

**MICHIGAN STRATEGIC FUND
BOARD MEETING
May 22, 2013
1:30 p.m.
AGENDA**

Call to Order

- A. Adoption of Proposed MSF Meeting Minutes – April 24, 2013 [Action Item]**
Public Comment [Please limit public comment to three (3) minutes]
Communication [Information – Elaine Jaworsky]

B. 21st Century Jobs Fund Program

1. Michigan Business Development Program [MBDP] – SMR Automotive Systems USA, Inc. *[Action Item – Nell Taylor]*
2. Grow Michigan, LLC – Investment Subcommittee *[Action Item – Eric Hanna]*
3. Develop Michigan, Inc. [DMI] – Revision of Business Terms *[Action Item – Eric Hanna]*
4. Michigan Community Revitalization Program [MCRP] – 1212 Griswold Street *[Action Item – Joseph Martin]*

C. Community Development Block Grant

1. CDBG Revolving Loan Funds Authorization *[Action Item - Eric Hanna]*
2. City of Owosso Façade Improvement Project *[Action Item – Deborah Stuart]*
3. Application Guide Update *[Action Item – Deborah Stuart]*

- D. Industrial Revenue Bond Program [IDRB] – Resthaven – Non-Profit Refinancing [Action Item – Diane Cranmer]**

E. Brownfields – [Action Items – Dan Wells]

1. Traverse Bay Area Credit Union – Act 381 Work Plan
2. Gardenview Estates Phases 2C & 3 Project – Large MBT Amendment

F. Job Creation MBT Credit Amendments

1. Gemini Group, Inc. *[Action Item – Jeremy Webb]*
2. Nexteer Automotive Corporation *[Action Item – Ken Murdoch]*

G. Travel Michigan [Action Items – George Zimmermann]

1. Brand USA Letter of Agreement
2. Travel Michigan Fulfillment Request for Proposal

Appendix – [Informational Item]

Company Formation and Growth Fund (CFGF) Interest Rate Policy

Special Assistance: The location of this meeting is accessible to mobility-challenged individuals. Persons with disabilities needing accommodations for effective participation in the meeting should contact Elaine Jaworsky at 517.373.2727 **one week in advance** to request mobility, visual and hearing or other assistance.

MICHIGAN STRATEGIC FUND BOARD MEETING
April 24, 2013
PROPOSED MEETING MINUTES

A meeting of the Michigan Strategic Fund [MSF] Board was held on Wednesday, April 24, 2013, at the Michigan Economic Development Corporation [MEDC], Lake Michigan Room, 300 N. Washington Square, Lansing, Michigan

MEMBERS PRESENT: Stephanie Comai [acting for and on behalf of Steve Arwood, designation attached], Ron Boji [via phone], Craig DeNooyer, Mike Finney, Sabrina Keeley, Jay Wortley [acting for and on behalf of Treasurer Dillon, designation attached], Mike Jackson, Howard Morris and Shaun Wilson

MEMBERS ABSENT: Bill Martin and Richard Rassel

CALL TO ORDER: Mr. Finney called the meeting to order at 1:31 p.m.

ADOPTION OF MSF PROPOSED MEETING MINUTES – March 27, 2013: Mr. Finney asked if there were any questions from the Board. There being none, **Mr. Morris motioned approval for the March 27, 2013 MSF Board Proposed Meeting Minutes. Mr. DeNooyer seconded the motion.** The motion carried – 9 ayes; 0 nays; 0 recused; 2 absent.

PUBLIC COMMENT: Mr. Finney asked if there was any comment from the public. There was none.

COMMUNICATION: Elaine Jaworsky, Executive Assistant, advised the Board of the following:

1. A change was made to the Resolution for agenda item B-3, Michigan Community Revitalization Program, Veridea Group
2. Changes were made to both projects under agenda item B-4, Pure Michigan Urban Investment Fund
3. Changes were made to the briefing memos under agenda item D, Community Development Block Grant for the 2013 Downtown Infrastructure Grant and the City of Houghton; and
4. Administrative agenda item J was removed

21ST CENTURY JOBS FUND PROGRAM

Resolution 2013-060 – Great Lakes Towers, LLC d/b/a Ventower Industries

Mary Bernest, Portfolio Manager, provided the Board with information on this action item.

Ms. Bernest presented background information regarding Great Lakes Towers, LLC d/b/a Ventower Industries as a full service fabricator and supplier of industrial-scale wind turbine towers. The Company redeveloped a 38 Acre Brownfield site at the Port of Monroe and built a state-of-the-art wind tower manufacturing facility. Ventower's ability to undertake this project is the result of significant federal, state and local (via the City of Monroe) financial incentives. Although they faced early challenges, the Company continues on with its plan as a supplier of choice for wind turbine towers in the Great Lakes region. The recent renewal of the Federal Production Tax Credit (PTC) has significantly increased demand. The Company remains committed to expanding its presence in the region and have started discussions with shareholders and its customers on the Phase II expansion which will involve the addition of steel fabrication, welding equipment and fixtures as well as improvements to current site and adjacent property (also a Brownfield) to accommodate added product storage and staging.

Recommendation: Staff is recommending the MSF approve the Loan Restructure Request to defer interest and principal payments to January 1, 2014 when interest and principal will be recapitalized; and recapitalization of interest and principal to October 1, 2012 and apply thereafter an increased interest rate

from 1% to 3.75%. MEDC staff has analyzed both current and projected financials, the previous setbacks as well as the potential for growth and changing economic conditions and believes that it is in the best interest of the MSF to provide the company with a 15 month extension in return for an increased interest rate.

Board Discussion: Mr. Finney asked if there were any questions from the Board. There being none, **Mr. Jackson motioned approval for Resolution 2013-060. Ms. Keeley seconded the motion.** The motion carried – 9 ayes; 0 nays; 0 recused; 2 absent.

Resolution 2013-061 – Michigan Business Development Program – ADP Dealer Services, Inc.

Trevor Friedeberg, Development Finance Analyst, provided the Board with information on this action item and introduced Scott Mathews, SVP & General Manager, ADP, Jane Orlin, Director, ADP, Jodi Porter, VP of Global Advertising and Syl Raymond, VP of Global Enterprise Solutions.

Mr. Mathews provided background stating that ADP Dealer Services, Inc. is the leading provider of integrated computing solutions to truck, auto, motorcycle, marine, recreational vehicle and heavy equipment dealers worldwide and is represented in nearly 100 countries. Mr. Friedeberg stated that that ADP plans to locate in the Renaissance Center in Detroit, Michigan to expand market share and presence in the Midwest United States, make investments and create jobs related to data processing, hosting, and related services. Currently, the Company has 10 home-shored employees conducting similar services.

Recommendation: Staff recommends approval of the MBDP Proposal as outlined in the term sheet and resolution.

Board Discussion: Mr. Finney asked if there were any questions from the Board. Ms. Comai asked if the City of Detroit, in their current status, supports this project. Mr. Friedeberg stated that the project was under way before the Emergency Manager was put in place, but that the Detroit Economic Growth Corporation is in strong support. Mr. Finney followed with the comment that the MSF has a process in place to work with the City Manager. Mr. Morris asked for clarification on the home-shored employees and Mr. Mathews stated that they are not located in Michigan. *[This has been corrected by letter dated April 25, 2013, from the company stating that ADP has 10 Michigan based employees.]* There being no further questions, **Mr. Morris motioned approval for Resolution 2013-061. Ms. Keeley seconded the motion.** The motion carried – 9 ayes; 0 nays; 0 recused; 2 absent.

Resolution 2013-062 – Michigan Community Revitalization Program – Veridea Group, LLC

Mr. Joseph Martin, Manager, Michigan Community Revitalization and Brownfield Programs, provided the Board with information regarding this action item.

Mr. Martin explained that On November 28, 2012, the Michigan Strategic Fund approved a \$1,857,151 loan participation for the Applicant under the Michigan Community Revitalization Program's other economic assistance provision. The total investment for the project is approximately \$9.7 million, and this is the first phase of an overall \$31 million investment at the site. The MSF Share of the loan funds as originally approved, and required by statute at the time, called for the disbursement of the funds at completion of the project as evidenced by a certificate of completion. The MSF share was anticipated to be bridged by an outside lender or developer equity, or combination thereof. With the passage of Public Act 395 in December of 2012, the provision was changed to allow the disbursement of MCRP awards prior to completion. Staff recommendation is to allow disbursement of the MSF share concurrent with the Lender and match their interest rate of 5.25% during the one-year construction. All other elements of the original participation remain the same and are described further in the resolution.

Recommendation: Staff recommends approval of the MBDP Proposal as outlined in the term sheet and resolution.

Board Discussion: Mr. Finney asked if there were any questions from the Board. Mr. Morris requested the loan total. Mr. Martin stated the total is \$7,529,813. Mr. Finney asked about the assessment of risk. Mr. Martin replied that to compensate for the higher risk, the MSF is asking for a higher interest rate

during construction. There being no further questions, **Mr. DeNooyer motioned approval for Resolution 2013-062. Mr. Morris seconded the motion.** Motion carried 9 ayes; 0 nays; 0 recused; 2 absent.

Resolution 2013-063 – Pure Michigan Urban Investment Fund – Program Amendment

Mr. Michael Flanagan, Manager, Equity Capital Programs, provided the Board with information regarding this action item.

Mr. Flanagan noted that on July 25, 2012 the MSF Board approved the creation of the Pure Michigan Urban Investment Program. The Program was designed to invest in one or more Urban Investment Funds which will then target investments/loans into small, growth-oriented businesses in Michigan’s urban core areas. The Capital Markets team has been working with several potential investment fund managers that are qualified to manage an urban investment fund. Some challenges in this process, include securing investment from other institutions that would provide critical mass to a fund. However, during the course of this process, staff has been approached by a number of risk capital funds interested in co-investing in urban core companies that fit the goals of this program and have immediate capital needs. Staff believes that making loan participation available through the Program is advisable to offer flexibility to meet the urban market demand that exists now. An amendment to this effect would cause the Program to mirror the structure of the federal SSBCI Programs, which currently allow for direct investment into fund(s), and is proving successful through these tracks.

Recommendation: Staff is requesting the MSF Board approve an amendment to the Program guidelines, permitting funds to be utilized for loan participation with risk capital providers and investment into one or more risk capital funds; and delegation of authority to any two of the following: MSF Chairperson, or the MSF Fund Manager, or the MSF State Treasurer Director to approve funding requests of \$3 million or less. Funding requests of \$1,000,001 to \$3 million will also require a recommendation from the MSF Advisory Committee to the Delegates, with any two required to act.

Board Discussion: Mr. Finney asked if there were any questions from the Board. Mr. DeNooyer asked if the team would have had projects if the requested amendment had been in place when the program was approved six months ago. Mr. Flanagan stated that they would have. There being no further questions, **Mr. Jackson motioned approval for Resolution 2013-063. Mr. Wilson seconded the motion.** Motion carried 9 ayes; 0 nays; 0 recused; 2 absent.

[Mr. Wilson and Ms. Keeley recused.]

Resolution 2013-064 – Pure Michigan Urban Investment Fund – Michigan Detroit Loan Fund

Mr. Michael Flanagan, Manager, Equity Capital Programs, provided the Board with information regarding this action item.

Mr. Flanagan stated that since the Program approval, MEDC staff has been in contact with multiple potential fund managers, and several private and non-profit investors interested in contributing to an Urban Investment Fund focused on identifying funds that will invest in lower middle market companies with capital needs of \$500,000 to \$5 million range; invest exclusively in companies in urban core areas in Michigan or with a significant presence in the urban core; and have the ability to raise significant leverage from outside investors. Staff launched a Request for Applications (“RFA”) via the MEDC website in November 2012, to allow interested fund managers to apply. Two applications were received by the December 31, 2012 deadline. After the review process was conducted by MEDC legal staff and the Program Joint Evaluation Committee (“JEC”), the JEC is recommending the Michigan Detroit Loan Fund, LLC for award. The Michigan Detroit Loan Fund (the “Fund” or “MDLF”) was formed by Invest Detroit, a leading economic and community development organization based in Detroit. The Fund is designed to achieve financial and economic development goals by providing financing for established second stage companies in the manufacturing, distribution and service sectors of the urban core areas of Metropolitan Detroit.

Recommendation: The JEC and MEDC Staff believe that the Invest Detroit team has a strong track record and deep community and industry knowledge and recommends the approval of a commitment up to \$5 million in the Michigan Detroit Loan Fund, which shall not be vested until the Fund has conducted a first close of at least \$15 million by December 31, 2013; and delegation of authority to the MSF Fund Manager to negotiate and finalize all terms, conditions, investment agreements and all other related agreements for the Michigan Detroit Loan Fund in accordance with the Urban Investment Fund guidelines.

Board Discussion: Mr. Finney asked if there were any questions from the Board. Mr. Wortley questioned the time limit for the fund to raise the required \$10 million. Mr. Flanagan replied that the time limit is part of the negotiations with the Fund Manager. There being no further questions, **Ms. Comai motioned approval for Resolution 2013-064. Mr. Wortley seconded the motion.** Motion carried 7 ayes; 0 nays; 2 recused; 2 absent.

[Ms. Keeley returns.]

INDUSTRIAL DEVELOPMENT REVENUE BOND PROGRAM [IDRB]

Resolution 2013-065 – Prefix Corporation

Diane Cranmer, IDRB Specialist, provided the Board with information regarding this action item and introduced James Adsit, President and COO, Prefix Corporation, and Robert Schwartz, Clark Hill PLC.

Mr. Adsit explained the proposed project will operate a low volume, modular build component manufacturing/custom paint facility for the Dodge Viper vehicle line. Prefix is a modular component manufacturer that will be a Tier1 for Chrysler on the new vehicle. Prefix employed 89 employees at the time of the original application and due to hiring for this project/program, they are now at 214 employees. The project will include the acquisition of land and the rehabilitation of an existing facility (approximately 130,000 square feet), the installation of machinery and equipment located at 3500 Joslyn Road, Auburn Hills, Oakland County, and the acquisition and installation of machinery and equipment to be located at 1300 West Hamlin Road, Rochester Hills, Oakland County. The project will utilize the former Kmart building.

Recommendation: Based upon a determination by Clark Hill PLC and the State of Michigan Attorney General's Office, the project complies with state and federal law requirements for tax exempt financing, staff recommends the adoption of a Bond Authorizing Resolution in the amount of NTE \$5,215,000.

Board Discussion: Mr. Finney asked if there were any questions from the Board. There being none, **Mr. Wortley motioned approval for Resolution 2013-065. Ms. Keeley seconded the motion.** The motion carried – 8 ayes; 0 nays; 1 recused; 2 absent.

COMMUNITY DEVELOPMENT BLOCK GRANT [CDBG]

Resolution 2013-066 – City of Manistee – Signature Building Project

Christine Whitz, Program Specialist CDBG, provided the Board with information on this action item.

Ms. Whitz stated that the City of Manistee is requesting \$330,000 in CDBG funds for the acquisition of a signature building within their traditional downtown core in Manistee County that will result in job creation. The property address is 312 River Street, Manistee, Michigan, and will be acquired by Blue Fish Kitchen, LLC for the purpose of opening a full-service restaurant. The owner will invest extensively in the rehabilitation of the property and rehab activities include roof repair, flooring replacement, new layout of a kitchen area, new fixtures, significant cleaning, exterior façade work and more. Given the historic nature of the structure, and the extended time the building has been vacant, the applicant will utilize the proposed grant dollars to rehabilitate and stabilize the physical building, retool the infrastructure to support the new commercial restaurant and renovate the interior. The project qualifies

for CBDG funding and the project meets a national objective by providing benefit to at least 51 percent of low and moderate income persons. The private and local match contribution for the property is \$600,000, which results in a leverage ratio of over 2:1 of the CBDG grant.

Recommendation: The MEDC staff has concluded that the project meets the minimum program requirements to be eligible under the CBDG program. Therefore, staff recommends that a grant agreement in the amount of \$330,000 be authorized for the City of Manistee.

Board Discussion: Mr. Finney asked if there were any questions from the Board. There being none, **Ms. Keeley motioned approval for Resolution 2013-066. Mr. Wortley seconded the motion.** The motion carried – 8 ayes; 0 nays; 1 recused; 2 absent.

[Mr. Wilson returns.]

Resolution 2013-067 – City of Albion – Blight Elimination-Historic Preservation Grant

Christine Whitz, Program Specialist CBDG, provided the Board with information on this action item.

Ms. Whitz stated the City of Albion is requesting \$342,000 in CBDG funds for blight elimination in Calhoun County. The proposed activities for the project include the historic preservation of the 1929, Bohm Theatre and will act as a catalyst in the revitalization of downtown Albion. Private activities include architecture/engineering, interior demolition, rehabilitation, equipment, and construction management. This project is eligible, as it meets the definition of blight as defined in the Brownfield Redevelopment Financing Act 381 of 1996, MCL 125.2652 (e)(i-iv) and (vii). CBDG funded activities include mechanical and electrical upgrades that will eliminate blighted conditions to address the fire hazard and to address the utilities being rendered ineffective so that the property is unfit for its intended use. The project includes the full interior, historic rehabilitation of the property and involves eligible activities identified in Section 105(a) (4) of Title I of the Housing and Community Development Act of 1974, as amended. This project meets the standards to qualify as an eligible project under the CBDG program.

Recommendation: The MEDC staff recommends that a grant agreement, in the amount of \$342,000 be authorized for the City of Albion for the Friends of the Bohm Theatre Restoration Project. The Friends of the Bohm Theatre shall provide to the MEDC documentation that it has closed on the Comerica Bank loan prior to executing the grant agreement.

Board Discussion: Mr. Finney asked if there were any questions from the Board. There being none, **Mr. Wilson motioned approval for Resolution 2013-067. Mr. Morris seconded the motion.** The motion carried – 9 ayes; 0 nays; 0 recused; 2 absent.

Resolution 2013-068 – 2013 Downtown Infrastructure Grant (DIG) Project – Multiple Communities

Christine Whitz, Program Specialist CBDG, provided the Board with information on this action item.

Ms. Whitz explained that the CBDG program announced a competitive round of CBDG funding in December 2012. Eligible communities could submit Part I Applications for Downtown Infrastructure Grants (DIG). The purpose of the DIG program is to assist low and moderate income communities seeking to improve the infrastructure quality of their traditional downtown district. The MSF received 43 Part I Applications requesting a total of \$20,039,038 with a total of \$9,185,766 in matching funds identified. The projects recommended have completed a full application and majority of their environmental review. It has been determined that all of the recommended applicants met the national objective for CBDG funding and involve eligible activities identified in Section 105(a)(2) of Title I of the Housing and Community Development Act of 1974, as amended. The projects being recommended were scored and given priority based on the community providing matching funds above ten percent; the community not having any open grants that have not been drawn down; the project being located in a Downtown Development Authority or similar type district; and the incorporation of innovative design elements.

Recommendation: MEDC Staff recommends that grant agreements totaling \$4,472,531 be authorized for the nine projects listed in Exhibit A of the resolution.

Board Discussion: Mr. Finney asked if there were projects that were not approved and Ms. Whitz replied yes. Ms. Comai asked what the top score was. Ms. Whitz stated the best score was 37 points out of a total of 54 and she also noted that every project was scored. There being no further questions from the Board, **Ms. Keeley motioned approval for Resolution 2013-068. Mr. Morris seconded the motion.** The motion carried – 9 ayes; 0 nays; 0 recused; 2 absent.

Resolution 2013-069 – City of Houghton – Signature Building Grant

Christine Whitz, Program Specialist CDBG, provided the Board with information on this action item.

Ms. Whitz explained that The City of Houghton is requesting \$110,000 in CDBG funds for the acquisition of a building within the downtown district in Houghton County that will result in job creation. The proposed \$795,000 downtown redevelopment project will transform a vacant, blighted building into a premier retail and residential location that will create eight new FTE jobs. Through acquisition, partial rehabilitation and partial new construction, the building will house a 3,200 square foot bakery on the first floor with space for two future apartment units on the second floor. The proposed project will allow Roy's Pasties and Bakery to increase production, storage, and retail space, as well as their hours of operation and website sales capacity. The grant is required to assist with the acquisition of the property. The project qualifies for CBDG funding and meets a national objective by providing benefit to at least 51 percent low and moderate income persons. The CDBG cost per job is \$13,750, with an average wage of \$9.75/ hour. This project involves eligible activities identified in Section 105(a)(1) of Title I of the Housing and Community Development Act of 1974, as amended.

Recommendation: The MEDC staff recommends that a grant agreement, in the amount of \$110,000, be authorized for the City of Houghton.

Board Discussion: Mr. Finney asked if there were any questions from the Board. There being none, **Mr. Wilson motioned approval for Resolution 2013-069. Ms. Keeley seconded the motion.** The motion carried – 9 ayes; 0 nays; 0 recused; 2 absent.

RENAISSANCE ZONES

Resolution 2013-070 – JMWingard, LLC – Revocation

Karla Campbell, Fund Manager, provided the Board with information on this action item.

Ms. Campbell provided background on JMWingard, LLC regarding the 10-year time extension designation received on a portion of the Border to Border Renaissance Zone, housing the Kerr Building, on December 15, 2010. She stated that in exchange for the extra years of Renaissance Zone benefits, the Company entered in to a Development Agreement with the Michigan Strategic Fund (MSF) and the real property owners, the Coldwater Downtown Development Authority, outlining specific milestones regarding job creation, capital investment, and a project commencement deadline. Due to a failure to secure financing, the Company has not met either the job creation or capital investment milestones and has not yet commenced construction of the project in violation of the terms of the Agreement. In a letter dated June 5, 2012, the Michigan Economic Development Corporation notified the Company of their non-compliance and informed them of the initiation of the 90-day cure period, as required by the Agreement. The cure period has since lapsed and the Company has confirmed their continuing non-compliance, granting the MSF contractual authority to revoke the designation.

Recommendation: The MEDC recommends the MSF Board revoke the Renaissance Zone time extension awarded to JMWingard, LLC, effective January 1, 2014. As the company has been forthcoming regarding their project's lack of success, repayment of previous abated taxes is not requested.

Board Discussion: Mr. Finney asked if there were any questions from the Board. Ms. Comai questioned why the MSF does not request repayment of previous abated taxes, and Ms. Campbell stated that unless

the company has not been forthcoming in reporting their progress, the MEDC often revokes the credit without asking for any back payments. The MEDC nor MSF has the authority to actually collect the taxes but can make a recommendation. There being no further questions, **Ms. Comai motioned approval for Resolution 2013-070. Mr. Wortley seconded the motion.** The motion carried – 9 ayes; 0 nays; 0 recused; 2 absent.

JOB CREATION MBT CREDIT AMENDMENT

Resolution 2013-071 – Magna US Holding, Inc.

Mr. Joshua Hundt, Development Finance Manager, provided the Board with information regarding this action item.

Mr. Hundt stated that a 100% Standard MEGA Credit for seven years was awarded to Magna Holding of America, Inc. on April 20, 2010, as amended July 20, 2010. The MEGA later approved a transfer of the credit from Magna Holding of America, Inc. to Magna US Holding, Inc., effective December 21, 2011. The Credit was awarded for up to 508 Qualified New Jobs, with an average weekly wage of \$669, above the Base Employment Level of 774 full-time employees in Michigan. The project location was set for the City of Troy, City of Auburn Hills, City of Lansing, and the Charter Township of Shelby. The City of Troy and the City of Auburn Hills have approved a P.A. 198 tax abatement for Magna US Holding, Inc. Soon after this credit was approved, it was discovered that two project related entities, Magna Powertrain USA, Inc. and Magna E-Car Systems of America, Inc., were not included in the board resolution for the purpose of Base Employment Level and Qualified New Jobs as related to this project. Both Magna Powertrain USA, Inc. and Magna E-Car Systems of America, Inc. are Subsidiary Businesses of Magna US Holding, Inc. In 2010, the MEDC was in support of making a recommendation to the MEGA Board to have these entities added. However, a formal amendment request was not brought to the MEGA Board for approval at that time. The addition of these two entities does not change the overall structure of the project nor modify any other aspects of the current MEGA.

Recommendation: The MEDC recommends that Magna Powertrain USA, Inc. and Magna E-Car Systems of America, Inc. be added as Subsidiary Businesses of Magna US Holding, Inc. for the purpose of Base Employment Level and Qualified New Jobs. All other aspects of the original MEGA, as amended, remain as is.

Board Discussion: Mr. Finney asked if there were any questions from the Board. Ms. Keeley requested that procedures be put in place to ensure oversights such as this are eliminated. Mr. Hundt replied that such procedures are in place. The Board discussed the matter to its satisfaction. There being no further questions, **Mr. Morris motioned approval for Resolution 2013-071. Mr. Wortley seconded the motion.** The motion carried – 9 ayes; 0 nays; 0 recused; 2 absent.

ACT 381 BROWNFIELD WORK PLAN AMENDMENT

Resolution 2013-072 – Fulton and Division Project

Mr. Dan Wells, Brownfield Program Specialist, provided the Board with information regarding this action item.

Mr. Wells stated that the City of Grand Rapids Brownfield Redevelopment Authority submitted an amended Act 381 Work Plan request to increase the eligible activity costs from the originally approved amount of \$534,025 to \$2,475,140. The original approval for the work plan was on March 14, 2006 for the new construction of a ten story, mixed-use building on two vacant lots. Due to the deterioration of the economy in 2008-2009, the project was not initiated, the site has remained vacant, and one of the parcels approved under the original work plan (243 Commerce Avenue) has been removed from the project. This project now includes redevelopment of a single parcel with two addresses (240 Ionia Avenue and 48 Williams Street) on approximately 0.35 acres of property located at in the City of Grand Rapids. The property is currently owned by 240 Ionia Avenue LLC, which is wholly owned by Brookstone Capital LLC. The project includes construction of a seven story, approximately 105,000 square foot building with

an integrated three story private parking deck with 74-80 spaces. In addition, the City has approved a payment in lieu of taxes on the property for 35 years with an annual savings of approximately \$180,000 per year. Approximately five permanent full-time jobs are anticipated to be created by the retail portion of the project and two permanent full-time jobs are anticipated to be created by the residential portion at an average hourly wage of \$13. The total capital investment will be approximately \$15 million.

Recommendation: The MEDC recommends approval of local and school tax capture for the MSF eligible activities totaling \$2,475,140 described above. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at \$1,306,874.

Board Discussion: Mr. Finney asked if there were any questions from the Board. There being none, **Mr. DeNooyer motioned approval for Resolution 2013-072. Ms. Comai seconded the motion.** The motion carried – 9 ayes; 0 nays; 0 recused; 2 absent.

MICHIGAN NEXTENERGY PERSONAL PROPERTY TAX EXEMPTION

Resolution 2013-073 – Kalamazoo Solar, LLC

Ms. Jessica Gomez, Program Analyst, provided the Board with information regarding this action item.

Ms. Gomez stated that Kalamazoo Solar, LLC is a solar energy facility that purchased a 158.8 kW DC STC (147 kW AC) photovoltaic electric generation system which qualifies as an alternative energy system and they are generating a usable energy form from an alternative energy system which qualifies as an alternative energy technology. According to the initial assessment for this property, the 158.8 kW DC STC (147 kW AC) photovoltaic electric generation system was placed on the tax rolls as of December 31, 2009 as real property. That disqualified the property from being eligible. The applicant appealed the assessment to the Michigan Tax Tribunal. A decision issued on December 21, 2012 stated that the Property was in fact personal property. It was also determined that the property should not have been assessed to Richard C. Schmitt as it was at the time, and instead, should have been assessed to Kalamazoo Solar, LLC. However, the Commission only has jurisdiction to correct assessments that were made in the year that the incorrect report was discovered and the two preceding assessment years. As the ruling was received in 2013, the State Tax commission lacks jurisdiction to tax the photovoltaic electric generation system for the tax year 2010 and it remains off the tax roll for 2010.

Recommendation: The MEDC recommends approval of the certification of Kalamazoo Solar, LLC's property as Alternative Energy Personal Property making it exempt from taxes levied before January 1, 2013, provided that the local Assessor determines that the property listed is properly classified as personal rather than real property; has not been previously subject to taxation under the general property tax act; and has not previously been exempted from taxes under the general property tax act.

Board Discussion: Mr. Finney asked if there were any questions from the Board. There being none, **Mr. DeNooyer motioned approval for Resolution 2013-073. Ms. Keeley seconded the motion.** The motion carried – 9 ayes; 0 nays; 0 recused; 2 absent.

QUARTERLY REPORT TO THE BOARD

Mike Flanagan, Manager, Equity Capital Programs, introduced Sean O'Donnell and Michael Kell of Credit Suisse, who provided the Board with Credit Suisse's Quarterly Report.

[Mr. Boji disconnected from the meeting at 2:30 p.m.]

The meeting adjourned at 2:34 p.m.

MEMORANDUM

TO: Michigan Strategic Fund (“MSF”) Board

FROM: Nell Taylor, Development Finance Manager

DATE: May 22, 2013

SUBJECT: Approval of Michigan Business Development Request for \$4,000,000 Performance-based Grant to:

SMR Automotive Systems USA, Inc. (“Applicant” or “Company”)
1855 Busha Highway
Marysville, Michigan 48040
www.smr-automotive.com

MBDP PROGRAM AND ITS GUIDELINES

On December 21, 2011, the MSF Board approved the Michigan Business Development Program (“MBDP”) and its guidelines. The primary intended objective of the MBDP is to provide incentives to businesses that create qualified jobs, make qualified investments, or a combination of both, in Michigan.

SOURCE OF INFORMATION

It is the role of the Development Finance 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 MEDC staff.

HISTORY OF THE APPLICANT

The Company, established in 1989, is a Tier 1 automotive supplier to many major Original Equipment Manufacturers (OEMs) of rear vision systems. The Company’s products include rear view mirror and camera systems. The Company serves the North and South American markets, with modest levels of exports of existing products to Canada and South America.

The Applicant has not received any incentives from the MSF previously. However, the company under a prior ownership as Schefenacker was awarded a Community Development Block Grant for \$1 million to assist in a new paint line project in 2004.

PROJECT DESCRIPTION

The Company is expecting significant sales and volume growth over the next five years. The growth, expected to begin in December 2014, is primarily a result of the major OEMs as well as several southern United States based OEMs. The Company will be at capacity in Marysville for

all of its core competencies: Injection Molding; Painting; and Assembly. The Company has been assessing locations to expand to meet its increased demand since September 2012.

The Applicant plans to expand the Marysville facility by adding an additional paint line, molding machines and rearranging the existing maintenance and office spaces. The Applicant also plans to purchase a 100,000 square foot warehouse in Port Huron to support their rear mirror assembly line and store parts for final assembly. The proposed investments and job creation will happen in both Port Huron and Marysville and is consistent with their focus of manufacturing automotive parts.

- 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(s) will be located in the City of Marysville and Port Huron. The City of Marysville has offered a “staff, financial, or economic commitment to the project” in the form of Public Act 198 of 1974 tax abatement for real property for 12 years and a six year Public Act 328 of 1998 tax abatement for personal property.
- c) The Applicant has demonstrated a need for the funding. The alternative to the project was to expand operations at their facility in San Luis Potosi, Mexico where they have existing operations. Reduced tax burden and the funding available from the Michigan Business Development Program were taken under consideration when evaluating the business case for expanding in Michigan.
- d) The Applicant plans to create 350 Qualified New Jobs above a statewide base employment level of 504.
- e) Pursuant to the program guidelines, the following was taken into consideration: The project involves out of state competition from the southern states and Mexico. The project will also involve the reuse of an existing facility and has a positive net return to Michigan.

