century Jobs Trust Fund initiative;

WHEREAS, MCL 125.2088k created the Strategic Economic Investment and Commercialization Board (“SEIC Board”) for the purposes of awarding grants and loans for basic research, applied research, university technology transfer, and commercialization of products, processes and services to encourage the development of competitive edge technologies to create jobs within the State of Michigan;

WHEREAS, pursuant to Executive Order 2010-8, the Governor ordered the SEIC Board abolished and all powers, duties, and functions of the SEIC Board transferred to the Michigan Strategic Fund (“MSF”), including those powers, duties, and functions provided under MCL 125.2088k;

WHEREAS, the Michigan Economic Development Corporation (“MEDC”) provides administrative services to the MSF;

WHEREAS, on November 25, 2014, the MSF issued a Request for Proposals (“RFP”) to make grants to business incubators to stimulate the creation and continued growth of technology-based businesses and jobs (the “Business Incubators RFP”);

WHEREAS, the Act requires that proposals received in response to the Business Incubators RFP be reviewed by a joint evaluation committee (“JEC”);

WHEREAS, the MEDC recommends and the MSF desires to appoint the following individuals to the JEC for the Business Incubators RFP:

Roselyn Zator – Entrepreneurial Services Managing Director, MEDC
Nadia Abunasser – Federal and Development Projects Manager, MEDC
Tangie Jones- Program Manager-Talent Enhancement, MEDC
Phil Tepley – Director of technology Commercialization Services, SBDC
Steve Wilson – Director of Technology and Commercialization Assistance Program, U of M

WHEREAS, the MEDC also recommends and the MSF desires to approve the scoring and evaluation criteria contained in Attachment A for use by the JEC in its review of proposals (the “Business Incubators RFP Scoring Criteria”).

NOW, THEREFORE, BE IT RESOLVED, the MSF Board approves the JEC set forth above and approves the Business Incubators RFP Scoring Criteria attached as Exhibit A to this resolution.

Ayes:

Nays:

Recused:

Lansing, Michigan
November 25, 2014

Proposal Evaluation Form 2015 Business Incubator RFP

Name of Applicant: _____

Name of Reviewer: _____

Criteria	Reviewer's Comments	Points
<p>Eligibility:</p> <ul style="list-style-type: none"> • Incubators that are receiving existing funding from MSF/MEDC <u>with collaborative partners</u>, that provide services to high tech entrepreneurs and high tech early stage companies, can document <u>success</u>, will include sustainability plan in proposal, AND current funding ends prior to 10/16/2015. <li style="text-align: center;">OR • Incubators located in or associated with a SmartZone (including SmartZone Satellites) 		Yes/No: _____
<p>Executive Summary: Overview</p> <ul style="list-style-type: none"> • NAME OF THE APPLICANT ORGANIZATION • ELIGIBILITY CRITERIA • AMOUNT OF FUNDS REQUESTED • AMOUNT OF MATCHING FUNDS • TERM • PURPOSE • The TARGETED NUMBERS FOR: <ul style="list-style-type: none"> ○ Companies Created ○ Jobs Created ○ Increase Investment/Revenue 		Max. Possible Points: 5 Score: _____
<p>Purpose:</p> <p>a) The Applicant must clearly indicate whether the organization is a non-profit or university.</p> <p>b) Associated with Eligibility Criteria 1:</p> <ul style="list-style-type: none"> • The applicant must clearly describe the success of current activities. • The Applicant must clearly describe how the proposed use of funds will foster the growth of Michigan's technology based economy and clearly identify the specific competitive edge technology sectors that the Applicant will serve. • The Applicant must clearly describe how the proposed use of funds will lead to sustainability and must include a sustainability plan clearly indicating how and when sustainability will occur. <p>c) Associated with Eligibility Criteria 2.</p> <ul style="list-style-type: none"> • The Applicant must clearly identify the need for a key person to help with gatekeeping activities (identifying and attracting clients and helping them navigate through the entrepreneurial ecosystem), BAF, and Pre-Seed activities. • The Applicant identifies the "key person", how he/she meets the need and how he/she will carry out his/her responsibilities. • The Applicant must clearly describe how the proposed use of funds will foster the growth of Michigan's technology based economy and clearly identify the specific competitive edge technology sectors that the Applicant will serve. 		Max. Possible Points: 15 Score: _____
<p>Past Experience:</p> <ul style="list-style-type: none"> • The Applicant should indicate past experience with business incubation/acceleration. 		Max. Possible Points: 10 Score: _____
<p>Team:</p> <ul style="list-style-type: none"> • Identified key players • Identified collaborators 		Max. Possible Points: 20 Score: _____

Exhibit A

Milestones/Deliverables: <ul style="list-style-type: none"> • Identified meaningful milestones/deliverables • Achievable and leading to economic impact 		Max. Possible Points: 10 Score: _____
Budget: <ul style="list-style-type: none"> • Identified meaningful budget for proposal • Clearly identified 1-1 match • Organization budget clearly indicates need for funding • Indicates how and when will achieve sustainability 		Max. Possible Points: 10 Score: _____
Economic Impact: <ul style="list-style-type: none"> • Realistic assumptions and expectations based on industry knowledge and incubator’s past reported performance • Identified targeted metrics: <ul style="list-style-type: none"> ○ Companies Created ○ Jobs Created ○ Increase Investment/Revenue 		Max. Possible Points: 15 Score: _____
Preferences: <ul style="list-style-type: none"> • Contributes to the development of economic diversification or the creation of employment opportunities in this state • Promotes collaborations between institutions of higher education, Michigan nonprofit research institutions, Michigan nonprofit corporations, and qualified businesses • Meets 1 or more of the following: (i) Forecasts revenues within 2 years; (ii) Has outside investments from investors with experience and management teams with experience in the industry targeted by the proposal; and (iii) Has outside directors with expertise in the industry targeted by the proposal. • Is contributing a cash match • Is able to leverage outside funding sources to reduce overhead expenses. 		Max. Possible Points: 15 Score: _____
Total Score:		Max. Possible Points: 100 Score: _____



MEMORANDUM

Date: November 25, 2014

To: Michigan Strategic Fund Board

From: Mark Morante, MSF Fund Manager

Subject: Michigan Strategic Fund Compiled General Delegation of Authority

Request

The Michigan Economic Development Corporation (“MEDC”), the MSF Fund Manager and the Chief Compliance Officer are requesting that the Michigan Strategic Fund (“MSF”) amend the MSF Compiled Delegation of Authority (the “Amendment Request”).

Background

Under Article III, Section 1 of the Amended and Restated Bylaws, the MSF President will provide for compilations of all general delegated authority. To that end, the MSF Board adopted the Strategic Fund Compiled Resolutions for all delegated authority at its July 22, 2014 meeting. Subsequent to the adoption of the Compiled Resolutions, the Chief Compliance Officer and MEDC staff became aware of minor errors in the adopted resolution and proposes revised language to correct such errors. The rationale for making these revisions is set forth below:

- As drafted, 125.2005-1(3) tracked the statutory language precisely but as a delegated authority was unwieldy and cumbersome. This change retains the intent of the original delegation but simplifies the language.
- Due to a scrivener's error, as drafted, 125.2007-2(1) retained the requirement that conditions of the Gift be permitted by law. This language is superfluous because Gifts accepted under 125.2007-2(1) cannot contain conditions.
- Due to a scrivener's error, as drafted, 125.2007-2(2) did not use the defined term describing "grant, gift, loan, or other aid" in the second sentence. To remain consistent this sentence should refer to the defined term Gift.
- Due to a scrivener's error paragraphs 4 and 5 of Section 10.5-1 were both mis-numbered as paragraph 3.
- Due to a scrivener's error, the word “or” is missing from Section 10.7-1(3).

Recommendation

The MEDC, the MSF Fund Manager and the Chief Compliance Officer recommend that the MSF Board approve the Amendment Request.

MICHIGAN STRATEGIC FUND

RESOLUTION

2014-XX

STRATEGIC FUND DELEGATION OF AUTHORITY

WHEREAS, under Section 125.2005(7) of the Michigan Strategic Fund Act, the MSF Board may delegate to its president, vice-president, staff or others those functions and authority the MSF Board deems necessary or appropriate;

WHEREAS, under Article II, Section 1 of the Amended and Restated Bylaws adopted by the MSF Board on April 22, 2014, the MSF Board may delegate by resolution those functions and authority it deems necessary or appropriate to the President, Vice-President, Staff, the MEDC, or others, unless otherwise prohibited by law; and,

WHEREAS, under Article III, Section 1 of the Bylaws, the MSF President will provide for compilations of all general delegated authority; standard processes; and standard policies, in force (the "Strategic Fund Compiled Resolutions" or "SFCR");

WHEREAS, scrivener errors have been found in previous grants and this Board wishes to correct the errors;

NOW, THEREFORE, BE IT HEREBY RESOLVED, that the MSF Board delegates the following authority effective October 28, 2014:

125.2005-1 General Delegations of Authority

(3) The MSF President or the MSF Fund Manager may make all decisions with respect to acknowledging financial or proprietary information as confidential and not subject to the disclosure requirements of the Freedom of Information Act as authorized by MCL 125.2005(9).

125.2007-2 Acceptance of Gifts, Grants, Loans and Other Incentives

(1) The MSF President or MSF Fund Manager may accept on behalf of the MSF gifts, grants, and other aids (collectively "Gift") from any person or the federal, state, or a local government or any agency of the federal, state, or a local government if the Gift does not have conditions or obligations attached. Any terms of the Gift must be permitted by law.

(2) The MSF President or MSF Fund Manager may accept on behalf of the MSF gifts, grants, loans, and other aids (collectively "Gift") not to exceed \$1,000,000 per Gift from any person or the federal, state, or a local government or any agency of the federal, state, or a local government. Any terms or conditions of the Gift must be permitted by law.

10.5-1 State Small Business Credit Initiative (“SSBCI”)

(4) The MSF President or the MSF Fund Manager may negotiate the terms and conditions and execute all final documents necessary to effectuate awards or decisions approved under the SSBCI, including awards or decisions approved under any subprogram of the SSBCI.

(5) The MSF President, the MSF Fund Manager and the State Treasurer, with all three required to act, may reallocate up to 15% of all the then aggregate of all of the SSBCI funds awarded by the U.S. Department of Treasury to the MSF among the approved SSBCI programs.

10.7-1 Workforce Development Agency (“WDA”)

(3) The Director of the WDA or the Strategic Opportunities Director for WDA may negotiate the terms and conditions and execute all final documents necessary to effectuate WDA decisions or activities.

BE IT FURTHER RESOLVED, the MSF President shall compile and publish the above delegated authority as required under Article III of the Bylaws.

Ayes:

Nays:

Recused:

Lansing, Michigan
November 25, 2014



MEMORANDUM

Date: November 25, 2014
To: Michigan Strategic Fund Board Members
From: Liz Alexandrian, Portfolio Manager
Joseph Martin, Structured Financial Projects Manager
Subject: Mid Towne Hospitality, LLC (“Borrower”) and Mercantile Bank of Michigan (“Lender”)
CRP Loan Participation – Request to increase participated loan

Request

To allow Mercantile Bank of Michigan (“Lender”) to increase the loan to Mid Towne Hospitality, LLC (“Borrower” or “Company”) to \$20,634,043 from \$19,134,043 (\$1,500,000 increase). The MSF is a participant in the loan through the CRP program in the amount of \$3,000,000. Proceeds from the increase will be 100% from the Lender. The increase is due to an overall increase in actual construction costs over what was previously estimated.

Background

Mid Towne Hospitality, LLC was formed in June 2013 for the purchase of property in Grand Rapids and construction of a Hampton Inn & Suites hotel on that property. The hotel project is part of a greater redevelopment project in Grand Rapids known as Mid Towne Village, located as part of Grand Rapid’s “Medical Mile,” and includes medical office, professional, retail, and condominium space. The ownership group of the Company also own Lodgco Management, LLC (“Lodgco”), a multi-brand hospitality company providing management services to its portfolio of hotels. Lodgco currently manages 16 hotels, including operations management, accounting, human resources, sales & marketing, training, development and revenue management. Lodgco is affiliated with Hilton, Marriott, Wyndam and InterContinental Hotel Group franchises throughout Michigan.

MSF Investment Summary

On April 18, 2014, the MSF entered into a Loan Participation and Servicing Agreement with the Lender and Borrower on a \$19,134,043 construction loan to finance the demolition of a surface parking lot and construction of the hotel and parking garage under the hotel. The MSF share of the loan is \$3,000,000.

Due to increases in the construction budget, the Lender is requesting to increase the total loan by \$1,500,000, with no further increase to the MSF participated share as shown in the table below:

	Current	%	Proposed	%
Bank Share	\$ 16,134,043	84%	\$ 17,634,043	85%
MSF Share	\$ 3,000,000	16%	\$ 3,000,000	15%
Total Loan	\$ 19,134,043	100%	\$ 20,634,043	100%

Total costs increased approximately \$2,000,000. The Lender stated that approximately half of this was due to an increase in furniture, fixtures and equipment – primarily a result of Hilton/Hampton Design and

Hotel standards and guestroom furnishings design/layout, including additional pieces of furniture and fixtures within guestrooms, and at a higher grade and quality than was previously required. The other half was largely due to low projections in construction costs in the budget v. actual costs. Total construction costs are projected at \$28,959,177, and are being financed by the subject loan in the amount of \$20,634,043 (71%), the Lender's additional LOC in the amount of \$4,254,130 (15%) and Borrower equity in the amount of \$4,071,004 (14%).

The loan's primary source of repayment is from the cash flow generated by the property. The Borrower has projected a 68% occupancy rate in its first year of operations and 73% at stabilization. They expect an average room rate of \$131 in the first year, which is projected to increase each year thereafter. Based on this level of occupancy and room rate, the hotel is projected to cash flow at 1.38x the debt service in its first year of operations and in excess of 1.50x each year thereafter. The projections provided with this current request are higher than what was provided with the initial application, and were revised based on Lodgco's current portfolio of hotels. The projections are in line with the appraiser's cash flow analysis used in the appraisal.

The loan's secondary source of repayment is from the liquidation of collateral. The loan is secured by the subject real estate which appraised for \$29,500,000 in December 2013 (as-stabilized value). The MSF share is subordinate to the Lender share of the subject loan as well as the Lender's additional LOC in the amount of \$4,254,130. Therefore, the loan increase will result in an increase to the MSF LTV from 75% (current) to 84% based on real estate alone. On a factored basis, the MSF's LTV increases to 114% from 103%. It should be noted that in addition to the subject real estate, the MSF is second in line on TIF payments, which are the primary source of repayment for the Lender's LOC.

A tertiary source of repayment is from multiple guarantors, all of which are subordinate to the Lender.

Request Rationale

Staff recognizes the need for the increase in order to complete the project, but also recognizes that this will put further stress on the MSF's access to collateral in a liquidation scenario, which is viewed as an adverse change, and is the reason that the request is being presented before the MSF Board today. However, Staff is making the recommendation based on the following:

- Strong projected Debt Service Coverage in year one of 1.38x
- Strong management team with a large portfolio of similar properties
- The increase in the loan is being 100% financed by the Lender with no additional MSF funds
- The MSF is in a secondary payment position in the TIF waterfall behind the Lender's LOC, but ahead of the Lender's share of the subject loan.

Recommendation

The MEDC Staff recommends allowing Mercantile Bank of Michigan to increase the loan to Mid Towne Hospitality, LLC to \$20,634,043 from \$19,134,043 (\$1,500,000 increase). The MSF is a participant in the loan through the CRP program in the amount of \$3,000,000. Proceeds from the increase will be 100% from the Lender. The increase is due to an overall increase in actual construction costs over what was previously estimated.

MICHIGAN STRATEGIC FUND

RESOLUTION 2014-

APPROVAL OF AN AMENDMENT TO A MICHIGAN COMMUNITY REVITALIZATION PROGRAM LOAN PARTICIPATION AWARD TO MID TOWNE HOSPITALITY, LLC

WHEREAS, the Michigan legislature amended the Michigan Strategic Fund Act, MCL 125.2011 et. seq., to add Chapter 8C (being MCL 125.2090a – MCL 125.2090d) to enable the Michigan Strategic Fund (“MSF”) to create and operate the Michigan Community Revitalization Program (“MCRP”) to provide incentives in the form of grants, loans and other economic assistance for redevelopment of communities in Michigan;

WHEREAS, the Michigan Economic Development Corporation (“MEDC”) provides administrative services to the MSF for the MCRP;

WHEREAS, on December 21, 2011, by Resolution 2011-185, the MSF (i) created the MCRP, (ii) adopted the guidelines for the MCRP, as later amended (“Guidelines”);

WHEREAS, pursuant to SFCR 125.2090-1, the MSF approved the MSF Fund Manager or the MSF President to negotiate the terms and conditions and execute all final documents necessary to effectuate awards and decisions approved under the MCRP, (“Transaction Documents”);

WHEREAS, by Resolution 2013-134 on August 28, 2013 the MSF Board awarded a CRP Loan Participation to Mid Towne Hospitality, LLC (“Borrower”) in the amount of \$3,000,000.00 of a \$19,134,043.00 total loan from Mercantile Bank (“Lender”) toward financing construction activities and infrastructure improvements to real property (“Project”);

WHEREAS, on April 18, 2014 the Lender and Borrower entered into a loan agreement and the MSF and Lender entered into a participation agreement under terms and conditions approved by the MSF.

WHEREAS, Borrower has requested a \$1,500,000.00 increase to the Lender’s share of the loan, increasing the total loan amount to \$20,634,043 with no increase to the MSF share, and Lender has agreed to increase it’s share of the loan by this amount;

WHEREAS, an increase of the Lender’s share amount will dilute the MSF collateral position in the loan, the Loan Participation agreement must be amended pursuant to MSF board approval;

WHEREAS, the MEDC has recommended that the MSF approve the Borrower’s request to permit the Lender to increase its share of the loan under the participation agreement by \$1,500,000, subject to execution of the amendment to the loan participation agreement within 120 days of the date of this Resolution (“Time Period”), or this Resolution shall have no effect; provided, however, at the sole discretion of the MSF Fund Manager, the Time Period may be extended for up to an additional 90 days (“MCRP Amendment Recommendation”); and

NOW, THEREFORE, BE IT RESOLVED, the MSF Board approves the MCRP Amendment Recommendation;

BE IT FURTHER RESOLVED, that all other provisions of Resolution 2013-134, are reaffirmed.

Ayes:

Nays:

Recused:

Lansing, Michigan
November, 25, 2014



MEMORANDUM

Date: November 25, 2014
To: Michigan Strategic Fund Board
From: Amy Lux, Renaissance Zone Program Specialist
Subject: *Universal/DeVlieg, LLC*
Tool and Die Recovery Zone – Revocation

Action

The Michigan Economic Development Corporation (“MEDC”) is recommending the revocation of the Tool and Die Recovery Zone for Universal/DeVlieg, LLC (the “Company”) by the Michigan Strategic Fund (“MSF”) Board. The Company’s ten-year Recovery Zone term is currently set to expire at the conclusion of 2019.

Background

The Company operated a tool and die shop in the City of Saginaw, originally receiving a Tool and Die Recovery Zone designation in 2009 as a member of the Third Coast Tooling Alliance Collaborative (the “Collaborative”). The MEDC was notified by the Collaborative President and the Company’s new owner that the Company had been sold and moved to a new location and therefore, is no longer operating on the property and is no longer participating as a member of the Collaborative.

Under the Michigan Renaissance Zone Act, 1996 PA 376, as amended, the MSF Board has the authority to revoke the designation of a Recovery Zone for a qualified tool and die business if the qualified tool and die business fails or ceases to participate in or comply with a qualified collaborative agreement.

The Company’s owner, as well as the Collaborative President, were notified that the MEDC would recommend the Recovery Zone for revocation.

Recommendation

MEDC Staff recommends the MSF Board revoke the Tool and Die Recovery Zone designation for Universal/DeVlieg, LLC. The revocation will be effective on December 31, 2014 for property tax purposes and immediately for all other purposes.

MICHIGAN STRATEGIC FUND

**RESOLUTION
2014-**

**REVOCATION OF AN EXISTING TOOL & DIE RENAISSANCE
RECOVERY ZONE DESIGNATION: Universal/DeVlieg, LLC**

WHEREAS, the Michigan Renaissance Zone Act (the “Act”), 1996 PA 376, as amended, authorizes the Michigan Strategic Fund (“MSF”) Board to designate up to thirty-five (35) tool and die renaissance recovery zones (“Recovery Zone”) anywhere in the State of Michigan;

WHEREAS, on December 16, 2009, the MSF Board approved a Tool & Die Recovery Zone designation for Universal/DeVlieg, LLC (the “Company”) as a member of the Third Coast Tooling Alliance Collaborative (the “Collaborative”) at the Company’s site in the City of Saginaw at 1156 N. Niagara St., Saginaw, Michigan 48602 (the “Property”);

WHEREAS, Section 8d(3) of the Act permits the MSF to revoke the designation of all or a portion of a recovery zone with respect to one or more qualified tool and die businesses if those qualified tool and die businesses fail or cease to participate in or comply with a qualified collaborative agreement;

WHEREAS, the Michigan Economic Development Corporation (“MEDC”) provides administrative services for the renaissance zone program;

WHEREAS, the MEDC received notification from the Collaborative President and a representative from the Company that the Company has been sold and moved to a new location and therefore, the Company is no longer operating on the Property and no longer a participating member of the Collaborative; and

WHEREAS, therefore, the MEDC recommends revocation of the Company’s Tool and Die Recovery Zone designation for the Property.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board revokes the Tool and Die Recovery Zone designation for Universal/DeVlieg, LLC for the Property located in the City of Saginaw at 1156 N. Niagara St., Saginaw, Michigan 48602, effective on December 31, 2014 for property tax purposes and immediately for all other purposes; and

BE IT FURTHER RESOLVED, that the MSF Board authorizes the MSF President or Fund Manager to take all action necessary to effectuate the terms of this Resolution.

Ayes:

Nays:

Recused:

Lansing, Michigan
November 25, 2014



MEMORANDUM

Date: November 25, 2014
To: Michigan Strategic Fund Board
From: Amy Lux, Renaissance Zone Program Specialist
Subject: *Exacto Tool Company, LLC*
Tool and Die Recovery Zone – Revocation

Action

The Michigan Economic Development Corporation (“MEDC”) is recommending the revocation of the Tool and Die Recovery Zone for Exacto Tool Company, LLC (the “Company”) by the Michigan Strategic Fund (“MSF”) Board. The Company’s ten-year Recovery Zone term is currently set to expire at the conclusion of 2019.

Background

The Company operated a tool and die shop in Shelby Charter Township, originally receiving a Tool and Die Recovery Zone designation in 2009 as a member of the Third Coast Tooling Alliance Collaborative (the “Collaborative”). In 2011, the Company sought and received a 5-year time extension for their Tool & Die Recovery Zone, bringing the term to ten years.

The MEDC was notified by the Collaborative President that the Company is no longer operating on the property and is no longer participating as a member of the Collaborative.

Under the Michigan Renaissance Zone Act, 1996 PA 376, as amended, the MSF Board has the authority to revoke the designation of a Recovery Zone for a qualified tool and die business if the qualified tool and die business fails or ceases to participate in or comply with a qualified collaborative agreement.

The Company’s resident agent, as well as the Collaborative President, were notified that the MEDC would recommend the Recovery Zone for revocation.

Recommendation

MEDC Staff recommends the MSF Board revoke the Tool and Die Recovery Zone designation for Exacto Tool Company, LLC. The revocation will be effective on December 31, 2014 for property tax purposes and immediately for all other purposes.

MICHIGAN STRATEGIC FUND

**RESOLUTION
2014-**

**REVOCATION OF AN EXISTING TOOL & DIE RENAISSANCE
RECOVERY ZONE DESIGNATION: Exacto Tool Company, LLC**

WHEREAS, the Michigan Renaissance Zone Act (the “Act”), 1996 PA 376, as amended, authorizes the Michigan Strategic Fund (“MSF”) Board to designate up to thirty-five (35) tool and die renaissance recovery zones (“Recovery Zone”) anywhere in the State of Michigan;

WHEREAS, on December 16, 2009, the MSF Board approved a Tool & Die Recovery Zone designation for Exacto Tool Company, LLC (the “Company”) as a member of the Third Coast Tooling Alliance Collaborative (the “Collaborative”) at the Company’s site in Shelby Charter Township at 50900 Birch Road, Shelby Township, Michigan 48315-3205 (the “Property”);

WHEREAS, Section 8d(3) of the Act permits the MSF to revoke the designation of all or a portion of a recovery zone with respect to one or more qualified tool and die businesses if those qualified tool and die businesses fail or cease to participate in or comply with a qualified collaborative agreement;

WHEREAS, the Michigan Economic Development Corporation (“MEDC”) provides administrative services for the renaissance zone program;

WHEREAS, the MEDC received notification from the Collaborative President that the Company has ceased operations on the Property and is no longer a participating member of the Collaborative; and

WHEREAS, therefore, the MEDC recommends revocation of the Company’s Tool and Die Recovery Zone designation for the Property.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board revokes the Tool and Die Recovery Zone designation for Exacto Tool Company, LLC for the Property located in Shelby Charter Township at 50900 Birch Road, Shelby Township, Michigan 48315-3205, effective on December 31, 2014 for property tax purposes and immediately for all other purposes; and

BE IT FURTHER RESOLVED, that the MSF Board authorizes the MSF President or Fund Manager to take all action necessary to effectuate the terms of this Resolution.

Ayes:

Nays:

Recused:

Lansing, Michigan
November 25, 2014

MEMORANDUM OF UNDERSTANDING
BETWEEN
THE DEPARTMENT OF ATTORNEY GENERAL
AND
THE MICHIGAN STRATEGIC FUND
AND
THE MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

Purpose:

This Memorandum of Understanding between the Department of Attorney General, the Michigan Strategic Fund (MSF), and the Michigan Economic Development Corporation (MEDC) specifies the legal services to be provided by the Department of Attorney General to the MSF and its Board Members related to the New International Trade Crossing (NITC) and Crossing Agreement executed by MSF June 27, 2012, and the costs to be paid by the MSF for these legal services.

Payments and Services:

The Department of Attorney General will provide legal consultation and representation in any civil claim, demand, or lawsuit against the MSF and/or its Board Members arising from actions related to the NITC and/or the Crossing Agreement within the scope of the MSF's and/or Board Members' authority or that they reasonably believe to be within the MSF's and/or Board Members' authority.

The costs incurred by the Department of Attorney General in carrying out the legal representation required by this Memorandum of Understanding for attorneys, experts, court filing fees, and other reasonable and necessary expenses shall be at the expense of and paid by the Michigan Strategic Fund. Legal services will be provided at actual attorney and support staff rates, travel expenses, court fees and other similar expenses up to a total of \$250,000 per fiscal year. The Department of Attorney General will provide its quarterly billings statements for these

expenses. Fees incurred for court reporters, expert witnesses, transcripts, document copying services and other similar litigation expenses will be billed directly to the MSF for payment.

Within 30 days of the execution of this Memorandum of Understanding, the MSF shall designate a litigation coordinator for all litigation related to the NITC and/or Crossing Agreement and provide the Department of Attorney General, State Operations Division Chief Frank Monticello (monticellof@michigan.gov or (517) 373-1162) the name, address and telephone number of the designated litigation coordinator.

Agreement Period:

This agreement is in full force and effect for services provided on or after the full execution of this Memorandum of Understanding to September 30, 2015. Addendums may be made to extend the term of the MOU and increase the amount of legal services provided and billed with mutual consent of the parties. Either party may terminate this agreement by giving sixty (60) days written notice to the other party, stating the reasons for termination and its effective date.

DEPARTMENT OF ATTORNEY GENERAL

By: _____
Carol L. Isaacs, Chief Deputy Attorney General
Dated: _____

MICHIGAN STRATEGIC FUND

By: _____
Mark Morante, MSF Fund Manager
Dated: _____

MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

By: _____
Jennifer Nelson, Chief of Staff and General Counsel
Dated: _____



MEMORANDUM

Date: November 25, 2014
To: Michigan Strategic Fund Board
From: Deanna Richeson, Director, Export Strategy
Subject: *Council of Great Lakes Governors FY2014 Contract Amendment Request*

Action

The MEDC requests that the MSF Board approves amending the FY2014 Council of Great Lakes Governors (CGLG) contract to increase the contract amount from \$615,000 to \$676,400.

Background

On October 30, 2013 the MSF Board approved MEDC entering into a contract with the CGLG in the amount of \$615,000 to provide export services to small and medium sized companies and office resources to the MEDC's four foreign office: China, Brazil, Canada, and Mexico.

The MEDC's four foreign offices are shared by CGLG member states' leveraged resources. CGLG's purpose in developing these shared trade offices is to advance the Great Lakes region's international trade initiatives and provide responsive and comprehensive services to small and medium-sized companies interested in expanding their sales on a global scale.

The CGLG is a non-partisan partnership of the Governors of the eight Great Lakes States - Illinois, Indiana, Michigan, Minnesota, New York, Ohio, Pennsylvania, and Wisconsin. In 1983, the region's Governors joined forces to create the Council and address the severe environmental and economic challenges then facing the citizens of their States. In more recent years, the Premiers of Ontario and Québec have joined with the Governors in advancing the high performance economy of the Great Lakes region.

The CGLG has 8 international trade offices: Australia (Sydney); Brazil (São Paulo); Canada (Toronto); Chile (Santiago); China (Shanghai); India (New Delhi); Mexico (Mexico City); and South Africa (Johannesburg).

The CGLG serves as general contractor for their 8 foreign office contractors, managing contracts with foreign contractors to support contracts signed by CGLG with participating member States. Participating member States pay monthly fees to CGLG, and CGLG pays each of the foreign office contractors. The CGLG also leads 2-3 foreign trade missions each year which are open to companies in the 8-State region.

Michigan's partnership with the CGLG aligns with Governor Snyder's priorities for regional collaboration focused on international trade and global logistics infrastructure. The goal of the shared trade offices model is to offer responsive and comprehensive services to small and medium sized companies from the Great Lakes region seeking to expand exports. By alleviating the need for "brick and mortar" foreign offices, the total investment needed by States operating foreign offices is significantly reduced. This allows more tax dollars to be directed to job creation opportunities for Michigan companies instead of structural investments. We are unaware of another organization in Michigan or the surrounding states that has the capacity to provide this type of service. Governor Snyder serves as Co-Chair of CGLG, along with Illinois Governor Quinn.

Recommendation

MEDC Staff recommends that the MSF Board approves entering into the amended FY2014 CGLG contract in the amount of \$676,400 to cover the following additional expenses totaling \$61,400:

- **\$8,400** was paid to the Michigan China Center to secure the hotel space at the Jumeirah Himalayas Hotel Shanghai during the Automechanika Trade Show taking place in December. The Michigan China Center is assisting in organizing the trade show pavilion and the on the ground logistics.
- **\$18,000** will be used to reimburse the four Michigan foreign office directors' and United Arab Emirates (UAE) consultant's travel costs associated with the Global Trade Days events, which took place the week of 10/13/2014.
- **\$35,000** will be used as performance incentives for the four foreign offices (Brazil, Canada, China, and Mexico) for exceeding their FY14 performance incentives by 10% or more.

MICHIGAN STRATEGIC FUND

**RESOLUTION
2014-**

**APPROVAL OF AMENDED CONTRACT WITH THE COUNCIL OF GREAT
LAKES GOVERNORS**

WHEREAS, the Michigan Strategic Fund (“MSF”) desires to assist eligible Michigan based small businesses, increase the number of small businesses that are exporting, increase the value of exports for those small businesses that are currently exporting, and to expand their customer base through a variety of international trade services that lead to international market expansion (the “Pure Michigan Export Program”);

WHEREAS, under the Michigan Strategic Fund Act, MCL 125.2001 et seq. (“Act”), and in particular Section 88b of the Act, the MSF has the power to make grants, loans and investments, which includes business development and business marketing, creating or retaining jobs, and increasing capital investment activity;

WHEREAS, subject to the control and direction of the MSF Board, the Michigan Economic Development Corporation (“MEDC”) provides certain administrative services to the MSF for the Pure Michigan Export Program created and operated by the MSF pursuant to Resolution 2013-166;

WHEREAS, pursuant to the authority provided in Resolution 2013-167 a contract was entered into on October 30, 2013 with the Council of Great Lakes Governors, Inc. in the amount of \$615,000 to provide export services to small and medium sized companies, provide office resources in China, Brazil, Canada and Mexico, provide market research and other support (the “Contract”);

WHEREAS, the MEDC and the Pure Michigan Export Program recommend that the Contract amount be amended and increased to \$676,400;

WHEREAS, based on the recommendation of the MEDC, the MSF Board deems it necessary and appropriate, and desires to approve entering into the amended Contract in the amount of \$676,400.

NOW, THEREFORE, BE IT RESOLVED, the MSF hereby approves entering into the amended Contract in the amount of \$676,400.

Ayes:

Nays:

Recused:

Lansing, Michigan
November 25, 2014



MICHIGAN STRATEGIC FUND

MEMORANDUM

DATE: November 12, 2014

TO: MSF Board Members

FROM: Mark Morante, Fund Manager

SUBJECT: Amendment of the Events Center Project Bond Authorizing Resolution

Request

At the September Board Meeting, the Board passed resolution 2014-145 authorizing the issuance of \$450 million in bonds for the Detroit Events Center Arena project. As a result of continued negotiations with the financing team, bond underwriter and other interested parties, it is the recommendation of staff and the financing team that the requirement within the resolution calling for a minimum Series 2014A Bond rating of BB be removed to allow the Series 2014A Bonds to be sold as unrated.

Background and Discussion

On September 16, 2014, the Michigan Strategic Fund Board adopted its Resolution to Authorize the Issuance of (I) Michigan Strategic Fund Limited Obligation Revenue Bonds, Series 2014A (Events Center Project) and (II) Michigan Strategic Fund Limited Obligation Revenue Bonds, Series 2014B (Events Center Project) (Federally Taxable)

That Authorizing Resolution contained a parameter in Section 4 requiring evidence that Fitch Ratings, Moody's Investors Service or Standard & Poor's has rated the Series 2014A Bonds at least "BB" or its equivalent rating (or "BB-" if acceptable to the Series 2014A Underwriter).