INCENTIVE OPPORTUNITY

This project involves the creation of 350 Qualified New Jobs, with the potential to create up to 366 new jobs, and a capital investment of up to \$40 million in the Cities of Marysville and Port Huron. The requested incentive amount from the MSF is \$4,000,000 in the form of a performance-based grant. Please see below for more information on the recommended action.

RECOMMENDATIONS

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

- a) Approval of the MBDP Proposal as outlined in the term sheet attached to the proposed Resolution (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:
 - a. Commitment will remain valid for 120 days with approval for MSF Fund Manager to extend the commitment an additional 60 days.

MICHIGAN STRATEGIC FUND

RESOLUTION 2013-

**APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT TO
SMR Automotive Systems USA, Inc.**

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, (ii) adopted the guidelines for the MBDP (“Guidelines”), and (iii) approved the MSF Fund Manager to negotiate the final terms and conditions of the written agreements to be used to memorialize MBDP awards on the MSF’S behalf 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, SMR Automotive Systems USA, Inc. (“Company”) has requested a performance based MBDP grant of up to \$4 million (“Grant Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”);

WHEREAS, the MEDC has recommended to the MSF Advisory Committee 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”); and

WHEREAS, the MSF Advisory Committee has indicated its support of the MBDP Award Recommendation.

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

BE IT FURTHER RESOLVED, the MSF Board approves the MSF Fund Manager to 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.

Ayes:

Nays:

Recused:

Lansing, Michigan
May 22, 2013



**MICHIGAN BUSINESS DEVELOPMENT PROGRAM
Performance Based Grant - Term Sheet - (Draft)**

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: 4/26/2013

- 1. Company Name:** SMR Automotive Systems USA, Inc. ("Company" or "Applicant")
- 2. Company Address:** 1855 Busha Highway
Marysville, MI 48040
- 3. Project Address(s) ("Project"):** 1855 Busha Highway, Marysville, MI 48040
if different than above 2655 16th Street, Port Huron, MI 48060
- 4. MBDP Incentive Type:** Performance Based Grant
- 5. Maximum Amount of MBDP Incentive:** Up to \$4,000,000 ("MBDP Incentive Award")
- 6. Base Employment Level** 504 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 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:** 350 The minimum number of total Qualified New Jobs the Company shall be required to create in Michigan (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 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:** Execution of Term Sheet

8. **Company Investment:** The company plans to invest \$40,237,154 in new construction to the existing facility, the purchase of an additional facility, renovations, machinery and equipment, furniture and fixtures and computers, or any combination thereof, for the Project.

9. **Municipality supporting the Project:** City of Marysville, St. Clair County

- 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 PA 198 for 6 years or Next Michigan Development Corporation renaissance zone. 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 \$1,600,000 Upon demonstrated creation of 100 Qualified New Jobs above the Base Employment Level, completed construction of a paint plant facility, of at least 20,000 square feet, at the Marysville facility and verification of final approval of municipality support by no later than May 31, 2014.
- b. **Disbursement Milestone 2:** Up to \$1,400,000 Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 153 additional Qualified New Jobs above the Base Employment Level, by no later than May 31, 2015.
- c. **Disbursement Milestone 3:** Up to \$1,000,000 Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, and upon demonstrated creation of 100 additional Qualified New Jobs above the Base Employment Level, by no later than May 31, 2016.

11. Term of Agreement:

Execution of Agreement to May 31, 2018

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; the educational attainment of the employees hired; the number of new patents, copyrights, or trademarks applied for and issued to the Company; the number of licensing agreements by the Company and the number of such licensing agreements entered into by the Company with Michigan based firms; and any products commercialized by the Company.

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 May 3, 2013, the MEDC may not be able to proceed with any recommendation to the MSF.

SMR Automotive Systems USA, Inc.

By: T.S.B Sayeeji

Printed Name: Sayeejee Tatineni

Its: Managing Director

Dated: 5/2/13

Acknowledged as received by:

Michigan Economic Development Corporation

By:

A handwritten signature in black ink, appearing to be 'J. Taylor', written over a horizontal line.

Printed Name:

MELL TAYLOR

Its:

DEVELOPMENT FINANCE MGR

Dated:

MAY 6, 2013

MEMORANDUM

Date: May 22, 2013

To: Michigan Strategic Fund Board

From: Eric Hanna, Director Debt Capital Programs

Subject: Capital Conduit Program-Operating Company Initiative-Nomination to Grow Michigan, LLC Investment Subcommittee

Overview

On January 24, 2012, the Michigan Strategic Fund (“MSF”) selected Grow Michigan, LLC (GMI) to be provided a \$9,500,000 investment and a \$500,000 under the Capital Conduit Program-Operating Company Initiative. The initiative is designed to address the failure of private capital markets to meet growth capital needs for small businesses. On September 27, 2012 the MSF appointed three members to the Board of Managers of GMI. On December 31, 2012, GMI officially closed its first fund-raising round. Current capital commitments include \$25,500,000 in Class A private investment and \$4,500,000 of Class B MSF investment. An additional close is planned for no later than September 31, 2013 which will comprise full subscription of the fund at \$50,000,000 in private capital and \$9,500,000 in investment capital from the MSF.

Investment Sub Committee

As per section 6.02(a) of the Operating Agreement of Grow Michigan, LLC, the MSF is afforded the right to name one representative to the Investment Subcommittee. After reviewing a number of individuals and understanding that the position requires considerable experience in lending and investing as well as in successful business operation, staff proposes and recommends Peter E. Mogk.

Mr. Mogk is a Senior Partner at Huron Capital Partners in Detroit. Mr. Mogk has held a variety of senior management positions with operating companies and in the investment banking industry. His experience includes corporate mergers and acquisitions, investments and divestitures, financial structuring, recapitalizations, debt and equity underwriting, corporate development and strategic planning. Prior to Huron, he was Vice President & Treasurer of Penske Corporation, a privately-held investment group with over \$12 billion in revenues with interests in manufacturing, truck leasing, logistics, retail automotive, and motorsports industries. Prior to Penske, he held senior management positions with Nesbitt Burns Securities, Inc., the investment banking division of the Bank of Montreal (Chicago), and The Northern Trust Company. He has a B.S. in Economics from Miami University in Oxford, Ohio; M.B.A. from The University of Chicago with concentrations in finance and economics.

Recommendation

Staff recommends the appointment of Peter E. Mogk to the Investment Subcommittee for Grow Michigan, LLC.

MICHIGAN STRATEGIC FUND

RESOLUTION 2013-

**APPOINTMENT OF INVESTMENT COMMITTEE MEMBER FOR
GROW MICHIGAN, LLC**

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 January 25, 2012, the MSF approved an award to Grow Michigan, LLC (“Grow Michigan”) under the OCI;

WHEREAS, pursuant to the Operating Agreement for Grow Michigan, the MSF Board has the right to appoint one members to the Grow Michigan Investment Committee;

WHEREAS, the MEDC recommends and the MSF Board appointment Peter E. Mogk to the Grow Michigan Investment Committee:

NOW, THEREFORE, BE IT RESOLVED, the MSF hereby appoints Peter E. Mogk to the Grow Michigan Investment Committee.

Ayes:

Nays:

Recused:

Lansing, Michigan
May 22, 2013

MEMORANDUM

Date: May 22, 2013

TO: Michigan Strategic Fund

From: Eric Hanna, Dir. Debt Capital Programs

Subject: Revision of Business Terms for Develop Michigan, Inc.

Background

On December 21, 2011 the Michigan Strategic Fund (“MSF” or “Board”) authorized the Capital Conduit Program (“CCP”). Within the CCP is its sub—program known as the Real Estate Initiative (“REI”) which is intended to assist in the organization, formation and capitalization of a Development Finance Organization (“DFO”). Thirty five states have DFO’s, many of which exist outside of State Government but are supported and participated in by State Government. The purpose of the organization is to engage expert private sector talent to assist in the coordination of multiple public and private sources of capital in order to deliver high value community development projects. These projects are often complex, capital intensive and have long development cycles. They also tend to require some public capital participation either to reduce the cost of a project or to provide debt or equity where the market fails to deliver it. The former Brownfield Tax Credit Program was an example of a public capital program used in many of these transactions.

On January 25, 2012, the MSF approved a CCP award to Develop Michigan, Inc. (“DMI”), a 501c3 non-profit corporation which responded to an open Request for Applications. DMI has a nine member board, of which the MSF has the ability to appoint three members. Three additional members are participants in the private sector investment managed by DMI and three are from the organizations management team. The management team is comprised of members of the Great Lakes Capital Fund Nonprofit Housing Corporation, and three consultancies which have collaborated and which have extensive background in this space.

On April 25, 2012 the MSF approved business terms whereby DMI proposed to create a bond enhancement program to effectuate the REI. Similar bond enhancement programs have been launched successfully in Ohio and other neighboring states. In those cases, the programs were launched prior to the financial collapse of 2007/2008 and generally were launched with public funds between \$100M and \$150M. This allowed them to transact business under an investment grade rating such that when they ran near their limit of public funds they had considerable historical portfolio performance and could continue to demonstrate the rating. On a performance basis, these neighboring bond enhancement programs are producing poor leverage numbers; that is they have far more public capital than private capital, which is not in line with general MEDC Staff recommendations for most MSF investment programs.

Current Condition of Project

After considerable time and due diligence working with Standard and Poor’s in Chicago, it was determined that DMI would be unable to achieve the investment grade rating it sought. Reasons for this include:

- Deal size too large to achieve diversification with only \$20M in public funds as a backstop;
- S & P no longer rating “criteria,” only existing “portfolios”;
- Very significant lack of appetite for long term debt on commercial real estate asset class.

MEDC staff and DMI management have concluded that an alternative way to induce the desired private investment is to provide a risk enhanced private equity investment to a fund directed by DMI. After testing the theory with key private sector investors, MEDC Staff and DMI management have developed a set of proposed investment terms and have proceeded to market those terms to investors more broadly.

At this time, soft circles on those terms have been obtained and pending authorization by the MSF, staff contemplates a hard closing on or about June 15th with \$20M in Class A private equity and \$10M in Class B (MSF) capital for a total of a \$30M initial close. MEDC Staff understands that DMI has a pipeline of potentially eligible transactions state wide north of \$350 million dollars, the best of which will be considered for initial transactions.

The fund is being advertised at between \$60 and \$100 million. Previously the MSF committed a total of \$20M to the REI effort. Of that amount, \$500k was provided as a loan in order to fund legal, operational and fundraising activity all of which will be repaid by fund investors as an expense reimbursement. Great Lakes Capital Fund also contributed in excess of \$250k and continues to contribute capital and staff time to the effort. The remaining \$19.5 million in MSF commitments will be scaled. The scale is approximately \$10M at the initial close, and thereafter the maintenance of approximately a 4:1 ratio between private investment and MSF investment such that if the entire \$100M fund were realized, approximately \$80M would be private capital and approximately \$19.5M would be MSF capital.

The general terms and conditions of the investment are attached as Exhibit A to this memorandum. It should be noted that for a variety of reasons, the funding is contemplated to be provided to DMI in the form of a loan, the proceeds of which are required to be invested by DMI in the private equity fund. The repayment of the loan by DMI to the MSF will be a mirror of the investment performance.

Recommendation

Staff recommends that, rather than the previously contemplated bond enhancement program, the MSF authorize the REI investment in the form of a loan to DMI as reflected by the general loan terms in the attached Exhibit A.

Exhibit A Loan Terms

Loan Amount: Up to \$19.5M

Repayment: The MSF is to be repaid with 100% of the distributions made by the Limited Partnership (Fund) to DMI.

Term: Terminates at the end of the life of the fund or upon an event of default.

Key Required Terms of Investment of Loan Proceeds

Leverage: Class B will contribute its capital up to approximately 1:3 ratio only to the extent this higher ratio enables the Fund to achieve the first close minimum capitalization level of \$30 million. When Class B has fully funded the \$19.5 million, it will match investor capital at a ratio of at least 1:4 and in no case more than 1:5. After final close, Class B contributed capital will be at the same ratio for all investors in the Fund.

Investment by DMI: Class B Subscription to the Fund
Investment or loan by DMI to the captive General Partner of 1% of the total fund derived from the Class B funds

Manager Investment: 1% of the MSF Investment Amount, as a Class A investment.

Property Types: Commercial: industrial, retail, medical, business, rental housing and mixed use.
Investment Period: Currently contemplated to be a 4-year Investment Period to deploy all capital commitments; mezzanine capital may be reinvested within first 60 months.

Fund Term: 9 years with 2 one-year extension options

Fund Project Terms: Mezzanine: typical range 2-4 years; Senior: 7 years

Fund Project Types: Fund investments primarily for acquisition, financial restructuring, rehabilitation, construction alongside third-party lender, and/or construction financing

Investment Size Limits: Maximum Mezzanine Position up to 30% of Project Value. Maximum Senior Debt Position up to 75% of Project Value. The Fund shall provide no more than 75% of the Total Project Value for any one Project through any combination of mezzanine capital and senior debt instruments.

Class A Return: The Fund is seeking to achieve a 9% Internal Rate of Return (XIRR computation basis) to Class A Investors (after payment of Fund fees, expenses, carried interest and Investment Manager bonus).

Class B Returns: Class B returns are 1% in excess of actual investment after the Class A preferred return of 9% XIRR net of manager carry. After Class A, Class B, and Manager are paid, Class B receives a 10% return.

First Loss Provision: Class B capital will be allocated 75% of fund losses up to the full amount of Class B's capital contributions. .

Manager Carry: 10% deferred until Class A preferred return is paid.

Manager Fee: 1.75% of assets under management with 10% retained by DMI and 90% paid to the Investment Manager.

Manager Bonus: 10bps per year set by the DMI board and driven by the level of economic and community development impact of the transactions in the fund.

CRA /Volker Rule: The fund has been deemed by counsel to be available for regulated banks to invest under the Public Welfare exemption, among others, contained within the Dodd-Frank regulatory reforms currently in place. CRA eligibility is expected and is driven by project location and bank investor need. The apportionment of CRA credit will be managed and allocated by the Investment Manager.

Impact Reports: Each project will have an impact report which will describe the economic and community impact of the project. The impacts address, among other things, increase in tax base, jobs created, square feet rehabilitated, blight eliminated, and the additional investment which was precipitated on neighboring sites due in some part to the funds project.

MICHIGAN STRATEGIC FUND

RESOLUTION 2013-

APPROVAL OF REVISED BUSINESS TERMS FOR LOAN FACILITY FOR DEVELOP MICHIGAN, INC. UNDER THE CAPITAL CONDUIT PROGRAM

WHEREAS, the Michigan legislature passes 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 December 21, 2011, by Resolution No. 2011-189, the MSF approved the creation and operation of the Capital Conduit Program under the MSDF (“CCP”);

WHEREAS, on December 21, 2011, by Resolution No. 2011-189, as a subprogram of the CCP, the MSF also approved the Real Estate Initiative (“REI”) and the program guidelines for the REI (as further amended on April 25, 2012, by Resolution No. 2012-48) (“REI Guidelines”);

WHEREAS, on January 25, 2012, by Resolution No. 2012-08, the MSF approved an award to Develop Michigan, Inc. (“DMI”) to operate the REI pursuant to the REI Guidelines, and approved the delegation of authority to the MSF Fund Manager, the MSF Chairperson, or the State Treasurer Director, with only two required to act, to execute final transaction documents memorializing the DMI award under the CCP (“Delegation of Authority”);

WHEREAS, on April 25, 2012, by Resolution No. 2012-50, the MSF approved proposed bond enhancement business terms within which DMI was to operate the REI under the CCP, as well as approved additional funding for the CCP and allocation of certain of those CCP funds to DMI;

WHEREAS, due to market conditions and demand, rather than the previously contemplated bond enhancement proposal for DMI, the MEDC recommends that DMI operate the REI under the CCP pursuant to a loan facility, subject to the loan facility terms and conditions contained in the attached Exhibit A, and further subject to the REI Guidelines and Delegation of Authority (“Loan Facility Terms for DMI”);

WHEREAS, the MEDC recommends that the MSF approve the Loan Facility Terms for DMI; and

WHEREAS, the MSF Advisory Committee has indicated its support of the recommendation of approval of the Loan Facility Terms for DMI.

NOW THEREFORE, BE IT RESOLVED, the MSF approves the Loan Facility Terms for DMI; and

BE IT FURTHER RESOLVED, Resolution No. 2012-50 is rescinded except as to the funding resolutions contained in Resolution No 2012-50, which funding resolutions shall remain in full force and effect.

Ayes:

Nays:

Recused:

Lansing, Michigan
May 22, 2013

Exhibit A Loan Terms

Loan Amount: Up to \$19.5M

Repayment: The MSF is to be repaid with 100% of the distributions made by the Limited Partnership (Fund) to DMI.

Term: Terminates at the end of the life of the fund or upon an event of default.

Key Required Terms of Investment of Loan Proceeds

Leverage: Class B will contribute its capital up to approximately 1:3 ratio only to the extent this higher ratio enables the Fund to achieve the first close minimum capitalization level of \$30 million. When Class B has fully funded the \$19.5 million, it will match investor capital at a ratio of at least 1:4 and in no case more than 1:5. After final close, Class B contributed capital will be at the same ratio for all investors in the Fund.

Investment by DMI: Class B Subscription to the Fund
Investment or loan by DMI to the captive General Partner of 1% of the total fund derived from the Class B funds

Manager Investment: 1% of the MSF Investment Amount, as a Class A investment.

Property Types: Commercial: industrial, retail, medical, business, rental housing and mixed use.
Investment Period: Currently contemplated to be a 4-year Investment Period to deploy all capital commitments; mezzanine capital may be reinvested within first 60 months.

Fund Term: 9 years with 2 one-year extension options

Fund Project Terms: Mezzanine: typical range 2-4 years; Senior: 7 years

Fund Project Types: Fund investments primarily for acquisition, financial restructuring, rehabilitation, construction alongside third-party lender, and/or construction financing

Investment Size Limits: Maximum Mezzanine Position up to 30% of Project Value. Maximum Senior Debt Position up to 75% of Project Value. The Fund shall provide no more than 75% of the Total Project Value for any one Project through any combination of mezzanine capital and senior debt instruments.

Class A Return: The Fund is seeking to achieve a 9% Internal Rate of Return (XIRR computation basis) to Class A Investors (after payment of Fund fees, expenses, carried interest and Investment Manager bonus).

Class B Returns: Class B returns are 1% in excess of actual investment after the Class A preferred return of 9% XIRR net of manager carry. After Class A, Class B, and Manager are paid, Class B receives a 10% return.

First Loss Provision: Class B capital will be allocated 75% of fund losses up to the full amount of Class B's capital contributions. .

Manager Carry: 10% deferred until Class A preferred return is paid.

Manager Fee: 1.75% of assets under management with 10% retained by DMI and 90% paid to the

Investment Manager.

- Manager Bonus: 10bps per year set by the DMI board and driven by the level of economic and community development impact of the transactions in the fund.
- CRA /Volker Rule: The fund has been deemed by counsel to be available for regulated banks to invest under the Public Welfare exemption, among others, contained within the Dodd-Frank regulatory reforms currently in place. CRA eligibility is expected and is driven by project location and bank investor need. The apportionment of CRA credit will be managed and allocated by the Investment Manager.
- Impact Reports: Each project will have an impact report which will describe the economic and community impact of the project. The impacts address, among other things, increase in tax base, jobs created, square feet rehabilitated, blight eliminated, and the additional investment which was precipitated on neighboring sites due in some part to the funds project.

MEMORANDUM

DATE: May 13, 2013

TO: Michigan Strategic Fund (“MSF”) Advisory Committee

FROM: Eric Hanna, MEDC – Director, Debt Capital Programs
Joseph Martin, MEDC – Manager, Community Revitalization and Brownfield Programs
Stacy Esbrook, MEDC – Community Assistance Team Specialist

SUBJECT: Approval of Michigan Community Revitalization Request for \$6,000,000 in Performance-based awards to:

1212 Griswold Street LLC (“Applicant” or “Borrower”)
401 S. Washington Square, Suite 102
Lansing, Michigan 48993

MCRP PROGRAM AND ITS GUIDELINES

On December 21, 2011, the MSF Board approved the Michigan Community Revitalization Program (“MCRP”) and its guidelines. The primary intended objective of the MCRP is to provide incentives to persons that make eligible investments on eligible property in Michigan.

SOURCE OF INFORMATION

It is the role of the Project Management staff (“MEDC Staff”) to review for eligibility, completeness, and adherence to MCRP 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.

HISTORY OF THE APPLICANT

1212 Griswold Street LLC is comprised of three key persons: Richard M. Karp, Karp and Associates; Kevin J. Prater, Prater Development Ltd; and Richard J. Hosey III, Realty Investment and Consulting LLC. Mr. Karp has led numerous successful mixed-use developments totaling over \$125 million in his portfolio, notably The Durant, which includes 93 luxury loft apartment and 19,000 square feet of commercial space. Mr. Prater has led Prater Development Ltd. to over \$130 million in development and project management work. This includes active development in the City of Lansing, Flint and Toledo. Mr. Hosey has extensive experience working on tax credit projects, including as a senior originator of deals with Bank of America including Historic Credits for Boston’s Fenway Baseball Park and the Broderick Tower in Detroit.

PROJECT DESCRIPTION

The Applicant plans to renovate the historic 13-story Chamber of Commerce building, also formally known as the Detroit Savings Banks building, originally constructed in 1895 located at 1212 Griswold Street in the City of Detroit. The building will be renovated into 56 residential apartments and approximately 51,000 square feet of commercial office space on the first floor.

- a) The project is “functionally obsolete” and is “a historic resource” as authorized under the program. The Applicant plans to make an investment of \$37,619,260 to the project for interior

demolition, building renovations, machinery and equipment and furniture and fixtures, as authorized under the program. The project will be located in the City of Detroit. The City of Detroit has offered a “staff, financial, or economic commitment to the project” in the form of an Obsolete Property Tax Abatement. The property received approval for an Obsolete Property Rehabilitation Certificate for 12-years.

- b) The project is located in a downtown or traditional commercial center. Preference was given to this project based on the significance of the historic building to Detroit’s Central Business District (“CBD”). The project will complement recent developments and trends within the CBD and the greater downtown area to create an opportunity to establish a densely populated and attractive, residential neighborhood. The attractiveness of this project will be bolstered by the many entertainment facilities within walking distance and other retail and dining amenities. The recent influx of several thousand new employees from Quicken Loans and affiliates, Blue Cross and Blue Shield, and others have seen an increase demand for residential housing that will be filled by the Griswold Lofts.

FINANCING OPPORTUNITY – MCRP LOAN PARTICIPATION

Borrower: 1212 Griswold Street, LLC

Lender: Develop Michigan, Inc. (DMI)

Loan Amount: Up to \$6,000,000

MSF Share: Up to \$6,000,000 not to exceed 25% of Eligible Investment. DMI is interested in participating less than the full 100% to the MSF upon closing of its investment fund. Any participation by the MSF less than 100% must be acceptable to the MSF Fund Manager.

DMI LOAN DETAILS

Interest Rate: 7.5%

Term: 90 days after expiry of the NMTC compliance period (anticipated to be 75 months assuming a 12 month construction period)

Collateral: Real Estate Mortgage on Subject Property. All claims on collateral will be in proportion to DMI and MSF share of the Loan Amount. The final term and conditions of all collateral to be acceptable to the MSF Fund Manager, the Borrower, construction and bridge lender, and DMI.

Guarantee: Full Recourse of the key principals. All claims on the Guarantee will be in proportion to DMI and MSF share of the Loan Amount. The final term and conditions of all collateral to be acceptable to the MSF Fund Manager, the Borrower, construction and bridge lender, and DMI.

Funding: **Forward Commitment:** The MSF will fund up to \$6,000,000 to the DMI for a period of 18-months during the construction period.

Disbursement: Disbursement of up to \$6,000,000 from DMI to the Borrower is anticipated to occur at Certificate of Occupancy and other performance criteria to be contained in final loan documents.

Repayment: Currently anticipated to include monthly payments of principal and interest amortized over a minimum of 25 years. On the maturity date, the entire outstanding balance of the loan is due. DMI shall pay the MSF their proportionate share as borrower remits payment.

FEE STRUCTURE

Origination Fees: The Borrower will be responsible for paying a 1% origination fee based on the Forward Commitment Amount to the Senior Lender.

The Borrower will be responsible for paying a 1% disbursement fee based on the Disbursement Amount.

DMI will retain the full amount of the Origination Fees. Final terms and conditions of the Origination Fees must be acceptable to the MSF Fund Manager, the Borrower, and DMI.

Commitment Fee: The Borrower shall be responsible for paying a Commitment Fee to the DMI in an amount of 1.25% annually based on the Forward Commitment amount. The portion of the Commitment Fee kept by DMI will be commensurate with market rates and the remaining portion will be submitted to the MSF, all on terms and conditions acceptable to the MSF Fund Manager.

Servicing Fees: DMI will collect a 1.5% annual Servicing Fee on the outstanding loan amount after disbursement. The Servicing Fee is currently anticipated to be paid to DMI through a reduction in interest rate received by the MSF for its portion of the Loan Amount. The Servicing Fee will only be collected by DMI to the extent it is provided by the borrower to DMI.

Exit Fee: The Borrower will be responsible for a 1% Exit Fee of the originating loan amount and increasing an additional 1% every 12 months to a maximum of 6% of the loan amount if the loan is held to maturity. The portion of the Exit Fee kept by DMI will be commensurate with market rates and the remaining portion will be submitted to the MSF. The final term and conditions of the Exit Fee must be acceptable to the MSF Fund Manager, the Borrower, and DMI.

Whether the project is financially and economically sound:

The Project comes on the momentum of the closing and construction of the David Whitney Building in March of 2013 and lies within Detroit's West District. The David Whitney is one of the anchor points into the traditional business district off Woodward. The other project, the Broderick Tower, was recently redeveloped into a residential apartment and commercial office building. The Broderick is nearly 100% leased with rents 30% above the underwritten rates. This demonstrates exceptional demand for this type of product in the downtown.

The project has significant cash flow to meet the debt service requirements of the loan amount upon stabilization with a cumulative Debt Service Coverage Ratio of 1.9x between the commercial and residential space. The project has an appraised value of over \$11.2 million, as stabilized, with conservative rental rates on the residential units of \$1.40 per square foot.

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

Despite the economics of the deal, 1212 Griswold Street LLC was unable to secure permanent financing in the private market. The permanent debt market in Detroit remains non-existent, largely because of the deficiency of new product on which to analyze with comparable income generating properties. The finance package is structured in such a way as to encourage an exit by the borrower for a more traditional piece of permanent debt. The interest rate is traditionally above market and there is a steeped Exit Fee.

MICHIGAN STRATEGIC FUND CONSIDERATIONS

As required under the program, the following 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:

Located in the Capitol Park district, part of the larger central business district of downtown Detroit, the Chamber of Commerce building is a critical component of the West District Redevelopment Initiative. This initiative, which includes the acquisition and repositioning of key assets within the district (the David Whitney, the Farwell, and the Capitol Park buildings), is the final and necessary step to the reestablishment of a fully viable downtown. This strategy has already begun to take hold with coordinated investments by stakeholders including Michigan State Housing Development Authority (“MSHDA”), Detroit Economic Growth Corporation (“DEGC”) and Invest Detroit.

The redevelopment of the district is critical, and the impact will have a meaningful catalytic effect on the neighborhood. The Chamber of Commerce building is a critical development within the Capitol Park redevelopment initiative. At 13 stories, the Chamber of Commerce is a prominent treasure at the south entrance of the Capitol Park district. The district and the property represent a key gateway to the downtown. There will be a M1 Rail Line stop at the north end of the district, in addition to the re-activation of the Detroit People Mover connection included in the David Whitney redevelopment.

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

The public will benefit from the project by increasing the aesthetic and economic viability of a historic district within the City of Detroit. It is anticipated that the completion of this project will draw attention from new developers and the availability of conventional financing back to Detroit.

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

The City of Detroit has committed to approving a 12-year Obsolete Property Rehabilitation tax abatement in support of this project. The City is currently working through the approval process for this commitment.

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

The Chamber of Commerce building is listed on the State Register of Historic Sites and on the National Register of Historic Places and is located in a locally designated historic district under PA 169 of 1970. The building has been vacant for 5 years and the project will fully restore the building to functional use.

E. Creation of jobs:

The project is expected to create 120 permanent full time jobs related to the commercial portion of the property.

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

The project will be financed through a number of state and federal tax credits, New Markets Tax Credit (“NMTC”) equity, developer equity and traditional permanent debt. The project has secured the state brownfield credit as well as the state and federal historic tax credits. Chase is prepared to provide a bridge loan against those credits as well as participate as the NMTC equity investor. The project has also secured the necessary NMTC allocation of permanent debt funds from Invest Detroit and anticipates a potential allocation from Chase.

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

The Chamber of Commerce building is currently a vacant 13-story building. This project will add 56 market-rate residential apartments and approximately 51,000 square feet of Class-A commercial office space.

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

The Griswold Lofts project is a critical asset at the northern-end of the Central Business District and will feature 56 market-rate residential apartment units and 51,000 square feet of commercial office space, creating a walkable and dense live/work environment.

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

The vacant building that will be rehabilitated as a result of this project is not public.

J. Whether the project promotes sustainable development:

Restoration of a historic building is considered to be a sustainable practice. Improvements to the energy efficiency of the building envelope will be made including wall and ceiling insulation and window restoration.

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

The Chamber of Commerce Building is listed on the State Register of Historic Sites, the National Register of Historic Places and is included in a locally designated historic district under PA 169 of 1970.

L. Whether the project addresses area-wide redevelopment:

The Griswold Lofts is located on the northwest corner of Detroit’s central business district and overlooks Capitol Park. The building represents a critical component of the West District Redevelopment Initiative. This initiative, which includes the acquisition and repositioning of key assets within the district (the David Whitney, the Farwell, and the Capitol Park buildings), is the final and necessary step to the reestablishment of a fully viable downtown. This strategy has already begun to take hold with coordinated investments by stakeholders including MSHDA, DEGC and Invest Detroit in three Capitol Park buildings in late 2009.

M. Whether the project addresses underserved markets of commerce:

Rental housing is in high demand in downtown Detroit, but there is a low stock of quality, market rate housing. This project will add 56 rental units that will fit with the market demand in terms of size and function. Additionally, this project will add approximately 51,000 square feet of Class-A Commercial office space to the downtown, which is also highly in demand but in very low supply.

N. The level and extent of environmental contamination:

Any lead and/or asbestos found within the building and will be properly abated.

O. 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):

The Chamber of Commerce Building will be rehabilitated in accordance with the federal Secretary of the Interior's Standards.

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

This project will not compete with or affect any existing Michigan businesses.

Q. 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:

There are no additional criteria for consideration.

INCENTIVE OPPORTUNITY

This project involves \$26,454,400 in eligible investment and total capital investment of up to \$37,619,260 in the City of Detroit. The requested incentive amount from the MSF totals \$6,000,000 in the form of loan participation and servicing agreement under "other economic assistance."

Please see below for more information on the recommended action.

RECOMMENDATIONS

MEDC Staff recommends (the following, collectively, "Recommendation"):

- a) Approval of the MCRP Proposal as outlined above (collectively, "MCRP Proposal");
- b) Closing the MCRP Proposal, subject to available funding under the MCRP at the time of closing ("Available Funding"), completion of due diligence, the results of which are satisfactory to the MEDC (collectively, "Due Diligence"), finalization of all MCRP transaction documents, and further subject to the following terms and conditions:
 - a. Commitment will remain valid for 120 days with approval for MSF Fund Manager to extend the commitment an additional 30 days.

MICHIGAN STRATEGIC FUND

RESOLUTION 2013-

**APPROVAL OF A MICHIGAN COMMUNITY REVITALIZATION PROGRAM
LOAN PARTICIPATION AWARD FOR 1212 GRISWOLD STREET, 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 No. 2011-185, the MSF (i) created the MCRP, (ii) adopted the guidelines for the MCRP, as later amended (“Guidelines”), and (iii) approved the MSF Fund Manager to negotiate the final terms and conditions of the written agreements to be used to memorialize MCRP awards on the MSF’S behalf in accordance with the Guidelines (“Transaction Documents”);

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

WHEREAS, Develop Michigan, Inc. (“Lender”) has provided a loan commitment to 1212 Griswold Street, LLC and /or related entities (“Proposed Borrower”) of up to \$6,000,000 toward financing construction activities and infrastructure improvements to real property (“Project”);

WHEREAS, the Lender and the Proposed Borrower have requested a performance based loan participation award from the MSF under the MCRP for the Project in an amount not to exceed up to \$6,000,000 (“Award Request”), along with other general terms and conditions for the Award Request which are outlined in the term sheet attached as Exhibit A (“Term Sheet”);

WHEREAS, the MEDC recommends that the MSF approve the Award 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 30 days (“MCRP Award Recommendation”); and

WHEREAS, the MSF Advisory Committee has indicated its support of the MCRP Award Recommendation.

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

BE IT FURTHER RESOLVED, the MSF Board approves the MSF Fund Manager to negotiate the final terms and conditions of, and sign, all Transaction Documents necessary to effectuate the MCRP Award Recommendation.

Ayes:
Nays:
Recused:

Lansing, Michigan
May 22, 2013

EXHIBIT A

MSF LOAN PARTICIPATION

Borrower: 1212 Griswold Street, LLC

Lender: Develop Michigan, Inc. (DMI)

Loan Amount: Up to \$6,000,000

MSF Share: Up to \$6,000,000 not to exceed 25% of Eligible Investment . DMI is interested in participating less than the full 100% to the MSF upon closing of its investment fund. Any participation by the MSF less than 100% must be acceptable to the MSF Fund Manager.

DMI LOAN DETAILS

Interest Rate: 7.5%

Term: 90 days after expiry of the NMTC compliance period (anticipated to be 75 months assuming a 12 month construction period)

Collateral: Real Estate Mortgage on Subject Property. All claims on collateral will be in proportion to DMI and MSF share of the Loan Amount. The final term and conditions of all collateral to be acceptable to the MSF Fund Manager, the Borrower, construction and bridge lender, and DMI.

Guarantee: Full Recourse of the key principals. All claims on the Guarantee will be in proportion to DMI and MSF share of the Loan Amount. The final term and conditions of all collateral to be acceptable to the MSF Fund Manager, the Borrower, construction and bridge lender, and DMI.

Funding: **Forward Commitment:** The MSF will fund up to \$6,000,000 to the DMI for a period of 18-months during the construction period.

Disbursement: Disbursement of up to \$6,000,000 from DMI to the Borrower is anticipated to occur at Certificate of Occupancy and other performance criteria to be contained in final loan documents.

Repayment: Currently anticipated to include monthly payments of principal and interest amortized over a minimum of 25 years. On the maturity date, the entire outstanding balance of the loan is due. DMI shall pay the MSF their proportionate share as borrower remits payment.

FEE STRUCTURE

Origination Fees: The Borrower will be responsible for paying a 1% origination fee based on the Forward Commitment Amount to the Senior Lender.

The Borrower will be responsible for paying a 1% disbursement fee based on the Disbursement Amount.

DMI will retain the full amount of the Origination Fees. Final terms and conditions of the Origination Fees must be acceptable to the MSF Fund Manager, the Borrower, and DMI.

Commitment Fee: The Borrower shall be responsible for paying a Commitment Fee to the DMI in an amount of 1.25% annually based on the Forward Commitment amount. The portion of the Commitment Fee kept by DMI will be commensurate with market rates and the remaining portion will be submitted to the MSF, all on terms and conditions acceptable to the MSF Fund Manager.

Servicing Fees: DMI will collect a 1.5% annual Servicing Fee on the outstanding loan amount after disbursement. The Servicing Fee is currently anticipated to be paid to DMI through a reduction in interest rate received by the MSF for its portion of the Loan Amount. The Servicing Fee will only be collected by DMI to the extent it is provided by the borrower to DMI.

Exit Fee: The Borrower will be responsible for a 1% Exit Fee of the originating loan amount and increasing an additional 1% every 12 months to a maximum of 6% of the loan amount if the loan is held to maturity. The portion of the Exit Fee kept by DMI will be commensurate with market rates and the remaining portion will be submitted to the MSF. The final term and conditions of the Exit Fee must be acceptable to the MSF Fund Manager, the Borrower, and DMI.

MEMORANDUM

Date: May 22, 2013

To: Michigan Strategic Fund Board Members

From: Eric Hanna, Capital Markets
Deborah Stuart, Community Development Incentives Director

Subject: Authorization to Execute CDBG RLF Sub Recipient Agreements, Repaid Funds Agreements and to assign staff to Regional Fund Boards and Committees

Background

On August 20, 2011 the Michigan Strategic Fund Board (“MSF” or “MSF Board”) authorized the MSF Fund Manager to study the proposed regionalization plan, amend the Consolidated Plan to reflect the creation of nine regions which were in geographic alignment with other economic development initiatives, and to approve the eventual appointment of one Regional Fund Manager per region. On November 30, 2011 the MSF approved the issue of a Request for Applications to administer Community Development Block Grant Revolving Loan Funds (“CDBG” or “CDBG RLF’s”) on behalf of the communities within the nine regions of the State. On October 24, 2012 the MSF, based on the recommendations of a Joint Evaluation Committee, designated a Regional Fund Manager for each of the nine regions. These non-profit entities have the ability to become a sub-recipient of CDBG funds with which they may make eligible loans and other forms of commercial credit available. Per the Housing and Community Development Act (“HCDA”), section 105(a)(15) and 24 CFR 570.489(e)(2)(ii), the repayment of these funds may be allowed to stay with the non-profit entities free of the federal CDBG restrictions.

Program History

The State of Michigan currently has 42 Local Revolving Loan Funds, which began as CDBG grants to communities who used the grant funding to provide loans to eligible businesses. In some cases several grants were issued in a single community. The repayments were allowed to be administered by the local community in order to establish a local CDBG revolving loan fund. Currently, these local funds have an aggregate corpus of over \$24 million.

Over time, the program has had a diminishing level of success. The majority of the 42 existing Funds are currently inactive or have executed less than one loan per year, with more than half of the \$24 million dollar total fund corpus currently undisbursed. For several years the MEDC has been working to reorganize these funds by following the direction of HCDA §105(a)(15), which allows qualified organizations to lend and retain both program income and new CDBG grant funds. After the qualified organization (in Michigan’s case, a Regional Fund Manager) lends the money out in support of a CDBG eligible project, the repayments from successful projects may be retained by the Regional Fund Manager, and are considered free of the federal CDBG restrictions.

The reorganization of the CDBG RLF program has been proposed and attempted unsuccessfully several times over the last seven years. The current request is the result of a two year effort by staff, in collaboration with HUD, in Washington and Detroit, with local communities and with a network of the state’s non-profit lenders, to finally agree on a mechanism to consolidate the funds to then be used on a regional basis. It represents a significant step forward in the MEDC’s effort to unlock existing resources, and to make CDBG resources available on a regional basis, which is a best practice in many other states.

Additionally, the majority of existing funds will now be partnered with a non-profit lender that has a successful track record of business lending. Including non-profit lenders familiar with government loan programs will not only help to ensure that CDBG compliance and due diligence is completed, but that professional underwriting, loan management, and consistent credit standards are imposed, leading to better outcomes for businesses and communities.

Documenting Local and Regional Funds

Staff has developed a process whereby existing, Local Revolving Loan Funds are provided the opportunity to make the decision to remain independent and locally administered, or convert to the Regional Fund model. If a Local Revolving Loan Fund desires to remain locally administered, it will need to sign a “***Replacement Agreement***” which will supersede the language and conditions included in the original founding grant agreements that created the Local Revolving Loan Fund. Replacing the original agreements is necessary to accurately outline and enforce current regulatory and policy requirements, which Local Revolving Loan Funds need to comply with.

If a Local Fund does not elect to remain independent and locally administered, it shall execute a “***Sub-Recipient Agreement***”, which would sub-grant existing Program Income in the Local Revolving Loan Fund to the Regional Fund Manager for the purpose of transacting CDBG compliant projects. Upon the completion of a successful CDBG project, repayments to a Regional Fund Manager shall become free of the federal CDBG restrictions, so long as they remain at the Regional Fund. The MSF will exercise control and direction over those funds by entering into a “***Repaid Funds Agreement***” with the Regional Fund Manager.

In summary, all existing Local Revolving Loan Funds will need to enter into either a *Replacement Agreement* or a *Sub-Recipient Agreement*. Regional Fund Managers will all be required to enter into a *Repaid Funds Agreement*.

Recommendation

Staff recommends that the MSF authorize the MSF Fund Manager to do the following:

- To negotiate the final terms and conditions of and enter into Sub-Recipient Agreements, Replacement Agreements, and Repaid Funds Agreements;
- Establish a compliance date by which each Local Revolving Loan Fund must elect to remain an independent, locally administered revolving loan fund and execute a Replacement Agreement. All Local Revolving Loan Funds which do not elect to remain independent shall execute a Sub-Recipient Agreement;
- The authority to fill Regional Fund Manager Board and Committee appointments as provided in the Request for Applications.

**MICHIGAN STRATEGIC FUND
RESOLUTION 2013-**

**APPROVAL OF REVISIONS TO CDBG REVOLVING LOAN FUND PROGRAM FOR REGIONALIZATION,
USE OF FUNDS BY REGIONAL FUND MANAGERS AFTER CDBG LOAN, AND DELEGATION OF
AUTHORITY TO FILL POSITIONS WITH REGIONAL FUND MANAGER BOARDS AND COMMITTEES**

WHEREAS, Executive Order 1999-1, issued pursuant to Article V of the Michigan Constitution of 1963 and the laws of the State of Michigan, consolidated the State's economic development functions and programs and their accompanying powers in the Michigan Strategic Fund ("MSF");

WHEREAS, Executive Order 1999-1 transferred from the Michigan Jobs Commission to the MSF all authority, powers, duties, functions, grants, and responsibilities, including the functions of budgeting, procurement, personnel, and management related functions, of the Community Development Block Grant ("CDBG") program;

WHEREAS, the CDBG program has policies, criteria, and parameters which are enumerated in the annual Program Guidelines (the "Criteria");

WHEREAS, the Criteria are contained in the Michigan Consolidated Plan for Housing and Community Development Program Year 2013 (July 1, 2013 – June 30, 2014); One Year CDBG Action Plan ("Consolidated Plan") which by federal rule must be submitted to the U. S. Department of Housing and Urban Development ("HUD");

WHEREAS, the Consolidated Plan authorized by the MSF on March 27, 2013, by Resolution 2013-54, calls for the nine (9) regional entities, Regional Fund Managers, who were previously appointed by the MSF Board on October 24, 2012, by Resolution 2012-142, to operate Regional Revolving Loan Funds as subrecipients of local CDBG revolving loan funds' program income and of CDBG funds;

WHEREAS, staff recommends that the MSF Manager be authorized to set a date by which each local CDBG revolving loan fund shall be moved into their Regional Revolving Loan Fund and by which the local community shall execute a Sub-Recipient Agreement, unless a local CDBG revolving loan fund elects to remain independent and local and executes a Replacement Agreement by same date (the "Regionalization");

WHEREAS, staff recommends that the MSF Fund Manager be authorized to prepare, negotiate the final terms and conditions of, and execute or acknowledge Sub-Recipient Agreements between a local community and a Regional Fund Manager, Replacement Agreements between a local community and the MSF, and Repaid Funds Agreements between a Regional Fund Manager and the MSF, as described in the attached memorandum and consistent with the Consolidated Plan (the "Regionalization Documentation"); and

WHEREAS, staff recommends that the MSF Fund Manager be delegated the authority to fill Regional Fund Manager Board and Committee positions reserved for MSF representatives (the "Delegation").

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board approves the Regionalization;

BE IT FURTHER RESOLVED, that the MSF Board approves the Regionalization Documentation;

BE IT FURTHER RESOLVED, that the MSF Board approves the Delegation; and

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

Ayes:

Nays:

Recused:

Lansing, Michigan
May 22, 2013

EXHIBIT A

- Region 1** Northern Economic Initiatives Corporation to act as the RRLF Manager with no supplemental conditions.
- Region 2** Traverse City Area Chamber Foundation to act as the RRLF Manager, with the supplemental condition that;
- The MSF Fund Manager to consent in writing to the final terms and conditions of a fee for service contract with Northern Economic Initiatives Corporation as generally contemplated in its RRLF Manager Application.
- Region 3** Northern Economic Initiatives Corporation to act as the RRLF Manager with no supplemental conditions.
- Region 4** Capital Fund Services, Inc. to act as the RRLF Manager with no supplemental conditions.
- Region 5** Great Lakes Bay Regional Development Corporation to act as the RRLF Manager, with the supplemental condition that;
- The MSF Fund Manager to consent in writing to the final terms and conditions of a fee for service contract with a Michigan Certified Development Corporation as generally contemplated in its RRLF Manager Application.
- Region 6** Capital Fund Services, Inc. to act as the RRLF Manager with no supplemental conditions.
- Region 7** Capital Fund Services, Inc. to act as the RRLF Manager with no supplemental conditions.
- Region 8** I-69 Regional Development Corporation to act as the RRLF Manager, with the supplemental condition that;
- The MSF Fund Manager to consent in writing to the final terms and conditions of a fee for service contract with an alternate Qualified Contractor meeting substantially the functional requirements generally contemplated in the RFA.
- Region 9** Capital Fund Services, Inc. to act as the RRLF Manager with no supplemental conditions.

MEMORANDUM

Date: May 22, 2013

To: Michigan Strategic Fund Board Members

From: Nate Scramlin, Community Assistance Team Specialist
Deborah Stuart, Community Development Incentives Director

Subject: Community Development Block Grant Program
Façade Improvement Project
City of Owosso, County of Shiawassee

BACKGROUND

The City of Owosso is requesting \$270,375 in Community Development Block Grant (CDBG) funds for façade improvements for buildings located within their traditional downtown core in Shiawassee County. The following provides a summary of the proposed improvements for each property:

- **James L. Gutting – 110 East Exchange Street:** This building is currently vacant but with the improvements the owner plans to open a restaurant on the first floor. Improvements will be made to the front and side facades of the building. Activities will include: strip paint and repoint brick on west wall; repoint and repair masonry on building front; install upper and lower cornices; and replace storefront windows
- **Civille Insurance & Real Estate – 111 East Main Street:** This building houses Civille Insurance & Real Estate. Improvements will be made to the front façade of the building. Activities will include: rebuild third story brick arch to match second floor including wood fill-in, lintel, and wood windows; tuckpoint second floor brick and replace windows and wood trim; paint first floor brick a natural brick color to match first and second floors and replace awning.
- **Nail Boutique – 112 South Washington Street:** This building houses the Nail Boutique. Improvements will be made to the north-facing facade of the building. This side of the building faces a prominent downtown plaza used for community events, public gatherings, and downtown parking. Activities will include: existing north-facing wall is to be repaired through tuckpointing; five new third-floor windows added; stucco is to be painted/stained a matching color to be specified by a historic architect.
- **Sobaks Home Medical – 112 West Exchange Street:** This building houses Sobaks Home Medical supply. Improvements will be made to the front, side, and rear facades. Activities will include: repair, repoint and clean all masonry on south, east, and north facades; paint all masonry on south, east, & north facades a natural brick color; remove paint from first floor ceramic tile and repaint; repair or replace existing windows and interior window trim on second and third floors; new signage on existing canopy; new vinyl signage on first floor storefront.
- **Norm Henry Shoes – 117-119 North Washington Street:** These buildings house the Norm Henry Shoe store. Improvements will be made to the front facades of both buildings. Activities will include: Repair, repointing, and cleaning of all masonry; replacement of second and third story windows and stone sills; complete storefront restoration of first floor and new signage.

- **The Bake Shop – 207 North Washington Street:** This building houses the Bake Shop. Improvements will be made to the front façade of the building. Activities will include: Repair, repointing, and cleaning of masonry on second floor; replacement of second story windows; prepare and paint trim above storefront; new exterior lighting, signage, and canopy; repair or replace three aluminum entry doors; and new vinyl lettering.

NATIONAL OBJECTIVE

This project qualifies for CBDG funding as the project activities will benefit all residents of the project area and 51.3 percent of the residents of the City of Owosso are low and moderate income persons as determined by census data provided by the U.S. Department of Housing and Urban Development.

ELIGIBLE ACTIVITY

This project involves eligible activities identified in Section 105(a)(4) of Title I of the Housing and Community Development Act of 1974, as amended.

SCREENING GUIDELINES

The project was evaluated utilizing the CDBG guidelines. It has been determined that the project meets the following standards to qualify as an eligible project under the CDBG program:

Project Type: This project was selected because the community demonstrated that buildings are located in a traditional downtown. All improvements will meet the Secretary of Interior's Standards for Rehabilitation and the community has also shown the local organizational capacity to successfully complete this project. This project was given priority based on the following:

- All seven, multi-story buildings are located in a highly visible location.
- The City is a "selected-level" Main Street community and a number of the buildings have completed the Main Street Façade Design Program.
- All buildings are located in a DDA or other like district.
- The City will administer the grant and has shown they have the capacity to successfully complete this project.
- The community has adopted a downtown development plan.

Minimum Local Participation: The private match contribution for each property is noted in Attachment A and equals \$83,728 which is nearly twenty-three percent (23%) of the total project cost and will be provided by the business owners. A public match of \$6,397 will be provided from the City of Owosso. Combined, the public and private match elements of the project equal twenty-five percent (25%) of the total project cost.

Financial Viability and Background Check: All businesses receiving the benefits from this project have completed a background check with no concerns and have been determined to be financial viable.

PROJECT BUDGET

See Attachment A.

RECOMMENDATION

After reviewing the proposal, MEDC staff has concluded that the project meets the minimum program requirements to be eligible under the CDBG program. Therefore, staff, recommends that a grant agreement, in the amount of \$270,375, be authorized for the City of Owosso.

PROJECT BUDGET
MICHIGAN COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

Michigan Economic Development Corporation

Attachment A

1. Applicant: City of Owosso	2. Project Title: Façade Improvement Project				
3. Project Cost Elements	4. Project Funding Sources (identify all other funding sources).				
Activities	CDBG	Private			TOTAL
110 East Exchange					
Façade Improvements	\$24,375	\$6,125			\$30,500
Contingency	\$1,500	\$500			\$2,000
Architecture & Engineering		\$2,000			\$2,000
TOTAL	\$25,875	\$8,625			\$34,500
	75%	25%			
111 East Main					
Façade Improvements	\$43,125	\$11,875			\$55,000
Contingency	\$2,625	\$875			\$3,500
Architecture & Engineering		\$2,500			\$2,500
TOTAL	\$45,750	\$15,250			\$61,000
	75%	25%			
112 South Washington					
Façade Improvements	\$42,750	\$6,386	\$5,864		\$55,000
Contingency	\$2,250	\$430	\$320		\$3,000
Architecture & Engineering		\$1,787	\$213		\$2,000
TOTAL	\$45,000	\$8,603	\$6,397		\$60,000
	75%	14%	11%		
112 West Exchange					
Façade Improvements	\$56,625	\$15,875			\$72,500
Contingency	\$2,625	\$875			\$3,500
Architecture & Engineering		\$3,000			\$3,000
TOTAL	\$59,250	\$19,750			\$79,000
	75%	25%			

PROJECT BUDGET
MICHIGAN COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

Michigan Economic Development Corporation

Attachment A (con't)

1. Applicant: City of Owosso		2. Project Title: Façade Improvement Project			
3. Project Cost Elements		4. Project Funding Sources (identify all other funding sources).			
Activities	CDBG	Private			TOTAL
117 North Washington					\$0
Façade Improvements	\$30,000	\$8,000			\$6,600
Contingency	\$1,875	\$625			\$44,000
Architecture & Engineering		\$2,000			\$1,000
TOTAL	\$31,875	\$10,625			\$51,600
	75%	25%			
119 North Washington					
Façade Improvements	\$35,625	\$9,375			\$45,000
Contingency	\$1,875	\$625			\$2,500
Architecture & Engineering		\$2,500			\$2,500
TOTAL	\$37,500	\$12,500			\$50,000
	75%	25%			
207 North Washington					
Façade Improvements	\$24,000	\$6,000			\$30,000
Contingency	\$1,125	\$375			\$1,500
Architecture & Engineering		\$2,000			\$2,000
TOTAL	\$25,125	\$8,375			\$33,500
	75%	25%			
GRANT TOTAL	\$270,375	\$83,728	\$6,397		\$360,500

MICHIGAN STRATEGIC FUND

RESOLUTION 2013- _____

APPROVAL OF CITY OF OWOSSO FAÇADE IMPROVEMENT PROJECT

WHEREAS, Executive Order 1999-1, issued pursuant to Article V of the Michigan Constitution of 1963 and the laws of the State of Michigan, consolidated the State's economic development functions and programs and their accompanying powers in the Michigan Strategic Fund ("MSF");

WHEREAS, Executive Order 1999-1 transferred from the Michigan Jobs Commission to the MSF all authority, powers, duties, functions, grants, and responsibilities, including the functions of budgeting, procurement, personnel, and management related functions, of the U.S. Department of Housing and Urban Development ("HUD") Community Development Block Grant ("CDBG") program;

WHEREAS, The CDBG program has policies, criteria, and parameters which are enumerated in the 2012 Program Guidelines, as amended (the "Criteria"). The MSF by Resolution 2012-28 authorized and approved the Consolidated Plan and the Criteria, and by Resolution 2012-67 authorized and approved the Guide which included guidelines for façade grants;

WHEREAS, the City of Owosso (the "Community") has submitted a complete application for approval requesting funding to be used to fund the face improvements of multiple buildings within their downtown (the "Project");

WHEREAS, the CDBG program staff reviewed the proposed Project in light of the Criteria, Guide and HUD regulations and concluded the Project is eligible for funding, is not speculative in nature, is economically sound, is ready to proceed, and at least 51 percent of the project beneficiaries are low and moderate income persons; and

WHEREAS, staff recommends that a grant agreement be authorized and entered into with the Community for funds from the CDBG program for the reasons set forth in this Resolution;

NOW, THEREFORE, BE IT RESOLVED, that the MSF authorizes a grant to the Community not to exceed \$270,375 for the payment or reimbursement of costs associated with the Project. The MSF allocates \$270,375 from the Michigan CDBG program for the purpose of funding the Community's proposed Project contingent upon the MSF's continued receipt of CDBG funds and availability of adequate funds;

BE IT FURTHER RESOLVED, staff is directed to negotiate the terms of a grant agreement for the Project consistent with this Resolution. The Fund Manager or MSF President is authorized to execute, on behalf of the MSF, all documentation necessary to effectuate the proposed Project; and

BE IT FURTHER RESOLVED, if the Community fails to execute and return the grant agreement to staff within 120 days of the date this Resolution is adopted, this Resolution shall be of no further force and effect and shall be void.

Ayes:

Nayes:

Recused:

Lansing, Michigan
May 22, 2013

MEMORANDUM

Date: May 22, 2013

To: Michigan Strategic Fund Board Members

From: Deborah Stuart, Director
Community Development Financial Incentive Packages

SUBJECT: Community Development Block Grant Program
2013 Application Guide

Program Background:

The U.S. Department of Housing and Urban Development (“HUD”) allocates Community Development Block Grant (“CDBG”) funding to the State of Michigan, through the Michigan Strategic Fund, for further distribution to eligible Units of General Local Government to carry out State approved activities.

The State’s responsibilities include ensuring the State’s and their Grantee’s compliance with the statute, HUD regulations, and the Consolidated Plan. On March 27, 2013, the Michigan Strategic Fund approved the 2013 Consolidated Plan for the CDBG Program. The attached documented is an excerpt from the Application Guide for potential applicants based on the requirements within the Consolidated Plan, Federal regulations and policies developed by staff to ensure consistency with grantees. This excerpt outlines the selection criteria for the various programs funded with the CDBG allocation. The document is updated at least annually to assure that we are adjusting to the changing needs of the communities that are eligible and the goals of the MEDC. These updates are based on conversations with grantees and internal staff that work with the program.

Recommendation:

Staff recommends MSF approval of the attached Application Guide Excerpt for Program Year 2013.

Business Development Program Requirements

BUSINESS DEVELOPMENT PROGRAM EVALUATION-GENERAL

All Business Development Projects will be evaluated on the following:

- **National Objective:** Proposed projects are expected to result in the creation of full-time equivalent (FTE) positions of which at least 51% of the created positions will be held by LMI persons. Proposed projects are expected to create and/or retain the largest number of positions with the least amount of CDBG investment.
- **Job Creation:** Priority will be given to projects creating ten or more permanent full-time positions that pay an average hourly rate of at least \$9.00 or 75% of the average hourly wage rate of the applicable county.
- **Leverage Ratio:** Proposed projects are expected to leverage private and other public funds. Funding priority will be given to projects when the leverage ratio of all other private and public funds to CDBG funds is 1:1 or greater.
- **Local Participation:** Proposed projects are expected to demonstrate local government support.
- **Economic Impact:** Proposed projects are evaluated on their economic impact including the diversification of the economic base of the local and State economies.
- **Financial Viability:** All economic development projects must be financially viable. Please refer to the Economic Development Underwriting (Financial Viability) section for guidance on that evaluation process.

ELIGIBLE ACTIVITIES AND SPECIFIC RELATED CRITERIA:

- I. **Business Development- Assistance to Benefit Businesses:** Eligible under this category activity would be activities eligible under HCDA that provide assistance to private, for-profit entities. The following identifies specific related criteria for some eligible activities under this category.
 - A. **Machinery and Equipment:** These projects are generally supported by the CDBG Revolving Loan Program or other incentive programs available at the MEDC.
 - B. **Job Training:** Grant proceeds may be used for On the Job Training (OJT) and will be reimbursed per person for actual costs. OJT expenses for individual trainees must be completed within six months of their hiring date. Employees trained with CDBG funds must be retained for 90 days after conclusion of training. Vendor training expenses must have a minimum of 20% match from the employer. Up to 100% of grant funds may be used for vendor training costs. There is no reimbursement for company trainers or out of state training expenses. Grant proceeds can only be used for Michigan residents.

C. Rail Enhancement: CDBG portion may not exceed more than 50% of total cost of necessary rail improvement. MDOT must support rail enhancement projects (minimum 10% MDOT rail funds if available or letter of support if MDOT rail funds are not available).

II. Business Development- Assistance to Benefit Communities: Communities may request grants to provide public infrastructure improvements necessary for the location, expansion, and/or retention of a specific for-profit business firm(s) which is engaged in an economic base activity (e.g. - manufacturing, point-of-destination tourism, headquarter operations, major multi-state distribution facility).

Eligible under this activity would be public improvements, as identified in Section 105(a)(2) of Title I of the HCDA. Examples of eligible public infrastructure projects include the following items: public water or sanitary sewer lines and related facilities, streets, roads, bridges, sidewalks, parking facilities, pedestrian malls, alleys, drainage systems, waterways, publicly-owned utilities and systems, and projects designed to reduce, eliminate or prevent the spread of identified soil or groundwater contamination.

In addition the evaluation criteria, proposed public infrastructure projects are expected to have local government funding for public infrastructure activities. A minimum of ten (10%) percent local government cash match may be required.

III. Business Development- Planning: Planning grants may be available to help communities accomplish project specific planning which is likely to lead to an eligible economic development implementation project. Eligible under this activity would be planning and capacity building, as identified in Section 105(a)(12) of Title I of the of the HCDA. CDBG Planning funding cannot be utilized to create, update, or provide information solely for a community to meet legislatively mandated community planning requirements, including Local Development Financing Authority plans.

Projects will only be considered that can demonstrate that the planning grant will likely lead to an eligible implementation project. The planning study must be specific, with identified goals and outcomes. Funding priority will be given to communities with a higher percentage of matching funds (committed funds only), but a cash match equal to the awarded CDBG funds is required. The maximum individual grant award will not exceed \$100,000.

IV. Business Development-Unique Grants: Innovative and creative funding requests may be considered by the MEDC based on special and/or unique needs or situations requiring innovative program approaches not specifically provided for in identified programs. This may include, but is not limited to, brownfield site redevelopment, targeted industry development, building and building rehabilitation activities, CDBG Section 108 loan guarantees, activities and services listed in the above categories which do not meet identified screening or selection criteria and/or projects associated with other State or Federally funded initiatives. No additional criteria will be utilized to evaluate these projects beyond the general criteria.

Community Development Program Requirements

COMMUNITY DEVELOPMENT PROGRAM EVALUATION-GENERAL

All Community Development Projects will be evaluated on the following:

- **National Objective:** Proposed projects are expected to meet a National Objective of blight elimination; benefiting a population of individuals of whom at least 51% reside in LMI households; or projects that will result in the creation of full-time equivalent (FTE) positions of which at least 51% of the created positions will be held by LMI persons. Preference will be given to projects with position creation commitments. For position creation or retention projects, funding priority will be given to projects creating permanent, full-time equivalent positions and where the amount of CDBG funds per position created is \$35,000 or less.
- **Economic Impact:** Proposed projects are evaluated on their economic impact on local and State economies. This includes the following items:
 - **Location-** For Community Development Projects, projects will be given priority if they are located within a “traditional downtown” defined as a grouping of 20 or more commercial parcels of property that include multi-story buildings of historical or architectural significance. The area must have been zoned, planned or used for commercial development for 50+ years. The area must consist of, primarily, zero-lot-line development; have pedestrian friendly infrastructure, and an appropriate mix of business and services. The area should have characteristics that create a sense of place.
 - **Project Type-** Funding priority will be given to projects that demonstrate a majority of the following screening guidelines:
 - located within a DDA, PSD, BID, BIZ or like district
 - located within a community designated as a Main Street or Redevelopment Ready
 - where building rehabilitation is a factor, consist of:
 - multi-story
 - mixed-use components
 - eligible for Historic or Contributing Designation
 - partially or completely vacant building being returned to active use
 - that are complete and holistic
- **Leverage Ratio:** Proposed projects are expected to leverage private and other public funds. Funding priority will be given to projects when the leverage ratio of all other private and public funds to CDBG funds is 1:1 or greater.
- **Local Participation:** Proposed projects are expected to demonstrate local government support. Preference will also be given to communities that provide additional local support either through tax abatement, direct grant or other financial assistance to the project. Communities that do not request administrative costs or use administrative costs as match will also be considered as providing additional local support.

- **Financial Viability:** All Community Development projects must be financially viable. Please refer to the Economic Development Underwriting (Financial Viability) section for guidance on that evaluation process.

ELIGIBLE ACTIVITIES AND SPECIFIC RELATED CRITERIA:

I. Community Development- Assistance to Benefit Small Business: Direct Assistance to Businesses provides grants to create and retain jobs in Michigan and help create vibrant communities. These grants enable communities to formulate an economic development strategy to support locally owned and operated businesses. The purpose of these grants is to provide funding to jumpstart growth of existing and new businesses, create new jobs or retain existing jobs, and to enhance the entrepreneurial environment in the community. Eligible under this category would be activities eligible under the HCDA. The following identifies specific related criteria for some eligible activities under this category.