Fitch Rating Services has completed its credit assessment of the Series 2014A Bonds and notified the MSF and DDA that its indicative rating is single "B", which was lower than anticipated and lower than required in the Authorizing Resolution. In light of this development, Bank of America Merrill Lynch, the Series 2014A Underwriter, along with First Southwest, the financial advisor to Olympia Development of Michigan Events Center, LLC, have requested that the MSF agree to sell the 2014A Bonds without any credit rating. This would require a waiver of the above-mentioned minimum rating requirement by the MSF Board. Given the complexity of the transaction, it wouldn't be possible to seek ratings from other agencies without significantly delaying the transaction, and there is no



guarantee of a different result. Siebert, Bradford & Shank, the financial advisor to the MSF, and MEDC staff have no objection to this request

Among other reasons for the lower than expected rating, Fitch's rating criteria only considered tax increment revenues currently available to the DDA to repay the Series 2014A Bonds, and prevented it from considering anticipated future development within the DDA Development District or the expiration of any tax abatements, rebates or forbearances. Fitch also cited the interest rate and remarketing risks for the bonds that will occur when the Series 2014A Bonds are subject to mandatory tender on January 1, 2019. Those risks were described in the MSF Board executive summary that accompanied the September bond resolution.

Approaching the market without a rating will allow prospective buyers to make their own assessment of the risk, and the lack of a rating may make the Series 2014A Bonds more difficult to sell in the market and may affect their interest rate.

The 2014A Bonds will still be sold as limited obligations, in \$250,000,000 minimum denominations, with full disclosure related to the 2014A Bonds. Bank of America Merrill Lynch will execute a firm commitment to purchase and underwrite the Series 2014A Bonds, so there is no risk of an inability to complete the initial sale of the Series 2014A Bonds. However, the lack of a credit rating could impair the ability to remarket the Series 2014A Bonds in 2019, and the expectation is that with additional ancillary developments scheduled for the DDA district the MSF will be able to obtain a more favorable credit rating for the Series 2014A Bonds prior to the January 2019 remarketing date.

Recommendation

It is recommended that the Authorizing Resolution be amended to waive the minimum rating requirement. In addition, the Authorizing Resolution will be amended to (i) approve the appointment of First Southwest as placement agent for the Series 2014B Bonds and authorize the execution and delivery of a related placement agreement with First Southwest and (ii) amend the requirements of Section 8 of the Authorizing Resolution to include a determination by the MSF, in accordance with Section 515(2) of the Revised Municipal Finance Act, Act 34 of 2001, as amended ("Act 34") (MCL 141.2515(2)), that it is necessary for the Series 2014A Obligation issued by the DDA to mature in a manner that does not conform to Section 503(1) of Act 34 in order to structure the amortization schedule to conform to the projected tax increment revenues collections.

AMENDMENT TO RESOLUTION NO. 2014-145 AUTHORIZING THE ISSUANCE OF (I) MICHIGAN STRATEGIC FUND LIMITED OBLIGATION REVENUE BONDS, SERIES 2014A (EVENTS CENTER PROJECT) AND (II) MICHIGAN STRATEGIC FUND LIMITED OBLIGATION REVENUE BONDS, SERIES 2014B (EVENTS CENTER PROJECT) (FEDERALLY TAXABLE)

Resolution 2014-__

Background

A. The Michigan Strategic Fund (the “Fund”) is authorized by 1984 PA 270, as amended (the “Act”), to issue bonds for the purpose of making loans to pay the costs of a project (as defined in the Act).

B. On September 17, 2014, the Board of the Fund adopted Resolution No. 2014-145 (the “Authorizing Resolution”) which authorized the issuance of (i) Michigan Strategic Fund Limited Obligation Revenue Bonds, Series 2014A (Events Center Project) in an aggregate principal amount not to exceed \$250,000,000 (the “Series 2014A Bonds”) and (ii) Michigan Strategic Fund Limited Obligation Revenue Bonds, Series 2014B (Events Center Project) (Federally Taxable) in an aggregate principal amount not to exceed \$200,000,000 (the “Series 2014B Bonds”). The proceeds of the Series 2014A Bonds and Series 2014B Bonds will be loaned by the Fund to the City of Detroit Downtown Development Authority (“DDA”) to finance the costs of the acquisition, construction, installation, furnishing and equipping of a new multipurpose events center comprised of approximately 650,000 square feet, approximately 18,000 seats, attached parking and ground floor retail to serve as the home arena of the Detroit Red Wings National Hockey League franchise and as a year-round venue for a wide range of sports and entertainment events.

C. Section 4(g) of the Authorizing Resolution required that as a condition to the issuance of the Series 2014A Bonds, the Fund must receive evidence that Fitch Ratings, Moody’s Investors Service or Standard & Poor’s has rated the Series 2014A Bonds at least “BB” or its equivalent rating (or “BB-” if acceptable to the Series 2014A Underwriter). Fitch Rating Services was engaged by the Fund to provide a credit rating for the Series 2014A Bonds. Fitch Ratings has completed its credit assessment and assigned an indicative rating to the Series 2014A Bonds which is less than the minimum rating requirement set forth in Section 4(g) of the Authorizing Resolution. In light of this development, Merrill Lynch, Pierce, Fenner & Smith Incorporated, the underwriter of the Series 2014A Bonds, together with First Southwest, the financial advisor to Olympia Development of Michigan Events Center, LLC, have requested that the Fund agree to permit the Series 2014A Bonds to be issued without any credit rating.

D. In addition, the Fund has been asked to (i) approve the appointment of First Southwest as placement agent for the Series 2014B Bonds and authorize the execution and delivery of a related placement agreement with First Southwest and (ii) amend the requirements of Section 8 of the Authorizing Resolution to include a determination by the Fund, in accordance

with Section 515(2) of the Revised Municipal Finance Act, Act 34 of 2001, as amended (“Act 34”) (MCL 141.2515(2)), that it is necessary for the Series 2014A Obligation and Series 2014B Obligation issued by the DDA to mature in a manner that does not conform to Section 503(1) of Act 34 in order to structure the amortization schedule to conform to the projected collections of tax increment revenues and concession revenues, respectively.

E. It is now necessary, desirable and in the best interests of the Fund to amend the Authorizing Resolution as set forth below.

NOW, THEREFORE, Be It Resolved by the Board of the Fund:

SECTION 1. Amendment of Section 4(g) of Authorizing Resolution. The requirement for a minimum credit rating of BB- for the Series 2014A Bonds as set forth in Section 4(g) of the Authorizing Resolution is hereby waived. The Series 2014A Bonds may be sold without a credit rating.

SECTION 2. Approval, Execution and Delivery of Series 2014B Placement Agreement. The appointment of First Southwest as placement agent for the Series 2014B Bonds is hereby approved, and the form of the placement agreement for the Series 2014B Bonds (the “Series 2014B Placement Agreement”), on file with the staff of the Fund and on which have been endorsed by the staff of the Fund the date of adoption of this Resolution, is hereby approved.

Any Member or Authorized Officer is authorized to execute and deliver the Series 2014B Placement Agreement in substantially the form approved, with any changes as are considered necessary or desired by him or her, permitted by the Act or otherwise by law, and not materially adverse to the Fund.

SECTION 3. Bond Amortization Requirements for Series 2014A Obligation and Series 2014B Obligation. The Fund hereby determines, in accordance with Section 515(2) of the Revised Municipal Finance Act, Act 34 of 2001, as amended (MCL 141.2515(2)), that it is necessary for the Series 2014A Obligation and Series 2014B Obligation to mature in a manner that does not conform to Section 503(1) of Act 34 in order to structure the amortization schedule to conform to the projected collections of tax increment revenues and concession revenues, respectively. The total principal amount maturing or subject to mandatory redemption in any year after 4 years from the date of issuance may be less than 1/5 of the total principal amount maturing or subject to mandatory redemption in any subsequent year.

SECTION 4. Ratification and Effectiveness. Except as modified by this Resolution as set forth above, the Authorizing Resolution is ratified and confirmed and remains in full force and effect. This Resolution shall become effective upon adoption. If the Series 2014 Bonds are not delivered to their original purchasers on or before December 31, 2014, the authority granted by the Authorizing Resolution shall lapse.

Adopted.

Ayes:

Nays:

November 25, 2014 Meeting
Lansing, Michigan

PLACEMENT AGENT AGREEMENT

This Placement Agent Agreement (“Agreement”) is made and entered into by and between Michigan Strategic Fund (the “Issuer”) and First Southwest Company (“FirstSouthwest”).

WITNESSETH:

WHEREAS, the Issuer presently intends to issue indebtedness in the approximate amount of \$200,000,000 Limited Obligation Revenue Bonds, Series 2014B (Events Center Project) (Federally Taxable) (the “Series 2014B Bonds”) and, in connection with the authorization, sale, issuance and delivery of such indebtedness, the Issuer desires to obtain the professional services of FirstSouthwest to serve as the placement agent for the Series 2014B Bonds; and

WHEREAS, FirstSouthwest is willing to provide its professional services and its facilities as placement agent, acting not as a fiduciary, in connection with the issuance of the Series 2014B Bonds.

NOW, THEREFORE, the Issuer and FirstSouthwest, in consideration of the mutual covenants and agreements herein contained and other good and valuable consideration, do hereby agree as follows:

SECTION I DESCRIPTION OF SERVICES

Upon the request of an authorized representative of the Issuer, FirstSouthwest agrees to provide its professional services and its facilities as placement agent in connection with the issuance of the Series 2014B Bonds; and for having rendered such services, the Issuer agrees to pay to FirstSouthwest the compensation as provided in Section III hereof.

SECTION II TERM OF AGREEMENT

This Agreement shall become effective as of the date executed by the Issuer as set forth on the signature page hereof and, shall remain in effect thereafter until the Issuer has paid FirstSouthwest in full the placement agent fee and all reimbursable expenses.

SECTION III COMPENSATION AND EXPENSE REIMBURSEMENT

The fees due to FirstSouthwest for the services set forth and described in Section I of this Agreement with respect to the issuance of the Series 2014B Bonds during the term of this Agreement shall be calculated in accordance with the schedule set forth on Appendix A attached hereto. Unless specifically provided otherwise on Appendix A or in a separate written agreement between Issuer and FirstSouthwest, such fees, together with any other fees as may have been mutually agreed upon and all expenses for which FirstSouthwest is entitled to reimbursement, shall become due and payable concurrently with the delivery of the proceeds of the Series 2014B Bonds to the Issuer. FirstSouthwest has not received nor will it collect any compensation or other consideration from the buyer(s). FirstSouthwest is serving as financial advisor to the Olympia Development of Michigan Events Center LLC and will receive a financial advisory fee from Olympia Development of Michigan Events Center LLC when the Series 2014B Bonds is closed.

**SECTION IV
MISCELLANEOUS**

1. Choice of Law. This Agreement shall be construed and given effect in accordance with the laws of the State of Michigan.

2. Binding Effect; Assignment. This Agreement shall be binding upon and inure to the benefit of the Issuer and FirstSouthwest, their respective successors and assigns; provided however, neither party hereto may assign or transfer any of its rights or obligations hereunder without the prior written consent of the other party.

3. Entire Agreement. This instrument contains the entire agreement between the parties relating to the rights herein granted and obligations herein assumed. Any oral or written representations or modifications concerning this Agreement shall be of no force or effect except for a subsequent modification in writing signed by the parties hereto.

4. No Advisory or Fiduciary Role. The Issuer acknowledges and agrees that (i) the purchase and sale of the Bonds pursuant to this Agreement is an arm's-length commercial transaction between the Issuer and FirstSouthwest, (ii) in connection with such transaction, FirstSouthwest is acting solely as a principal and not as a financial advisor of the Issuer, (iii) FirstSouthwest has not assumed a financial advisory responsibility in favor of the Issuer with respect to the offering of the Bonds or the process leading thereto (whether or not FirstSouthwest, or any affiliate of FirstSouthwest, has advised or is currently advising the Issuer on other matters) or any other obligation to the Issuer except the obligations expressly set forth in this Agreement; provided, however, that for both subsections (ii) and (iii) herein, it is the Issuer's understanding that a financial advisory relationship shall not be deemed to exist when, in the course of acting as a purchaser, an underwriter, a broker, dealer or municipal securities dealer renders advice to an issuer, including advice with respect to the structure, timing, terms and other similar matters concerning a new issue of municipal securities, and (iv) the Issuer has consulted with its own legal, accounting, tax and financial advisors to the extent it deemed appropriate in connection with the offering of the Bonds. FirstSouthwest hereby notifies the Issuer it is not acting as a Municipal Advisor to the Issuer (as defined in Section 15B of the Securities Exchange Act of 1934, as amended), it is not an agent of the Issuer, and it does not have a fiduciary duty to the Issuer in connection with the matters contemplated by this Agreement.

FIRST SOUTHWEST COMPANY

By: _____
Steven J. Kantor
Managing Director

MICHIGAN STRATEGIC FUND

By: _____

Name: _____

Title: _____

Date: _____

ATTEST:

Secretary

APPENDIX A

The fees due FirstSouthwest will not exceed those contained in the fee schedule as listed below:

First Southwest shall receive no fee for services as placement agent for the Series 2014B Bonds.

The Issuer shall be responsible for the following expenses:

Bond counsel fee and charges

Travel expenses

Printing and distribution costs of offering documents and securities

Cost of any required notices

With the exception of the bond counsel fee and charges, FirstSouthwest will pay the listed expenses and invoice the Issuer for reimbursement at the time of the successful delivery of the bond proceeds.

Based upon the current proposal to issue a total of \$200,000,000 of the Series 2014B Bonds, the total amount of remuneration to FirstSouthwest is anticipated to be approximately \$0. In the event the Issuer shall determine to change the total amount of the Series 2014B Bonds to be issued, the total amount of the remuneration to FirstSouthwest with respect to the placement of the Series 2014B Bonds may also change, in accordance with the fee schedule set forth above.



MEMORANDUM

Date: November 25, 2014

To: Michigan Strategic Fund Board

From: Mike Gietzen, Development Finance Manager
Dan Wells, Brownfield Senior Program Specialist

Subject: Canal Street Brewing Co., LLC (dba Founders Brewing Co.)
Request for Approval of an Act 381 Work Plan and Michigan Business Development Program Performance-Based Grant

Request

The Applicant requests to amend a previously approved Brownfield Act 381 work plan, and consider use of the Michigan Business Development Program (MBDP) for the project located at 235 Grandville Avenue SW, Grand Rapids.

The City of Grand Rapids Brownfield Redevelopment Authority has submitted an amended Act 381 Work Plan (hereinafter Work Plan), requests a new parcel be added to the existing eligible property, 231 Bartlett Street, and for the approval of local and school tax capture for eligible activities in the amount of \$4,281,805. The previous work plan approvals were; June 13, 2006 for \$737,690, amendment #1 on June 19, 2007 for a total of \$406,825 in costs, and amendment #2 on August 17, 2010 for total of \$561,700 in costs. The third amendment request adds to the previously approved eligible activities to total \$4,281,805. Eligible activities undertaken to alleviate Brownfield conditions on the property and complete the project include infrastructure improvements include public utility improvements (i.e. water, storm and sanitary sewer), incremental cost of an underground storm water detention system on private property, curbs/walks and street and streetscape improvements to Bartlett Street, Finney Avenue and Williams Street. Site demolition costs include paving, curbing and concrete demolition in preparation for the proposed expansion. Site preparation activities will include construction of retaining walls and mass grading and land balancing of the site.

Canal Street Brewing Co., LLC (dba Founders Brewing Co.) (Applicant) is requesting approval of a performance-based grant in the amount of \$250,000. The Applicant anticipates that the project will result in eligible investment of \$4,281,805 and total capital investment in the amount of \$40,400,000 in the City of Grand Rapids and the creation of 72 jobs.

Background

The Applicant began operations in 1997 in Grand Rapids with a small tap room and a small production facility at another location. In 2007, when demand began to outpace the company's production capacity, the Applicant moved to a new facility located at 235 Grandville Avenue. The current facility provides the Applicant the production capacity as well as a larger tap room to test and sell its beer made on-site. Since moving to its current location just seven years ago, the Applicant has increased its production by almost fifty times and its tap room sales by approximately ten times. This growth has been possible as a result of multiple facility expansions over the past five years.

The Applicant received a Brownfield Michigan Business Tax Credit in the amount of \$483,000 in 2010 for an expansion at its Grand Rapids facility. The Applicant has also received a Michigan Business Development Program economic assistance in 2012 for \$2,000,000.

The following detail is provided in Appendix, as follows:

- Appendix A: Statutory requirements for the Act 381 Work plan for the City of Grand Rapids project and project map
- Appendix B: MBDP statutory requirements and project map; and
- Appendix C: Summary of the MBDP Terms for the project.

Recommendation

MEDC Staff recommends (the following, collectively, “Recommendation”):

- a) Approval of the MBDP Proposal as outlined in the attached term sheet in Appendix C (collectively, “MBDP Proposal”);
- b) Closing the MBDP Proposal, subject to available funding under the MBDP at the time of closing (“Available Funding”), satisfactory completion of due diligence, (collectively, “Due Diligence”), finalization of all MBDP transaction documents, and further subject to the following terms and conditions:
 - Commitment will remain valid for 120 days with approval for MSF Fund Manager to extend the commitment an additional 60 days;
 - MSF Fund Manager, in coordination with MEDC staff, can negotiate final milestone performance terms from that contained in the Term Sheet, and additional and other terms so long as the additional and other terms are not otherwise materially adverse to the MSF, to accommodate final signing of the Transaction Documents;
- c) Approval of local and school tax capture for the Act 381 eligible activities totaling \$4,281,805 described above. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at \$2,210,268.

APPENDIX A

PROPERTY ELIGIBILITY

The Applicant plans to expand its existing Grand Rapids facility (235 Grandville Ave SW, Grand Rapids, MI 49503) to support its continued growth, make investments and create jobs related to its beer production. Once complete, the Applicant will have capacity to produce 575,000 barrels per year which is two times its current capacity.

- a) The project is located within the boundaries of the City of Grand Rapids, which is a Qualified Local Governmental Unit, and has been deemed a facility as verified by the Michigan Department of Environmental Quality (MDEQ).
- b) The project is located in a traditional commercial center and qualifies for an MCRP award because it is a facility.

The project’s statutory requirements are addressed in Appendix A, a project map is provided in Appendix B, and the Summary of Terms is included in Appendix C.

The commitment will remain valid until Date (120 days after approval) with approval for the MSF Fund Manager to extend the commitment an additional 30 days.

As required under the program, the following statutory criteria shall be considered by the MSF, as MEDC Staff believes each is reasonably applicable to proposed project:

A. The importance of the project to the community in which it is located:

The community will benefit from the expansion by continued increase in the property value and sales taxes generated from the result of the proposed expansion. In addition the public will benefit from the creation of 72 Qualified New Jobs.

B. If the project will act as a catalyst for additional revitalization of the community in which it is located:

Founders Brewing provides a widely recognized brand that is synonymous with Grand Rapids. It serves as a regional and national destination drawing tourists to the city.

C. The amount of local community and financial support for the project:

The City of Grand Rapids approved a PA 198 tax abatement for the project estimated to be valued at \$2.2 million in addition to the local taxes for the tax increment financing on the project.

D. The applicant's financial need for a community revitalization incentive:

The brownfield site would not be financially feasible option for the project due to the extraordinary cost associated to the infrastructure improvements and site preparation related to the project.

E. The extent of reuse of vacant buildings, reuse of historical buildings, and redevelopment of blighted property:

The proposed expansion will continue the reuse of the original building that was rehabilitated as part of the first Act 381 Work Plan and MBT Brownfield credit for this project. The original reuse of the building has generated multiple expansions. The current expansion involves new construction to be added to the original building.

F. Creation of jobs and areas of high unemployment:

The unadjusted unemployment rate for the City of Rapids as of August 2014 was 6.5%. This compares to an unadjusted rate of 6.7% for the State or Michigan. The average hourly wage is estimated to be \$30 per hour.

G. The level of private sector and other contributions, including, but not limited to, federal funds and federal tax credits:

The Project includes approximately \$30 million worth of private investment, \$250,000 in Michigan Business Development grant, and \$1.2 million in Michigan Department of Transportation for public infrastructure improvements. The MEGA approved a small Brownfield tax credit for the company to expand in 2010 valued at \$483,000 for which a certificate of completion has been issued, and no portions of this investment will be removed or altered during the currently proposed expansion.

H. Whether the project is financially and economically sound:

From the materials received, the MEDC infers that the Work Plan is financially and economically sound.

I. Whether the project increases the density of the area:

No residential density will be created by the project.

J. Whether the project promotes mixed-use development and walkable communities:

The project is an industrial production expansion.

K. Whether the project converts abandoned public buildings to private use:

No public buildings are present on the eligible property.

L. Whether the project promotes sustainable development:

No specific aspects of the development go beyond typical new construction best practices.

M. Whether the project involves the rehabilitation of a historic resource:

No historic properties are present within the eligible property.

N. Whether the project addresses area-wide redevelopment:

The expansion will help reinforce the tourism brand marketing of the city as “Beer City USA” and continue the growing brewing industry in Grand Rapids.

O. The level and extent of environmental contamination:

The property is eligible due to elevated levels of arsenic, trichloroethylene, and tetrachloroethane in the groundwater. The new parcel being added to the eligible property is adjacent and contiguous with the facility parcels.

P. If the rehabilitation of the historic resource will meet the federal Secretary of the Interior's standards for rehabilitation and guidelines for rehabilitating historic buildings (36 CFR 67):

No historic properties are present within the eligible property.

Q. Whether the project will compete with or affect existing Michigan businesses within the same industry:

The projects intent is to increase production capabilities which will allow for additional growth in untouched markets around the United State an internationally.

R. Any other additional criteria approved by the board that are specific to each individual project and are consistent with the findings and intent of this chapter:

No additional considerations need to be made.

ADDITIONAL STATUTORY CRITERIA UNDER ACT 381:

a) Reuse of functionally obsolete buildings and/or redevelopment of blighted property:

No obsolete or blighted properties are located on the property.

b) Cost gap that exists between the property and a similar greenfield property:

The Brownfield Tax Increment Financing is needed for the demolition and site preparation for the proposed scope of the construction at the project. The cost of the demolition and site preparation is considered extraordinary brownfield costs associated with the reuse of the site. Construction of a new facilities outside of the city was considered, but the Applicant has a strong desire to expand at their current facility. The brownfield assistance is imperative to making the proposed expansion happen at the current site.

c) Whether project will create a new brownfield property in the State:

No new Brownfields will be created by this project.

d) Other Factors Considered

No additional factors need to be considered for this project.

Act 381 TIF: There are 46.4924 non-homestead mills available for capture, with school millage equaling 24 mills (51.62%) and local millage equaling 22.4924 mills (48.38%). The requested tax capture for eligible activities breaks down as follows:

School tax capture (51.62%)	\$2,210,268
Local tax capture (48.38%)	<u>\$2,071,537</u>
TOTAL	\$4,281,805

COST OF ELIGIBLE ACTIVITIES

Demolition	\$ 45,400
Infrastructure Improvements	3,420,050
Site Preparation	+ 427,800
Sub-Total	<u>\$3,893,250</u>
Contingency (approximately 9.7%)	+ 378,555
Sub-Total	<u>\$4,271,805</u>
Brownfield/Work Plan Preparation	+ 10,000
TOTAL	\$4,281,805

APPENDIX B

MBDP PROGRAM AND ITS GUIDELINES

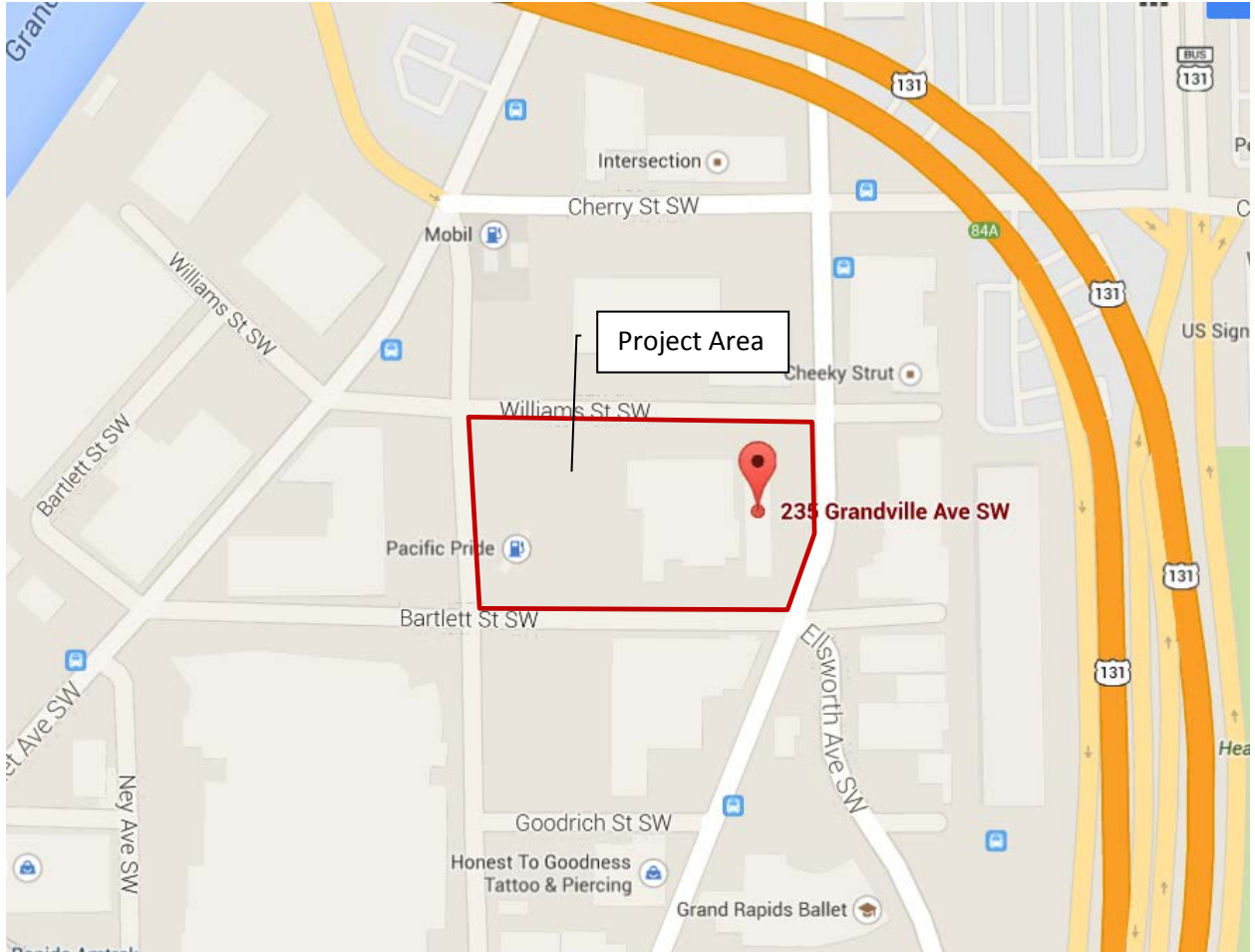
On December 21, 2011, the MSF Board approved the Michigan Business Development Program (MBDP) and its guidelines.

SOURCE OF INFORMATION

It is the role of the Project Management staff (MEDC Staff) to review for eligibility, completeness, and adherence to MBDP guidelines, the information provided by the applicant and to manage the MSF's investment. Explanatory and background information is supplied in summary form to provide context for the request and is drawn exclusively from materials submitted by the applicant, and, as applicable, from other relevant third party sources utilized by staff.

- a) The Applicant is a "Qualified Business", as defined in MCL 125.2088r(9)(b), that is located and operates in Michigan.
- b) The project will be located in City of Grand Rapids. The City has offered a "staff, financial, or economic commitment to the project" in the form of a PA 198 property tax abatement.
- c) The Applicant has demonstrated a need for the funding. To make the project work for Michigan, the Company will have higher capital costs to locate at their current site in the City of Grand Rapids than it would at Greenfield sites outside of the City of Grand Rapids. Its ability to finance the up-front investment required to keep pace with consumer demand. In addition, without incentive assistance the Applicant would not be able to expand into new markets, both nationally and internationally.
- d) The Applicant plans to create 72 Qualified New Jobs above a statewide base employment level of 232.
- e) Pursuant to the program guidelines, the following was taken into consideration for the proposed project: the proposed project is not a retail or retention project; involves a shovel ready project with near term job creation with the support of the MSF; is located in a distressed community; and has a net positive return to Michigan.

MAP OF PROJECT AREA



APPENDIX C

MICHIGAN BUSINESS DEVELOPMENT PROGRAM Performance Based Grant - Term Sheet

The following is a summary of the highlights of the project and basic terms for which the Company desires grant support from the Michigan Strategic Fund ("MSF") under the Michigan Business Development Program ("MBDP"). While the MBDP is operated and funded through the MSF, recommendation for approval of a MBDP incentive award is presented by the Michigan Economic Development Corporation ("MEDC") to the MSF.

Date: 11/12/2014

- 1. Company Name:** Canal Street Brewing Co., LLC
dba Founders Brewing Company("Company" or "Applicant")
- 2. Company Address ("Project"):** 235 Grandville Avenue
Grand Rapids, Michigan 49503
- 3. MBDP Incentive Type:** Performance Based Grant
- 4. Maximum Amount of MBDP Incentive:** Up to \$250,000 ("MBDP Incentive Award")
- 5. Base Employment Level** 130 The number of jobs currently maintained in Michigan by the Company based on data submitted by the Company to the MEDC reflecting the Company's statewide employment level in Michigan prior to the proposed project. The Base Employment Level, including identification of the Company data used to establish this level, shall be included in the final MBDP Incentive Award agreement ("Agreement") between the MSF and the Company.
- 6. Total Qualified New Job Creation:** 72 The minimum number of total Qualified New Jobs the Company shall be required to create at Project (above the Base Employment Level), in addition to satisfying other milestones if applicable, to be minimally eligible to receive the full amount of the MBDP Incentive Award. Each Qualified New Job must be performed for consideration by a Michigan resident (whose Michigan income taxes are withheld as required),
(above Base Employment Level)

and each Qualified New Job must be in excess of the Base Employment Level. The final terms and conditions of the requirements for the minimum number of Qualified New Jobs that must be created, including provisions addressing disbursements of portions of the MBDP Incentive Award, shall be included in the final Agreement.

- a. **Start Date for Measurement of Creation of Qualified New Jobs:** Date of Approval of MSF Award

- 7. **Company Investment:** \$40,400,000 for land cost, new construction, and machinery and equipment, *or any combination thereof, for the Project.*

- 8. **Municipality supporting the Project:** City of Grand Rapids
 - a. **Municipality Support.** One of the conditions of execution of the final Agreement is the requirement that the municipality shall have committed to provide: a property tax abatement for real and personal property related to the project. The final terms and conditions demonstrating this support shall be included in the final Agreement.

- 9. **Disbursement Milestones:** The final terms and conditions of each of the disbursements of any portion of the MBDP Incentive Award shall be included in the final Agreement, including that before any disbursement is made to the Company, the Company must have maintained: (i) the Base Employment Level (exclusive of the number of Qualified New Jobs then created) and (ii) any Qualified New Jobs created for which disbursements by the MSF have been made, and must otherwise be in compliance with all terms and conditions of the final Agreement, and further shall include:
 - a. **Disbursement Milestone 1:** Up to \$50,000 Upon demonstrated creation of 20 Qualified New Jobs above the Base Employment Level and verification of final approval of municipality support by no later than December 1, 2015.

 - b. **Disbursement Milestone 2:** Up to \$100,000 Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 30 additional Qualified New Jobs (for a total of 50 Qualified New Jobs) above the Base Employment Level, by no later than December 1, 2016.

 - c. **Disbursement Milestone 3:** Up to \$100,000 Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, and upon demonstrated creation of 22 additional Qualified New Jobs (for a total of 72 Qualified New Jobs) above the Base

Employment Level, by no later than December 1, 2017.

10. Term of Agreement:

Execution of Agreement to December 1, 2019

11. Repayment Provisions:

Repayment provisions are required by law. The Repayment terms and conditions will be effective through the Term of the Agreement and shall be defined in the final Agreement. The final repayment provisions may require repayment of some or all of the disbursements made by the MSF, including if the Company moves 25% or more of their employees out of Michigan, if the Company fails to maintain the Base Employment Level in Michigan, if the Company fails to maintain the Qualified New Jobs incented by this Award.

12. Reporting Requirements:

Periodic reporting will be required with this program. The detailed information needed from the Company will be included in the final Agreement, but will include Project reporting for such things as: amount of proposed incentive, amount of actual incentive received by Company; amount of proposed and actual investment made by Company for Project; the committed number of new jobs and the actual number of new jobs created as a result of the Project; and the educational attainment of the employees hired.

13. Public Announcements:

The Company shall not make, or cause, any announcement of the proposed MBDP Incentive Award parameters outlined in this letter before the date of approval by the MSF of the MBDP Incentive Award, unless prior authorized and coordinated with the MEDC.

Any final MBDP Incentive Award is contingent upon several factors, including: (i) submission by the Company of a completed application and all other documentation required under the MBDP (ii) satisfactory municipality support (iii) available MSF funding (iv) completion of financial review, business integrity review, required background checks, and other business and legal review and due diligence as required, and the results of which must be satisfactory the MEDC, the MSF, and as applicable, the Chief Compliance Officer, (v) approval of an award by the MSF, and (vi) execution of a final Agreement containing the established milestones, repayment terms, reporting requirements, and all other detailed terms and conditions, required by the MSF.

If the Company is interested in the MEDC pursuing a recommendation to the MSF for a possible MBDP Incentive Award for the Company along the above parameters, please sign and date this Term Sheet. **If the MEDC does not receive the signed Term Sheet from the Company by November 13, 2014, the MEDC may not be able to proceed with any recommendation to the MSF.**

Acknowledged as received by:

Canal Street Brewing Co. L.L.C.

Michigan Economic Development Corporation

By: _____

Printed Name: _____

Its: _____

Dated: _____

By: _____

Printed Name: _____

Its: _____

Dated: _____



MICHIGAN BUSINESS DEVELOPMENT PROGRAM Performance Based Grant - Term Sheet

The following is a summary of the highlights of the project and basic terms for which the Company desires grant support from the Michigan Strategic Fund ("MSF") under the Michigan Business Development Program ("MBDP"). While the MBDP is operated and funded through the MSF, recommendation for approval of a MBDP incentive award is presented by the Michigan Economic Development Corporation ("MEDC") to the MSF.