A. Community Development- Façade Improvements: Grants are available for communities that seek to target areas of traditional downtowns for facade improvements which will have a significant impact on the downtown/community. The Façade Improvement Program is structured to provide commercial/mixed-use building façade improvements to sustain and minimize deterioration of traditional downtowns. This program is based on the premise that the exterior improvements will stimulate additional private investment in the buildings and the surrounding area, attract and increase additional customers, thereby resulting in additional downtown economic opportunities.

Communities that are qualified as LMI communities with a population over 15,000 must include at least five participating properties with façade improvements to meet the area wide benefit national objective for this initiative. LMI communities with a population of 15,000 or less must have at least two participating properties to meet the area wide benefit National Objective.

Projects should be located in highly visible locations and all projects which include historic resources must meet the Secretary of Interior's Standards for Rehabilitation. All projects should have a contribution of at least 25% of the total project costs. Projects should consist of cash match on exterior rehabilitation. Where projects consist of complete, extensive interior rehabilitation, interior project costs may be considered as match. The minimum amount individual grant award must not be less than \$30,000.

B. Community Development- Building Acquisition: Building Acquisition grants are available for acquisition of vacant, partially vacant or substantially underused buildings located in traditional downtowns for rehabilitation into a commercial/mixed use building that will result in position creation. CDBG funding can only be utilized for property acquisition activities.

The CDBG funding allows the community and/or the developer to acquire property that would not typically be purchased and redeveloped due to the substantial amount of money required to rehabilitate. Projects should be accompanied by a viable business plan, at least one appraisal,

along with the current SEV, documentation that all taxes are current, as well as verification that non-mortgage liens have not been placed on the property.

Exclusively residential structures and government owned buildings, other than Land Bank properties, are not eligible for Building Acquisition funds. Ineligible activities for this initiative include appraisals, structural analysis or other soft costs associated with acquisition. Projects that will rehabilitate significant structures, with preference to historic buildings, should have a contribution of at least 25% of the total acquisition costs and leverage private/public funds to assist with the rehabilitation of the property at a 1:1 ratio of CDBG funds. Projects that do not involve rehabilitation projects are intended for growing small businesses should have a contribution of at least 50% of the total acquisition costs.

- C. Community Development – Rehabilitation:** Grants are available for rehabilitation of properties within traditional downtowns. Funding priority will be given to the rehabilitation of vacant, deteriorated and abandoned buildings which are considered to be detrimental to public health and safety. Funding priority will be given to projects with the highest percentage of private matching funds (committed funds only), but all projects should have a contribution of at least 25% of the total project cost.

- II. Community Development- Assistance to Benefit Communities:** Assistance to Communities is designed to assist local units of government that have plans in place to promote and strengthen the infrastructure and environment in their downtowns. These grants are expected to create vibrant communities and enhance sense of place through blight elimination, job creation, and by benefiting areas of low-moderate income individuals. Public infrastructure includes items located on public property, such as: parking facilities, streetscape, farmers markets, public water or sanitary sewer lines and related facilities, demolition as part of a larger project, streets, roads, bridges, private utilities and public utilities.

In addition to the evaluation criteria, proposed public infrastructure projects are expected to have local government funding for public infrastructure activities. A minimum of ten (10%) percent local government cash match is required. The maximum individual grant award may not exceed \$750,000.

- A. Downtown Infrastructure Grants (DIG):** DIG grants may be available for public infrastructure projects that upgrade existing public infrastructure systems in a traditional downtown. Announcement of this activity will be made to eligible communities as funding becomes available. Competitive ranking of projects will be based on the proposals received, and awards will be based on the availability of funds. Selection criteria will be announced at the time of the competition.
- B. Community Development – Farm to Food:** Grants are available for communities seeking to construct, rehabilitate, acquire, expand, or improve a facility. Awarded funds must be used for the construction, expansion, acquisition, or improvements of existing farmers markets. It is

expected the structure(s) will be utilized mainly as a farmers market. In addition, it is expected that when the structure(s) is not operating as a farmers market, that it will be used for additional community activities year round.

Projects will be evaluated on the overall impact of the project on the community, the history of market operations, the financial viability of the market, the visibility of location, project start and completion date; use of the building and site during the farmers market off season; and innovative design elements that promote multiple uses of the project space. All projects must have a contribution of at least 25% of the total project cost and must be request in funding of more than \$30,000.

C. Community Development- Public Infrastructure related to Small Business: Communities may request grants to provide public infrastructure improvements necessary for the location, expansion, and/or retention of a specific for-profit business. These projects will be considered on an ongoing basis.

D. Community Development-Demolition of Blight: This program does not require the location to be within a traditional downtown and is allowable anywhere within the community that is designated a slum or blighted area. Eligible under this activity would be property acquisition and clearance/demolition. Ineligible activities for this initiative include any acquisition or demolition of privately owned structures, exclusively residential structures, historic structures and state owned buildings, except for Land Bank Properties.

Funding priority will be given to the demolition of vacant, deteriorated and abandoned buildings which are considered to be detrimental to public health and safety. The community must be able to demonstrate that their proposed project is clearly eliminating objectively determinable signs of blight and is strictly limited to eliminating specific instances of blight (spot blight). Priority projects will meet multiple definitions for blight and, if necessary provide structural building analysis. No private match is required for this program. Proposed projects are expected to have local funding participation.

III. Community Development- Planning: Planning grants may be available to help communities accomplish project specific planning which is likely to lead to an eligible economic development implementation project. Eligible under this activity would be planning and capacity building, as identified in Section 105(a)(12) of Title I of the of the HCDA. CDBG Planning funding cannot be utilized to create, update, or provide information solely for a community to meet legislatively mandated community planning requirements, including Downtown Development Authority plans.

Projects will only be considered that can demonstrate that the planning grant will likely lead to an eligible implementation project. The planning study must be specific, with identified goals and outcomes. Funding priority will be given to communities with a higher percentage of matching funds (committed funds only), but a cash match equal to the awarded CDBG funds is required. The maximum individual grant award will not exceed \$100,000.

IV. Community Development-Unique Grants: Innovative and creative funding requests may be considered by the MEDC based on special and/or unique needs or situations requiring innovative program approaches not specifically provided in identified programs. This may include, but is not limited to, brownfield site redevelopment, small business development, CDBG Section 108 loan guarantees, activities and services listed in the above categories which do not meet identified screening or selection criteria and/or projects associated with other State or Federally funded initiatives.

Revolving Loan Fund Program Requirements

REVOLVING LOAN FUND PROGRAM-GENERAL

The MSF has previously authorized the establishment of nine geographically distinct regions encompassing all non-entitlement areas of the State and has approved a Regional Fund Manager for each of the nine regions. Going forward, the MEDC will continue to work with the current 42 Local Revolving Loan Funds (Local Funds) to either assist them in participating in regionally managed funds (Regional Funds) or obligate them to enter into a Replacement Agreement which will supersede the near 20 year old grant agreements which established the Local Funds. This is necessary to ensure that Local Funds on a going forward basis are able to comply with updated rules, regulations and policies of the CDBG Revolving Loan Fund Program.

The intent of the RLFs is to provide CDBG eligible loans to businesses and local governments within the identified regional territory. Repayments of the loans back to the Local Fund with interest generates “program income” that is used to cover fund administrative expenses and provides additional funding for additional CDBG eligible loans to businesses. Regional Funds, selected and authorized by the MSF and compliant with HCDA 105(a)(15) will operate in non-entitlement areas within the state and will coordinate with county governments and UGLG based funds within the region to centralize cash and program income as well as potentially play a role in assisting with the management of loan portfolios in accordance with MEDC and HUD requirements. Regional Funds will create opportunities for greater access to available capital for the issuance of CDBG eligible loans, gain efficiency through increased underwriting expertise and streamline the MEDC approval process. The MEDC may also make additional CDBG funds available to UGLG, or , for the purpose of providing capital for the issuance of CDBG eligible loans to small businesses and local governments whose projects meet a National Objective.

Eligible under the RLF activity would be assistance to private, for-profit entities as identified in Section 105(a)(17) of Title I of the HCDA. Local and Regional Funds will provide loans, loan guarantees, collateral enhancement, working capital, and other allowable mechanisms not specifically prohibited by the Grant Administration Manual.

Regional Fund Managers receiving repayments on successful CDBG Project extensions of credit shall have the ability under HCDA 105a15 to treat such funds as free of many Federal and CDBG

characteristics. Such funds shall fall under a Repaid Funds Agreement. Local Funds must enter into either a Sub-Recipient Agreement in order to regionalize or a Replacement Agreement in order to remain independent from the region.

- I. Screening Guidelines:** Proposals and applications are considered on a continuous basis when funded with existing Program Income maintained at, or transferred to, an UGLG or Regional Fund. Only a Regional Fund or UGLG is eligible to apply for new CDBG funds. Preference will be given to RRLFs for new CDBG funds when evaluating projects.

Proposed projects are expected to result in the creation of full-time equivalent (FTE) positions of which at least 51% of the created positions will be held by LMI persons. Proposed projects are expected to create and/or retain the largest number of positions with the least amount of RLF investment. When determined to be reasonable, applicants may also utilize Area Wide Benefit standards. Proposed projects may also result in the Elimination of Slum and Blight if allowed under the Grant Administration Manual (GAM).

- A. Minimum Leverage Ratio:** Proposed projects are expected to leverage private and other public funds. Funding priority will be given to projects when the leverage ratio of all other private and public funds to CDBG funds is 1:1 or greater.
- B. Project Type:** Eligible project types are located within the GAM, which is approved by the MEDC. Typically, projects are loans or other commercial credit extensions to for-profit businesses located within the funds service area. The RLF must carry out specific activities outlined below which, in turn, generate payments to the RLF.
- C. Continuing Activity:** Only a Local or Regional Fund that meets the definition of a Continuing Activity is eligible to apply for CDBG Grants. The MEDC defines a "Continuing Activity" as the successful funding of a CDBG eligible loan or extension of commercial credit in the preceding twelve months or, in cases in which the RLF had insufficient funds to advance on a proper loan request the fund must document the request and why the funding they had on hand was not sufficient for the project. Additionally, the MEDC includes within its definition of Continuing Activity that the fund must perform such activity as described above such that normal monitoring of the Fund resulted in no major findings or issues which remain unresolved.

Local and Regional Funds shall have 12 months to become compliant with the Continuing Activity definition after being monitored for compliance. .

- D. Eligible Activities:** The proceeds of loans made under this program are for eligible activities under Section 105(a) of Title 1 of the HCDA and are limited to the following:
- Project based land acquisition
 - Construction of a building and other improvements
 - Renovation of an existing building to accommodate a business
 - Purchase of Capital Equipment
 - Purchase an existing building for a known business

- Finance accounts receivables and inventory
- Improve a site for a known business concern
- Assistance to micro-enterprises
- Some specific workforce training projects (seek additional info from State Program)
- Business Acquisition (highly situational-see additional info from State Program)

The GAM describes eligible and prohibited uses of loan proceeds. Activities and Use of Proceeds are similar but not the same. All projects utilizing CDBG RLF funds must comply with eligible activities under CDBG (above) **and** eligible use of proceeds as described in the GAM RLF Chapter.

- E. Financial Viability:** In addition to the Financial Viability guidance provided in this document, proposed projects are expected to demonstrate a reasonable expectation of repayment, with the expectation having been supported by meaningful and prudent due diligence on the part of the Local or Regional Fund, or its contractor.

In addition to project viability, on a no less than annual basis the MEDC may review the books and records of all Regional and Local Funds to ensure that each Local and Regional Fund is compliant with all state and federal laws and policies as well as operating under sound risk management and financial accounting practices. This will include a review of the UGLG's annual audit documents. The MEDC reserves the right to decline a project if it is determined that an applicant has not provided accounting and reporting of Fund activities to the standards requested by the MEDC, and/or has failed to act, in the judgment of the MEDC, prudently with respect to applicable loan decision making or due diligence practices.

- B. Non Program Income loans made by Regional Funds:** Loans utilizing certain repaid CDBG funds pursuant to and compliant with HCDA Section 105(a)(15) are no longer Program Income but are subject to MSF oversight via the Repaid Funds Agreement as amended from time to time. The MSF will monitor and review these transactions in accordance with the Grant Administration Guide, Revolving Loan Fund Chapter and the Repaid Funds Agreement.

**MICHIGAN STRATEGIC FUND
RESOLUTION 2013-
APPROVAL OF COMMUNITY DEVELOPMENT BLOCK GRANT 2013
APPLICATION GUIDE SELECTION CRITERIA**

WHEREAS, Executive Order 1999-1, issued pursuant to Article V of the Michigan Constitution of 1963 and the laws of the State of Michigan, consolidated the State's economic development functions and programs and their accompanying powers in the Michigan Strategic Fund ("MSF"); and

WHEREAS, Executive Order 1999-1 transferred from the Michigan Jobs Commission to the MSF all authority, powers, duties, functions, grants, and responsibilities, including the functions of budgeting, procurement, personnel, and management related functions, of the Community Development Block Grant ("CDBG") program; and

WHEREAS, the CDBG program desires to adopt the policies, criteria, and parameters for the selection of projects which are enumerated in the attached 2013 Application Guide Excerpt (the "Guide Excerpt"); and

WHEREAS, CDBG program staff reviewed the Guide Excerpt and concluded that the policies meet the enabling legislation, federal regulations, and the requirements of the Consolidated Plan which the MSF authorized with Resolution 2013-54; and

WHEREAS, CDBG program staff recommends that the MSF adopt the attached Guide Excerpt to update the selection criteria in the current Application Guide adopted in 2012 for the CDBG program.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board adopts the attached Guide Excerpt as the policies, criteria, and parameters for projects being considered and funded with 2013 Program Year funds; and

BE IT FURTHER RESOLVED, that the MSF Board authorizes the Fund Manager to make minor modifications to the document, if needed, and to take any action necessary to effectuate the terms of this Resolution.

ADOPTED

Ayes:

Nays:

Recused:

Lansing, Michigan
May 22, 2013

MEMORANDUM

DATE: May 22, 2013

TO: Michigan Strategic Fund Board Members

FROM: Diane Cranmer

SUBJECT: Private Activity Bond – Bond Inducement - \$5,100,000 Resthaven – Non-Profit - Refinancing

COMPANY BACKGROUND

Resthaven is a Michigan non-profit corporation, incorporated on May 7, 1945 to provide a home for the aged. Resthaven was incorporated in the City of Holland and County of Ottawa. Resthaven currently consists of: Resthaven Care Center, a 145-bed Skilled Nursing Facility; Maple Woods, a 100-bed Assisted Living Facility licensed as a Home for the Aged; The Warm Friend, 68 independent senior apartments; and Resthaven Home Care, a Medicare-certified Home Health Agency. Resthaven represents a continuum of care providing services and housing for the elderly, currently serving over 300 residents. Resthaven is governed by a local volunteer Board of Trustees.

Resthaven currently has a total of 385 employees.

PROJECT DESCRIPTION

The project includes refinancing debt utilized for Resthaven Care Center located at 280 W 40th Street, Holland, Ottawa County. The project to be refinanced consisted of an approximately 19,000 square foot building addition to the existing nursing home facility to house 16 private resident rooms and required support services; a rehabilitation gym; new entrance, café and multipurpose room for resident activities. The construction was completed by CL Construction a local Holland, Michigan company.

The current project will also include refinancing a construction loan and other costs related to the project to be refinanced and to refinance two existing HELP loans used in previous financing for the Resthaven Care Center.

PROJECT EVALUATION

1. JOB CREATION

Resthaven anticipates creating approximately 4.5 new jobs at project completion.

2. EMPLOYMENT INFORMATION

The average hourly wage of all the jobs being created (hourly and salary) is \$17.76 per hour.

The fringe benefits provided to the full-time new hires by the company include health insurance, dental insurance, long-term disability, life insurance, paid-time off hours based on years of service, 403b match (all employees receive).

ADDITIONAL INFORMATION

Bond Counsel:

Warner Norcross & Judd LLP

Proposed Placement of the Bond Issue:

Macatawa Bank has indicated it will directly purchase the bonds.

RECOMMENDATION

After reviewing the Private Activity Bond Application for Resthaven, staff recommends the adoption of an Inducement Resolution in the amount of \$5,100,000 for this project.

MEMORANDUM

Date: May 22, 2013

To: Michigan Strategic Fund

From: Dan Wells, MEDC – Community Development Specialist

Subject: Act 381 Work Plan Approval
County of Grand Traverse Brownfield Redevelopment Authority
TBA Credit Union Redevelopment Project
City of Traverse City, County of Grand Traverse

APPLICANT

Grand Traverse County Brownfield Redevelopment Authority

Contact: Jean Derenzy, Deputy Director, Planning and Development

ACT 381 WORK PLAN REQUEST

The Grand Traverse County Brownfield Redevelopment Authority has submitted an Act 381 Work Plan (hereinafter Work Plan) request for the approval of local and school tax capture for MSF eligible activities in the amount of \$1,017,309.

PROJECT DESCRIPTION

This project will redevelop two parcels that contain approximately 1.34 acres located at 626 and 636 East Front Street in the City of Traverse City. The overall redevelopment of this site will include demolition of the existing vacant structures, environmental cleanup activities, and construction of a new 21,266 square foot, three story financial institution headquarters office building for TBA Credit Union. Both parcels are, and will continue to be, owned by TBA Credit Union.

The Property currently contains two vacant commercial buildings, a former restaurant and a former gasoline station. Exterior portions of the Property include paved parking areas, driveways, and landscaped areas. Eligible activities include site and building demolition; lead and asbestos abatement; site preparation, including temporary construction activities, non-contaminated soil management and dewatering; infrastructure improvements including curb and gutter work, sidewalks, landscaping, and a mix of traditional and low impact design storm water management.

Approximately 17 new permanent full-time jobs are anticipated to be created, and 36 full-time equivalent jobs are anticipated to be retained by the commercial portion of the project at an average hourly wage of \$19.35. The total capital investment will be approximately \$7,285,000.

QUALIFYING CRITERIA

The project is located within the boundaries of the City of Traverse City, which is a Qualified Local Governmental Unit, and has been deemed a facility as verified by Michigan Department of Environmental Quality. The property is the subject of a Brownfield Plan, duly approved by the County of Grand Traverse on April 24, 2013 and concurred with by the City of Traverse City on April 15, 2013.

KEY STATUTORY CRITERIA

a) Overall Benefit to the Public:

These underutilized properties containing a vacant restaurant and gasoline service station will be transformed into a contemporary three-story financial institution headquarters. The visual and aesthetic improvements will be a significant and positive public benefit to the neighborhood. Overall, the new development will result in additional tax revenue for all taxing jurisdictions once eligible activities have been reimbursed. This new development will serve the public community by providing a venue for meetings and community events. In addition, this venue will provide a space to support community educational seminars and volunteer activities. It will also improve public sidewalks, roadways, and landscaping around the property.

b) Jobs Created (Excluding Construction and other Indirect Jobs):

An estimate of 36 full-time equivalent (FTE) jobs is anticipated to be retained and a conservative estimate of 17 new jobs is anticipated to be created by this new project. The average annual salary for these positions will be \$38,702. Based on 2,000 hours per year, the average hourly wage will be \$19.35.

c) Area of High Unemployment:

According to the Michigan Labor Market Information system, the Traverse City Labor Market Area unemployment rate was 8.9% in March 2013. Comparatively, the February 2013 unemployment rate was 8.8% in the State of Michigan, and 7.6% in the United States.

d) Level and Extent of Contamination Alleviated:

Benzene, toluene, ethylbenzene, xylenes, 2-methylnaphthalene, naphthalene, 1,2,4 trimethylbenzene, 1,3,5 trimethylbenzene, and total chromium were detected in soil and shallow groundwater across the Property at concentrations exceeding the MDEQ Part 201 residential Groundwater-Surface Water Interface Protection, Drinking Water Protection and draft Groundwater Sump Concentrations for Vapor Intrusion criteria. The Property will be prepared to make it suitable for development, and appropriate activities will be performed to prevent unacceptable exposure to hazardous substances in soil and groundwater which may be hazardous to human health, safety, and the environment.

e) Reuse of Functionally Obsolete Buildings and/or Redevelopment of Blighted Property:

The property qualifies as a facility and no determinations by the assessor have been made.

f) Cost Gap that Exists between the Property and a Similar Greenfield Property:

Other Greenfield sites were considered that would have been more affordable. However, TBA Credit Union determined a headquarters located within the Traverse City limits would best serve its members and non-members of the community. In addition to the MSF eligible activity costs, Brownfield related costs include environmental assessment activities (\$36,000), environmental due care activities (\$695,000), and additional environmental response activities (\$407,000).

g) Whether Project will Create a New Brownfield Property in the State:

No new Brownfields will be created by this project.

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) Other Factors Considered:

A restrictive covenant has been placed on the properties. Among other restrictions placed on the property, DEQ is working with the developers for redevelopment and future use of the property to remain non-residential in perpetuity.

OTHER STATE AND LOCAL ASSISTANCE

Grand Traverse County has approved reimbursement for approximately \$38,447 in local-only costs for application fees and Act 381 Work Plan preparation. The BRA has also received a DEQ loan for \$1,351,987 which will be used to pay for the environmental response costs, and the tax increment revenue will be used to repay the loans.

TAX CAPTURE BREAKDOWN

There are 51.0058 non-homestead mills available for capture, with school millage equaling 24 mills (47.05%) and local millage equaling 27.0058 mills (52.95%). Per the Grand Traverse County BRA's decision to support the project, under the Brownfield plan the BRA is subtracting five percent (5%) of the eligible activity costs that are subject to reimbursement so that the developer makes a greater equity contribution. The five percent (5%) reduction is reflected below, reducing the total eligible costs so that the ratio between school taxes and local taxes is maintained. The requested tax capture for MSF eligible activities breaks down as follows:

School tax capture (47.05%)	\$ 478,644
Local tax capture (52.95%)	<u>\$ 538,665</u>
TOTAL	\$1,017,309

COST OF MSF ELIGIBLE ACTIVITIES

Demolition	\$ 75,000
Lead or Asbestos Abatement	37,710
Infrastructure Improvements	75,350
Site Preparation	<u>+ 537,348</u>
Sub-Total	\$ 725,408
Contingency (15%)	<u>+ 108,811</u>
Sub-Total	\$ 834,219
Brownfield/Work Plan Preparation	<u>+ 10,000</u>
Sub-Total	\$ 844,219
GTCBRA Withholding (5%)	<u>- 42,210</u>
Sub-Total	\$ 802,009
Interest (Capped)	<u>+ 215,300</u>
TOTAL	\$1,017,309

RECOMMENDATION

The MEDC recommends approval of local and school tax capture for the MSF eligible activities totaling \$1,017,309 described above. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at \$478,644.

**RESOLUTION 2012-
MICHIGAN STRATEGIC FUND**

**Grand Traverse County Brownfield Redevelopment Authority
TBA Credit Union Redevelopment Project
City of Traverse City**

At the meeting of the Michigan Strategic Fund (“MSF”) held on May 22, 2013 in Lansing, Michigan.

WHEREAS, Michigan Economic Growth Authority (“MEGA”) has been established by 1995 PA 24, as amended (the “Act”);

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

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, 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, the Grand Traverse County Brownfield Redevelopment Authority (the “Authority”) has submitted a work plan for property located at 626 and 636 East Front Street within Traverse City, known as TBA Credit Union Redevelopment Project (the “Project”);

WHEREAS, the City of Traverse City is a “qualified local governmental unit” and is eligible to provide for a) demolition; b) lead and asbestos abatement; c) public infrastructure improvements; d) site preparation; e) brownfield work plan preparation and review costs and f) interest as provided under 2007 PA 204 and;

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

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board authorizes the Authority to capture taxes levied for school operating purposes in substantially the same proportion as the 47.05% to 52.95% ratio currently existing between school and local taxes for non-homestead properties, to reimburse the cost of site preparation, demolition, lead and asbestos abatement and infrastructure improvements as presented in the revised Work Plan dated May 3, 2013. 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 \$834,219 for the principal activity costs of non-environmental activities and a contingency, a maximum of \$215,300 in interest, and a maximum of \$10,000 for Brownfield/Work Plan preparation and MSF review costs, and an overall reduction in these costs by 5% in order to maintain an equal ratio of tax capture with local taxes, and with the capture of taxes levied for school operating purposes therefore being limited to a maximum of \$478,644.

BE IT FURTHER RESOLVED, that the MSF Board authorizes the MSF Fund Manager, 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 Grand Traverse County 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 or MEDC staff. Eligible activities authorized by this resolution must be completed within three (3) years.

BE IT FURTHER RESOLVED, that the MSF Board is authorizing that capture of taxes levied for school operating purposes for the payment of interest, up to a maximum of \$215,300 related to the eligible activities for the Project.

Ayes:

Nays:

Recused:

May 22, 2013
Lansing, Michigan

MEMORANDUM

Date: May 22, 2013

To: Michael A. Finney, Chairperson
Michigan Strategic Fund

From: Dan Wells, MEDC – Community Development Specialist

Subject: Large Brownfield MBT Credit Amendment #3 Approval
Gardenview Estates Phases 2C & 3 Project
City of Detroit, County of Wayne

APPLICANTS

Gardenview Homes V LDHA, LLC
Gardenview Homes VI LDHA, LLC
200 South Division Street
Buffalo, New York 14024

Contact: Mr. Richard Higgins, President

Project Eligible Investment: \$25,349,155
Requested Credit Amount: \$3,168,644
Requested Credit Percentage: 12.5%

PROJECT DESCRIPTION

The project is a multi-phase redevelopment of the former Herman Gardens Public Housing Complex site in the City of Detroit. The site is bounded by the Southfield Freeway to the west, Joy Road to the north, Tireman Avenue to the south, and Asbury Park Avenue to the east.

Under the original project approval on December 15, 2009, the resolution specified that Phase I of the project would be construction of 48 residential units and Phase II would be for construction of 100 residential units. Phase I has been completed and included construction of 48 residences. Phase II construction has been completed, but consists of 94 residential units. The amendment request is for the required number of units under Phase II be reduced to 94, which is the actual number of units built on the property. Pending approval of the amendment, a request for certificate of completion will be finalized for the entire project. The total capital investment in the project is over \$25 million.

RECOMMENDATION

The MEDC recommends approval of the amendment request to change the scope of the project as described above.

MICHIGAN STRATEGIC FUND

Resolution 2013-

**Gardenview Homes V LDHA, LLC and Gardenview Homes VI LDHA, LLC
Grandview Estates Phases 2C & 3 Project
Brownfield Redevelopment MBT Credit – Amendment #3
City of Detroit**

At the meeting of the Michigan Strategic Fund (“MSF”) held on May 22, 2013 in Lansing, Michigan.

WHEREAS, the Michigan Economic Growth Authority (“MEGA”) Board is authorized by Public Act 24 of 1995, as amended to approve and amend projects for brownfield redevelopment tax credits authorized by Section 437 of the Michigan Business Tax Act, PA 36 of 2007, as amended (the “Act”) or by former section 38(g) of the Michigan Single Business Tax Act PA 228 of 1975;

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, by Resolution 2009-208 on December 15, 2009, as amended, the MEGA Board awarded a Brownfield MBT Tax Credit up to \$3,168,644 at an eligible property in the City of Detroit (the “Project”);

WHEREAS, Phase two of the Project required the construction of 100 residential units;

WHEREAS, Section 437(9) of the Act allows approved projects to request an amendment to the Project if the Project is unable to be completed as described in the original application;

WHEREAS, the applicants have actually constructed 94 residential units in Phase two and desire to reduce the scope of work from 100 residential units to 94 residential units; and

WHEREAS, the Michigan Economic Development Corporation provides administrative services to the MSF, and recommends approval of the amendment by the MSF Board.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board amends the Project by reducing the scope of Phase two from 100 residential units to 94 residential units; and

BE IT FURTHER RESOLVED, that all other provisions of Resolution 2009-208, as amended, are reaffirmed and the MSF authorizes the MSF Fund Manager to implement the terms of this resolution.

Ayes:

Nays:

Recused:

Lansing, Michigan
May 22, 2013

MEMORANDUM

Date: May 22, 2013

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

From: Jeremy Webb, Program Specialist
Joshua Hundt, Development Finance Manager

Subject: Briefing Memo – Gemini Group, Inc.
Addition of Subsidiary Business

COMPANY NAME

Gemini Group, Inc.
175 Thompson Road
Bad Axe, MI 48413

BACKGROUND

A 75 percent Standard MEGA Credit for five years was awarded to Gemini Group, Inc. on February 15, 2011 (Resolution 2011-028). In addition, a Retention MEGA Credit of up to 100 percent for eight years, of which the annual credit calculation is capped at a value of 75 percent of the maximum credit, was awarded to Gemini Group, Inc. (Resolution 2011-028). The Standard Credit was awarded for up to 290 Qualified New Jobs, with an average weekly wage of \$464, above the Base Employment Level of 901 full-time employees in Michigan. The Retention Credit was awarded for up to 555 Retained Jobs, with an average weekly wage of \$605, while maintaining the Minimum Employment Level of 762. The project location was set for the City of Bad Axe and the Village of Ubly. The City of Bad Axe, the Village of Ubly, Verona Township, and Bingham Township approved tax abatements for Gemini Group, Inc. and its Subsidiary Businesses.

Due to a Company restructure, some employees previously paid under the Subsidiary Business Gemini Group Services, Inc. are, as of January 1, 2012, paid under Pepro Group, Inc. Pepro Group, Inc. has always been a subsidiary of Gemini Group, Inc., but never had employees until the restructure. As a result, Pepro Group, Inc. was not included in the definition of Subsidiary Businesses as stated in the Resolution. The addition of this entity does not change the overall structure of the Project, nor modify any other aspects of the current MEGA.

STATUS OF PROJECT

Gemini Group, Inc. and its subsidiaries retained 432 Retained Jobs for the 2011 tax year. They greatly exceeded the required 150% federal minimum wage of \$10.88 an hour by paying their employees an average of \$30.06 an hour. They also exceeded their average weekly wage requirement of \$605 with a wage of \$1,052. Additionally, the company has invested approximately \$21 Million during the 2011 tax year. The Company was not able to qualify for the tax year 2011 Standard Credit, but it is expected the Company will continue to apply for the Standard Credit and qualify in the future.

RECOMMENDATION

Based on the factors described above, the Michigan Economic Development Corporation recommends that Pepro Group, Inc. be added as Subsidiary Business of Gemini Group, Inc. for the purpose of Base Employment Level, Minimum Employment Level and Qualified New Jobs. All other aspects of the original MEGA remain as is.

The MSF Advisory Committee has indicated its support of the Recommendation.

**RESOLUTION 2013-
MICHIGAN STRATEGIC FUND**

**Gemini Group, Inc.
Addition of Subsidiary Business**

WHEREAS, the Michigan Legislature created the Michigan Economic Growth Authority (“MEGA”) under the Michigan Economic Growth Authority Act, 1995 PA 24, as amended, with the authority to authorize tax credits under the Michigan Business Tax Act, 2007 PA 36, as amended (a “Tax Credit”);

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 Michigan Strategic Fund (the “MSF”);

WHEREAS, in Resolution 2011-028 on February 15, 2011, the MEGA awarded a Standard Tax Credit of 75 percent for five consecutive years to Gemini Group, Inc. (the “Company”) and a Retention Tax Credit of up to 100 percent for eight consecutive years to the Company, of which the annual credit calculation is capped at a value of 75 percent of the maximum credit, both beginning no later than the Company’s tax year ending December 31, 2012;

WHEREAS, the Resolution included the following subsidiaries for the purpose of maintaining the Base Employment Level, Minimum Employment Level and creating Qualified New Jobs: Pepro Enterprises, Inc., Valley Enterprise Uby, Inc., Thumb Plastics, Inc., Regency Plastics Uby, Inc., Thumb Tool & Engineering Inc., Gemini Precision Machining, Inc., Gemini Group Service, Inc., Gemini Group Transport, LLC, and Filion Manufacturing & Engineering, Inc. (the “Subsidiary Business”);

WHEREAS, a subsidiary of the Company, Pepro Group, Inc., was in existence at the time of the application, but was not included in the Resolution;

WHEREAS, the Company desires to add Pepro Group, Inc. as a Subsidiary Business, to be counted for the Base Employment Level, Minimum Employment Level and Qualified New Jobs; and

WHEREAS, the Michigan Economic Development Corporation provides administrative services to the MSF, and recommends approval of the Amendment by the MSF Board.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board authorizes an amendment to add Pepro Group, Inc. as a Subsidiary Business, to be counted for the Base Employment Level, Minimum Employment Level and Qualified New Jobs.