Date: 11/14/2014

- 1. Company Name:** Canal Street Brewing Co., LLC
dba Founders Brewing Copmany("Company" or "Applicant")
- 2. Company Address ("Project"):** 235 Grandville Avenue
Grand Rapids, Michigan 49503
- 3. MBDP Incentive Type:** Performance Based Grant
- 4. Maximum Amount of MBDP Incentive:** Up to \$250,000 ("MBDP Incentive Award")
- 5. Base Employment Level** 130 The number of jobs currently maintained in Michigan by the Company based on data submitted by the Company to the MEDC reflecting the Company's statewide employment level in Michigan prior to the proposed project. The Base Employment Level, including identification of the Company data used to establish this level, shall be included in the final MBDP Incentive Award agreement ("Agreement") between the MSF and the Company.
- 6. Total Qualified New Job Creation:** 72 The minimum number of total Qualified New Jobs the Company shall be required to create at Project (above the Base Employment Level), in addition to satisfying other milestones if applicable, to be minimally eligible to receive the full amount of the MBDP Incentive Award. Each Qualified New Job must be performed for consideration by a Michigan resident (whose Michigan income taxes are withheld as required), and each Qualified New Job must be in excess of the Base Employment Level. The final terms and conditions of the requirements for the minimum number of Qualified New Jobs that must be
(above Base Employment Level)

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created, including provisions addressing disbursements of portions of the MBDP Incentive Award, shall be included in the final Agreement.

- a. **Start Date for Measurement of Creation of Qualified New Jobs:** Date of Approval of MSF Award

- 7. **Company Investment:** \$40,400,000 for land cost, new construction, and machinery and equipment, *or any combination thereof, for the Project.*

- 8. **Municipality supporting the Project:** City of Grand Rapids
 - a. **Municipality Support.** One of the conditions of execution of the final Agreement is the requirement that the municipality shall have committed to provide: a property tax abatement for real and personal property related to the project. The final terms and conditions demonstrating this support shall be included in the final Agreement.

- 9. **Disbursement Milestones:** The final terms and conditions of each of the disbursements of any portion of the MBDP Incentive Award shall be included in the final Agreement, including that before any disbursement is made to the Company, the Company must have maintained: (i) the Base Employment Level (exclusive of the number of Qualified New Jobs then created) and (ii) any Qualified New Jobs created for which disbursements by the MSF have been made, and must otherwise be in compliance with all terms and conditions of the final Agreement, and further shall include:
 - a. **Disbursement Milestone 1:** Up to \$50,000 Upon demonstrated creation of 20 Qualified New Jobs above the Base Employment Level and verification of final approval of municipality support by no later than December 1, 2015.

 - b. **Disbursement Milestone 2:** Up to \$100,000 Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 30 additional Qualified New Jobs (for a total of 50 Qualified New Jobs) above the Base Employment Level, by no later than December 1, 2016.

 - c. **Disbursement Milestone 3:** Up to \$100,000 Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, and upon demonstrated creation of 27 additional Qualified New Jobs (for a total of 72 Qualified New Jobs) above the Base Employment Level, by no later than December 1, 2017.

- 10. **Term of Agreement:** Execution of Agreement to December 1, 2019

11. Repayment Provisions:

Repayment provisions are required by law. The Repayment terms and conditions will be effective through the Term of the Agreement and shall be defined in the final Agreement. The final repayment provisions may require repayment of some or all of the disbursements made by the MSF, including if the Company moves 25% or more of their employees out of Michigan, if the Company fails to maintain the Base Employment Level in Michigan, if the Company fails to maintain the Qualified New Jobs incented by this Award.

12. Reporting Requirements:

Periodic reporting will be required with this program. The detailed information needed from the Company will be included in the final Agreement, but will include Project reporting for such things as: amount of proposed incentive, amount of actual incentive received by Company; amount of proposed and actual investment made by Company for Project; the committed number of new jobs and the actual number of new jobs created as a result of the Project; and the educational attainment of the employees hired.

13. Public Announcements:

The Company shall not make, or cause, any announcement of the proposed MBDP Incentive Award parameters outlined in this letter before the date of approval by the MSF of the MBDP Incentive Award, unless prior authorized and coordinated with the MEDC.

Any final MBDP Incentive Award is contingent upon several factors, including: (i) submission by the Company of a completed application and all other documentation required under the MBDP (ii) satisfactory municipality support (iii) available MSF funding (iv) completion of financial review, business integrity review, required background checks, and other business and legal review and due diligence as required, and the results of which must be satisfactory the MEDC, the MSF, and as applicable, the Chief Compliance Officer, (v) approval of an award by the MSF, and (vi) execution of a final Agreement containing the established milestones, repayment terms, reporting requirements, and all other detailed terms and conditions, required by the MSF.

If the Company is interested in the MEDC pursuing a recommendation to the MSF for a possible MBDP Incentive Award for the Company along the above parameters, please sign and date this Term Sheet. **If the MEDC does not receive the signed Term Sheet from the Company by November 13, 2014, the MEDC may not be able to proceed with any recommendation to the MSF.**

Acknowledged as received by:

Canal Street Brewing Co. L.L.C.

Michigan Economic Development Corporation

By: _____

By: _____

Printed Name: _____

Printed Name: _____

Its: _____

Its: _____

Dated: _____

Dated: _____

MICHIGAN STRATEGIC FUND

RESOLUTION 2015-

**APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT TO
CANAL STREET BREWING CO., LLC**

WHEREAS, the Michigan legislature passed legislation establishing the 21st Century Jobs Trust Fund initiative that was signed into law;

WHEREAS, the Michigan Economic Development Corporation (“MEDC”) provides administrative services to the Michigan Strategic Fund (“MSF”) for 21st Century Jobs Trust Fund programs;

WHEREAS, pursuant to MCL 125.2088r, the MSF shall create and operate the Michigan Business Development Program (“MBDP”) to provide grants, loans and other economic assistance to qualified businesses that make qualified investments or provide qualified new jobs in Michigan;

WHEREAS, on December 21, 2011, by Resolution 2011-184, the MSF (i) created the MBDP, and (ii) adopted the guidelines for the MBDP (“Guidelines”);

WHEREAS, pursuant to SFCR 125.2088r-1, the MSF approved the MSF Fund Manager or the MSF President to negotiate the terms and conditions and execute all final documents necessary to effectuate awards and decisions approved under the MBDP in accordance with the Guidelines (“Transaction Documents”);

WHEREAS, the Guidelines require that MBDP awards over \$1 million must be approved by the MSF Board;

WHEREAS, Canal Street Brewing Co., LLC (“Company”) has requested a performance based MBDP grant of up to \$2,000,000 (“Grant Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”); and

WHEREAS, the MEDC recommends that the MSF approve the Company’s Grant Request in accordance with the Term Sheet, subject to: (i) available funding, (ii) final due diligence performed to the satisfaction of the MEDC; and (iii) execution of the Transaction Documents within 120 days of the date of this Resolution (“Time Period”), or this Resolution shall have no effect; provided however, at the sole discretion of the MSF Fund Manager, the Time Period may be extended for up to an additional 60 days (“MBDP Award Recommendation”).

NOW, THEREFORE, BE IT RESOLVED, the MSF Board approves the MBDP Award Recommendation.

Ayes:

Nays:

Recused:

Lansing, Michigan
November 25, 2014

MICHIGAN STRATEGIC FUND

RESOLUTION 2014-

**City of Grand Rapids Brownfield Redevelopment Authority
Canal Street Brewing Co., LLC, Founders RE, LLC & Blue Tiger, LLC Project
(Amendment #3)
City of Grand Rapids**

At the meeting of the Michigan Strategic Fund (“MSF”) held on November 25, 2014 in Lansing, Michigan.

WHEREAS, 2002 PA 727 amended 1996 PA 381, MCL 125.2651 et seq, to empower local brownfield redevelopment authorities to request the Michigan Economic Growth Authority Board (“MEGA”) to approve a brownfield project work plan and, thereby, capture taxes levied for school operating purposes for the project;

WHEREAS, captured school operating tax revenues may be used under 1996 PA 381 as amended, for infrastructure improvements that directly benefit eligible property, for lead or asbestos abatement, and for structure demolition and site preparation that are not response activities under the Natural Resources and Environmental Protection Act, 1994 PA 451;

WHEREAS, Executive Order 2012-9 transferred all the authority, powers, duties, functions, responsibilities, records, personnel, property, unexpended balances of appropriations, allocations or other funds of the MEGA to the MSF;

WHEREAS, the MEGA Board approved a Work Plan request for the Canal Street Brewing Co., LLC, Founders RE, LLC & Blue Tiger, LLC Project (the “Project”), by Resolution 2006-35 on June 13, 2006, and amended by Resolution 2007-57 and Resolution 2010-125 authorizing the Authority to capture taxes levied for school operating purposes based on a maximum of \$561,700 in eligible activities;

WHEREAS, the qualified taxpayer wishes to amend the scope of the Project by incorporating costs for infrastructure improvements, including public utility improvements, stormwater management costs, site demolition costs, and site preparation activities;

WHEREAS, the City of Grand Rapids Brownfield Redevelopment Authority (the “Authority”) is requesting MSF approval to capture additional taxes levied for school operating purposes to provide for the reimbursement of the cost of eligible activities on an eligible property; and

WHEREAS, the Michigan Economic Development Corporation (the “MEDC”) provides administrative services to the MSF, and has reviewed the application and recommends approval of the amended Brownfield Work Plan by the MSF Board.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board authorizes a project scope amendment for the Authority to capture taxes levied for school operating purposes in substantially the same proportion as the 51.62% to 43.38% ratio currently existing between school and local taxes for non-homestead properties, to reimburse the cost of infrastructure improvements and site preparation as presented in the revised Work Plan dated October 23, 2014. Any change in millage that increases the capture percentage of school operating taxes by more than 5 percentage points must be approved by the MSF Board. The authorization is based on the Authority capturing all available local operating mills for the term of the capture period. The authorization for the capture of taxes levied for school operating purposes is based on a maximum of \$4,271,805 for the principal activity costs of non-environmental activities and a contingency and a maximum of \$10,000 for Brownfield/Work Plan preparation and MSF review costs, and with the capture of taxes levied for school operating purposes being limited to a maximum of \$2,210,268.

BE IT FURTHER RESOLVED, that the MSF Board authorizes the staff of the MSF, to provide written notification to the Authority, in the form of a letter which incorporates the terms set forth in this Resolution and consistent with the limitations of the Act, and that this approval is further conditioned upon the Authority, or the City of Grand Rapids, as appropriate, maintaining adequate records regarding: a) all taxes captured for the project; and b) receipts or other appropriate documentation of the cost of eligible activities. The records shall be made

available for review upon request by MSF staff. Eligible activities authorized by this resolution must be completed within three (3) years of the date this Resolution is adopted.

BE IT FURTHER RESOLVED, that the capture of taxes levied for school operating purposes for the payment of interest is not authorized for eligible activities for the Project.

BE IT FURTHER RESOLVED, that all other provisions of Resolution 2006-35, as amended, are reaffirmed and the MSF authorizes the MSF Fund Manager to implement the terms of this resolution.

Ayes:

Nays:

Recused:

November 25, 2014
Lansing, Michigan



MEMORANDUM

Date: November 25, 2014

To: Michigan Strategic Fund (“MSF”) Board Members

From: Marcia Gebarowski, Senior Development Finance Manager

Subject: *Covisint Corporation (“Company” or “Applicant”)*
Michigan Business Development Program Performance-based Grant Request

Request

This is request from the Applicant for a \$1,500,000 Performance-based grant. This project involves the creation of 50 Qualified New Jobs, and a capital investment of up to \$5,500,000 in the City of Southfield, Oakland County.

Background

The Company is a business-to-business cloud company that provides unique platforms for enterprises that must securely share, integrate and present trusted information to people and devices across their extended network of business partners and customers. The Company was founded as a collaborative effort by several OEMs in the automotive industry in 2001. Their B2B Cloud Platform provides a single entry point for enabling people and devices to exchange information and ideas without limitations or boundaries. Compuware purchased the Company in 2004, and they have maintained their headquarters in the Compuware building in Detroit through today.

The Company completed an initial public offering in September 2013, and has since executed a spin-off from its former parent.

The MSF awarded the Company a MEGA credit and an MSF Designated Renaissance Zone to the Company in 2001 to ensure the Company’s headquarters remained in Michigan after it was created. The MEGA credit was never activated by the Company and no value has been collected due to not meeting the terms of job growth and investment.

Since their spin-off from its parent company, the Company, under the direction of a new CEO, is establishing a new identity by restructuring to better align their cost structure to the market, and is looking to grow in markets outside of the automotive industry. As part of this initiative, the Company is seeking a new headquarters location that will shape the Company’s culture, operating costs, talent and workforce, access to customers and vendors. After a multi-state search, the Company plans to lease 34,000 s/f of office space in order to establish a new headquarters operation in the City of Southfield, make investments and create jobs related to advanced computing and software development.

Considerations

- a) The Applicant is a “Qualified Business”, as defined in MCL 125.2088r(9)(b), that is located and operates in Michigan.

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- b) The project will be located in the City of Southfield. The city has offered a “staff, financial, or economic commitment to the project” in the form of a property tax abatement related to the project.
- c) The Applicant has demonstrated a need for the funding. The Company indicated that higher wages and difficulty with connecting to the right talent drives the disadvantages for remaining in Michigan. The Austin, TX and Raleigh, NC regions are within good proximity of a competitive talent pool available to the Company. These two regions also hold the ability for the Company to increase visibility to customers outside of the automotive sector and allow it to further diversify its customer base. Competing incentive packages played a role in overall relocation decision as well.
- d) The Applicant plans to create 50 Qualified New Jobs over a five year period, above a negotiated project base employment level of 235.
- e) Pursuant to the program guidelines, the following was taken into consideration for the proposed project: the Company indicates that investment and job creation is expected to commence in First Quarter of 2015, the project will re-use space in an existing building located in a distressed community, the project involved competing out-of-state incentive packages for this headquarters operation, and the project results in a positive ROI for Michigan.

Recommendation

MEDC Staff recommends the following (collectively, “Recommendation”):

- a) Approval of the MBDP Proposal as outlined in the attached term sheet (collectively, “MBDP Proposal”);
- b) Closing the MBDP Proposal, subject to available funding under the MBDP at the time of closing (“Available Funding”), satisfactory completion of due diligence (collectively, “Due Diligence”), finalization of all MBDP transaction documents; and
- c) Commitment will remain valid for 120 days with approval for MSF Fund Manager to extend the commitment an additional 60 days.



**MICHIGAN BUSINESS DEVELOPMENT PROGRAM
Performance Based Grant - Term Sheet**

The following is a summary of the highlights of the project and basic terms for which the Company desires grant support from the Michigan Strategic Fund ("MSF") under the Michigan Business Development Program ("MBDP"). While the MBDP is operated and funded through the MSF, recommendation for approval of a MBDP incentive award is presented by the Michigan Economic Development Corporation ("MEDC") to the MSF.

Date: 11/12/2014

- 1. Company Name:** Covisint Corporation ("Company" or "Applicant")

- 2. Company Address:** One Campus Martius, Suite 700
Detroit, Michigan 48226

- 3. Project Address ("Project"):** 26533 Evergreen Road
Southfield, Michigan 48076

- 4. MBDP Incentive Type:** Performance Based Grant

- 5. Maximum Amount of MBDP Incentive:** Up to \$1,500,000 ("MBDP Incentive Award")

- 6. Base Employment Level** 235 The number of jobs currently maintained in Michigan by the Company based on data submitted by the Company to the MEDC reflecting the Company's statewide employment level in Michigan prior to the proposed project. The Base Employment Level, including identification of the Company data used to establish this level, shall be included in the final MBDP Incentive Award agreement ("Agreement") between the MSF and the Company.

- 7. Total Qualified New Job Creation:** 50 The minimum number of total Qualified New Jobs the Company shall be required to create at the Project (above the Base Employment Level), in addition to satisfying other milestones if applicable, to be minimally eligible to receive the full amount of the MBDP Incentive Award. Each Qualified New Job must be performed for consideration by a Michigan resident (whose Michigan income taxes are withheld as required), and each Qualified New Job must be in excess of
(above Base Employment Level)

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the Base Employment Level. The final terms and conditions of the requirements for the minimum number of Qualified New Jobs that must be created, including provisions addressing disbursements of portions of the MBDP Incentive Award, shall be included in the final Agreement.

a. **Start Date for Measurement of Creation of Qualified New Jobs:** Date of Approval of MSF Award

8. **Company Investment:** \$5,500,000 in annual lease costs, leasehold improvements, furniture and fixtures, office machinery, computers, *or any combination thereof, for the Project.*

9. **Municipality supporting the Project:** City of Southfield

a. **Municipality Support.** One of the conditions of execution of the final Agreement is the requirement that the municipality shall have committed to provide: a property tax abatement related to the project. The final terms and conditions demonstrating this support shall be included in the final Agreement.

10. **Disbursement Milestones:** The final terms and conditions of each of the disbursements of any portion of the MBDP Incentive Award shall be included in the final Agreement, including that before any disbursement is made to the Company, the Company must have maintained: (i) the Base Employment Level (exclusive of the number of Qualified New Jobs then created) and (ii) any Qualified New Jobs created for which disbursements by the MSF have been made, and must otherwise be in compliance with all terms and conditions of the final Agreement, and further shall include:

a. **Disbursement Milestone 1:** Up to \$300,000 Upon demonstrated creation of 10 Qualified New Jobs above the Base Employment Level and verification of final approval of municipality support by no later than [REDACTED]. December 31, 2015

b. **Disbursement Milestone 2:** Up to \$300,000 Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 15 additional Qualified New Jobs (for a total of 25 Qualified New Jobs) above the Base Employment Level, by no later than [REDACTED]. June 30, 2017

c. **Disbursement Milestone 3:** Up to \$300,000 Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, and upon demonstrated creation of 10 additional Qualified New Jobs (for a total of 35 Qualified New Jobs) above the Base

Employment Level, by no later than December 31, 2017.