BE IT FURTHER RESOLVED, that all other provisions of Resolution 2011-028, are reaffirmed and the MSF authorizes the staff of MEGA to implement the terms of this resolution.

Ayes:

Nays:

Recused:

May 22, 2013
Lansing, Michigan

MEMORANDUM

Date: May 22, 2013

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

From: Ken Murdoch, Development Finance Manager

Subject: Nexteer Automotive Corporation
Job Retention MBT Tax Credit, Approved Nov. 19, 2009
Proposed Amendment – Number of Jobs, Repayment Provision

COMPANY NAME

Nexteer Automotive Corporation
3900 Holland Road
Saginaw, Michigan 48601

COMPANY BACKGROUND

Nexteer Automotive Corporation was formed in 2009, when Delphi’s global steering operations were sold to GM and renamed Nexteer Automotive Corporation.

The Company represents that it is the only global Tier One automotive supplier exclusively focused on advanced steering and driveline systems technology. The company’s current focus is electric power steering, a green technology that offers automakers increased fuel economy and reduced emissions.

Globally headquartered in Buena Vista Township, Michigan, the company has 20 manufacturing plants, six engineering centers and 14 customer service centers located in North and South America, Europe and Asia.

JOB RETENTION MEGA TAX CREDIT

On November 17, 2009, the Michigan Economic Growth Authority (MEGA) approved a Retention MEGA (Job Retention MBT Tax Credit) to Steering Solutions Services Corporation (assigned to Nexteer Automotive Corporation in January 2011) for a tax credit that allowed for up to a 100 percent retention employment tax credit for 10 years for 2,400 retained employees at the Buena Vista Township facility, provided that the company maintained a statewide employment threshold of 1,000 employees.

In October 2012 the credit was amended in support of new business for the Buena Vista Township facility. The Job Retention MBT Tax Credit was amended to allow for the capture of an additional 325 jobs (for a total of 2,725 retained jobs) for tax years 2012 and 2013 at the Nexteer Automotive facility in Buena Vista Township, Michigan. Following 2013, the number of retained jobs allowed under the credit reverted back to 2,400 for all remaining years of the credit.

PROJECT DESCRIPTION AND BACKGROUND

Currently, the company has an opportunity to locate new electric power steering (EPS) and steering column/intermediate shaft manufacturing programs at the Buena Vista Township facility. The new production will require an estimated \$36 million of investment and will result in 325 jobs by December 31, 2015. The company has indicated that the new EPS and steering column production could be done at any of its global locations. In order to make the Buena Vista site feasible/competitive for this work the company is requesting assistance from the MEDC.

Today, the Company has 3,700 employees located at the Buena Vista Township facility.

OTHER STATE AND LOCAL ASSISTANCE

In 2009, Buena Vista Township approved 20 year P.A. 328 tax abatement for this project. The estimated value of the tax abatements for this project is \$3,646,634. The P.A. 328 allows for abatement on all personal property new to the tax rolls within the boundaries for the full term of the approved abatement. This would include the investment slated for this project as well as any future investment into personal property.

STATUS OF CREDIT

The Nexteer credit was approved in November 2009 for up to 100% of the personal income tax generated from the 2,400 retained employees for the period of 2011-2020. The following is summary of the number of retained jobs allowed under the approved and proposed amendments of this tax credit:

Tax Year	Nov-2009 Original Approval	Oct-2012 Amendment	May-2013 Proposed Amendment
2010	2,400 retained jobs	2,400 retained jobs	2,400 retained jobs
2011	2,400 retained jobs	2,400 retained jobs	2,400 retained jobs
2012	2,400 retained jobs	2,725 retained jobs	2,725 retained jobs
2013	2,400 retained jobs	2,725 retained jobs	2,725 retained jobs
2014	2,400 retained jobs	2,400 retained jobs	2,725 retained jobs
2015	2,400 retained jobs	2,400 retained jobs	2,725 retained jobs
2016	2,400 retained jobs	2,400 retained jobs	2,725 retained jobs
2017	2,400 retained jobs	2,400 retained jobs	2,725 retained jobs
2018	2,400 retained jobs	2,400 retained jobs	2,400 retained jobs
2019	2,400 retained jobs	2,400 retained jobs	2,400 retained jobs
2020	2,400 retained jobs	2,400 retained jobs	2,400 retained jobs

RECOMMENDATION

Proposed amendments to the Nexteer Automotive Corporation Job Retention MBT tax credit are as follows:

- Increase the maximum number of retained jobs by 325, allowing for up to 2,725 retained jobs, to be allowed under this tax credit for tax credit years 2014 through 2017.
- Amend the repayment language for this Retention Agreement to include up to 100% payback of all incremental value derived from the proposed amendment if the Company does not retain 325 employees, above its current employment (3,700) by December 31, 2015, and invest \$36 million between January 1, 2014 and December 31, 2016.
- Set the effective date for these amendments to January 1, 2014.
- All other terms and conditions of the original Job Retention MBT Tax Credit Agreement remain unchanged.

MICHIGAN STRATEGIC FUND

RESOLUTION 2013-

**Nexteer Automotive Corporation
Retention Credit (Amendment #2)**

WHEREAS, the Michigan Legislature created the Michigan Economic Growth Authority (“MEGA”) under the Michigan Economic Growth Authority Act, 1995 PA 24, as amended, with the authority to authorize tax credits under the Michigan Business Tax Act, 2007 PA 36, as amended;

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 Michigan Strategic Fund (“MSF”);

WHEREAS, the MEGA Board adopted Resolution 2009-195 on November 17, 2009, authorizing a Tax Credit in connection with Qualified Retained Jobs to Steering Solutions Services Corporation to retain jobs and make investment at its facility in Buena Vista Charter Township, Saginaw County (the “Project”);

WHEREAS, on January 21, 2011 the Job Retention Tax Credit was assigned to Nexteer Automotive Corporation (the “Company”);

WHEREAS, on October 24, 2012 the Job Retention Tax Credit to Nexteer Automotive Corporation (the “Company”); was amended to increase the Retention Tax Credit authorized for Qualified Retained Jobs from 2,400 to 2,725 for the company’s tax years ending December 31, 2012 through December 31, 2013;

WHEREAS, as a result of an expansion to the Project, the Company wishes to increase the Retention Tax Credit authorized for Qualified Retained Jobs from 2,400 to 2,725 for the Company’s tax years ending December 31, 2014 through December 31, 2017; and

WHEREAS, the Michigan Economic Development Corporation provides administrative services to the MSF, and recommends approval of the Amendment to the Retention Tax Credit by the MSF Board, provided that the Company makes an additional capital investment of \$36,000,000 between January 1, 2014 and December 31, 2016, and the repayment provision extends to the additional 325 Qualified Retained Jobs.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board, effective January 1, 2014, authorizes increasing the maximum Qualified Retained Jobs from 2,400 to 2,725 for the Company’s tax years ending December 31, 2014 through December 31, 2017, with the maximum Qualified Retained Jobs for the remaining eligible tax years to remain at 2,400, provided that the Company shall make an additional capital investment of \$36,000,000 at the Project between January 1, 2014 and December 31, 2016 and the repayment provision in the agreement extends to the additional 325 Qualified Retained Jobs.

BE IT FURTHER RESOLVED, that all other provisions of Resolution 2009-195, as amended, are reaffirmed and the MSF authorizes the MSF Fund Manager to implement the terms of this resolution.

Ayes:

Nays:

Abstain:

Lansing, Michigan
May 22, 2013



MEMORANDUM

Date: May 22, 2013
To: MSF Board Members
From: George Zimmermann, Vice President
Michigan Economic Development Corporation
Subject: Brand USA International Travel Marketing Agreement

BACKGROUND

Brand USA is the two-year public-private partnership created to market the U.S. as a tourism destination around the world. Brand USA offers buy in and other advertising opportunities to U.S. destinations, state tourism offices, city and regional convention and visitor bureaus and for-profit attractions. The purpose of our agreement with Brand USA is to establish a co-branding campaign with them for Ontario, Canada. By including the Brand USA logo on our Pure Michigan television ads running in Ontario, Brand USA will provide funding for 30% of the cost of this advertising. This agreement allows us to establish this co-marketing relationship with Brand USA for Ontario. This campaign will allow a match of federal funds for the advertisements.

This campaign is an extension of an existing membership that we have with the Council of Great Lakes and the Great Lakes USA campaign. The additional advertisement will allow Michigan specific advertising in the international market.

REQUEST

This request is for the MSF Board to enter into an agreement with Brand USA for the purpose of establishing a co-branding campaign in the amount of \$325,000.

RECOMMENDATION

The MEDC recommends that the MSF Board allocate \$325,000 and authorize the Fund Manager to enter into an agreement with Brand USA for the purpose of establishing a co-branding campaign in accordance with the federal Travel Promotion Act of 2009.

**MICHIGAN STRATEGIC FUND
RESOLUTION 2013-**

**AUTHORIZATION OF ALLOCATION FOR INTERNATIONAL MARKETING
BRAND USA**

WHEREAS, the State of Michigan initiated a travel marketing campaign, to accelerate efforts to promote the State's tourism industry;

WHEREAS, under Section 108 of 2012 PA 200, the Legislature made an appropriation of \$25,000,000 to the Pure Michigan program under the 21st Century Jobs Fund;

WHEREAS, as a result of an extension of an existing membership with the Council of Great Lakes and the Great Lakes USA, the MSF desires to allocate \$325,000 to Brand USA to support additional international travel marketing activities;

WHEREAS, because of the existing membership, there is no other vendor that can provide the unique international travel marketing campaign because it is an extension of an existing multi-state marketing campaign which qualifies for federal matching funds; and

WHEREAS, the MSF desires to authorize the allocation of \$325,000 to Brand USA and authorize the Fund Manager to enter into an agreement for the international marketing activities in accordance with the federal Travel Promotion Act of 2009.

NOW, THEREFORE, BE IT RESOLVED, the MSF Board authorizes the allocation of \$325,000 to Brand USA and authorize the Fund Manager to enter into an agreement for the international marketing activities in accordance with the federal Travel Promotion Act of 2009;

Ayes:

Nays:

Recused:

Lansing, Michigan
May 22, 2013



MEMORANDUM

Date: May 22, 2013
To: MSF Board Members
From: George Zimmermann, Vice President
Michigan Economic Development Corporation
Subject: Travel Michigan Fulfillment Request for Proposal

BACKGROUND

The Michigan Economic Development Corporation (MEDC) is the official state agent responsible for promoting state travel and tourism for the purpose of economic development and jobs creation. MEDC accomplishes this goal through a multimedia marketing approach that includes television, radio, print, email, social media and web-based marketing. Every marketing effort points potential travelers to our website (www.michigan.org). Through these and other channels, inquirers can request a standard packet of state information publications which contains the *Pure Michigan Travel Guide* and a state highway map.

Launched in 2006 as a regional tourism brand for Michigan, the award-winning Pure Michigan has expanded nationally. Due to the success of the Pure Michigan campaign, the fulfillment needs have ranged from 127,723 packets up to 204,997 packets annually over the last three fiscal years.

MEDC is seeking to initiate a Request for Proposal (RFP) to obtain proposals for information packet fulfillment and inquirer data entry services for all consumer requests for travel information.

REQUEST

This request is for the MSF Board to approve the release of the fulfillment and inquirer data entry services Request for Proposal (RFP).

RECOMMENDATION

The MEDC recommends that the MSF Board approve the release of the RFP to complete a competitive review process for the *Pure Michigan Travel Guide* fulfillment and data entry services.

MICHIGAN STRATEGIC FUND

**RESOLUTION 2013-
OFFICIAL PURE MICHIGAN TRAVEL GUIDE REQUEST FOR PROPOSALS**

WHEREAS, the Michigan Strategic Fund (“MSF”) desires to consider proposals to develop and distribute the official Pure Michigan Travel Guide;

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

WHEREAS, the MEDC recommends that the MSF issue the attached RFP to invite proposals from vendors to develop and distribute the official Pure Michigan Travel Guide (“Travel Guide RFP”);

WHEREAS, the MSF Board reviewed the Travel Guide RFP attached to this Resolution, which includes provisions required by the Act and establishes a standard process to evaluate proposals submitted as a result of the RFP; and

WHEREAS, the MSF Board desires to initiate the Travel Guide RFP process and to authorize the MSF Fund Manager to appoint a committee to review proposals received in response to the RFP and make recommendations to the MSF Board.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board approves the attached Travel Guide RFP and authorizes its issuance;

BE IT FURTHER RESOLVED, that the MSF Board authorizes the MSF Fund Manager to appoint a Joint Evaluation Committee (“JEC”) to review proposals received in response to the Travel Guide RFP and make recommendations to the MSF Board; and

BE IT FURTHER RESOLVED, that the Board authorizes the MSF Fund Manager, in consultation with the Department of Attorney General, to modify the Travel Guide RFP as may be necessary or appropriate, if the modifications are not materially adverse to the interest of the MSF Board.

Ayes:

Nays:

Recused:

Lansing, Michigan
May 22, 2013

REQUEST FOR PROPOSALS

Michigan Strategic Fund

Travel Michigan Fulfillment RFP

RFP-CASE- 47350

DRAFT

REMINDER

Please check your proposal to make sure you have included all of the specifications in the Request for Proposals. In addition, please submit an electronic version of each of the following:

- Technical Proposal (Section II-A);
- Price Proposal (Section II-B);
- Signed Independent Price Determination Certificate (Attachment B); and
- Conflicts of Interest Disclosure (if applicable) (Section II-G).

BIDDERS ARE RESPONSIBLE FOR ASSURING THAT THE FOLLOWING IDENTIFYING INFORMATION APPEARS IN THE SUBJECT LINE OF YOUR EMAIL: “RFP-CASE-47350 Technical Proposal” and RFP-CASE-47350 Price Proposal” with Company Name, and “message 1 of 3” as appropriate if the bid consists of multiple emails.

The MSF will not respond to telephone inquiries, or visitation by Bidders or their representatives. Bidder’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

- **June 18, 2013**, at 3:00 p.m.: Questions from potential Bidders 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.
- **June 28, 2013**, by close of business: Responses to all qualifying questions will be posted on the MSF’s website, www.michiganadvantage.org/
- **August 9, 2013**, at 3:00 p.m.: Electronic versions sent separately of each of your Technical and Price Proposals due to the MSF via email to contractsandgrants@michigan.org. **Proposals will not be accepted via U.S. mail or any other delivery method.**

UPDATE TABLE OF CONTENTS

Table of Contents

Section I –Work Statement.....	1
A – Purpose	1
B – Background Statement and Objectives.....	1
C.- Qualifications.....	3
D – Deliverables.....	3
Section II – Proposal Format.....	5
A – Technical Proposal	5
B – Price Proposal	6
C – Proposal Submittal.....	6
Section III – RFP Process and Terms and Conditions.....	7
A – Pre-Bid Meeting/Questions	7
B – Proposals.....	7
C – Economy of Preparation	7
D – Selection Criteria	7
E – Bidders Costs	9
F – Taxes	9
G – Conflict of Interest.....	9
H – Breach of Contract.....	9
I – Disclosure of Litigation	10
J – False Information.....	10
K – Disclosure.....	10
L – Prices Held Firm.....	10
M – Best and Final Offer	10
N –Clarification/Changes in the RFP.....	11
O – Electronic Bid Receipt.....	11
P --Reservation of MSF Discretion	11
Q -- Bid Protest Period	11
R – Jurisdiction.....	12
Section IV – Contractual Terms and Conditions.....	13
A – Contract Terms and Conditions.....	13
B – Contractor Responsibilities	13
C – Acceptance of Proposal Content.....	13
D – Project Control and Reports.....	14
Attachment A – Professional Services Contract Terms and Conditions.....	A-1
Attachment B – Independent Price Determination and Prices Held Firm Certification	B-1

REQUEST FOR PROPOSAL

Travel Michigan Fulfillment

RFP-CASE- 47350

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 bidding and contractual matters relating to the services described in this RFP. C&G 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 bidding process. ***The MSF will not respond to telephone inquiries, or visitation by Bidders or their representatives. Bidder’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

**SECTION I
WORK STATEMENT**

A) PURPOSE

MSF is seeking a contractor to contract for information packet fulfillment and inquirer data entry services for all consumer requests for Travel Michigan information.

B) BACKGROUND STATEMENT AND OBJECTIVES

Background: The Michigan Economic Development Corporation (MEDC)/Travel Michigan is the official agent for the state that is responsible for promoting state travel and tourism for the purpose of economic development and jobs creation. Travel Michigan accomplishes this goal through a multimedia marketing approach that includes television, radio, print, email, social media and web-based marketing. Every marketing effort points potential travelers to our website (www.michigan.org). Through these and other channels, inquirers can request a standard packet of state information publications which contains our *Pure Michigan Travel Guide* and a state highway map.

The MEDC/Travel Michigan operates an internal call center. However, we will require a highly-qualified fulfillment vendor to warehouse, assemble, sort, label and mail our standard packet

information. This vendor must be fully prepared to initiate contract activity on October 1, 2013. The purpose of this RFP is to provide the necessary information and qualification criteria to potential fulfillment vendors so that a competitive set of proposals can be obtained by the MEDC/Travel Michigan.

Recent Activity Level:

Over the last several years, Travel Michigan’s telephone and mail inquiry levels have been decreasing. While future inquiries are not expected to decrease as rapidly, it is conceivable that there will still be a smaller number of requests. It is believed that this telephone and mail volume reduction is closely tied to the consumer trend to seek travel information from more immediate Internet sources. Following is a comparison of Travel Michigan inquiry data for the last three years.

Travel Michigan Inquiries			
<u>Inquiry Source</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Telephone	8,365	5,000 (estimated)	3,829
Email	3,196	1,870	1,431
Web Session	9,022,685	8,962,508	8,836,757

The historic inquiry levels will give some indication of our fulfillment needs, but since every inquiry does not result in a fulfillment request, there is not a one-to-one relationship. Plus past inquiry levels may not accurately project future levels.

MEDC/Travel Michigan also require data entry assistance from our vendor. Data entry requirements result from a small number of WAV files where callers leave an audio message that includes their name and mailing address. A greater volume of data entry comes from mail-back cards, contests and leads from third-party sources.

Following is a brief history of our fulfillment needs.

Travel Michigan Fulfillment			
<u>Activity</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Standard Packet Fulfillment	204,997	196,457	127,723
Data Entry Pieces	37,086	21,317	15,163

Most standard fulfillments are mailed to U.S. destinations, but a small percentage, are sent to foreign destinations.

The standard fulfillment packet consists of the Pure Michigan Travel Guide and a state highway map. Both standard fulfillment publications are placed into a customized Travel Michigan envelope (10”x 13”). This packet is then to be run through an address/verification CASS system, have bar-coded address labels applied, be pre-sorted to U.S. Postal Service requirements and delivered to the U.S. Postal Service facility (on Collins Road) in Lansing, Michigan, where Travel Michigan currently has its bulk mail permit. Under the new contract, the Lansing postal facility does not have to be utilized. However, a Michigan-based U.S.P.S. facility must be utilized so that a Michigan postmark can be secured. The majority of fulfillment packets are to be mailed via the third-class bulk rate. (Note: From time-to-time, Travel Michigan may request the vendor to also

insert a one-page supplement to the standard packet. Please indicate in the Pricing section if this service will be at any added charge.

Objective:

The objective of the MEDC/Travel Michigan is to contract with a qualified fulfillment vendor to assure that our fulfillment packets are properly warehoused, assembled, labeled and delivered to a selected Michigan-based U.S. Postal Service mailing facility within 24 hours of the inquiry data receipt. Also, that any data entry needs are properly entered into our online form within 48 hours of receipt.

C) QUALIFICATIONS

1. The vendor will have a safe and secure warehouse facility to inventory a minimum of a 60 to 90 day supply of publications and envelopes, requiring approximately 500 to 1,000 square feet of space. Please describe in sufficient detail your physical facility and capabilities, the automation systems in place and the procedures you will utilize to assure objective/task completion in an effective and efficient manner.
2. The vendor will have the ability to assemble standard packets of the publications using the publications and envelopes provided. From time-to-time, MEDC/Travel Michigan may request the vendor to also insert a one page supplement to the standard packet. Please indicate if this service will be at any added charge.
3. The vendor will have the ability to download daily files with inquirer data and develop proper mailing labels that adhere to all U.S.P.S. requirements and regulations, including required bar-coding (Note: these files will come daily to the vendor via an email attachment that can be opened into an Excel spreadsheet).
4. The vendor will utilize appropriate certified address-correction software (CASS) to check addresses for validity.
5. The vendor will use its knowledge of U.S.P.S. rules and regulations to presort all fulfillment packets in a manner that meets all regulations and achieves the lowest domestic mailing costs.
6. The vendor will also have the ability to identify and utilize a process to mail standard packets (when required) to approved international destinations (approved countries). Vendor shall outline the process to be used for international mailings that will minimize postage costs.
7. The vendor will be required to deliver all fulfillment packets to the specified U.S.P.S. mailing facility within 24 hours of receipt of the inquiry data file (unless vendor has received a specific waiver from MEDC/Travel Michigan). A Michigan-based U.S.P.S facility must be utilized so that a Michigan postmark can be secured. The vendor must name the U.S.P.S facility which they propose to use.

D) DELIVERABLES

Deliverables to be provided by the selected vendor include:

- 1 The vendor will maintain a computer-based inventory system that allows for the proper monitoring of all inventoried publications and provides MEDC/Travel Michigan with access to online inventory counts of all warehoused publications/envelopes. The vendor will also perform regular physical inventory reconciliation counts to verify the online inventory balances. The vendor will report on a quarterly basis the results of such physical inventory reconciliation counts. The computer system shall also track the processing of all inquiry fulfillments by documenting, at a minimum, the following: date of inquiry file receipt, date packet assembled/labeled/batched, mailing type (i.e., third-class, bulk, first-class, etc.), and date transported/delivered to U.S.P.S. mailing facility.
- 2 The vendor will provide regular monthly reports on all fulfillment activities. The specifics of such reports will be developed by the vendor and MEDC/Travel Michigan.

SECTION II PROPOSAL FORMAT

To be considered, each Bidder must submit a COMPLETE proposal in response to this RFP using the format specified. Bidder'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 Bidder to be essential to a complete understanding of the proposal. Each section of the proposal should be clearly identified with appropriate headings:

A) TECHNICAL PROPOSAL

1. Business Organization and History – State the full name, address, and phone and facsimile number of your organization and, if applicable, the branch office or other subordinate element that will perform, or assist in performing, the work hereunder. Indicate whether it operates as an individual, partnership, or corporation; if as a corporation, include the state in which it is incorporated. If appropriate, the proposal must state whether the organization is licensed to operate in the State of Michigan.
2. Statement of the Problem – State in succinct terms your understanding of the problem(s) presented by this RFP.
3. Narrative – Include a narrative summary description of the proposed effort and of the services(s)/products(s) that will be delivered.
4. Technical Work Plans – Provide a detailed research outline and timelines for accomplishing the work.
5. Prior Experience – Describe the prior experience of your organization which you consider relevant to the successful accomplishment of the project defined in this RFP. Include sufficient detail to demonstrate the relevance of such experience. Proposals submitted should include, in this Section, descriptions of qualifying experience to include project descriptions, costs, and starting and completion dates of projects successfully completed; also include the name, address, and phone number of the responsible official of the client organization who may be contacted.

The MSF may evaluate the Bidder's prior performance with the MSF, and prior performance information may be a factor in the award decision.

6. Project Staffing – The Bidder must be able to staff a project team which possesses talent and expertise in the field of the requirements of this RFP. Identify a Project Manager and staff assigned by name and title. Include biographies, experience and any other appropriate information regarding the work team's qualification for this initiative. Indicate staff turnover rates. Show where the project team will be physically located during the time they are engaged in the work. Indicate which of these individuals you consider key to the successful completion of the work. Indicate the amount of dedicated management time for the Bidder's Project Manager and other key individuals. Do not include any financials for the contemplated work within the Technical Proposal. Resumes of qualifications should be supplied for proposed project personnel.

Please Note: The MSF further reserves the right to interview the key personnel assigned by the Contractor to this project and to recommend reassignment of personnel deemed unsatisfactory.

7. Subcontractors – List here all subcontractors that will be engaged to accomplish the project described in this RFP; include firm name and address, contact person and complete description of work to be subcontracted. Include descriptive information concerning subcontractor's organization and abilities. Also, the information provided in response to A-5, above, should include detailed information about each potential subcontractor.
8. Bidder's Authorized Expediter – Include the name and telephone number of person(s) in your organization authorized to expedite any proposed contract with the MSF.
9. Additional Information and Comments – Include any other information that is believed to be pertinent, but not specifically asked for elsewhere.

B) PRICE PROPOSAL

Provide the cost/rate/price information for all firms/persons named in your Price Proposal to demonstrate the reasonableness of your Price Proposal. Attach a schedule of all expenses covering each of the services and activities identified in your proposal.

The MSF is exempt from federal excise tax, and state and local sales taxes. The Price Proposal should not include taxes.

THE PRICE PROPOSAL MUST BE IDENTIFIED AND SENT SEPARATELY FROM THE TECHNICAL PORTION OF YOUR PROPOSAL ACCORDING TO THE INSTRUCTIONS OF THIS RFP. Separately sealed price proposals will remain sealed until the JEC has completed evaluation of the technical proposals.

Bidders Please Note: Rates quoted in response to this RFP are firm for the duration of the Contract; no price increase will be permitted.

C) PROPOSAL SUBMITTAL

Submit separately marked electronic versions of each of your Technical and Price proposals to the MSF via email to contractsandgrants@michigan.org not later than **3:00 p.m. on August 9, 2013**. 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.**

BIDDERS ARE RESPONSIBLE FOR ASSURING THAT THE FOLLOWING IDENTIFYING INFORMATION APPEARS IN THE SUBJECT LINE OF YOUR EMAIL: "RFP-CASE-**47350** Technical Proposal" and RFP-CASE-**47350** Price Proposal" with Company Name, and "message 1 of 3" as appropriate if the bid consists of multiple emails.

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

A) PRE-BID MEETING/QUESTIONS

A pre-bid meeting will not be held. Questions from Bidders concerning the specifications in this RFP must be received via e-mail no later than **3:00 pm on June 18, 2013**. Questions must be submitted to:

Contracts and Grants
contractsandgrants@michigan.org

B) PROPOSALS

To be considered, Bidders must submit a complete response to this RFP, using the format provided in Section III of this RFP, by **3:00 p.m. on August 9, 2013**. No other distribution of proposals is to be made by the Bidder.

The Technical Proposal must be **signed physically or electronically** by an official of the Bidder authorized to bind the Bidder to its provisions. The proposal must include a statement as to the period during which it remains valid; this period must be at least ninety (90) days from **[the date the RFP is due] August 9, 2013**. The rates quoted in the Price Proposal must remain firm for the period indicated in Section II.

C) ECONOMY OF PREPARATION

Each proposal should be prepared simply and economically, providing a straightforward, concise description of the Bidder'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 three-step selection 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.

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
- Technical Proposal and Price Proposal clearly identified and sent separately
- Proposal signed physically or electronically by an official of the Bidder authorized to bind the Bidder to its provisions.
- Proposals satisfy the form and content requirements of this RFP.

2) Step II – Criteria for Satisfactory Technical Proposals

- a.) During the second step of the selection process, proposals will be considered by a Joint Evaluation Committee (“JEC”) comprised of individuals selected by the MSF. Only those proposals that satisfy the 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 Bidder.
- b.) *Competence, Experience and Staffing Capacity* – The proposal should indicate the ability of the Bidder to meet the requirements of this RFP, especially the time constraints, quality, and recent projects similar to that described in this RFP. The proposal should indicate the competence of the personnel whom the Bidder intends to assign to the project, including education and experience, with particular reference to experience on projects similar to that described in this RFP and qualifications of Bidder’s Project Manager and the Project Manager’s dedicated management time, as well as that of other key personnel working on this project.

		Weight
1.	Statement of Work	
2.	Bidder Information	
3.	Prior Experience	
4.	Staffing	
5.	Financial Stability	
TOTAL		100

- c.) During the JEC’s review, Bidders may be required to make oral presentations of their proposals to the JEC. These presentations provide an opportunity for the Bidders to clarify the proposals. The MSF will schedule these presentations, if required by the JEC.
- d.) Only those proposals receiving a score of **80 points or more** in the technical proposal evaluation will have their price evaluated to be considered for award.

1) Step III – Criteria for Satisfactory Price Proposal

- a.) Based on what is in the best interest of the MSF, the MSF will award the Contract considering value, quality, and the ability to meet the objectives of this RFP, of proposals that were approved as a result of this two-step evaluation process.
- b.) The MSF reserves the right to consider economic impact on the State when evaluating proposal pricing. This includes, but is not limited to: job creation, job retention, tax revenue implications, and other economic considerations.
- c.) The award recommendation will be made to the responsive and responsible Bidder who offers the best value to the MSF and the State of Michigan. Best value will be determined by the Bidder meeting the minimum point threshold and offering the *best proposal that meets the objectives of the RFP*.
- d.) The MSF reserves the right to award to another “best value” contractor in case the original Awardee does not accept the award.

E) BIDDERS COSTS

The MSF is not liable for any costs incurred by any Bidder prior to signing of the Contract by all parties.

F) TAXES

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

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

G) CONFLICT OF INTEREST

The Bidder must disclose, in an exhibit to the proposal, any possible conflicts of interest that may result from the award of the Contract or the services provided under the Contract.

Except as otherwise disclosed in the proposal, the Bidder affirms that to the best of its knowledge there exists no actual or potential conflict between the Bidder, the Bidder's project manager(s) or its family's business or financial interests ("Interests") and the services provided under the Contract. In the event of any change in either Interests or the services provided under the Contract, the Bidder will inform the MSF 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 Bidder 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 any thing of value to a MSF official, officer, or employee with the intent of receiving a contract 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 Contract, any contractual, financial, business or other interest, direct or indirect, that would conflict in any manner or degree with Bidder's performance of its duties and responsibilities to the MSF under the Contract or otherwise create the appearance of impropriety with respect to the award or performance of the Contract; or
3. Currently in possession of or accepting during the RFP process or the term of the Contract anything of value based on an understanding that the actions of the Bidder or its affiliates or Interests on behalf of the MSF will be influenced.

H) BREACH OF CONTRACT

Except as otherwise disclosed in an exhibit to Bidder's proposal, Bidder 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, Bidder 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 Bidder failed to perform or otherwise breached an obligation of such contract.

I) DISCLOSURE OF LITIGATION

Except as otherwise disclosed in an exhibit to Bidder's proposal, there is no criminal litigation, investigations or proceedings involving the Bidder (and each subcontractor, if subcontractors will be used to provide the goods/services requested under this RFP) or any of the Bidder's officers or directors or any litigation or proceedings under the Sarbanes-Oxley Act. In addition, Bidders must disclose in the exhibit requested under this Section of the RFP any civil litigation, arbitration or proceeding to which the Bidder (or, to the extent Bidder is aware, any subcontractor) is a party and which involves: (1) disputes that might reasonably be expected to adversely affect the viability or financial stability of the Bidder (or subcontractor); or (2) a claim or written allegation of fraud or breach of contract against Bidder (or, to the extent Bidder is aware, subcontractor), by a governmental or public entity arising out of their business dealings with governmental or public entities. Details of any settlements which Bidder is prevented from disclosing under the terms of the settlement may be annotated as such.

J) FALSE INFORMATION

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

K) DISCLOSURE

All Bidders 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 Bidders' proposals. Bidders, however, are encouraged to provide sufficient information to enable the MSF to determine the Bidder'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.

L) PRICES HELD FIRM

LENGTH OF TIME PRICES ARE TO BE HELD FIRM: All rates quoted in Bidder's response to this RFP will be firm for the duration of the Contract. No price changes will be permitted. IN THE EVENT THAT PROPOSED CHANGES ARE NOT ACCEPTABLE TO THE MSF, THE CONTRACT SHALL BE TERMINATED AND THE MODIFIED CONTRACT SHALL BE SUBJECT TO COMPETITIVE BIDDING.

M) BEST AND FINAL OFFER

At any time during the evaluation process, the JEC may request a Best and Final Offer (BAFO) from any Bidder. This will be the final opportunity for a Bidder to provide a revised proposal. The scope of the changes allowed in the BAFO will be published as part of the issuance of the BAFO request.

Bidders are cautioned to propose the best possible offer at the outset of the process, as there is no guarantee that any Bidder will be allowed an opportunity to engage in Pricing Negotiations or requested to submit a Best and Final Offer.

N) CLARIFICATION/CHANGES IN THE RFP

Changes made to the RFP as the result of responses made to qualifying questions or concerns will be posted on <http://www.michiganadvantage.org/Asset-Inventory-Study-2013/>. Applicants are encouraged to regularly check this site for changes or other information related to the RFP.

O) ELECTRONIC BID RECEIPT

ELECTRONIC VERSIONS OF EACH OF YOUR TECHNICAL AND PRICE PROPOSALS SENT SEPARATELY MUST BE RECEIVED AND TIME-STAMPED BY THE MSF TO contractsandgrants@michigan.org, ON OR BEFORE 3:00 p.m. on **August 9, 2013**. Bidders 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.

P) 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 bidding process or in any proposal;
- 3) rebid the project;
- 4) negotiate with any Bidder for a reduced price, or for an increased price to include any alternates that the Bidder may propose;
- 5) reduce the scope of the project, and rebid or negotiate with any Bidder regarding the revised project; or
- 6) defer or abandon the project.

The MSF's decision is 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.

Q) BID PROTEST PERIOD

If a Bidder wishes to initiate a protest of the award recommendation, the Bidder must submit a protest in writing by 5:00 p.m. within (10) ten 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's CEO or designee 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 a Bidder to properly complete sealed bid return envelope instructions;
2. Failure of a Bidder to submit the Bid by the due date and time;
3. Failure of a Bidder to provide samples, descriptive literature or other required documents by the date and time specified;
4. Failure of a Bidder to submit a protest within the time stipulated in the notice to award or as determined by the MSF.

In fairness to Bidders who meet specifications and to prevent delays in procurement, the MSF will not withdraw an award or re-evaluate bids when a protest maintains that the RFP specifications were faulty or that a bid exceeding specifications provided a better value than a lower bid meeting specifications.

R) 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 that are otherwise available.

SECTION IV CONTRACTUAL TERMS AND CONDITIONS

A) CONTRACT TERMS AND CONDITIONS

- 1) The Contract – The proposal selected will be subject to the terms and conditions of the MSF's Professional Services Contract (the "Contract") upon execution of the Contract by the MSF and Bidder. The standard terms and conditions of the Contract are attached to this RFP as Attachment A.
- 2) Term of Work – It is estimated that the activities in the proposed Contract will cover the period [date], through [date].
- 3) Modification of Service – The MSF reserves the right to modify the requested services during the course of the Contract. Such modifications must be made in writing and may include the addition or deletion of tasks or any other modifications deemed necessary. Any changes in pricing proposed by the bidder resulting from the requested changes are subject to acceptance by the MSF. Changes may be increases or decreases.

In the event changes are not acceptable to the MSF, the Contract shall be subject to competitive bidding based upon the new specifications.

- 4) Subcontracting – The MSF reserves the right to approve any subcontractors for the Contract and to require the bidder, upon award of the Contract, to replace subcontractors that the MSF finds to be unacceptable.
- 5) Award of Contract – The MSF reserves the right to award all or any part of this RFP and, based on what is in the best interest of the MSF, the MSF will award the Contract considering price, value and quality of the bids.

B) CONTRACTOR RESPONSIBILITIES

The selected Bidder will be required to assume responsibility for all contractual activities offered in this RFP whether or not the Bidder performs them. Further, the MSF will consider the selected Bidder to be the sole point of contact with regard to contractual matters, including payment of any and all charges resulting from the Contract.

C) ACCEPTANCE OF PROPOSAL CONTENT

If awarded a Contract, the contents of this RFP will become contractual obligations. The following constitute the complete and exclusive statement of the agreement between the parties as it relates to this transaction:

- 1) This RFP (including subsequent written clarification provided in response to questions raised by email) and any Addenda thereto; and
- 2) Final Executed Contract.

In the event of any discrepancies between the above documents, the final executed Contract shall control. Failure of the successful Bidder to accept these obligations may result in cancellation of the award.

D) PROJECT CONTROL AND REPORTS

1) Project Control

- a) The selected Bidder (the "Contractor") will carry out this project under the direction and control of the Business Support Unit of the MSF.
- b) The MSF will appoint a Contract Manager for this project. Although there will be continuous liaison with the Contractor team, the Contract Manager will meet with the Contractor's project manager for the purpose of reviewing progress and providing necessary guidance to the Contractor in solving problems which arise.
- c) The Contractor will submit brief written monthly summaries of progress which outline the work accomplished during the reporting period; work to be accomplished during the subsequent reporting period; problems, real or anticipated which should be brought to the attention of the Contract Manager and notification of any significant deviation from previously agreed upon work plans.
- d) Within five (5) working days of the execution of the Contract, the Contractor will submit a work plan to the Contract Manager for final approval. This work plan must be in agreement with Section III-A of this RFP as proposed by the Bidder and accepted by the MSF for contract, and must include the following:
 - (i) The Contractor's project organizational structure.
 - (ii) The Contractor's staffing table with names and titles of personnel assigned to the project. This must be in agreement with staffing of the accepted proposal. Necessary substitutions due to change of employment status and other unforeseen circumstances may only be made with prior approval of the MSF.
 - (iii) The project breakdown showing sub-projects, activities and tasks, and resources required and allocated to each.
 - (iv) The time-phased plan in the form of a graphic display, showing each event, task, and decision point in your work plan.

(remainder of page intentionally left blank)

ATTACHMENT A

PROFESSIONAL SERVICES CONTRACT
TERMS AND CONDITIONS

The Michigan Strategic Fund (the "MSF") enters into a binding agreement for professional services (the "Agreement") with CONTRACTOR (the "Contractor"). The MSF and Contractor shall sometimes be referred to in this Agreement individually as a "Party" or collectively as "Parties."

Contractor: Name
 Address
 Address

Federal I.D. No: xx-xxxxxxx

I. NATURE OF SERVICES

[Contracts and Grants to fill in a description of the Nature of Services based upon the information in the NOI].

II. PERFORMANCE SCHEDULE

Starting Date: MONTH XX, 20XX

Ending Date: MONTH XX, 20XX

The term of this Agreement (the "Term") shall begin on the Starting Date and end on the Ending Date, unless terminated earlier, as permitted under Section V(J) of this Agreement.

III. COMPENSATION INFORMATION

- A) The MSF agrees to pay Contractor an amount not to exceed \$XX.XX during the Term. This amount includes all embedded expenses.
- B) Payment under this Agreement shall be made by the MSF to Contractor upon receipt and approval by the Contract Manager of Contractor's billing statement stating that the work for which payment is requested has been appropriately performed. Contractor shall provide the Contract Manager with Contractor's billing statement on a monthly basis. **(Review as specific for each agreement.)**
- C) All billing statements must reflect actual work done. The specific details of billing statements and payments will be agreed upon between the Contract Manager and the Contractor after the Agreement has been signed and accepted by both the Contractor and the MSF. Payment of the final 15% of the Contract amount shall be made only after the satisfactory completion of the required work, including all reports, and the submission of the final invoice. **(Review as specific for each agreement.)**
- D) Changes in the budget will be allowed only upon prior review and written approval by the Contract Manager.
- E) Contractor's billing statement(s) may be subject to a final audit prior to the release of final payment.

IV. MSF CONTRACT MANAGER

Contractor should communicate with the following MSF representative or designee regarding this Agreement:

[Name]
[Business Unit]
Michigan Strategic Fund
300 N. Washington Square
Lansing, Michigan 48913

V. TERMS AND CONDITIONS

A) Contractor Duties

- 1) Contractor agrees to undertake, perform, and complete the services described in Exhibit A, which is incorporated herein by reference.
- 2) Within seven (7) business days of the last business day of each month, the Contractor will provide a progress report to the MSF Contract Manager. The progress report must contain a brief summary of the work accomplished during that month; the work to be accomplished during the subsequent month; and any problems, real or anticipated which should be brought to the attention of the MSF Contract Manager. Further, this report must provide notice of any significant deviation from previously agreed upon work plans.

B) Independent Contractor

Contractor will act as an independent contractor under this Agreement, and neither Contractor nor any employee or agent or contract personnel of Contractor is, or shall be deemed to be, an employee of the MSF due to this Agreement and the relationship between Contractor and MSF. In its capacity as an independent contractor, Contractor agrees to and represents the following:

- 1) Contractor will provide the services under this Agreement free from the direction or control of the MSF as to means, manners, and methods of performance;
- 2) Contractor has the right and does fully intend to perform services for third parties during the Term;
- 3) Contractor acknowledges that any work product developed by Contractor in performance of this Agreement shall be the sole property of the MSF and the MSF shall have the right to copyright or otherwise protect its rights in and ownership of the work product;
- 4) The services required by this Agreement shall be performed by Contractor, or Contractor's employees or contract personnel, and the MSF shall not hire, supervise, or pay any assistants to help Contractor;
- 5) Neither Contractor nor Contractor's employees or contract personnel shall receive

any training from the MSF in the professional skills necessary to perform the services required by this Agreement;

- 6) Neither Contractor nor Contractor's employees or contract personnel shall be required by the MSF to devote full time to the performance of the services required by this Agreement; and
- 7) Contractor does not receive the majority of its annual compensation from the MSF.

The Parties acknowledge and agree that the MSF is entering into this Agreement with reliance on the representations made by Contractor relative to its independent contractor status.

C) Permits and Licenses

Contractor declares that Contractor has complied with all federal, state and local laws requiring any business permits, certificates or licenses required to carry out the services to be performed under this Agreement, and Contractor will maintain those permits, certificates and/or licenses throughout the Term.

D) Materials

Contractor will furnish all materials, equipment and supplies used to provide the services required by this Agreement.

E) State and Federal Taxes

The MSF will not:

- 1) Withhold FICA (Social Security and Medicare taxes) from Contractor's payments or make FICA payments on Contractor's behalf; or
- 2) Make state or federal unemployment compensation contributions on Contractor's behalf, or withhold state, federal or local income tax from Contractor's payments.

Contractor shall pay all taxes incurred while performing services under this Agreement, including, but not limited to all applicable income taxes. If requested by the MSF, Contractor shall provide the MSF with proof that such payments have been made.

F) Fringe Benefits

Contractor understands that neither Contractor nor Contractor's employees or contract personnel are eligible to participate in any employee pension, health, vacation pay, sick pay, or other fringe benefit plan of the MSF.

G) Workers' Compensation

The MSF shall not obtain workers' compensation insurance on behalf of Contractor or Contractor's employees. If Contractor hires employees to perform any work under this Agreement, Contractor shall cover them with workers' compensation insurance and shall maintain such insurance during the Term. The MSF may, in its discretion, require

Contractor to provide evidence of such coverage.

H) Unemployment Compensation

The MSF shall make no state or federal unemployment compensation payments on behalf of Contractor or Contractor's employees or personnel. Contractor will not be entitled to these benefits in connection with work performed under this Agreement. If Contractor files a petition for and receives unemployment compensation, the total amount of unemployment compensation awarded to and received by Contractor shall be deducted from and be an offset against the amount of compensation due and payable to Contractor by the MSF under this Agreement.

I) Access to Records

During the Term, and for seven (7) years after the Ending Date, Contractor shall maintain reasonable records, including evidence that the requested services actually were performed and the identity of all individuals paid for such services, and shall allow access to those records by the MSF or its authorized representative at any time during this period.

J) Termination

Either Party may terminate its obligations under this Agreement by giving the other Party thirty (30) calendar days prior written notice of such termination.

The MSF may immediately terminate this Agreement upon written notice to Contractor if Contractor materially breaches its obligations under this Agreement or engages in any conduct which the MSF, in its sole discretion, determines has or could have an adverse impact on the State of Michigan's (the "State") or the MSF's reputation or interests. In addition, the MSF may immediately terminate this Agreement upon written notice to Contractor, without further liability to the MSF or the State, its departments, agencies, and employees, if Contractor, an officer of Contractor, or an owner of a 25% or greater share of Contractor is convicted of a criminal offense relating to a State, public, or private contract or subcontract; or convicted of a criminal offense including, but not limited to, any of the following: embezzlement, theft, forgery, bribery, falsification or destruction of records, receiving stolen property, attempting to influence a public employee to breach the ethical conduct standards for State employees; convicted under state or federal antitrust statutes; or convicted of any other criminal offense which, in the sole discretion of the MSF, reflects on Contractor's business integrity.

Contractor acknowledges that MSF's performance of its payment obligation is dependent upon the MSF Executive Committee's continued approval of funding and/or the MSF's continued receipt of State funding. In the event that the State Legislature, the State Government or any State official, public body corporate, commission, authority, body or employees, including the MSF Executive Committee: (a) takes any action which fails to provide, terminates or reduces the funding that is related to the source of funding for this Agreement; or (b) takes any action that is unrelated to the source of funding for this Agreement, but affects the MSF's ability to perform obligations under this Agreement, the MSF may terminate this Agreement by providing thirty (30) calendar days notice prior to the effective date of cancellation. In the event, however, that the action of the State Legislature, the State of Michigan or MSF's Executive Committee results in an immediate absence or termination of funding, this Agreement may be terminated effective immediately upon

delivery of notice to the Contractor. In the event of immediate termination of funding, the MSF will make payment through the effective date of termination for any undisputed services rendered and expenses incurred.

The MSF shall have no obligation to Contractor for any fees or other payments incurred in connection with this Agreement after the effective date of termination. Upon termination, all work product prepared or produced by Contractor pursuant to this Agreement shall be immediately delivered to the MSF. Payment for any undisputed services rendered and expenses incurred through the effective date of termination will then promptly be made by the MSF.

K) MSF Employees

Contractor will not hire any employee of the MSF to perform any services covered by this Agreement without prior written approval from the Chief Executive Officer of the MSF.

L) Confidential Information

Except as required by law, Contractor shall not use or disclose, either before, during or after the Term, any proprietary or confidential information, including, but not limited to, applications, business bids, business plans, economic development analyses, computer programs, databases and all materials furnished to Contractor by the MSF (collectively, "Confidential Information") without the prior written consent of the MSF. Confidential Information does not include information obtained by Contractor from third party sources; that is already in the possession of, or is independently developed by, Contractor; that becomes publicly available other than through breach of this Paragraph; or, is released with the prior written consent of the governmental entity or entities that provided the Confidential Information to Contractor. Contractor acknowledges that all information provided by the MSF in connection with Contractor's duties under this Agreement shall be treated as Confidential Information unless otherwise stated in this subsection.

M) Conflict of Interest

Except as has been disclosed to the MSF, Contractor affirms that neither the Contractor, nor its Affiliates or their employees has, shall have, or shall acquire any contractual, financial business or other interest, direct or indirect, that would conflict in any manner with Contractor's performance of its obligations under this Agreement or otherwise create the appearance of impropriety with respect to this Agreement.

Contractor further affirms that neither Contractor nor any affiliates or their employees has accepted or shall accept anything of value based on an understanding that the actions of the Contractor or its affiliates or either's employees on behalf of the MSF would be influenced. Contractor shall not attempt to influence any MSF employee by the direct or indirect offer of anything of value. Contractor also affirms that neither Contractor, nor its Affiliates or their employees has paid or agreed to pay any person, other than bona fide employees and consultants working solely for Contractor or its Affiliate, any fee, commission, percentage, brokerage fee, gift or any other consideration contingent upon or resulting from the execution of this Agreement.

In the event of change in either the interests or services under this Agreement, Contractor will inform the MSF regarding possible conflicts of interest which may arise as a result of

such change. Contractor agrees that conflicts of interest shall be resolved to the MSF's satisfaction or the MSF may terminate this Agreement. As used in this Paragraph, "conflict of interest" shall include, but not be limited to, conflicts of interest that are defined under the laws of the State of Michigan.

N) Representations of Contractor

Contractor affirms to the best of its knowledge that it or its owners:

- 1) Do not have any criminal convictions.
- 2) Are not subjects of any pending criminal investigation.
- 3) Are not subjects of any past, present or pending investigations by the Internal Revenue Service or any other federal or state taxing body or court.
- 4) Are not subjects of any past, pending or present litigation regarding its conduct.
- 5) Are not in material default or breach of any contract or agreement that it may have with the State of Michigan, the MSF or any other public body. Contractor further represents and warrants that it has not been a party to any contract with the State, the MSF or other public body that was terminated within the previous five (5) years due to the Contractor's failure to perform or otherwise breached an obligation of such contract.

O) State of Michigan Competitors

Any information or knowledge Contractor gains during the course of this Agreement concerning the economic development efforts of the State of Michigan, the MSF or the business conditions or business community in Michigan shall not be disclosed to any public or private party, sovereign authority or foreign government, during the Term and for a period of two (2) years after the later of the Ending Date, the effective date of termination of this Agreement or so long as any information remains confidential pursuant to any contract, law, treaty, resolution or other enforceable promise.

P) Irreparable Injury

Contractor acknowledges that if it breaches any of its obligations under Paragraphs L and O above, it will cause damages of an irreparable and continuing nature to the MSF, for which money damages alone will not provide adequate relief. Therefore, in addition to all appropriate monetary damages, the MSF is entitled to obtain injunctive relief, including, but not limited to, a temporary restraining order to prohibit the Contractor's continuing breach. The MSF shall have the right to obtain such relief without having to post any bond or other surety.

Q) Indemnification and Contractor Liability Insurance

Contractor shall indemnify, defend, and hold harmless the MSF, its Executive Committee, its Corporate Board of Directors, and its employees (the "Indemnified Parties") from any and all liability arising out of or in any way related to Contractor's performance under this Agreement, including any liability resulting from any acts of Contractor's employees or agents.

Contractor shall purchase and maintain such insurance to protect the Indemnified Parties from claims that might arise out of or as a result of Contractor's operations. Contractor will provide and maintain its own errors and omissions liability insurance for Contractor's indemnification obligation under this Agreement. The insurance shall be written for not less than One Million Dollars (\$1,000,000) of coverage, but Contractor's indemnification obligation is not limited to this amount.

R) Total Agreement

This Agreement, together with Exhibit A, contains the entire agreement between the Parties superseding any prior or concurrent agreements as to the services being provided, and no oral or written terms or conditions which are not contained in this Agreement shall be binding. This Agreement may not be changed except by written agreement signed by the Parties.

S) Assignment/Transfer/Subcontracting

Contractor shall not assign, transfer, convey, subcontract, or otherwise dispose of any duties or rights under this Agreement without the prior specific written consent of the MSF. Contractor agrees that any of Contractor's future successors or subcontractors will be bound by the provisions of this Agreement, unless the MSF otherwise agrees in a specific written consent. The MSF reserves the right to approve subcontractors for this Agreement and to require Contractor to replace subcontractors who are found to be unacceptable.

T) Non-Discrimination and Unfair Labor Practices

In connection with this Agreement, Contractor shall comply with the Elliott-Larsen Civil Rights Act, 1976 PA 453, MCL 37.2101 *et seq.*, the Persons with Disabilities Civil Rights Act, 1976 PA 220, MCL 37.1101 *et seq.*, and all other federal, state and local fair employment practices and equal opportunity laws and covenants that it shall not discriminate against any employee or applicant for employment with respect to his or her hire, tenure, terms, conditions, privileges of employment, or any matter directly or indirectly related to employment because of his or her race, religion, color, national origin, age, gender, height, weight, marital status, or physical or mental disability unrelated to the individual's ability to perform the duties of a particular job or position. Contractor further agrees that every subcontract entered into in connection with this Agreement will contain a provision requiring nondiscrimination in employment, as required in this Agreement, binding upon each subcontractor.

Pursuant to 1980 PA 278 (the "Act"), MCL 423.321 *et seq.*, the State shall not award a contract or subcontract to an employer whose name appears in the current register of employers failing to correct an unfair labor practice compiled by the United States National Labor Relations Board. Contractor, in relation to this Agreement, shall not enter into a contract with a subcontractor, manufacturer, or supplier whose name appears on this register. Pursuant to section 4 of the Act, the MSF may void this Agreement if, after the Starting Date, the name of the Contractor as an employer or the name of the subcontractor, manufacturer or supplier of Contractor appears on the register.

A breach of this Paragraph constitutes a material breach of this Agreement.

U) Jurisdiction

The laws of the State of Michigan shall govern this Agreement. The Parties shall make a good faith effort to resolve any controversies that arise regarding this Agreement. If a controversy cannot be resolved, the Parties agree that any legal actions concerning this Agreement shall be brought in the Ingham County Circuit Court in Ingham County, Michigan, USA. By signing this Agreement, Contractor acknowledges that it is subject to the jurisdiction of this court and agrees to service by first class or express delivery wherever Contractor resides, in or outside of the United States.

V) Compliance with Laws

Contractor shall comply with all applicable state, federal and local laws and ordinances in providing the services under this Agreement.

W) No Partnership or Agency Relationship

This Agreement does not create a partnership relationship. Further, neither Contractor nor Contractor's employees or other representatives shall hold themselves out to third parties as an agent or representative of MSF, nor shall they have any authority to take any action or enter into any agreement on behalf of MSF.

X) No Third Party Beneficiaries

There are no expressed or implied third party beneficiaries to this Agreement.

Y) Counterparts

This Agreement may be executed in one or more counterparts and by facsimile, electronic mail or .pdf, each of which shall constitute an original, and all of which together shall constitute one and the same instrument.

Z) Reimbursement

If this Agreement is terminated as a result of the misuse of funds as reasonably determined by the MSF, MSF shall have no further obligation to make any payments to Contractor. Furthermore, Contractor shall reimburse MSF for payments which were expended for purposes other than those described in this Agreement, as well as any funds which were previously disbursed under this Agreement but not yet expended by Contractor.

AA) Survival

The terms and conditions of sections III, V(B), V(E), V(F), V(G), V(H), V(I), V(L), V(O), V(P), V(Q), V(S), V(U), V(W), V(X) and V(Z) shall survive termination of this Agreement.

(remainder of page intentionally left blank)

The signatories below warrant that they are empowered to enter into this Agreement.

CONTRACTOR ACCEPTANCE:

CONTRACTOR

Dated: _____

Authorized Signer
Title

MSF ACCEPTANCE:

Michigan Strategic Fund,
a Public Body Corporate

Dated: _____

Authorized Signer
Title

DRAFT

ATTACHMENT B

**INDEPENDENT PRICE DETERMINATION AND
PRICES HELD FIRM CERTIFICATION**

INDEPENDENT PRICE DETERMINATION

By submission of a proposal, the Bidder certifies, and in the case of a joint proposal, each party thereto certifies as to its own organization, that in connection with this proposal:

1. The prices in the proposal have been arrived at independently, without consultation, communication, or agreement, for the purpose of restricting competition as to any matter relating to such prices with any other Bidder or with any competitor; and
2. Unless otherwise required by law, the prices which have been quoted in the proposal have not been knowingly disclosed by the Bidder and will not knowingly be disclosed by the Bidder prior to award directly or indirectly to any other Bidder or to any competitor; and
3. No attempt has been made or will be made by the Bidder to induce any other person or firm to submit or not submit a proposal for the purpose of restricting competition.

Each person signing the proposal certifies that she/he:

- A) Is the person in the Bidder's organization responsible within that organization for the decision as to the prices being offered in the proposal and has not participated (and will not participate) in any action contrary to 1, 2, and 3 above; or
- B) Is not the person in the Bidder's organization responsible within that organization for the decision as to the prices being offered in the proposal but has been authorized, in writing, to act as agent for the persons responsible for such decision in certifying that such persons have not participated (and will not participate) in any action contrary to 1, 2, and 3 above.

A proposal will not be considered for award if this Attachment B has been altered so as to delete or modify 1 or 3, above. If 2, above, has been modified or deleted, the proposal will not be considered for award unless the Bidder provides, with this Attachment B, a signed statement which sets forth, in detail, the circumstances of the disclosure and the MSF determines that such disclosure was not made for the purpose of restricting competition.

PRICES HELD FIRM

LENGTH OF TIME PRICES ARE TO BE HELD FIRM: All rates quoted in bidder's response to this RFP will be firm for the duration of the Contract. No price changes will be permitted.

Signed _____

Date _____



MEMORANDUM

Date: May 22, 2013
To: MSF Board
From: Dean Wade, Portfolio Manager
Subject: Company Formation and Growth Fund Interest Rate Policy

PROGRAM BACKGROUND

In 2007, the Michigan Economic Development Corporation (“MEDC”) and the Michigan Strategic Fund (“MSF”) initiated a program designed to hire ex-Pfizer employees who had been laid off from the company’s downsizing. The program is called Company Formation and Growth Fund (“CFGF”). The MSF Board assigned authority for setting a final interest rate to a group called the Fund Committee. The Fund Committee includes representatives from SPARK, Southwest Michigan First, Lakeshore Advantage, and the MEDC.

RELEVANT DOCUMENTATION

Michigan Strategic Fund Resolution, 2007-147

MSF Board desires to establish a committee consisting of a representative from each of the following: Ann Arbor SPARK, Southwest Michigan First, Lakeshore Advantage Corporation and the Michigan Economic Development Corporation (“MEDC”) (together, the “Fund Committee”) and adapt the Loan Evaluation Criteria (“Criteria”).

Company Formation and Growth Fund Loan Evaluation Criteria

7) The interest rate will be dependent on the project meeting a fixed job creation number. The loan recipient will be expected to put forth its best efforts to meet or exceed the job creation number or provide a satisfactory explanation of the failure.

8) Repayment will be based on a 10 year amortization schedule with monthly payments beginning in year 6. Interest will begin to accrue in year 1. Years 1-5 will accrue at 1%. Years 6-10 will accrue at the final interest rate set by the joint project review committee. If the project fails to meet the estimated job creation number, the interest rate may be set at a higher rate to a maximum of the prime interest rate as defined in the Wall Street Journal at the time of review.

Promissory Note

The unpaid principal balance of this Note shall bear interest from the date advanced at a per annum rate of one percent (1%). Interest shall be computed on the basis of the actual number of days elapsed. Beginning on the first day following the fifth anniversary of this Note and continuing until the Note is paid in full, the Restated Principal, as defined below, shall bear interest at a final interest rate to be set by the Fund Committee; provided that this final interest rate will not be set higher than the prime interest rate as defined in the Wall Street Journal on the first day following the fifth anniversary date of this Note.

Michigan Economic Development Corporation

FUND COMMITTEE REPRESENTATIVES

Dean Wade, Portfolio Manager, MEDC

Randy Thelen, President, Lakeshore Advantage

Skip Simms, Senior Vice President, Ann Arbor SPARK

Jill Bland, Executive Vice President, Southwest Michigan First

FINAL POLICY

The Fund Committee determined that the MSF should continue at the 1% rate as originally contemplated if the Company met or exceeded its contractual job creation number under the loan documents.

If the Company failed to meet their estimated job creation number, then the interest rate will be raised by 0.5% for each job the Company failed to hire, unless a satisfactory explanation of the failure is provided. The last job not to be filled may be lower than the 0.5%, depending on the prime interest rate as defined in the Wall Street Journal at the time of review.

If the Company cannot service the loan at the time when the first payment is due, then the MSF/MEDC reserves the right to restructure the loan in the best interest of the company, MSF and the MEDC. The restructure may involve modifying the interest rate, however, it is not constrained to the policy discussed here, nor will it require Fund Committee approval.

ATTACHMENTS

Company Formation and Growth Fund Evaluation Criteria (Final).pdf

Pfizer RF Resolution Company Formation Fund.pdf

Company Formation Fund Loan Agreement.doc

Confirmatory E-mails

Company Formation and Growth Fund
Loan Evaluation Criteria

- 1) The loan amount will be based on \$50,000/job created.
- 2) Maximum loan amount - \$500,000.
- 3) Project activities must be associated with the retention of Pfizer assets involved in the 2007 downsizing of facilities currently located in the Michigan communities of Ann Arbor, Holland, Kalamazoo, Plymouth Township and Portage. Those assets include but are not limited to people, technologies, land, buildings, and equipment.
- 4) Job creation is the number one criteria.
- 5) Project must be life science (in accordance with MCL 125.2088 – copy attached as Attachment A) focused.
- 6) A 1:1 cash (grants, investments, other loans, etc.) match is preferred but not required.
- 7) The interest rate will be dependent on the project meeting a fixed job creation number. The loan recipient will be expected to put forth its best efforts to meet or exceed the job creation number or provide a satisfactory explanation of the failure.
- 8) Repayment will be based on a 10 year amortization schedule with monthly payments beginning in year 6. Interest will begin to accrue in year 1. Years 1-5 will accrue at 1%. Years 6-10 will accrue at the final interest rate set by the joint project review committee. If the project fails to meet the estimated job creation number, the interest rate may be set at a higher rate to a maximum of the prime interest rate as defined in the Wall Street Journal at the time of review.

Attachment A

“Life Sciences” means science for the examination or understanding of life or life processes, including, but not limited to, all of the following:

Bioengineering
Biomedical engineering
Genomics
Proteomics
Molecular and chemical ecology
Biotechnology, including any technology that uses living organisms, cells, macromolecules, microorganisms, umbilical cord blood or substances from living organisms to make or modify a product for useful purposes. Biotechnology or life sciences does not include any of the following:

- Activities prohibited under section 2685 of the public health code, 1978 PA 368, MCL 333.2685.
- Activities prohibited under section 2688 of the public health code, 1978 PA 368, MCL 333.2688.
- Activities prohibited under section 2690 of the public health code, 1978 PA 368, MCL 333.2690.
- Activities prohibited under section 16274 of the public health code, 1978 PA 368, MCL 333.16274.
- Stem cell research with human embryonic tissue.