- d. Disbursement Milestone 4:** Up to \$600,000 Upon completion of Disbursement Milestone 1, Disbursement Milestone 2 and Disbursement Milestone 3, and upon demonstrated creation of 15 additional Qualified New Jobs (for a total of 50 Qualified New Jobs) above the Base Employment Level, by no later than December 31, 2018

11. Term of Agreement: Execution of Agreement to December 31, 2020

12. Repayment Provisions:

Repayment provisions are required by law. The Repayment terms and conditions will be effective through the Term of the Agreement and shall be defined in the final Agreement. The final repayment provisions may require repayment of some or all of the disbursements made by the MSF, including if the Company moves 25% or more of their employees out of Michigan, if the Company fails to maintain the Base Employment Level in Michigan, if the Company fails to maintain the Qualified New Jobs incented by this Award.

13. Reporting Requirements:

Periodic reporting will be required with this program. The detailed information needed from the Company will be included in the final Agreement, but will include Project reporting for such things as: amount of proposed incentive, amount of actual incentive received by Company; amount of proposed and actual investment made by Company for Project; the committed number of new jobs and the actual number of new jobs created as a result of the Project; and the educational attainment of the employees hired.

14. Public Announcements:

The Company shall not make, or cause, any announcement of the proposed MBDP Incentive Award parameters outlined in this letter before the date of approval by the MSF of the MBDP Incentive Award, unless prior authorized and coordinated with the MEDC.

Any final MBDP Incentive Award is contingent upon several factors, including: (i) submission by the Company of a completed application and all other documentation required under the MBDP (ii) satisfactory municipality support (iii) available MSF funding (iv) completion of financial review, business integrity review, required background checks, and other business and legal review and due diligence as required, and the results of which must be satisfactory the MEDC, the MSF, and as applicable, the Chief Compliance Officer, (v) approval of an award by the MSF, and (vi) execution of a final Agreement containing the established milestones, repayment terms, reporting requirements, and all other detailed terms and conditions, required by the MSF.

If the Company is interested in the MEDC pursuing a recommendation to the MSF for a possible MBDP Incentive Award for the Company along the above parameters, please sign and date this Term Sheet. If the MEDC does not receive the signed Term Sheet from the Company by November 12, 2014, the MEDC may not be able to proceed with any recommendation to the MSF.

Covisint, Corporation

By:



Printed Name: DIGIRDLANO, ENRICO

Its: CHIEF FINANCIAL OFFICER

Dated: 12 Nov 2014

Acknowledged as received by:

Michigan Economic Development Corporation

By:



Printed Name: Marcia Gebarowski

Its: Snr. Dev't Finance Manager

Dated: November 14, 2014

MICHIGAN STRATEGIC FUND

RESOLUTION 2014-

**APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT TO
COVISINT CORPORATION**

WHEREAS, the Michigan legislature passed legislation establishing the 21st Century Jobs Trust Fund initiative that was signed into law;

WHEREAS, the Michigan Economic Development Corporation (“MEDC”) provides administrative services to the Michigan Strategic Fund (“MSF”) for 21st Century Jobs Trust Fund programs;

WHEREAS, pursuant to MCL 125.2088r, the MSF shall create and operate the Michigan Business Development Program (“MBDP”) to provide grants, loans and other economic assistance to qualified businesses that make qualified investments or provide qualified new jobs in Michigan;

WHEREAS, on December 21, 2011, by Resolution 2011-184, the MSF (i) created the MBDP, and (ii) adopted the guidelines for the MBDP (“Guidelines”);

WHEREAS, pursuant to SFCR 125.2088r-1, the MSF approved the MSF Fund Manager or the MSF President to negotiate the terms and conditions and execute all final documents necessary to effectuate awards and decisions approved under the MBDP in accordance with the Guidelines (“Transaction Documents”);

WHEREAS, the Guidelines require that MBDP awards over \$1 million must be approved by the MSF Board;

WHEREAS, Covisint Corporation (“Company”) has requested a performance based MBDP grant of up to \$1,500,000 (“Grant Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”); and

WHEREAS, the MEDC recommends that the MSF approve the Company’s Grant Request in accordance with the Term Sheet, subject to: (i) available funding, (ii) final due diligence performed to the satisfaction of the MEDC; and (iii) execution of the Transaction Documents within 120 days of the date of this Resolution (“Time Period”), or this Resolution shall have no effect; provided however, at the sole discretion of the MSF Fund Manager, the Time Period may be extended for up to an additional 60 days (“MBDP Award Recommendation”).

NOW, THEREFORE, BE IT RESOLVED, the MSF Board approves the MBDP Award Recommendation.

Ayes:

Nays:

Recused:

Lansing, Michigan
November 25, 2014



MEMORANDUM

Date: November 25, 2014

To: Michigan Strategic Fund Board

From: Christopher Cook, Business Capital Relationship Manager

Subject: Expansion of Grow Michigan Project, Four Related Actions

- Action 1:** *Request to Transfer \$22.5MM from the 21st Century Jobs and Investment Fund to the Capital Conduit Program;*
- Action 2:** *Request Fund Manager to negotiate the transfer of MSF interest in Grow Michigan, LLC to Grow Michigan Holdings L3C*
- Action 3:** *Request for authorization to lend up to \$32.5MM to Grow Michigan Holdings, L3C under the Capital Conduit Program;*
- Action 4:** *Request appointment of Grow Michigan Holdings, L3C MSF Board Members;*

Request

This request is to authorize the Michigan Strategic Fund Manager (“MSF Manager”) to negotiate the final terms and conditions of and enter into a Loan Agreement from the Michigan Strategic Fund (“MSF”) to Grow Michigan Holdings, L3C (“L3C”), a newly incorporated Michigan Low-income Limited Liability Corporation, under the Capital Conduit Program. This loan agreement will deliver low cost liquidity to the company. The company will use the MSF loan to attract significant additional investment that will allow a related entity of L3C, Michigan Capital Partners, LLC (“MCP”) to establish a new private equity (“PE”) fund. Staff is requesting that \$22.5M be transferred from the 21st Century Jobs and Investment Fund to the Capital Conduit Program in order to provide funding under the proposed loan agreement.

Further, staff is requesting that the existing equity investment of the MSF into Grow Michigan, LLC (“GMI”) be transferred to L3C and in return the L3C will be required to repay the MSF under the terms of the new loan agreement. This will legally connect the two entities allowing the L3C to become competitive in applying for federal New Markets Tax Credits and raising additional capital.

Finally, staff is recommending that pursuant to the execution of the loan agreement that the MSF be provided no less than three director positions or not less than one-third of all directors on the board of directors of L3C and one or more positions on the investment committee of MCP.

Background on Grow Michigan, LLC

In 2012, the MSF executed a subscription agreement for up to \$9.5M and a loan agreement for \$500,000 with GMI under the Capital Conduit Program-Operating Company Initiative. The purpose of the program is to provide economically competitive growth and acquisition capital to small businesses shut out of that

market due to scale (loan size too small to be profitable for the lender). The MSF Board appointed three of the nine members of the board of directors for GMI.

David Zilko, Operating Partner at Huron Capital and Director at Garden Fresh Salsa; Rich Baird, Office of the Governor; and Doug Luciani, President and CEO of the Traverse City Area Chamber of Commerce currently represent the MSF's interests as members of the Board of Managers in GMI. Staff is requesting that these individuals be appointed by the MSF to serve in a similar capacity on the board of directors of the L3C. Staff is further requesting that the MSF Manager be provided the authority to appoint one or more members to the investment committee of MCP.

GMI has completed 15 investments in 21 months for \$21.3M and has raised \$42.7 million dollars from 19 local, regional, and national banks. The final closing of this fund should occur by the end of this year for a total of \$50M in private capital and \$9.5M in MSF Capital. Its pipeline of new transactions is very strong at over 24 potential deals, largely in the manufacturing space and of those several are "management buy-out" transactions enabling a business to be acquired by its management team¹. This is very important because it keeps the company from becoming a target of out-of-state investors or being subject to a liquidation which commonly results in a loss of jobs.

The economics of the MSF's initial investment in Grow Michigan, LLC are as follows:

- 75% First loss position on committed capital
- .25% Preferred return (paid as a fee operationally)
- 10% carried interest once the Class A financial investors received a 15% annualized ROI.

Rationale for Establishment of Private Equity Fund

Following national best practices, staff believes that both significant opportunity and significant pipeline exist to initiate a private equity fund which is focused on purchasing and attracting, through acquisition, companies to Michigan. To date, the management team of L3C have validated this assumption by providing \$80 million in soft commitments from 5 major investor groups. They have further increased the depth and capacity of the management team sufficient to be able to support the "roll up" strategy contemplated by the fund. The fund will focus its attention on the automotive sector and in particular on attracting companies with products and services anticipated to be pervasive in vehicles in the short to medium term. This will include companies with strategic technology and supply chain positions.

The L3C has submitted an application under the Capital Conduit Program and has provided all appropriate business plan, forecasting, and investor soft commitments necessary to meet the program guidelines.

Purpose of the Structure

L3C was recently formed to manage the expanding role of the organization. L3C will administer and facilitate multiple investment and lending operations all focused on its core competency which is

¹ The balance of transactions largely fund growth of sales or capacity building beyond what collateral values utilized under senior loans will support.

selecting small, base job companies with high growth potential and deploying both capital and management talent to grow those companies in Michigan. Rather than the MSF investing in a subsidiary investment vehicle it is important to provide the organization flexible and continuous access to highly risk tolerant capital. This will allow it to continue to respond to market conditions and to leverage private investment. Best practices in other states studied during this recommendation process include Mass Capital Resource Corporation and New England Business Development, which used all state and federal funds. The State of Louisiana also has a similar effort in which state, federal and private investment were all captured. This was the preferred example and Louisiana provided access to very low cost liquidity from its State Treasury over very long terms.

By allowing the loan proceeds to recycle and to reside under a non-recourse arrangement, L3C should be able to leverage those dollars at between 5-7X *per deployment*. In the case of the private equity effort, at first closing the MSF capital will leverage private investment at 6.6X. Each successive deployment will double the leverage. L3C's application requested \$25M. Initially staff contemplates \$22.5M.

Full terms and conditions are attached however; it is important to highlight that all loans and investments of the fund (100%) will be made to companies that are located in Michigan or will be relocated upon acquisition to Michigan.

Background on L3C's

L3C is a "Low-income Limited Liability Corporation" which is a form of incorporation created under the IRS code in the 1970's and adopted by Michigan as well as many other states. Organized under partnership law much like a traditional Limited Liability Corporation, it pays taxes, can sell membership interests, and is permitted to have modest earnings but is organized principally for charitable or educational purposes. Foundations are also permitted to make program related investments into this type of company with much less concern about meeting certain IRS qualifications.

In this case, the L3C will be staffed and is anticipated to operate the existing LLC and the newly contemplated Limited Partnership (discussed herein) initially. Very soon it will be developing and applying for the ability to operate a variety of other state and federal programs which revolve around its target prospective company...small, base job creating businesses in Michigan². By operating these programs and by converting earnings and attracting grants into free or low-cost support and education for small business owners in Michigan, the organization will meet its charitable and educational mandate.

Recommendation

Staff recommends the following four actions with respect to this request:

Action 1 The MSF authorizes \$22.5M from the 21st Century Jobs and Investment Fund be transferred to the Capital Conduit Program under the Michigan Supplier Diversification Fund.

² Small here is defined as revenues between \$10M and \$100M and having no more than 750 employees at the time of the loan/investment.

- Action 2 The MSF authorizes the MSF Manager to negotiate the transfer of its 2012 investment in Grow Michigan LLC to Grow Michigan Holdings, L3C and to restructure that 2012 investment and the \$500,000 loan previously made to Grow Michigan LLC to the \$32.5 million loan.
- Action 3 The MSF Manager is authorized to negotiate all final terms and conditions and to enter into a loan agreement with Grow Michigan Holdings, L3C for up to \$32.5M which includes, in substance, the concepts found on Exhibit A and finalize other transaction documents.
- Action 4 The MSF appoints Richard Baird, David Zilko, and Doug Luciani (current MSF Appointed Directors for Grow Michigan, LLC) as its Directors to the L3C Board with terms of service to be established by the MSF Manager pursuant to the previously approved guidelines under the Capital Conduit Program (generally for 5 year terms which have a staggered renewal) and delegates to the MSF Manager the authority to appoint one or more appointees to the investment committee of MCP and to make appointments as permitted to any other advisory boards of L3C and MCP.

Exhibit A
Concepts of Enabling Loan Agreement

Borrower:	Grow Michigan Holdings, LLLC
Loan Type:	Non-revolving Term Loan
Use of Proceeds:	Investment in Michigan Capital Partners, L.P. and Grow Michigan LLC. The purpose of the investment will be to allow Michigan Capital Partners, L.P. and Grow Michigan LLC to enter into loans, investments, guaranty agreements, and other credit enhancements to or in qualified small businesses
Investment Limitation:	No more than 25% of any underlying investment vehicle at final closing of the vehicle will come from proceeds of the Loan. Michigan Capital Partners, L.P. and Grow Michigan LLC may invest using "First Loss" terms on committed capital only.
Draw Period:	20 years from date of execution
Repayment:	5 years from the termination of the Draw Period
Interest Rate:	1.0% annually
Return on Investment:	Returns generated through underlying investments may be re-invested by Grow Michigan Holdings, LLLC based on terms and conditions acceptable to MSF Manager.
Collateral:	First & Senior on all assets of the Borrower Pledge of L3C interest in Michigan Capital Partners, L.P. and Grow Michigan LLC
Recourse:	Non-recourse to incorporators, ownership, and subsidiary investors
Other:	Terms and conditions acceptable to MSF Manager including all terms and conditions necessary to restructure the MSF's 2012 investments in GMI into the enabling loan.

MICHIGAN STRATEGIC FUND

RESOLUTION 2014-

APPROVAL OF FUNDING FOR CAPITAL CONDUIT PROGRAM

WHEREAS, the Michigan legislature passed legislation establishing the 21st Century Jobs Trust Fund initiative that was signed into law by Governor Jennifer M. Granholm;

WHEREAS, the Michigan Economic Development Corporation (“MEDC”) provides administrative services for the Michigan Strategic Fund (“MSF”) for 21st Century Jobs Fund programs;

WHEREAS, as part of the 21st Century Jobs Trust fund initiative, and pursuant to MCL 125.2088h(1), the Jobs for Michigan investment fund was created as a permanent fund authorized by the state constitution (“Investment Fund”);

WHEREAS, pursuant to MCL 125.2088h(3) and MCL 125.2088h(7), the MSF Board shall direct the investment and reinvestment of the Investment Fund as provided under Chapter 8A of the MSF Act (“Chapter 8A”);

WHEREAS, pursuant to MCL 125.2088h(5)(b) and (c), the Investment Fund consists of, among other things, return on investments, return on principal, payments made, or other money received by or payable to the MSF under agreements related to loans or investments by the MSF under Chapter 8A;

WHEREAS, pursuant to MCL 125.2088d(1) under Chapter 8A, the MSF shall create and operate a loan enhancement program;

WHEREAS, on May 20, 2009, the MSF Board approved the creation and operation of the Michigan Supplier Diversification Fund (“MSDF”) as a loan enhancement program under Chapter 8A;

WHEREAS, on December 21, 2011, the MSF Board approved the creation and operation of the Capital Conduit Program (“CCP”);

WHEREAS, the MEDC recommends that the MSF allocate funding of \$22,500,000 million to the CCP using \$22,500,000 million from the Investment Fund; and

WHEREAS, the MSF Board desires to allocate \$22,500,000 from the Investment Fund to CCP.

NOW, THEREFORE, BE IT RESOLVED, the MSF allocates \$22,500,000 from the Investment Fund to the CCP.