“Life Sciences Technology” means any technology derived from life sciences intended to improve human health or the overall quality of human life, including, but not limited to, systems, processes, or equipment for drug or gene therapies, biosensors, testing, medical devices or instrumentation with a therapeutic or diagnostic value, a pharmaceutical or other product that requires United States Food and Drug Administration approval or registration prior to its introduction in the marketplace and is a drug or medical device as defined by the federal food, drug and cosmetic act, 21 USC 301 to 399, or 1 or more of the following:

- Advanced computing or electronic device technology related to technology described under this subdivision.
- Design, engineering, testing, or diagnostics related to technology or the commercial manufacturing of technology described under this subdivision.
- Product research and development related to technology described under this subdivision.

“Advanced Computing” means any technology used in the design and development of 1 or more of the following:

- Computer hardware and software.
- Data communications.
- Information technologies.

“Electronic Device Technology” means any technology that involves microelectronics, semiconductors, electronic equipment, and instrumentation, radio frequency, microwave, and millimeter electronics; optical and optic-electrical devices; or data and digital communications and imaging devices.

MICHIGAN STRATEGIC FUND

RESOLUTION 2007-147

COMPANY FORMATION AND GROWTH FUND

WHEREAS, at its May 8, 2007 meeting, the Michigan Strategic Fund (MSF) Board appointed a committee to review proposals received in response to the Retention of Pfizer Assets Toward the Advancement of Life Sciences Technology RFP as described in MCL 125.2088j(3)(j) and authorized by the Board;

WHEREAS, in accordance with MCL 125.2088j(3)(j), the MSF shall make a \$90,000,000 commitment for life sciences technology;

WHEREAS, to date, the MSF has not reached this goal and at its May 8, 2007 meeting, committed up to \$12 million toward the retention of Pfizer assets toward the advancement of life sciences technology in Michigan;

WHEREAS, at its June 27, 2007 meeting, the MSF Board created the Company Formation and Growth Fund ("Fund") and capitalized it with \$8,026,661 to retain Pfizer assets and talent for advancing life sciences technologies in Michigan and selected Ann Arbor SPARK, Southwest Michigan First and Lakeshore Advantage Corporation to receive funding from the Fund;

WHEREAS, the MSF Board desires to establish a committee consisting of a representative from each of the following: Ann Arbor SPARK, Southwest Michigan First, Lakeshore Advantage Corporation and the Michigan Economic Development Corporation ("MEDC") (together, the "Fund Committee") to review applications received from qualified entities throughout the State of Michigan and make recommendations to the MSF Board to enter into a loan agreement with the recommended entities;

WHEREAS, to assist the Fund Committee in making recommendations, the MSF Board desires to adopt the attached Loan Evaluation Criteria ("Criteria") (Addendum 1); and

WHEREAS, the MSF Board desires to approve the attached Loan Agreement (Addendum 2) as a template for negotiating awards with entities selected by the MSF Board to receive funding from the Fund.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board establishes a committee consisting of a representative from each of the following: Ann Arbor SPARK, Southwest Michigan First, Lakeshore Advantage Corporation, and the MEDC to review applications received from qualified entities throughout the State of Michigan and make

recommendations to the MSF Board to enter into a loan agreement with the recommended entities;

BE IT FURTHER RESOLVED, that the MSF Board adopts the attached Criteria to assist the Fund Committee in making recommendations to the MSF Board;

BE IT FURTHER RESOLVED, that the MSF Board adopts the attached Loan Agreement for use as a template for negotiating awards with entities selected by the MSF Board to receive funding from the Fund; and

BE IT FURTHER RESOLVED, that this resolution amends Resolution 2007-081, as appropriate.

Adopted.

Ayes: Keith Cooley, James Epolito, Jeff Guilfoyle (acting for and on behalf of Robert J. Kleine, State Treasurer, Department of Treasury, authorization attached), James Herbert, Paul Hodges, George Jackson, Charles Rothstein, Jay Shah

Nays: None.

Lansing, Michigan
October 31, 2007

LOAN AGREEMENT

THIS LOAN AGREEMENT (this "Agreement") dated the _____th day of MONTH, 2008 (the "Agreement Date"), is between the Michigan Strategic Fund, a public body corporate and politic within the Department of Treasury of the State of Michigan ("MSF") whose address is 300 N. Washington Square, Lansing, Michigan 48913 and [COMPANY] a Michigan/Delaware corporation/limited liability company (the "Company"), whose address and principal office is _____. As used in this Agreement, each of the MSF and the Company are, individually, a "Party" and, collectively, the "Parties."

Company:

Federal I.D. No.: xx-xxxxxxx

Telephone:

RECITALS

A. In accordance with MCL 125.2088j(3)(j), the MSF desires to commit up to a total of \$12 million for the retention of Pfizer assets toward the advancement of life sciences technology. The funds shall be used for the successful retention of Pfizer talent and reuse of facilities and equipment toward job creation and commercialization and advancement of life sciences technologies in Michigan.

B. At its May 8, 2007 meeting, the MSF Board approved issuance of a Retention of Pfizer Assets Toward the Advancement of Life Sciences Technology Request for Proposals ("RFP") as described in MCL 125.2088j(3)(j) and appointed a committee to evaluate RFP responses and make recommendations to the MSF Board. The RFP establishes a competitive process for selecting existing non-profit regional economic development organizations to retain Pfizer assets for advancing life sciences technologies in Michigan.

C. At its June 27, 2007 meeting, the MSF Board created the Company Formation and Growth Fund and capitalized it with \$8,026,661 to retain Pfizer assets and talent for advancing life sciences technologies in Michigan.

D. At its October 31, 2007 meeting, the MSF established a committee consisting of a representative from each of the following: Ann Arbor SPARK, Southwest Michigan First, Lakeshore Advantage Corporation and the Michigan Economic Development Corporation ("MEDC") (together, the "Fund Committee") to review applications received from qualified entities using the company formation and growth fund loan evaluation criteria adopted by the MSF and to make recommendations to the MSF Board to enter into a loan agreement with the recommended entities if sufficient funds are available.

E. Pursuant to a Memorandum of Understanding between the MSF and the Michigan Economic Development Corporation ("MEDC") dated January 25, 2006, as amended, the MEDC, subject to the control and direction of the MSF, provides administrative services to the MSF.

F. The Fund Committee recommended the Company for consideration of a loan by the MSF Board. By Resolution of the MSF Board, dated November 28, 2007 or January 23, 2008, the MSF Board offered the Company the amount of XXXX and 00/100 Dollars (\$XXXX);

G. The MSF Board and the Company recognize budget problems experienced by the State of Michigan that may result in a reduction or elimination of funds available to the MSF Board for this Agreement;

H. The Company desires to obtain these funds in the form of a loan to conduct [REDACTED] within the State toward the accomplishment of Company milestones, consistent with the Agreement; and

I. The MSF Board desires to disburse a Loan to the Company in the amount of XXXX and 00/100 Dollars (\$XXXX) upon the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the recitals and mutual agreements in this Agreement, the Parties agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1 Defined Terms. As used in this Agreement, the following terms whenever capitalized, shall have the following respective meanings unless the context or use clearly indicates another or different meaning or intent:

- (a) **“Act”** means 2005 PA 225.
- (b) **“Agreement”** means this Loan Agreement as amended or supplemented in accordance with its terms, the Loan Documents and the Exhibits to this Agreement.
- (c) **“Agreement Date”** means the date on which this Agreement is executed.
- (d) **“Auditor General”** means the auditor general of the State of Michigan.
- (e) **“Budget”** means the budget included as Exhibit “E”.
- (f) **“Closing Date”** means the date on which the first disbursement is made under this Agreement.
- (g) **“Collateral”** means the tangible personal property owned by the Company; exclusive of any inventory (as such term is defined in the Michigan Uniform Commercial Code).
- (h) **“Company”** means [REDACTED], a Michigan/Delaware corporation/limited liability company.
- (i) **“Events of Default”** means those events described in Sec. 7.1 of this Agreement, and **“Event of Default”** shall mean any one of such events.
- (j) **“Exhibit”** means each of the documents or instruments attached to this Agreement identified as an Exhibit.

- (k) **"Indebtedness"** means the outstanding principal of, and accrued but unpaid interest on, the Note.
- (l) **"Intellectual Property"** means all patents, patent applications, trademarks, trademark applications, service marks, service mark applications, trade names, copyrights, manufacturing processes, formulae, trade secrets, customer lists and know how.
- (m) **"Key Objectives"** means major achievements of the Company as described in Exhibit "A".
- (n) **"Loan"** means the loan made by the MSF to the Company under this Agreement.
- (o) **"Loan Disbursement"** means a disbursement on the Loan under this Agreement.
- (p) **"Loan Disbursement Request"** means a written request from the Company for a Loan Disbursement.
- (q) **"Loan Documents"** means this Agreement, the Note, and the Security Agreement.
- (r) **"Maximum Loan"** has the meaning set forth in Section 2.1.
- (s) **"MEDC"** means the Michigan Economic Development Corporation, a Michigan public body corporate.
- (t) **"MSF"** means the Michigan Strategic Fund, a public body corporate and politic within the Department of Treasury of the State of Michigan.
- (u) **"Milestone Report"** means the report submitted by the Company to demonstrate completion of one or more sets of Key Objectives.
- (v) **"Note"** means the promissory note (line of credit) of the Company evidencing the Loan in the form attached as Exhibit "C".
- (w) **"Portfolio Manager"** means that individual person designated by the MEDC to provide administrative services for the MSF under this Agreement.
- (x) **"Proceeds"** means funds paid by the MSF to the Company pursuant to this Agreement.
- (y) **"Progress Report"** means the annual report submitted within twelve (12) months of the Agreement Date and every twelve (12) months thereafter describing the current status of milestones.
- (z) **"Security Agreement"** means a Security Agreement in the form attached as Exhibit "D" wherein the Company grants the MSF a security interest in Collateral.
- (aa) **"State"** means the State of Michigan.

(bb) “**Trigger Event**” means, as of the time determined, (i) when the Company ceases to have substantially all of its employees (exclusive of sales staff) or operations located within the State of Michigan; or (ii) the occurrence of an event listed in MCL 125.2088c(4) or MCL 125.2088c(3).

Section 1.2 Construction of Certain Terms. Unless the context of this Agreement otherwise requires, (i) words of any gender include each other gender; and (ii) words using the singular or plural number also include the plural or singular number.

ARTICLE II

LOAN

Section 2.1 Loan Commitment. Pursuant to this Agreement, the MSF agrees to make a Loan to the Company in the amount of up to **XXXX and 00/100 Dollars (\$XXXX)** (the “Maximum Loan”) in installments and at times the Company specifies in accordance with Section 2.2. The MSF’s obligation to disburse any portion of the Maximum Loan shall automatically be suspended upon the occurrence, and during the continuance, of an Event of Default, or if funds become unavailable. **All payments by the MSF are subject to the availability of funds. Repayment of loans including principal and interest, or any return on investment directly or indirectly related to commercialization activities by the loan recipient shall be returned to the Jobs for Michigan Investment Fund.**

Section 2.2 Loan Disbursement Procedure. In order to receive payments under this Agreement, the Company must register as a vendor with the State of Michigan and must meet designated objectives, including the job creation numbers identified in the Key Objectives. All payments will be made via electronic funds transfer.

The Company, at its discretion, may request a disbursement (a “Loan Disbursement”) of a portion of the Maximum Loan no more frequently than once a month by delivering to the Portfolio Manager a completed Loan Disbursement Request, substantially in the form attached as Exhibit “B” (the “Loan Disbursement Request”) and a Milestone Report. The Portfolio Manager shall within thirty (30) calendar days of its receipt of the Loan Disbursement Request make the Loan Disbursement upon satisfaction of the following conditions:

- (i) there is no outstanding Event of Default;
- (ii) upon achievement of Key Objective 1, the initial Loan Disbursement Request must be accompanied by an (A) executed original of the Note, and (B) an executed Security Agreement, substantially in the form attached as Exhibit “D”, and must not exceed **XXXX and 00/100 Dollars (\$XXXX)**;
- (iii) upon achievement of Key Objective 2, the second Loan Disbursement cannot, upon achievement of the first set of Key Objectives, exceed **XXXX 00/100 Dollars (\$XXXX)**; and
- (iv) provided the Company has achieved all of the Key Objectives and submitted its Final Report, the final Loan Disbursement, together with all other Loan Disbursements to the Company, cannot exceed the Maximum Loan.

Section 2.3 Application of Loan Payments. The Company shall make all payments, whether repayments of principal or payments of interest, by check or wire transfer made payable to the Michigan Strategic Fund for deposit in the Jobs for Michigan Investment Fund. The MSF shall apply all payments received from the Company first to any late fees, then to accrued interest and then to principal.

Section 2.4 Loan Prepayments. The Company shall have the right to prepay accrued interest and principal in full at any time upon notice to the Portfolio Manager setting forth the amount of the prepayment. The MSF shall apply prepayments first to accrued interest and then to principal.

Section 2.5 Acceleration. Upon the occurrence of a Trigger Event or if an Event of Default remains uncured beyond the period allowed in Section 7.1, the MSF may at its sole option and discretion declare the entire unpaid balance of principal and accrued interest immediately due and owing. In the event that a Trigger Event has occurred, a premium equal to seven percent (7%) shall also be applied to the outstanding Indebtedness. The MSF shall give the Company written notice of this declaration of acceleration by sending a statement to the Company stating the declaration and setting out the amount owed as of the date of the notice. Interest shall continue to accrue at the rate set out in this Agreement until the Company pays the entire balance, together with all accrued interest and any applicable premium, in full.

ARTICLE III

REPRESENTATIONS AND COVENANTS OF THE COMPANY

Section 3.1 Organization. The Company is duly incorporated and is validly existing in good standing under the laws of the State of **Michigan/Delaware** and has the power and authority to enter into and perform its obligations under this Agreement. Exhibit "G" includes a certificate of good standing from the State of Michigan dated within sixty (60) calendar days of the Closing Date, together with copies of the Company's **certificate/articles of incorporation/organization** (including all amendments, restatements and supplements). On the Agreement Date, the Company has its principal office and substantially all of its business operations and employees located within the State of Michigan.

Section 3.2 Corporate Authority. The execution, delivery and performance by the Company of this Agreement has been duly authorized and approved by all necessary and proper corporate action on the part of the Company and will not (i) violate any provision of law or of the Company's **certificate/articles of incorporation/organization or bylaws/operating agreement**, or (ii) result in the breach of or constitute a default or require any consent under, or result in the creation of any lien, charge, restriction, claim or encumbrance upon any property or assets of the Company pursuant to any indenture or other agreement or instrument to which the Company is a party or by which the Company or its property may be bound or affected, and this Agreement is valid, binding, and enforceable in accordance with its terms, except as limited by applicable bankruptcy, insolvency, moratorium, reorganization or other laws or principles of equity affecting the enforcement of creditors' rights generally or by general principles of equity. The consent resolutions of the board of directors of the Company reflecting all necessary corporate action authorizing the Company to enter into this Agreement are attached as Exhibit "H".

Section 3.3 Consent. Except as has been disclosed in writing to the MSF, or the Portfolio Manager, no consent or approval is necessary from any governmental or other authority, except the MSF as a condition to the execution and delivery of this Agreement by the Company or the performance of any of its obligations under this Agreement.

Section 3.4 Full Disclosure. Neither this Agreement nor any written statements or certificates furnished by the Company to the MSF in connection with the making of the award and Agreement contain any untrue statement of material fact, or omit a fact necessary to make the statements true. There are no undisclosed facts, which materially adversely affect or, to the best of the Company's knowledge, are likely to materially adversely affect the properties, business, or condition (financial or otherwise) of the Company or the ability of the Company to perform its obligations under this Agreement.

Section 3.5 Litigation and Other Proceedings. Except as has been disclosed in writing to the MSF, to the knowledge of the Company or its officers, there are no suits or proceedings, pending or, to the knowledge of the Company, threatened, before any governmental commission, board, bureau, or other administrative agency or tribunal, which, if resolved against the Company, would have a material adverse effect on the financial condition or business of the Company. Upon the Company obtaining knowledge of any material litigation, dispute or proceeding being instituted or threatened against the Company or any attachment, levy, execution or other process being instituted against any property or assets of the Company, the Company will promptly notify the MSF and the Portfolio Manager in writing of such litigation, dispute, levy, execution or other process.

Section 3.6 Compliance with Laws. To its knowledge, the Company is not and will not during the term of this Agreement be in violation of any laws, ordinances, regulations, rules, orders, judgments, decrees or other requirements imposed by any governmental authority to which it is subject, including those related to research misconduct and research integrity, and will not fail to obtain any licenses, permits or other governmental authorizations necessary to the ownership of its properties or to the conduct of its business, which violation or failure to obtain might materially and adversely affect its business, profits, properties or condition (financial or otherwise).

Section 3.7 No Brokers or Finders. No individual person, firm or entity has a right, interest or claim against the Company for any commission or other compensation as a finder or broker in connection with the transactions contemplated by this Agreement.

Section 3.8 Use of Proceeds. The Company shall use the Proceeds as described in the Budget. The Company acknowledges that it will not use the Proceeds to satisfy current or future debts or redeem shares from shareholders. The Company agrees that all Proceeds shown in the Budget are to be spent as generally specified except that reallocation between general categories of up to ten percent (10%) of the total budget amount is permissible without the necessity of prior approval by the Portfolio Manager. Any other changes to the Budget must be pre-approved in writing by the Portfolio Manager. Any Proceeds used to pay employees or contractors, not previously disclosed to the MSF, who perform services outside the State must be pre-approved by the Portfolio Manager, which approval shall not be unreasonably withheld or delayed. The Company shall maintain an overall financial management system that must ensure effective control over and accountability for all funds received under this Agreement, as well as records that allow for the comparison of actual expenditures or outlays with budgeted amounts, supported in each case by source documentation (including without limitation time

sheets and third party invoices) for all expenditures of Proceeds that is sufficiently detailed so as to allow for the verification of such expenditure and comparison with Budget line items.

The Company shall not use the Proceeds for the development of a stadium or arena for use by a professional sports team or for the development of a casino regulated by the state of Michigan under the Michigan gaming control and revenue act, as further described in the Act. In addition, the Company shall not use the Proceeds to induce the Company, a qualified business or a small business to leave this state or to contribute to the violation of internationally recognized workers rights, as defined in section 507(4) of the trade act of 1974, 19 USC 2467(4), of workers in a country other than the United States, including any designated zone or area in that country.

Section 3.9 Property. The Company will maintain its property and assets in customary repair, order and condition.

Section 3.10 Proprietary Information of Third Parties. No third party has claimed or, to the Company's knowledge, has reason to claim that any individual person, firm or entity employed by or affiliated with the Company has: (a) violated an employment, non-competition or non-disclosure agreement; (b) disclosed or utilized any trade secret or proprietary information or documentation of the third party; or (c) interfered in the employment relationship between the third party and any of its present or future employees. The Company has not received a request for information from a third party that suggests this type of claim may be contemplated. To the Company's knowledge, after reasonable inquiry, no individual person, firm or entity employed by or affiliated with the Company has or intends to: (i) employ any trade secret, information or documentation proprietary to any former employer; or (ii) violate any confidential relationship with a third party in connection with the development, manufacture or sale of any of the Company's products, proposed products, services or proposed services. The Company is not aware of any aspect in the conduct of its business or the performance of this Agreement that will constitute a breach or default under any agreement entered into by any individual person, firm or entity employed by or affiliated with the Company.

Section 3.11 Intellectual Property Rights. The Company owns or possesses adequate licenses or other rights to use all Intellectual Property necessary or desirable to the conduct of its business as currently conducted and as proposed to be conducted. No claim is pending or, to the Company's knowledge is threatened, in connection with the Company's use of the Intellectual Property. To the Company's knowledge, there is no basis for a claim against the Company's use of the Intellectual Property. The Company has not taken any action or failed to take any action that might cause the Company to be declared in default of any license agreement to which the Company is a party.

Section 3.12 Criminal Convictions. The Company affirms that to the best of its knowledge that it or its affiliates, subsidiaries, members, officers, directors, managerial employees, and any person who, directly or indirectly, holds a pecuniary interest in the Company of 20% or more: (a) do not have any criminal convictions incident to the application for or performance of a state contract or subcontract; and (b) do not have any criminal convictions or have not been held liable in a civil proceeding, that negatively reflects on the person's business integrity, based on a finding of embezzlement, theft, forgery, bribery, falsification or destruction of records, receiving stolen property, or violation of state or federal antitrust statutes.

Section 3.13 Conflict of Interest. Except as has been disclosed to the MSF and MEDC, the Company affirms that neither the Company, nor its Affiliates or their employees has,

shall have, or shall acquire any contractual, financial, business or other interest, direct or indirect, that would conflict in any manner with the Company's performance of its obligations under this Agreement or otherwise create the appearance of impropriety with respect to this Agreement.

The Company further affirms that neither the Company nor any affiliates or their employees has accepted or shall accept anything of value based on an understanding that the actions of the Company or its affiliates or either's employees on behalf of the MSF or MEDC would be influenced. The Company shall not attempt to influence any MSF or MEDC employee by the direct or indirect offer of anything of value. The Company also affirms that neither the Company, nor its Affiliates or their employees has paid or agreed to pay any person, other than bona fide employees and consultants working solely for the Company or its affiliates, any fee, commission, percentage, brokerage fee, gift or any other consideration contingent upon or resulting from the execution of this Agreement.

In the event of change in either the interests or services under this Agreement, the Company will inform the MSF and MEDC regarding possible conflicts of interest which may arise as a result of such change. The Company agrees that conflicts of interest shall be resolved to the MSF and MEDC's satisfaction or the MSF may terminate this Agreement. As used in this Paragraph, "conflict of interest" shall include, but not be limited to, conflicts of interest that are defined under the laws of the State of Michigan.

ARTICLE IV

REPRESENTATIONS AND COVENANTS OF THE MSF

The MSF represents and warrants to the Company that:

Section 4.1 Organization. The MSF is a public body corporate and politic within the Department of Treasury of the State of Michigan pursuant to 2005 PA 225. The MSF has the power and authority to enter into and perform its obligations under this Agreement.

Section 4.2 Consent. Except as disclosed in writing to the Company or provided by law, no consent or approval is necessary from any governmental authority as a condition to the execution and delivery of this Agreement by the MSF or the performance of any of its obligations under this Agreement.

Section 4.3 Information. The MSF and its representatives have had an opportunity to discuss the Company's business, management and financial affairs with the Company's management. The MSF and its representatives have asked for and received all information it needs to evaluate the transactions contemplated by this Agreement, subject to the accuracy of the representations and warranties of the Company contained in this Agreement.

ARTICLE V

INSURANCE AND INDEMNIFICATION

Section 5.1 Insurance. The Company, during the term of this Agreement, will acquire and maintain insurance from responsible companies in such amounts and against such risks as are ordinarily carried by similar businesses, including but not limited to public liability

insurance, workers' compensation insurance or a program of self-insurance complying with the requirements of State law and fire and extended coverage insurance on the Collateral. The Company shall provide evidence of such insurance to the MSF and the Portfolio Manager at either's request.

Section 5.2 Indemnification and Hold Harmless. Except for disbursement of the Proceeds as required in this Agreement, the MSF, the State, the MEDC, and their respective participants, board of directors, members, officers, agents and employees (collectively, the "Indemnified Persons") shall not be liable to the Company for any reason.

The Company shall indemnify and hold the State, the MSF, and the MEDC or other Indemnified Person harmless against any and all claims asserted by or on behalf of any individual person, firm or entity (other than an Indemnified Person), arising or resulting from, or in any way connected with this Agreement and any and all related documents executed and delivered in connection therewith or any act or failure to act by the Company under the Agreement, including all liabilities, costs and expenses, including reasonable counsel fees, incurred in any action or proceeding brought by reason of any such claim. In the event that any action or proceeding is brought against the MSF, the MEDC or other Indemnified Person by reason of any such claim, such action or proceeding shall be defended by MSF or MEDC's counsel or by counsel chosen by the Company, as the MSF or the MEDC shall determine and indicate by notice to the Company within fifteen (15) days of the MSF's or the MEDC's receipt of notice of the filing of any such claim. In the event such defense is by the MSF or the MEDC's counsel, the Company shall indemnify the MSF or the MEDC for reasonable costs of its counsel allocated to such defense and charged to the MSF or the MEDC. The Company shall also indemnify the MSF, the MEDC or other Indemnified Person from and against all costs and expenses, including reasonable counsel fees, lawfully incurred in enforcing any obligation of the Company under this Agreement.

The Company shall have no obligation to indemnify an Indemnified Person under this Section if a court with competent jurisdiction finds that the liability in question was caused by the willful misconduct or gross negligence of the MSF, the MEDC or other Indemnified Person, unless the court finds that despite the adjudication of liability, the MSF, the MEDC or other Indemnified Person is fairly and reasonably entitled to indemnity for the expenses the court considers proper. The MSF, the MEDC and the Company agree to act cooperatively in the defense of any action brought against the MSF, the MEDC or another Indemnified Person to the greatest extent possible.

Any Indemnified Person making a claim under this Section shall give the Company notice within fifteen (15) days following the Indemnified Person's receipt of the complaint or other pleading giving rise to this claim, which notice shall specify the nature, scope and amount of any claim and be accompanied by a complaint or other pleading giving rise to this claim. The failure of the Indemnified Person to deliver this notice within such fifteen (15) day period shall, if materially prejudicial to the Company's ability to defend the action, relieve the Company of its indemnity obligation for this claim. In the event that the MSF or the MEDC shall use its own counsel to defend against any claim giving rise to the Company's obligation of indemnity under this Section, the Company shall nonetheless, at its sole cost and expense, have the right to participate in the defense to the extent practical. The Company shall not have the right or authority to settle any claim against or affecting the rights of the MSF or the MEDC or other Indemnified Person without the prior written consent of the MSF, MEDC or other Indemnified Person. The MSF, the MEDC or other Indemnified Person shall not be liable for the settlement of any proceeding made without its prior written consent.

Performance of the activities contemplated under this Agreement is within the sole control of the Company and its employees, agents and contractors, and an Indemnified Person shall have no liability in tort or otherwise for any loss or damage caused by or related to the actions or failures to act, products and processes of the Company, its employees, agents or contractors. The Company shall also indemnify the MSF, the MEDC or other Indemnified Person from and against all costs and expenses, including reasonable counsel fees, lawfully incurred in enforcing any obligation of the Company under this Agreement. This Section shall survive the termination of this Agreement.

ARTICLE VI

GENERAL TERMS AND CONDITIONS

Section 6.1 Key Objectives. The Company agrees to the Key Objectives as set forth in Exhibit "A".

Section 6.2 Access to Records and Inspection Rights. To enable the Auditor General, the MSF and the MEDC to monitor and ensure compliance with the terms of this Agreement, the Company shall permit the Auditor General, the MSF and the MEDC to inspect the books and records, including financial records and all other information and data relevant to the terms of this Agreement and the expenditure of the Proceeds, but not more than once per calendar quarter except upon the occurrence of an Event of Default or the Auditor General's, the MSF's or the MEDC's reasonable belief that an Event of Default has occurred. The Company shall cooperate with the chief compliance officer, if contacted, as provided in MCL 125.2088i(6)(h). The Company shall permit the Auditor General, the MSF or any member, director or officer, employee or agent of the MSF, the Portfolio Manager or any employee or agent of the MEDC to visit, upon reasonable prior notice and during normal business hours, the Company offices and any other location where books and records of the Company are normally kept, to inspect the books and records, including financial records, of the Company related to this Agreement (including information and data deemed by the Company as designated Company Information, as defined in Section 6.5). At such visits, the Company shall permit the Auditor General, the MSF or any member, director, officer, employee or agent of the MSF, the Portfolio Manager or any employee or agent of the MEDC to make copies or extracts from information not deemed by the Company as designated Company Information and to discuss the affairs, finances and accounts of the Company related to this Agreement with its officers, employees or agents who are primarily responsible for expenditure of the Proceeds as often as the Auditor General, the MSF and the MEDC may reasonably require. Notwithstanding anything to the contrary in this Article VI, any information and data that the Company reasonably determines is Designated Information shall be reviewed by the Auditor General, the MSF and the MEDC at the offices of the Company (in lieu of the Company delivering such information or data to the Auditor General, the MSF or the MEDC) during normal business hours and the Auditor General, MSF or the MEDC shall not have the right to remove, photocopy, photograph or otherwise record in any way any part of such books and records without the prior written consent of the Company, which consent shall not be unreasonably withheld.

Section 6.3 Information and Reports. The Company shall provide to the MSF and the Portfolio Manager annual summary progress reports (the "Progress Report") within the one (1) year anniversary of the Agreement Date and every twelve (12) months thereafter for the twelve (12) month period ending prior to the due date in a form acceptable to the Portfolio Manager. Each Progress Report shall contain a concise description of activities supported by the Proceeds, the Company's accomplishments, the Company's performance against the Key

Objectives, information on the use of the Proceeds, any material change in financial condition, and any additional information or data requested by the Portfolio Manager reasonably related to the business, affairs and financial condition of the Company. The Progress Report shall be substantially in the form of Exhibit "F". The Milestone Reports shall contain adequate documentation to demonstrate that a set of Key Objectives has been met. Consistent with the reporting requirements in 2005 PA 215, the Company shall also provide the following information within forty-five (45) calendar days after the end of each calendar year:

- (i) The entity that has received funding, the amount received and the type of funding;
- (ii) The number of new patents, copyrights, or trademarks applied for and issued;
- (iii) The number of new start-up businesses created;
- (iv) The number of new jobs created and projected new job growth;
- (v) Amounts of other funds received or leveraged so the Portfolio Manager can determine the amount the Company has leveraged from other sources for this project;
- (vi) Money or other revenues or property returned to the investment fund;
- (vii) The total number of new licensing agreements by institution and the number of new licensing agreements entered into with Michigan firms; and
- (viii) Products commercialized.

There will be frequent contact between the Portfolio Manager and the Company, including a minimum of two site visits made approximately at the one year and two year anniversary of the Agreement Date and pursuant to at least five (5) business days advance notice. Within six (6) months following the completion of the (last) Set of Key Objectives, the Company shall provide the MSF Board and the Portfolio Manager with a Final Progress Report (the Final Progress Report). The Final Progress Report shall be an all-encompassing report and shall include a description of the objectives achieved during the award period, budget, metrics, statistics, intellectual property and commercialization status, any supporting documentation and any other information or data requested by the Portfolio Manager to assess compliance with Exhibits "E" (Budget) and "A" (Key Objectives). All Progress Reports shall be retained by the MSF and shall be in a form as determined in advance by the Portfolio Manager. The Company shall include reprints of publications published based upon developments funded by the Proceeds in the annual Progress Reports and the Final Progress Report. The Company shall provide to the MSF Board and the Portfolio Manager immediate notice of any material change to activities funded with the Proceeds, including, but not limited to, changes to key personnel. All material changes to objectives and the Budget (other than as provided in Section 3.8, Exhibit "A" and Exhibit "E") must be pre-approved in writing by the Portfolio Manager, which approval shall not be unreasonably withheld or delayed; provided, however, that the Budget may not be increased without the prior approval of the MSF Board.

Section 6.4 Annual Financial Statements. The Company shall provide to the MSF, MSF Board and the MEDC copies of its management certified annual financial statements within one hundred and eighty (180) calendar days after the end of the Company's fiscal year.

For purposes of this section, “management certified” shall mean Company financial statements certified by the Chief Executive Officer, Principal, Chief Financial Officer or an equivalent officer of the Company. The Company shall also provide a copy of its annual tax return filed with the Internal Revenue Service.