Ayes:

Nays:

Recused:

Lansing, Michigan
November 25, 2014

MICHIGAN STRATEGIC FUND

RESOLUTION 2014-

APPROVAL OF A LOAN TO GROW MICHIGAN HOLDINGS, L3C UNDER THE CAPITAL CONDUIT PROGRAM -OPERATING COMPANY INITIATIVE AND RESTRUCTURE OF THE EXISTING MSF INVESTMENT IN GROW MICHIGAN, LLC

WHEREAS, the Michigan legislature passed legislation establishing the 21st Century Jobs Trust Fund initiative that was signed into law by Governor Jennifer M. Granholm;

WHEREAS, the Michigan Economic Development Corporation (“MEDC”) provides administrative services for the Michigan Strategic Fund (“MSF”) for 21st Century Jobs Fund programs;

WHEREAS, pursuant to MCL 125.2088d(1), the MSF shall create and operate a loan enhancement program;

WHEREAS, on May 20, 2009, the MSF approved the creation and operation of the Michigan Supplier Diversification Fund (“MSDF”) as a loan enhancement program;

WHEREAS, on May 20, 2009, the MSF approved the creation and operation of the Michigan Loan Participation Program under the MSDF, and on June 24, 2009, the MSF approved the creation and operation of the Michigan Collateral Support Program under the MSDF;

WHEREAS, on December 21, 2011, the MSF approved the creation and operation of the Capital Conduit Program under the MSDF (“CCP”), and as a subprogram of the CCP, the Operating Company Initiative (“OCI”) and its program guidelines, as later amended, for the OCI;

WHEREAS, on January 25, 2012, the MSF approved, and the MSF subsequently entered into agreements memorializing, an MSF equity investment of up to \$9.5 million in Grow Michigan, LLC (“GMI”) (“Equity Investment in GMI”) and an MSF line of credit to defray start-up costs of \$500,000 to Grow Michigan, LLC (“LOC to GMI”), for a total MSF investment of up to \$10 million in GMI under the CCP-OCI (collectively, the “Existing GMI Investment”);

WHEREAS, approximately \$4 million of the Existing GMI Investment has been disbursed to GMI, with the remaining portion of the MSF equity commitment to GMI totaling approximately \$6 million;

WHEREAS, Grow Michigan Holdings, L3C (“GMI Holdings”) has applied for a loan under the CCP-OCI in the amount of up to \$32.5 million (“Master Loan”), which includes a request for a new MSF award of up to \$22.5 million, and restructuring of the up to \$10 million Existing GMI Investment into the Master Loan, including subject to the terms and conditions contained in the attached Exhibit A (“Award to GMI Holdings”); and

WHEREAS, the MEDC recommends the MSF approve the Award to GMI Holdings.

NOW, THEREFORE, BE IT RESOLVED, the MSF Board approves the Award to GMI Holdings.

Ayes:
Nays:
Recused:

Lansing, Michigan
November 25, 2014

Exhibit A

Borrower:	Grow Michigan Holdings, L3C
Loan Type:	Non-revolving Term Loan
Use of Proceeds:	Investment in Michigan Capital Partners, L.P. and Grow Michigan LLC. The purpose of the investment will be to allow Michigan Capital Partners, L.P. and Grow Michigan LLC to enter into loans, investments, guaranty agreements, and other credit enhancements to or in qualified small businesses
Investment Limitation:	No more than 25% of any underlying investment vehicle at final closing of the vehicle will come from proceeds of the Loan. Michigan Capital Partners, L.P. and Grow Michigan LLC may invest using "First Loss" terms on committed capital only.
Draw Period:	20 years from date of execution
Repayment:	5 years from the termination of the Draw Period
Interest Rate:	1.0% annually
Return on Investment:	Returns generated through underlying investments may be re-invested by Grow Michigan Holdings, L3C based on terms and conditions acceptable to MSF Manager.
Collateral:	First & Senior on all assets of the Borrower Pledge of L3C interest in Michigan Capital Partners, L.P. and Grow Michigan LLC
Recourse:	Non-recourse to incorporators, ownership, and subsidiary investors
Other:	Terms and conditions acceptable to MSF Manager including all terms and conditions necessary to restructure the MSF's 2012 investments in GMI into the enabling loan.

MICHIGAN STRATEGIC FUND

RESOLUTION 2014-

**APPOINTMENT OF BOARD OF DIRECTORS AND DELEGATION OF AUTHORITY FOR
APPOINTMENT OF INVESTMENT SUBCOMMITTEE MEMBER UNDER THE
CAPITAL CONDUIT PROGRAM- OPERATING COMPANY INITIATIVE AWARD
ARISING FROM THE LOAN TO GROW MICHIGAN HOLDINGS, L3C**

WHEREAS, Public Acts 215 and 225 of 2005 (collectively, the “Act”) established the 21st Century Jobs Trust Fund initiative;

WHEREAS, the Michigan Economic Development Corporation (“MEDC”) provides administrative services for the Michigan Strategic Fund (“MSF”) for 21st Century Jobs Fund programs;

WHEREAS, pursuant to MCL.125.2088d(1) the MSF shall create and operate a loan enhancement program;

WHEREAS, on May 20, 2009, the MSF created the Michigan Supplier Diversification Fund (“MSDF”) as a loan enhancement program;

WHEREAS, on December 21, 2011, the MSF approved the creation and operation of a Develop Michigan – Capital Conduit Program under the MSDF (“CCP”);

WHEREAS, on December 21, 2011, the MSF (1) approved the creation and operation of the Operating Company Initiative (“OCI”) under the CCP and (2) adopted guidelines for the OCI (“OCI Guidelines”);

WHEREAS, on November 25, 2014, the MSF approved an MSF loan award to Grow Michigan Holdings, L3C (“L3C”) (“L3C Award”) under the OCI;

WHEREAS, certain proceeds from the L3C Award will be invested by L3C in Michigan Capital Partners, L.P. (or other derivative name thereof) (“MCP”), a private equity fund;

WHEREAS, L3C will direct that the MSF have authority to appoint three (3) or at least one-third of all directors of L3C, and MCP will direct that the MSF have authority to appoint at least one (1) investment committee member in MCP;

WHEREAS, the MEDC recommends, and the MSF Board desires, to appoint Richard Baird, David Zilko and Doug Luciani to the L3C Board of Directors, with terms of service to be established by the MSF Fund Manager pursuant to the CCP and OCI Guidelines (collectively, the “MSF L3C Board Representatives”); and

WHEREAS, the MEDC recommends, and the MSF Board desires, to delegate to the MSF Fund Manager the authority to appoint at least one (1) investment committee member to MCP, and any other MSF appointees as may be permitted to any other advisory boards of MCP and L3C (“Delegation of Authority for MCP/LC3”).

NOW, THEREFORE, BE IT RESOLVED, the MSF approves and appoints the MSF L3C Board Representatives; and

BE IT FURTHER RESOLVED, the MSF approves the Delegation of Authority for MCP/L3C.

Ayes:

Nays:

Recused:

Lansing, Michigan
November 25, 2014



MEMORANDUM

Date: November 25, 2014

To: Michigan Strategic Fund Board

From: Chris Cook, Business Capital Relationship Manager

Subject: *Private Activity Bond – Inducement
Michigan Senate
\$70,000,000 – New*

Request:

The Michigan Senate (the “Senate”) is requesting the Michigan Strategic Fund (the “MSF”) issue up to \$70,000,000 million dollars of tax-exempt bond financing to purchase the basement through seventh floor of the Capitol View Building (south of the Capitol at 201 Townsend Street) and furnish and equip the space for Senate offices (the “Senate Condo”) and to lease the Senate Condo to the Senate.

Background:

In selecting the Capitol View Building as the new location for the Senate an RFP was sent out and five bids were submitted. From those five bids, four were considered true contenders and each was judged independently by the Secretary of the Senate, two Purchasing Agents from the Senate, the Physical Properties Director, and an individual from Senate Fiscal Agency on a 100-point scoring system that looked at such things as price per square foot and how well a bidder met certain needs. All of the scores were then given to Senate Majority Leader Randy Richardville, and he made the ultimate decision.

The Senate is requesting the assistance of the MSF because the MSF has the ability to issue tax exempt bonds and to own and lease office facilities. The MSF will acquire title to the Senate Condo and lease it to the Senate. This transactions financing structure is identical to the structure used to refinance the Michigan House of Representative building and to finance the State of Michigan Cadillac Place office building in Detroit. The Senate payments under the lease with the MSF will be sufficient to pay the principal and interest on the bonds. The MSF will not be responsible for paying any of the maintenance costs related to the Senate Condo or the bonds.

The MSF has made it clear that prior to authorizing resolution being brought before the MSF Board, evidence of a satisfactory resolution regarding the current tenant of the Capitol View Building and a letter of support from DTMB on future appropriations must be presented to the MSF Fund Manager.

Plans of Finance:

The Senate would like to finance the Project with fixed rate tax-exempt bonds. The MSF will be issuing bonds in an approximate amount of \$71 million. The exact bond sizing and structure will be determined at

the time of bond pricing. An initial \$7 million has been appropriated for 2015 in order to satisfy the debt service obligation related to the bond issuance.

The MSF bonds issued will be payable solely from Senate lease payments. The MSF will acquire title to the Senate Condo. The MSF and the Senate will sign a lease. The lease payments will be sufficient to pay the principal of and the interest on the MSF bonds.

Robert W. Baird is acting as Financial Advisor. Miller, Canfield, Paddock and Stone is acting as bond counsel. J.P. Morgan Securities LLC is the proposed Senior Managing Underwriter. Carol Viventi, the Secretary of the Senate is representing the Senate in this lease transaction.

Recommendation:

After reviewing the Letter of Interest from the Senate and the Memorandum from Miller, Canfield, Paddock and Stone, staff recommends an adoption of an Inducement Resolution in the amount of \$70,000,000.

MICHIGAN STRATEGIC FUND

INDUCEMENT RESOLUTION
2014-

The Michigan Senate

WHEREAS, the Michigan Senate, established and existing pursuant to Article IV, Section 2, of the Constitution of the State of Michigan of 1963 (the “Senate”), is located in Lansing, Michigan; and

WHEREAS, the Senate has requested that the Michigan Strategic Fund (the “MSF”) acquire title to the basement through the seventh floor of the Capitol View Building Senate Offices located 201 Townsend Street, Lansing, Ingham County, Michigan (the “Senate Condo”) and to lease the same to the Senate; and

WHEREAS, the Capitol View Building is presently owned by Boji Group, LLC, a Michigan limited liability company (the “Boji Group”), which has agreed to sell and renovate the Senate Condo to the MSF Fifty-One Million Dollars (\$51,000,000); and

WHEREAS, the Senate has further requested that the MSF provide for financing of reserves, costs of issuance, and additional capital improvements to the Senate Condo, if necessary; and

WHEREAS, the Senate has advised the MSF that the reserves, costs of issuance, and cost of the improvements to be financed will not exceed Nineteen Million Dollars (\$19,000,000); and

WHEREAS, the acquisition of the Senate Condo, including reserves and additional improvements, and the leasing of the Building to the Senate constitutes a “project” as defined in 1994 PA 270 (the “Act”); and

WHEREAS, the Senate has advised the MSF that the cost of the acquisition of the Senate Condo and the Improvements (collectively, the “Financing”) will not exceed Seventy Million Dollars (\$70,000,000); and

WHEREAS, the MSF is authorized to acquire and hold title to real property, to borrow money and issue bonds to finance a project (as defined in the Act) and to lease real property, all pursuant to the Act.

NOW, THEREFORE, BE IT RESOLVED, by the Michigan Strategic Fund that:

1. The MSF intends to issue bonds in one or more series (the “Bonds”) to acquire title to the Senate Condo and to finance reserves, additional improvements, and costs of issuance. The Senate Condo will be leased to the Senate, pursuant to a lease agreement, as set forth in the Senate’s request dated November 14, 2014.
2. The maximum principal amount of the Bonds expected to be issued to pay the cost of the Financing shall not exceed Seventy Million Dollars (\$70,000,000). The Senate shall be obligated to make lease payments in an amount to be specified in a lease agreement to be entered into between the MSF and the Senate, subject to the terms and conditions of the lease agreement, which lease payments will be in amounts sufficient to pay principal of and interest on the Bonds.
3. The MSF’s obligation to issue the Bonds and to enter into the transaction shall be conditioned upon
 - a) the ability of the MSF to issue, sell and deliver the Bonds under applicable federal and state laws,
 - b) completion of negotiations between the Boji Group, LLC and the Senate resulting in a

satisfactory transfer of title of the Senate Condo to the MSF in its sole discretion, and c) any prioritization, fee schedules or other requirements or limitations implemented by the MSF.

4. The MSF's obligation to enter into the transaction and issue the Bonds contemplated by this Resolution shall expire two years after the date of this Resolution.
5. The transaction shall be evidenced by such documentation, in form and substance satisfactory to the MSF, the Attorney General of the State of Michigan (the "Attorney General") and bond counsel to the MSF, including but not limited to, an indenture, a lease agreement and such additional documentation as may be required by the MSF, subject to the approval of the Attorney General and bond counsel to the MSF.
6. Subject to compliance with this resolution, the MSF will authorize a bond resolution approving the issuance of the Bonds (the "Bond Resolution") for the purpose of issuing the Bonds and completing the transaction and funding costs associated with the issuance and administration of the Bonds, and will enter into a bond purchase agreement with a bond purchaser, which shall be subject to the approval of the Attorney General and bond counsel to the MSF.
7. The Bonds shall not be general obligations of the MSF but shall be payable as to principal and interest solely from the proceeds of the lease payments to be made by the Senate to the MSF pursuant to a lease agreement, as provided in the Bond Resolution. The agreements relating to the transaction and the issuance of the Bonds shall contain such provisions as will be necessary to make absolutely certain that under no circumstances will the Bonds or this Resolution be a debt or obligation of the State of Michigan or a general obligation of the MSF, nor will the State of Michigan be liable on the Bonds.
8. All costs and expenses involved in the authorization, issuance, sale, and delivery of the Bonds and in entering into the transaction shall be paid from the Bond proceeds or, if they are insufficient, by the Senate.
9. The staff of the MSF is authorized and directed to initiate the proceedings described in this Resolution and to enter into negotiations, subject to the approval of the MSF, with a bond purchaser for the sale of the Bonds.
10. Bond counsel to the MSF and the Attorney General are authorized and directed to prepare and submit to the appropriate parties all proceedings, agreements and other documents as shall be necessary or appropriate in connection with the issuance of the Bonds and to make applications on behalf of the MSF to the United States Internal Revenue Service and to other governmental agencies for such income tax and other rulings and approvals as may be necessary in relation to the issuance of the Bonds. Any authorized signatory is authorized to execute such power of attorney and other documents as may be appropriate in connection with the foregoing. All costs and expenses pertaining to the above matter shall be paid from Bond proceeds, or by the Senate.
11. A preliminary official statement or other offering materials may be used in connection with the sale of the Bonds; provided, however that no preliminary official statement or other offering materials shall be circulated unless any description of the MSF, the Bonds and documents to which the MSF is a party shall have been approved by bond counsel to the MSF and the Attorney General.
12. All resolutions and parts of resolution insofar as they conflict with this Resolution are rescinded.

ADOPTED

Ayes:

Nays:

Recused:

Lansing, Michigan
November 25, 2014



MEMORANDUM

Date: November 25, 2014

To: Michigan Strategic Fund Board

From: Christopher Cook, Business Capital Relationship Manager

Subject: Private Activity Bond – Bond Authorizing
Holland Homes – Not for Profit
Not to Exceed \$23,590,000 – Refinancing (the “Refinancing Bonds”)

Request:

Holland Home (“Borrower”) is requesting private activity bond financing for the purpose of refinancing the Michigan Strategic Fund’s (the “MSF”) outstanding Variable Rate Demand Limited Obligation Revenue Bonds, Series 2004 in the principal amount of not to exceed \$9,940,000 (the “Series 2004 Bonds”), the outstanding Variable Rate Demand Limited Obligation Refunding Revenue Bonds, Series 2005A in the principal amount of not to exceed \$7,900,000 (the “Series 2005A Bonds”), and the outstanding Variable Rate Demand Limited Obligation Refunding Revenue Bond, Series 2005B in the principal amount of not to exceed \$5,750,000 (the “Series 2005B Bonds,” and collectively with the Series 2004 Bonds and the Series 2005A Bonds, the “Bonds”). The Borrower is also requesting approval of the First Amendment to the Bond Indentures for each of the Series 2004 Bonds, the Series 2005A Bonds and the Series 2005B Bonds.

Background:

Holland Home is a Michigan non-profit corporation located in Grand Rapids, Michigan. It was established in 1892 to provide care for the elderly and was incorporated in 1941 as a non-stock not-for-profit corporation. The applicant and its subsidiaries currently operate eleven facilities on four campuses in Grand Rapids, Kentwood and Byron Township, all in Kent County, Michigan.

Request for Change of Documents:

The amendments to the respective Bond Indentures will change the formula for calculating the interest rate on the Bonds while they are held in a Bank Purchase Rate Mode. The proposed amendments will reduce the interest rates on the Bonds from approximately 2.46% to 1.40% (a difference of 106 basis points), which will result in a range of estimated savings from approximately \$167,000 to \$250,000 per year during the current Bank Purchase Rate Period.

Through a review of the bond documents, Bond Counsel and the Attorney General have determined that MSF Board approval is required to amend the respective Bond Indentures for each of the Series 2004 Bonds, the Series 2005A Bonds and the Series 2005B Bonds to revise the interest rate formula.

Recommendation:

Based upon a determination by Varnum LLP and the State of Michigan Attorney General's office that the refinancing complies with state and federal law requirements for tax-exempt financing, the staff recommends the adoption three separate Resolutions Authorizing the First Amendment to the Bond Trust Indenture for each of the Bonds in an aggregate principal amount not to exceed \$23,590,000. The MSF will charge an issuance fee of \$40,000.

MICHIGAN STRATEGIC FUND

**RESOLUTION AUTHORIZING THE FIRST AMENDMENT TO THE
BOND TRUST AGREEMENT AND MODIFICATION TO THE BOND
(Holland Home Obligated Group – Series 2004 Bonds)**

2014-_____

At a meeting of the Michigan Strategic Fund (the "MSF") held on November 25, 2014, in Lansing, Michigan, the following motion was moved and supported:

WHEREAS, on December 18, 2009, the MSF entered into that certain Amended and Restated Bond Trust Indenture (the "Bond Indenture") between the MSF and The Bank of New York Mellon Trust Company, N.A. (the "Bond Trustee") for the benefit of Holland Home, a Michigan nonprofit corporation, as borrower (the "Borrower"), with respect to the Michigan Strategic Fund Variable Rate Demand Limited Obligation Revenue Bonds, Series 2004 (Holland Home Obligated Group) (the "Bonds"); and

WHEREAS, the Bond Trustee and the Borrower desire to amend certain provisions of the Bond Indenture and the form of Bond pursuant to the terms of a First Amendment for the purpose of lowering the interest rate on the Bonds and thereby refinancing the Bonds (the "First Amendment"); and

WHEREAS, Section 802 of the Bond Indenture permits the MSF and the Bond Trustee to amend the Bond Indenture by written instrument.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF THE MSF:

1. The MSF consents to the First Amendment to the Bond Indenture and modification to the form of the Bond in substantially the form on file with the MSF.
2. Any authorized officer is authorized to execute and deliver the First Amendment to the Bond Indenture, the modified Bond in an amount not to exceed \$9,940,000, and any other documents as may be necessary or desirable to carry out the matters approved by this resolution.
3. This resolution shall become effective upon adoption. If the First Amendment and modified Bond are not executed and delivered by December 31, 2014, together with all other documentation executed pursuant to this resolution, the authority granted by this resolution shall lapse.

Ayes:

Nays:

Recusals:

November 25, 2014 Meeting
Lansing, Michigan
#8861414

MICHIGAN STRATEGIC FUND

**RESOLUTION AUTHORIZING THE FIRST AMENDMENT TO THE
BOND TRUST AGREEMENT AND MODIFICATION TO THE BOND
(Holland Home Obligated Group – Series 2005A Bonds)**

2014-_____

At a meeting of the Michigan Strategic Fund (the "MSF") held on November 25, 2014, in Lansing, Michigan, the following motion was moved and supported:

WHEREAS, on December 18, 2009, the MSF entered into that certain Amended and Restated Bond Trust Indenture (the "Bond Indenture") between the MSF and The Bank of New York Mellon Trust Company, N.A. (the "Bond Trustee") for the benefit of Holland Home, a Michigan nonprofit corporation, as borrower (the "Borrower"), with respect to the Michigan Strategic Fund Variable Rate Demand Limited Obligation Refunding Revenue Bonds, Series 2005A (Holland Home Obligated Group) (the "Bonds"); and

WHEREAS, the Bond Trustee and the Borrower desire to amend certain provisions of the Bond Indenture and the form of Bond pursuant to the terms of a First Amendment for the purpose of lowering the interest rate on the Bonds and thereby refinancing the Bonds (the "First Amendment"); and

WHEREAS, Section 802 of the Bond Indenture permits the MSF and the Bond Trustee to amend the Bond Indenture by written instrument.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF THE MSF:

1. The MSF consents to the First Amendment to the Bond Indenture and modification to the form of the Bond in substantially the form on file with the MSF.
2. Any authorized officer is authorized to execute and deliver the First Amendment to the Bond Indenture, the modified Bond in an amount not to exceed \$7,900,000, and any other documents as may be necessary or desirable to carry out the matters approved by this resolution.
3. This resolution shall become effective upon adoption. If the First Amendment and modified Bond are not executed and delivered by December 31, 2014, together with all other documentation executed pursuant to this resolution, the authority granted by this resolution shall lapse.

Ayes:

Nays:

Recusals:

November 25, 2014 Meeting
Lansing, Michigan
#8925771

MICHIGAN STRATEGIC FUND

**RESOLUTION AUTHORIZING THE FIRST AMENDMENT TO THE
BOND TRUST AGREEMENT AND MODIFICATION TO THE BOND
(Holland Home Obligated Group – Series 2005B Bonds)**

2014-_____

At a meeting of the Michigan Strategic Fund (the "MSF") held on November 25, 2014, in Lansing, Michigan, the following motion was moved and supported:

WHEREAS, on December 18, 2009, the MSF entered into that certain Amended and Restated Bond Trust Indenture (the "Bond Indenture") between the MSF and The Bank of New York Mellon Trust Company, N.A. (the "Bond Trustee") for the benefit of Holland Home, a Michigan nonprofit corporation, as borrower (the "Borrower"), with respect to the Michigan Strategic Fund Variable Rate Demand Limited Obligation Refunding Revenue Bonds, Series 2005B (Holland Home Obligated Group) (the "Bonds"); and

WHEREAS, the Bond Trustee and the Borrower desire to amend certain provisions of the Bond Indenture and the form of Bond pursuant to the terms of a First Amendment for the purpose of lowering the interest rate on the Bonds and thereby refinancing the Bonds (the "First Amendment"); and

WHEREAS, Section 802 of the Bond Indenture permits the MSF and the Bond Trustee to amend the Bond Indenture by written instrument.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF THE MSF:

1. The MSF consents to the First Amendment to the Bond Indenture and modification to the form of the Bond in substantially the form on file with the MSF.
2. Any authorized officer is authorized to execute and deliver the First Amendment to the Bond Indenture, the modified Bond in an amount not to exceed \$5,750,000, and any other documents as may be necessary or desirable to carry out the matters approved by this resolution.
3. This resolution shall become effective upon adoption. If the First Amendment and modified Bond are not executed and delivered by December 31, 2014, together with all other documentation executed pursuant to this resolution, the authority granted by this resolution shall lapse.

Ayes:

Nays:

Recusals:

November 25, 2014 Meeting
Lansing, Michigan
#8925776



MEMORANDUM

Date: November 25, 2014

To: Michigan Strategic Fund Board

From: Christopher Cook, Business Capital Relationship Manager

Subject: *Private Activity Bond – Bond Inducement*
Cascade PACE, Inc. – Nonprofit
Not to exceed \$4,000,000 – New

Request:

Cascade PACE, Inc. (the “Borrower”) is requesting up to \$4.0 million of private activity bond financing for the purpose of financing the cost of acquiring, renovating and equipping of facilities for the Program of All-Inclusive Care for the Elderly (“PACE”) Project in southeast Michigan in or near the city of Jackson.

Background:

The Borrower was created as a joint venture by the Sponsors in early 2014 and is a 501(c)(3) corporation. Borrower is approved to serve as the exclusive PACE provider for the counties of Jackson, Lenawee, and Hillsdale with an enrollment capped at 175 participants daily.

PACE is a health care program designed for frail, nursing-home-eligible seniors capable of living in their own homes with supervised care. Participants must be at least 55 years old, live in the PACE service area, and be certified as eligible for nursing home care by the appropriate State agency. The PACE program becomes the sole sources of services for Medicare and Medicaid-eligible enrollees.

An interdisciplinary team, consisting of professional and paraprofessional staff, assesses participants’ needs, develops care plans, and delivers all services (including acute care services and when necessary, nursing facility services) which are integrated into a seamless care plan. PACE programs provide social and medical services primarily in an adult day health center, supplemented by in-home and referral services in accordance with the participants’ needs. At minimum, a PACE center must provide primary care services, social services, restorative therapies, personal care and supportive services, nutritional counseling, recreational therapy, prescription and over-the-counter medications, and meals. PACE programs may also include in-home and clinical services, including medical specialists, laboratory and other diagnostic services, hospital and nursing home care. Under the PACE regulations, a PACE service package must include all Medicare and Medicaid services provided by the state in which the PACE program is located.

PACE providers receive monthly capitated payments (fixed payment per member, per month) for each eligible enrollee, or member. Medicare-eligible participants who are not eligible for Medicaid pay

monthly premiums equal to the Medicaid capitation amount, but no deductibles, coinsurance, or other type of Medicare or Medicaid cost-sharing applies. PACE providers assume the full financial risk for participants' care without limits on amount, duration, or scope of services.

Description of Project:

Borrower plans to develop an existing property and enhance an existing building located in Charter Township of Blackman, Jackson County, Michigan. The Project will create approximately 25 short term construction jobs with the lowest hourly wage starting at \$29/hr. and an average hourly wage of \$40/hr. Additionally, the Project will create 52 full time equivalent (FTE's) once full participant levels are reached in year 5 of operations. The lowest hourly wage will be approximately \$13.50/hr. and the average hourly wage will be approximately \$30/hr.

Plans of Finance:

UMRC has engaged B.C. Ziegler and Company located in Chicago, Illinois to act as the exclusive placement agent. Borrower has received a commitment from Chelsea State Bank to purchase \$4,000,000 Non-Bank Qualified tax-exempt Direct Purchase Bonds. The Borrower's preference is for financing utilizing a 10-15 year maturity.

Recommendation:

After reviewing the Private Activity Bond application for Cascade PACE, Inc., staff recommends the adoption of an Inducement Resolution in the amount of \$4,000,000.

MICHIGAN STRATEGIC FUND

INDUCEMENT RESOLUTION
2014 –

Cascade PACE, Inc.

WHEREAS, Cascade PACE, Inc. (the “Borrower”), a Michigan 501(c)(3) corporation, is presently located at 805 W. Middle St., Chelsea, MI 48118;

WHEREAS, the Borrower desires to develop three existing buildings into general office, medical office, and adult care facilities to be located at the northwest corner of Springport Rd and Kingsbrooke Dr., Charter Township of Blackman, Jackson County, Michigan;

WHEREAS, the Borrower has applied to the MSF for a loan (the “Loan”) to finance the Project as defined in 1984 PA 270 (the “Act”);

WHEREAS, the Borrower has advised the MSF that the portion of the cost of the Project to be financed by the Loan will not exceed 4 Million Dollars (\$4,000,000);

WHEREAS, the Act authorizes the MSF to loan moneys to business enterprises for the purpose of financing projects and to obtain the moneys for such loans by the issuance of bonds pursuant to the Act; and

WHEREAS, this Resolution has the purpose of providing the necessary official intent of the MSF to meet the requirements of Sections 141, and 144 of the Internal Revenue Code of 1986, as amended (the “Code”) and the regulations promulgated in connection therewith and, in particular, Section 1.150-2 of the Income Tax Regulations.

NOW, THEREFORE, BE IT RESOLVED, by the Michigan Strategic Fund that:

1. The MSF intends to provide the Loan to the Borrower subject to the conditions of this Resolution.
2. The Loan shall be designated for the Project in accordance with the Borrower’s Tax-Exempt Application Form dated October 29, 2014.
3. The maximum principal amount of the bonds (the “Bonds”) expected to be issued to provide the Loan to finance the Project shall not exceed 4.0 Million Dollars (4,000,000). The Borrower shall be obligated to make loan repayments in an amount sufficient to assure full repayment of the Bonds, establish appropriate reserves and pay costs and expenses relating to the issuance of the Bonds and the making of the Loan
4. The MSF’s obligation to issue the Bonds and make the Loan shall be conditioned upon a) the ability of the MSF to issue, sell and deliver the bonds under applicable federal and state laws, b) receipt of an allocation from the State Treasurer pursuant to 1988 PA 496 as it relates to limitations on the issuance by states of private activity bonds under the Code, and c) any prioritization, fee schedulers or other requirements or limitations implemented by the MSF or the State Treasurer.

5. The MSF's obligation to make the Loan and issue the Bonds contemplated by this Resolution shall expire two years after the date of this Resolution.
6. The Loan may be evidenced by a promissory note and secured by such instruments as are in form and substance satisfactory to the MSF, the Attorney General of the State of Michigan (the "Attorney General") and bond counsel to the MSF, including a loan agreement, indenture, first mortgage, security agreement and such additional security as may be required by the MSF or purchaser of the Bonds.
7. Subject to compliance with this Resolution, the MSF will authorize a bond resolution approving the issuance of the Bonds (the "Bond Resolution") for the purpose of making the Loan and funding the reserves and costs associated with the issuance and administration of the Bonds, and enter into a loan agreement and related documents with the Borrower and a bond purchase agreement with a bond purchaser, which documents shall be subject to the approval of the Attorney General and bond counsel to the MSF.
8. The Bonds shall not be general obligations of the MSF but shall be payable as to principal and interest solely from the proceeds of the payments to be made by the Borrower to the MSF (or to a trustee appointed by the MSF pursuant to the Bond Resolution), as provided in the Bond Resolution. The agreements relating to the Loan and the issuance of the Bonds shall contain such provisions as will be necessary to make absolutely certain that under no circumstances will the Bonds or this Resolution be a debt or obligation of the State of Michigan or a general obligation of the MSF, nor will the State of Michigan be liable on the Bonds.
9. All costs and expenses involved in the authorization, issuance, sale, and delivery of the Bonds and in the making of the Loan shall be paid from the Bond proceeds or, if they are insufficient, by the Borrower.
10. The staff of the MSF is authorized and directed to initiate the proceedings described in this Resolution and to enter into negotiations, subject to the approval of the MSF, with a bond purchaser for the sale of the Bonds. Any authorized signatory is authorized to prepare and file with the Michigan Department of Treasury a request for allocation as it relates to the State limitations on the issuance of private activity bonds.
11. Bond counsel to the MSF and the Attorney General are authorized and directed to prepare and submit to the appropriate parties all proceedings, agreements and other documents as shall be necessary or appropriate in connection with the issuance of the Bonds and to make applications on behalf of the MSF to the United States Internal Revenue Service and to other governmental agencies for such income tax and other rulings and approvals as may be necessary in relation to the issuance of the Bonds. Any authorized signatory is authorized to execute such powers of attorney and other documents as may be appropriate in connection with the foregoing. All costs and expenses pertaining to the above matter shall be paid from the bond proceeds or by the Borrower.
12. A preliminary official statement or other offering materials may be used in connection with the sale of the Bonds; provided, however, that no preliminary official statement or other offering materials shall be circulated unless any description of the MSF, the Bonds and documents to which the MSF is a party shall have been approved by bond counsel to the MSF and the Attorney General.
13. All resolutions and parts of resolutions insofar as they conflict with this Resolution are rescinded.

ADOPTED

Ayes:

Nays:

Recused:

Lansing, Michigan



MEMORANDUM:

Date: November 25, 2014

To: Michigan Strategic Fund Board

From: Christopher Cook, Business Capital Relationship Manager

Subject: Private Activity Bond – Request to Extend
Detroit Renewable Energy LLC – Solid Waste
Not to Exceed \$75,000,000

Request:

Detroit Renewable Energy LLC (“DRE”) is requesting an additional extension in the expiration date of Resolution 2010-237 to November 28, 2016, for the purpose of issuing additional bonds.

Background:

DRE is a privately held Delaware limited liability company. DRE indicates it was formed to own the equity of the entities that own and operate both the Greater Detroit Resource Recovery Facility (“GDRRF”) and the local district heating facilities that currently supply thermal energy in downtown and midtown Detroit via a 9 mile underground stem pipeline loop. The acquisition is reported to have been completed in November 2010. DRE indicates that since 1989, GDRRF has disposed of nearly 18 million tons of municipal and solid waste and provided approximately 9 billion kWh of electricity and is one of the largest energy from waste facilities in the U.S. DRE reports that GDRRF operates under several long-term contracts, including a long-term disposal agreement with the Greater Detroit Resource Recovery Authority through a minimum of year 2021 which requires the City of Detroit to dispose of its municipal solid waste at the GDRRF; a long-term power purchase agreement with DTE Energy for approximately 100% of its electric power production; and a long-term steam sales agreement with Detroit Thermal LLC.

On December 1, 2010, the Michigan Strategic Fund approved the inducement of a \$75,000,000 project on behalf of DRE by adoption of Resolution 2010-237, and on November 28, 2012, the Michigan Strategic Fund approved an extension to the expiration date of Resolution 2010-237 to November 28, 2014 by adoption of Resolution 2012-174.

Recommendation:

Based upon a determination by Lewis & Munday, A Professional Corporation and the State of Michigan Attorney General’s office that the amendment complies with state and federal law requirements for both taxable and tax-exempt financing, the staff recommends the adoption of the amendment to Resolution 2010-237.

MICHIGAN STRATEGIC FUND

RESOLUTION 2014-

DETROIT RENEWABLE ENERGY LLC

At a meeting of the Michigan Strategic Fund (the "Fund") held on November 25, 2014, in Lansing, Michigan, the following motion was moved and supported:

WHEREAS, the Fund induced a project for Detroit Renewable Energy LLC (the "Borrower") pursuant to Resolution 2010-237;

WHEREAS, the Fund induced the Borrower's project pursuant to Resolution 2010-237, to include two project locations, one for solid waste disposal facilities, and a second for local district heating and cooling facilities (the "Project") in the City of Detroit, Wayne County, Michigan, and the Borrower requests an expansion of the Project location for the purpose of issuing additional bonds;

WHEREAS, the Fund amended Resolution 2010-237 pursuant to Res. 2012-174 to extend the expiration date of the inducement resolution from December 1, 2012 to November 28, 2014;

WHEREAS, the Borrower requests that the Fund amend Resolution 2012-174 to extend the expiration date of the inducement resolution from November 28, 2014 to November 28, 2016 to allow time for issuing the additional bonds; and

NOW THEREFORE, BE IT RESOLVED, by the Board of the Michigan Strategic Fund that:

1. The Project location is enlarged to include all locations now or to be owned or leased by the Borrower in the City of Detroit.
2. Resolution 2012-174 is amended to change the induced project expiration date from November 28, 2014 to November 28, 2016.
3. In all other respects, Resolution 2010-237 shall remain in full force and effect; and
4. This resolution shall become effective upon adoption.

Ayes:

Nays:

Recusals:

November 25, 2014
Lansing, Michigan