Upon the occurrence of an Event of Default or upon the MSF Board's reasonable belief that an Event of Default has occurred, the MSF Board may require that the Company provide the MSF Board with audited financial statements for its most recently ended fiscal year, audited by an independent certified public accountant. Additionally, if the MSF Board has a reasonable belief that a breach of contract has occurred, the MSF shall have the right to have the Company's annual financial statements separately audited by an independent certified public accountant engaged by the MSF Board at the MSF's sole cost and expense. If the audit reveals that a breach of contract has occurred, the Company shall reimburse the MSF for the fees and expenses incurred to perform the audit.

Section 6.5 Confidentiality. In connection with the transactions contemplated by this Agreement, the MSF, the MEDC or their representatives may obtain, or have access to all information or data concerning the business, operations, assets or liabilities of the Company, including, without limitation, the Intellectual Property (collectively, the “Company Information”). Pursuant to MCL 125.2005(9), the MSF Board has authority to acknowledge financial or proprietary Company Information as confidential. Upon receiving the designated Company Information, the MEDC will forward the designated Company Information to the MSF Board for a determination of whether the designated Company Information will be acknowledged as confidential. After the MSF Board acknowledges designated Information as confidential (“Confidential Information”), the MSF Board, and the MEDC agree that it and its representatives will use the Confidential Information solely for the purpose of administering this Agreement, and that the Confidential Information will be kept strictly confidential and that neither the MSF Board, the MEDC nor any of their representatives will disclose any of the Confidential Information in any manner whatsoever. However, the MSF Board or the MEDC may disclose Confidential Information (a) to such of its representatives who need such information or data for the sole purpose of administering the transactions contemplated by this Agreement, (b) to the extent required by applicable law (including, without limitation, the Michigan Freedom of Information Act), (c) if, prior to the Agreement Date, such information or data was generally publicly available, (d) if after the Agreement Date, such information or data becomes publicly available without fault of or action on the part of the MSF Board, the MEDC or its representatives, and (e) in all other cases, to the extent that the Company gives its prior written consent to disclosure. This Section 6.5 shall survive termination of this Agreement. Neither the MSF Board nor MEDC shall be liable for any inadvertent disclosure of any of the Company's Confidential Information.

Section 6.6 Portfolio Manager. The MEDC shall designate a Portfolio Manager to administer this Agreement and to monitor the disbursements under this Agreement. The Portfolio Manager may be changed at the discretion of the MEDC or the MSF.

Section 6.7 Publicity. The Company will not use the name of the MSF, the State, the MEDC, nor any director, member, officer, agent or employee of the MSF, the State and MEDC in any publicity, advertising or news release concerning this Agreement without the prior written approval of the Portfolio Manager or an authorized representative of the MSF.

Section 6.8 Compliance with Governing Documents. The Company shall comply with all obligations under its **certificate/articles of incorporation/organization, bylaws/operating agreement** and this Agreement.

Section 6.9 Discharge of Obligations. Unless contested in good faith by appropriate proceedings without risk of encumbrance of any Company asset, the Company shall promptly pay and discharge all taxes, assessments, and governmental charges lawfully levied or imposed upon it (in each case before they become delinquent and before penalties accrue), pay when due all lawful claims for labor, materials, supplies, and rents, and pay all other debts and liabilities that if unpaid would by law result in a writ of attachment, garnishment, execution, tax lien, or similar writ upon any of the property of the Company.

Section 6.10 Enforcement of Rights. To the extent necessary to protect its intellectual property and without incurring extraordinary expense, the Company will enforce its rights under all confidentiality and non-competition agreements it has entered into.

Section 6.11 Termination of Funding. In the event that the State Legislature or the State government fails to provide or terminates the funding necessary for the MSF to fund the Proceeds, the MSF may terminate this Agreement by providing notice to the Company not less than thirty (30) calendar days prior to the date of cancellation provided, however, that in the event the action of the State Legislature or State government results in an immediate absence or termination of funding, this Agreement may be terminated effective immediately upon delivery of written notice to the Company. In the event of termination of funding, the MSF has no further obligation to make loan disbursements beyond the date of termination of this Agreement.

Section 6.12 Termination of Agreement. Other than as set forth in Sections 6.13 and 7.2, this Agreement shall terminate upon payment in full of the Note, whether by payment at maturity or prepayment.

Section 6.13 Non-Discrimination and Unfair Labor Practices. In connection with this Agreement, the Company agrees not to discriminate against any employee or applicant for employment, with respect to their hire, tenure, terms, conditions or privileges of employment, or any matter directly or indirectly related to employment, because of race, color, religion, national origin, ancestry, age, sex, height, weight, marital status, physical or mental disability unrelated to the individual's ability to perform the duties of the particular job or position. The Company further agrees that every subcontract entered into for performance of this Agreement will contain a provision requiring nondiscrimination in employment, as specified in this Agreement, binding upon each subcontractor. This covenant is required pursuant to the Elliot Larsen Civil Rights Act, 1976 PA 453, MCL 37.2101, *et seq.*, and the Persons with Disabilities Civil Rights Act, 1976 PA 220, MCL 37.1101, *et seq.*, and any breach thereof may be regarded as a material breach of this Agreement. In addition, as provided in Executive Directive 2007-24, Contractor shall not discriminate against any employee or applicant for employment with respect to his or her hire, terms, tenure, conditions or privileges of employment, or any matter directly or indirectly related to employment because of sexual orientation, gender identity or expression, or genetic information that is unrelated to the individual's ability to perform the duties of a particular job or position.

Pursuant to 1980 PA 278, MCL 423.321, *et seq.*, the State shall not award a contract or subcontract to an employer whose name appears in the current register of employers failing to correct an unfair labor practice compiled pursuant to Section 2 of the Act. The United States Labor Relations Board compiles this information. The Company shall not enter into a contract with a subcontractor, manufacturer, or supplier whose name appears in this register. Pursuant to Section 4 of 1980 PA 278, MCL 423.324, the State may void any contract if, subsequent to the award of the contract, the name of the Company as an employer, or the name of a subcontractor, manufacturer, or supplier of the Company appears in the register.

ARTICLE VII

DEFAULT

Section 7.1 Events of Default. The occurrence of any one or more of the following events or conditions shall constitute an “Event of Default” under this Agreement, unless a written waiver of the Event of Default is signed by the MSF Board:

(a) any representation made by the Company shall prove incorrect at the time that such representation was made in any material respect, including, but not limited to, any information provided under Section 6.3;

(b) any material breach by the Company of an obligation of the Company under this Agreement, which breach is not cured to the reasonable satisfaction of the MSF Board within thirty (30) days after receipt of notice or within such longer period of time agreed upon in writing by the MSF Board and the Company;

(c) any failure by the Company to pay any installment of principal or interest when due under this Agreement and such failure shall continue and shall not be cured for a period of ten (10) calendar days after the due date of such payment;

(d) the Company’s failure generally to pay debts as they mature, including any loan with the State or the MEDC through the Michigan Life Sciences Corridor Fund or the Technology Tri-Corridor Fund, or the appointment of a receiver or custodian over a material portion of the Company’s assets, which receiver or custodian is not discharged within sixty (60) calendar days of such appointment;

(e) any voluntary bankruptcy or insolvency proceedings are commenced by the Company;

(f) any involuntary bankruptcy or insolvency proceedings are commenced against the Company, which proceedings are not set aside within sixty (60) calendar days from the date of institution thereof;

(g) any writ of attachment, garnishment, execution, tax lien, or similar writ is issued against the property of the Company which is not either (i) removed within sixty (60) calendar days, or (ii) bonded over by the Company while being contested in good faith by appropriate proceedings;

(h) the Collateral is sold, conveyed, leased, hypothecated, assigned, transferred, pledged, granted as security, or disposed of without the prior written approval of the MSF Board, except in the Company’s ordinary course of business;

(i) the Company’s failure to timely meet one of the Key Objectives set out in Exhibit “A”;

(j) the occurrence of a Trigger Event; or

(k) the Company ceases substantially all of its operations.

Section 7.2 Available Remedies. Upon the occurrence of any one or more of the Events of Default, the MSF may terminate this Agreement and retains the right to demand return of any Proceeds paid as a result of the violation of this Agreement giving rise to such Event of Default. The termination of this Agreement is not intended to be the sole and exclusive remedy in case any Event of Default shall occur and each remedy shall be cumulative and in addition to every other provision or remedy given herein or now or hereafter existing at law, in equity, by statute or otherwise. The Company will pay all costs and expenses, including, without limitation, reasonable attorneys fees and expenses incurred by the MSF in collecting any sums due the MSF under this Agreement, in enforcing any of its rights under this Agreement due to failure of the Company to comply with its obligations under this Agreement, or in exercising any remedies available to the MSF as result of the occurrence of one or more Events of Default.

Section 7.3 Reimbursement. If this Agreement is terminated as described in Section 7.2, the MSF shall have no further obligation to make any further payment of any kind to the Company. The Company shall reimburse the MSF for disbursements of the Proceeds determined to have been expended for purposes other than as set forth in Section 3.8 and for the Proceeds which were previously disbursed but not yet expended by the Company and which are not subject to an irrevocable or non-cancelable legal commitment of the Company for expenditure of funds contemplated by the Budget or otherwise approved by the MSF.

ARTICLE VIII

MISCELLANEOUS

Section 8.1 Notices. Any notice, approval, request, authorization, direction or other communication under this Agreement shall be given in writing and shall be deemed to have been delivered and given for all purposes (i) on the delivery date if delivered by confirmed facsimile; (ii) on the delivery date if delivered personally to the Party to whom it is directed; (iii) one (1) business day after deposit with a commercial overnight carrier, with written verification of receipt; or (iv) three (3) business days after the mailing date, whether or not actually received, if sent by United States mail, return receipt requested, postage and charges prepaid, or any other means of rapid mail delivery for which a receipt is available. The notice address for the Parties shall be the address as set forth in the introductory paragraph of this Agreement, with the other relevant notice information, including the recipient for notice and, as applicable, such recipient's fax number or e-mail address, to be as reasonably identified by the notifying Party. The MSF, the Portfolio Manager and Company may by notice given to other Parties designate any further or different addresses to which subsequent notices shall be sent.

Section 8.2 Entire Agreement. This Agreement, together with the Exhibits, sets forth the entire agreement of the Parties with respect to the subject matter, and supersedes all prior agreements, understandings and communications, whether written or oral, with respect to the subject matter of this Agreement.

Section 8.3 Counterparts and Copies. This Agreement may be executed in any number of counterparts, each of which, when executed shall be deemed an original, and all of which together, shall constitute one and the same agreement. Copies (whether photostatic, facsimile or otherwise) of this Agreement may be made and relied upon to the same extent as though such copy was an original.

Section 8.4 Severability. If any clause, provision or section of this Agreement shall be held illegal or invalid by any court, to the extent permitted by the court order, decree or judgment the invalidity of such clause, provision or section shall not affect any of the remaining clauses, provisions or sections of this Agreement and this Agreement shall be construed and enforced as if the illegal or invalid clause, provision or section had not been contained in this Agreement.

Section 8.5 Captions. The captions or headings in this Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Agreement.

Section 8.6 Governing Law. This Agreement and the Loan Documents shall be deemed to be a contract made under the laws of the State, and for all purposes shall be governed by, and construed in accordance with, the laws of the State.

Section 8.7 Relationship between Parties. The relationship between the parties is only as described in this Agreement. The Company and its officers, agents and employees shall not describe or represent themselves as agents of the State, the MSF, the MSF Board or the MEDC to any individual person, firm or entity for any purpose.

Section 8.8 Successors and Assigns. The MSF may at any time assign its rights in this Agreement and the Loan Documents, and transfer its rights in any or all of the Collateral. The Company may not assign its rights or obligations under this Agreement without the prior written consent of the MSF Board. The terms and conditions of this Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns.

Section 8.9 Waiver. A failure or delay in exercising any right in respect of this Agreement will not be presumed to operate as a waiver unless otherwise stated in this Agreement, and a single or partial exercise of any right will not be presumed to preclude any subsequent or further exercise of that right or the exercise of any other right.

Section 8.10 Amendment. This Agreement may not be modified or amended except pursuant to a written instrument signed by the Parties.

Section 8.11 Prevailing Wage. If the activities funded by this Loan involve construction of a building or facilities, the Company, its contractors and subcontractors shall comply with prevailing wage and fringe benefit rates for the same or similar work in the locality in which the work is to be performed.

Section 8.12 Jurisdiction. The laws of the State of Michigan shall govern this Agreement. The parties shall make a good faith effort to resolve any controversies that arise regarding this Agreement. If a controversy cannot be resolved, the parties agree that any legal actions concerning this Agreement shall be brought in the Michigan Court of Claims or, as appropriate, Ingham County Circuit Court in Ingham County, Michigan. The Company acknowledges by signing this Agreement that it is subject to the jurisdiction of this court and agrees to service by first class or express delivery wherever the Company resides, in or outside of the United States.

The Parties have executed this Agreement as of MONTH _____, 2008.

MICHIGAN STRATEGIC FUND

Cindy Douglas
Fund Manager

[Company] hereby certifies that the funds shall be used for the successful retention of Pfizer talent and reuse of facilities and equipment toward job creation and commercialization and advancement of life sciences technologies in Michigan. The Company believes it meets this requirement as follows:

- 1.
- 2.
- 3.

COMPANY

EXHIBIT A
KEY OBJECTIVES

EXHIBIT B

LOAN DISBURSEMENT REQUEST

LOAN DISBURSEMENT REQUEST

The Michigan Economic Development Corporation
300 North Washington Square
Lansing, Michigan 48913
Attention: Portfolio Manager

Pursuant to the Loan Agreement, dated MONTH ____, 2008 (the "Loan Agreement"), between _____ a Michigan/Delaware corporation/limited liability company (the "Company"), and the Michigan Strategic Fund, a public body corporate and politic within the Department of Treasury of the State of Michigan ("MSF"), the Company requests the MSF to make a Loan Disbursement directly to the Company in the amount of \$_____ as soon as possible.

The Company certifies to the MSF that the Proceeds will not be used for any of the following: (i) to induce the Company, a qualified business or a small business to leave this state; and (ii) to contribute to the violation of internationally recognized workers rights, as defined in section 507(4) of the trade act of 1974, 19 USC 2467(4), of workers in a country other than the United States, including any designated zone or area in that country.

The Company certifies that: (a) it has complied with the conditions specified in Article II of the Loan Agreement with respect to the Loan Disbursement; (b) its state of incorporation/organization is Michigan/Delaware; (c) except as attached to this Loan Disbursement Request, the board of directors and officers of the Company have not changed since the date of the Loan Agreement; (d) the undersigned is a duly authorized representative of the Company; and (e) the Loan Disbursement will be used by the Company for the following purposes:

[Attach documentation specifying general categories of uses of the Loan]

Dated: _____

Company

LOAN DISBURSEMENT REQUEST

INITIAL LOAN DISBURSEMENT REQUEST

The Michigan Economic Development Corporation
300 North Washington Square
Lansing, Michigan 48913
Attention: Portfolio Manager

Pursuant to the Loan Agreement, dated MONTH _____, 2008 (the "Loan Agreement"), between _____ a Michigan/Delaware corporation/limited liability company (the "Company"), and the Michigan Strategic Fund, a public body corporate and politic within the Department of Treasury of the State of Michigan ("MSF"), the Company requests the MSF to make a Loan Disbursement directly to the Company in the amount of \$_____ as soon as possible.

The Company certifies to the MSF that the Proceeds will not be used for any of the following: (i) to induce the Company, a qualified business or a small business to leave this state; and (ii) to contribute to the violation of internationally recognized workers rights, as defined in section 507(4) of the trade act of 1974, 19 USC 2467(4), of workers in a country other than the United States, including any designated zone or area in that country.

The Company certifies that: (a) it has complied with the conditions specified in Article II of the Loan Agreement with respect to the Loan Disbursement; (b) its state of incorporation/organization is Michigan/Delaware; (c) except as attached to this Loan Disbursement Request, the board of directors and officers of the Company have not changed since the date of the Loan Agreement; (d) the undersigned is a duly authorized representative of the Company; and (e) the Loan Disbursement will be used by the Company for the following purposes:

[Attach documentation specifying general categories of uses of the Loan]

Dated: _____

Company

EXHIBIT C

FORM OF NOTE

PROMISSORY NOTE
(Line of Credit)

Up to \$XXXXXX

Dated: MONTH ____, 2008

FOR VALUE RECEIVED, _____, a Michigan/Delaware corporation/limited liability company, ("Borrower") promises to pay to the order of the MICHIGAN STRATEGIC FUND, a public body corporate and politic within the Department of Treasury of the State of Michigan ("MSF" or "Lender") at 300 North Washington Square, Lansing, Michigan 48913 or at such other place as the MSF may designate in writing, the principal sum of XXXXX and 00/100 Dollars (\$XXXX) or such lesser sum as shall have been advanced by the MSF to Borrower under this Note and as contemplated by that certain Loan Agreement between Borrower and Lender, dated as of the date hereof (the "Loan Agreement"), plus interest as hereinafter provided, all in lawful money of the United States of America, in accordance with the terms hereof. Capitalized terms used herein and not otherwise defined shall have the meanings assigned to them in the Loan Agreement.

All disbursements made under this promissory note ("Note") shall be charged to a loan account in Borrower's name on the MSF's books, and the MSF shall debit to such account the amount of each advance made to, and credit to such account the amount of each repayment made by Borrower. From time to time and upon Borrower's request, MSF shall furnish Borrower a statement of Borrower's loan account, which statement shall be deemed to be correct, accepted by, and binding upon Borrower, unless MSF receives a written statement of exceptions from Borrower within ten calendar (10) days after such statement has been furnished.

The unpaid principal balance of this Note shall bear interest from the date advanced at a per annum rate of one percent (1%). Interest shall be computed on the basis of the actual number of days elapsed. Beginning on the first day following the fifth anniversary of this Note and continuing until the Note is paid in full, the Restated Principal, as defined below, shall bear interest at a final interest rate to be set by the Fund Committee; provided that this final interest rate will not be set higher than the prime interest rate as defined in the Wall Street Journal on the first day following the fifth anniversary date of this Note.

Borrower shall have no obligation to make any payment of principal or accrued interest on this Note until the 5 year anniversary of the date of this Note. As of such date, all accrued but unpaid interest on this Note shall be added to the then outstanding principal of this Note, with such sum referred to herein as the "Restated Principal." Interest at the rate provided above shall thereafter accrue on the Restated Principal. Commencing with the first business day of the calendar month first following such 5 Year anniversary and continuing on the first business day of each of the following fifty-nine (59) calendar months, Borrower shall pay the MSF the Restated Principal and accrued interest on any unpaid portion thereof in equal installments until paid in full.

In the event that any payment under this Note is not received by MSF within ten (10) days of the date when due, a late charge of Five (5%) percent of the amount of such payment shall be due and payable. Borrower agrees that the late charge is a reasonable estimate of the

administrative costs which MSF will incur in processing the delinquency. MSF's acceptance of a late payment or of the late payment charge will not waive any default under this Note.

The Borrower shall have the right to prepay accrued interest and principal in full at any time upon notice to the Lender setting forth the amount of the prepayment. The MSF shall apply prepayments first to accrued interest and then to principal.

Upon the occurrence of either a "Trigger Event" or an "Event of Default" (as both such capitalized terms are defined in the Loan Agreement), the entire principal balance of this Note, together with all accrued and unpaid interest, shall become immediately due and payable at the election of Lender without notice, demand or presentment. In the event that a Trigger Event has occurred, a premium equal to seven percent (7%) shall also be applied to the outstanding Indebtedness. All costs and expenses of collection, including, without limitation, reasonable attorneys fees and expenses, shall be added to and become part of the total indebtedness evidenced by this Note.

Acceptance by Lender of any payment in an amount less than the amount then due shall be deemed an acceptance on account only, and Borrower's failure to pay the entire amount then due shall be and continue to be a default. Upon the occurrence of any Trigger Event or Event of Default under the Loan Agreement, neither the failure of Lender promptly to exercise its right to declare the outstanding principal and accrued unpaid interest and any applicable premium under this Note to be immediately due and payable, nor the failure of Lender to demand strict performance of any other obligation of Borrower, shall constitute a waiver of any rights, nor a waiver of any rights in connection with any future default on the part of the Borrower or any other person who may be liable under this Note.

In no event shall Borrower be required to pay a rate of interest in excess of the Maximum Rate. The term "Maximum Rate" shall mean the maximum non-usurious rate of interest that Lender is allowed to contract for, charge, take, reserve or receive under the applicable laws of any applicable state or of the United States of America (whichever from time to time permits the highest rate for the use, forbearance or detention of money) after taking into account, to the extent required by applicable law, any and all relevant payments or charges under this Note, or under any other document or instrument executed and delivered in connection with and the indebtedness evidenced by the document.

In the event Lender ever receives, as interest, any amount in excess of the Maximum Rate, such amount as would be excessive interest shall be deemed a partial prepayment of principal, and, if the principal hereof is paid in full, any remaining excess shall be returned to Borrower. In determining whether or not the interest paid or payable, under any specified contingency, exceeds the Maximum Rate, Borrower and Lender shall, to the maximum extent permitted by law, (a) characterize any non-principal payment as an expense, fee, or premium rather than as interest; (b) exclude voluntary prepayments and the effects thereof; and (c) amortize, prorate, allocate and spread the total amount of interest through the entire contemplated term of the indebtedness until payment is made in full of the principal (including the period of any extension or renewal thereof) so that the interest on account of the indebtedness shall not exceed the Maximum Rate.

This Note has been executed pursuant to, or is secured or supported by, the following documents:

Loan Agreement, dated MONTH _____, 2008

Security Agreement, dated MONTH _____, 2008

The Borrower and the Lender may also have signed other documents in conjunction with providing for security for this Note or other matters. Reference is made to these documents for additional terms relating to the transaction giving rise to this Note, the security or support given for this Note and additional terms and conditions under which this Note matures, may be accelerated or prepaid.

This Note shall be binding upon Borrower and its successors and assigns, and the benefits hereof shall inure to Lender and their respective successors and assigns. This Note has been executed in the State of Michigan, and all rights and obligations shall be governed by the laws of the State of Michigan.

BORROWER: COMPANY

PROMISSORY NOTE
(Line of Credit)

Up to \$XXXXXX

Dated: MONTH _____, 2008

FOR VALUE RECEIVED, _____, a Michigan/Delaware corporation/limited liability company, ("Borrower") promises to pay to the order of the MICHIGAN STRATEGIC FUND, a public body corporate and politic within the Department of Treasury of the State of Michigan ("MSF" or "Lender") at 300 North Washington Square, Lansing, Michigan 48913 or at such other place as the MSF may designate in writing, the principal sum of XXXXX and 00/100 Dollars (\$XXXX) or such lesser sum as shall have been advanced by the MSF to Borrower under this Note and as contemplated by that certain Loan Agreement between Borrower and Lender, dated as of the date hereof (the "Loan Agreement"), plus interest as hereinafter provided, all in lawful money of the United States of America, in accordance with the terms hereof. Capitalized terms used herein and not otherwise defined shall have the meanings assigned to them in the Loan Agreement.

All disbursements made under this promissory note ("Note") shall be charged to a loan account in Borrower's name on the MSF's books, and the MSF shall debit to such account the amount of each advance made to, and credit to such account the amount of each repayment made by Borrower. From time to time and upon Borrower's request, MSF shall furnish Borrower a statement of Borrower's loan account, which statement shall be deemed to be correct, accepted by, and binding upon Borrower, unless MSF receives a written statement of exceptions from Borrower within ten calendar (10) days after such statement has been furnished.

The unpaid principal balance of this Note shall bear interest from the date advanced at a per annum rate of one percent (1%). Interest shall be computed on the basis of the actual number of days elapsed. Beginning on the first day following the fifth anniversary of this Note and continuing until the Note is paid in full, the Restated Principal, as defined below, shall bear interest at a final interest rate to be set by the Fund Committee; provided that this final interest rate will not be set higher than the prime interest rate as defined in the Wall Street Journal on the first day following the fifth anniversary date of this Note.

Borrower shall have no obligation to make any payment of principal or accrued interest on this Note until the 5 year anniversary of the date of this Note. As of such date, all accrued but unpaid interest on this Note shall be added to the then outstanding principal of this Note, with such sum referred to herein as the "Restated Principal." Interest at the rate provided above shall thereafter accrue on the Restated Principal. Commencing with the first business day of the calendar month first following such 5 Year anniversary and continuing on the first business day of each of the following fifty-nine (59) calendar months, Borrower shall pay the MSF the Restated Principal and accrued interest on any unpaid portion thereof in equal installments until paid in full.

In the event that any payment under this Note is not received by MSF within ten (10) days of the date when due, a late charge of Five (5%) percent of the amount of such payment shall be due and payable. Borrower agrees that the late charge is a reasonable estimate of the administrative costs which MSF will incur in processing the delinquency. MSF's acceptance of a late payment or of the late payment charge will not waive any default under this Note.

The Borrower shall have the right to prepay accrued interest and principal in full at any time upon notice to the Lender setting forth the amount of the prepayment. The MSF shall apply prepayments first to accrued interest and then to principal.

Upon the occurrence of either a "Trigger Event" or an "Event of Default" (as both such capitalized terms are defined in the Loan Agreement), the entire principal balance of this Note, together with all accrued and unpaid interest, shall become immediately due and payable at the election of Lender without notice, demand or presentment. In the event that a Trigger Event has occurred, a premium equal to seven percent (7%) shall also be applied to the outstanding Indebtedness. All costs and expenses of collection, including, without limitation, reasonable attorneys fees and expenses, shall be added to and become part of the total indebtedness evidenced by this Note.

Acceptance by Lender of any payment in an amount less than the amount then due shall be deemed an acceptance on account only, and Borrower's failure to pay the entire amount then due shall be and continue to be a default. Upon the occurrence of any Trigger Event or Event of Default under the Loan Agreement, neither the failure of Lender promptly to exercise its right to declare the outstanding principal and accrued unpaid interest and any applicable premium under this Note to be immediately due and payable, nor the failure of Lender to demand strict performance of any other obligation of Borrower, shall constitute a waiver of any rights, nor a waiver of any rights in connection with any future default on the part of the Borrower or any other person who may be liable under this Note.

In no event shall Borrower be required to pay a rate of interest in excess of the Maximum Rate. The term "Maximum Rate" shall mean the maximum non-usurious rate of interest that Lender is allowed to contract for, charge, take, reserve or receive under the applicable laws of any applicable state or of the United States of America (whichever from time to time permits the highest rate for the use, forbearance or detention of money) after taking into account, to the extent required by applicable law, any and all relevant payments or charges under this Note, or under any other document or instrument executed and delivered in connection with and the indebtedness evidenced by the document.

In the event Lender ever receives, as interest, any amount in excess of the Maximum Rate, such amount as would be excessive interest shall be deemed a partial prepayment of principal, and, if the principal hereof is paid in full, any remaining excess shall be returned to Borrower. In determining whether or not the interest paid or payable, under any specified contingency, exceeds the Maximum Rate, Borrower and Lender shall, to the maximum extent permitted by law, (a) characterize any non-principal payment as an expense, fee, or premium rather than as interest; (b) exclude voluntary prepayments and the effects thereof; and (c) amortize, prorate, allocate and spread the total amount of interest through the entire contemplated term of the indebtedness until payment is made in full of the principal (including the period of any extension or renewal thereof) so that the interest on account of the indebtedness shall not exceed the Maximum Rate.

This Note has been executed pursuant to, or is secured or supported by, the following documents:

Loan Agreement, dated MONTH ____, 2008

Security Agreement, dated MONTH ____, 2008

The Borrower and the Lender may also have signed other documents in conjunction with providing for security for this Note or other matters. Reference is made to these documents for additional terms relating to the transaction giving rise to this Note, the security or support given for this Note and additional terms and conditions under which this Note matures, may be accelerated or prepaid.

This Note shall be binding upon Borrower and its successors and assigns, and the benefits hereof shall inure to Lender and their respective successors and assigns. This Note has been executed in the State of Michigan, and all rights and obligations shall be governed by the laws of the State of Michigan.

BORROWER: COMPANY

EXHIBIT D

SECURITY AGREEMENT

THIS SECURITY AGREEMENT (the "Agreement") dated **MONTH _____, 2008** is between the Michigan Strategic Fund a public body corporate and politic within the Department of Treasury of the State of Michigan ("Secured Party"), whose address is 300 North Washington Square, Lansing, Michigan 48913 and _____, ("Debtor" and together with Secured Party, the "Parties"), whose address and principal office is _____.

RECITALS:

WHEREAS, Debtor is indebted to Secured Party in the principal amount of up to **XXXX and 00/100 Dollars (\$XXXX)** (the "Debt"); and

WHEREAS, to secure Debtor's payment of the Debt, Debtor has agreed to execute and deliver this Agreement.

NOW, THEREFORE, the Parties agree as follows:

AGREEMENT:

1. GRANT OF SECURITY INTEREST. Debtor grants Secured Party a continuing security interest in and to the Collateral. As used in this Agreement, "Collateral" shall mean all tangible personal property owned by Debtor excluding any inventory (as such term is defined in the Michigan Uniform Commercial Code, as amended), as it may be supplemented by hereafter acquired Collateral, together with all accessions, parts, attachments, accessories, tools and dies or appurtenances thereto, attached, kept, used or intended for use in connection therewith, and all substitutions, improvements, replacements and additions thereto. The security interest granted herein is to secure the repayment of the Debt (the "Obligations").

2. NO UNAUTHORIZED DISPOSITION OF COLLATERAL. Debtor agrees not to sell, convey, lease, hypothecate, assign, transfer, pledge, grant a security interest in, or otherwise dispose of or encumber all or any part of the Collateral without Secured Party's prior written consent, except any such disposition that occurs in the normal course of Borrower's business.

3. WARRANTIES. Debtor represents and warrants to Secured Party that: (a) Debtor has full legal title to the Collateral, is the lawful owner of all of the Collateral, and has an unqualified right to subject the Collateral to Debtor's security interest; (b) all of the Collateral is located in the State of Michigan at the address stated above or is in Secured Party's possession, and Debtor agrees not to remove the Collateral outside the State of Michigan without Secured Party's prior written consent, which consent shall not be unreasonably withheld or delayed, (c) Debtor has full authority, complete power, and is duly authorized to enter into this Agreement with Secured Party, and the execution of this Agreement does not constitute a breach of any provision contained in any other agreement or instrument to which Debtor is or may become a party or by which Debtor is or may be bound or affected; (d) Debtor will not use the Collateral in violation of any statute or ordinance; and (e) Debtor will pay promptly when due

all taxes, assessments and governmental charges upon or against the Collateral before they become delinquent and before penalties accrue thereon, unless the same are being contested in good faith by appropriate proceedings and Debtor has posted a bond or other security sufficient to ensure that its title to the Collateral will not be adversely affected.

4. PERFECTION OF SECURITY INTEREST. Debtor agrees to promptly execute and deliver to Secured Party any and all documents that Secured Party reasonably deems necessary or desirable to perfect the security interests granted herein. Upon termination of the Obligations, Secured Party agrees to promptly execute and deliver to Debtor any and all documents that Debtor reasonably deems necessary or desirable to release the security interests granted herein, including, without limitation, termination statements.

5. DELIVERY OF AGREEMENT. In the event that Debtor fails to execute or deliver any document required to be executed or delivered by Debtor pursuant to this Agreement, Secured Party may deliver this Agreement to any other party or attorney in order to evidence Debtor's obligations to Secured Party and Secured Party's security interest in the Collateral.

6. DEFAULT. For purposes of this Agreement, an "Event of Default" means that term as it is defined in the Loan Agreement, dated as of the date hereof, between Secured Party and Debtor (the "Loan Agreement"). Whenever an Event of Default shall exist, the Obligations may, at Secured Party's option, and without demand or notice of any kind, be declared immediately due and payable and Secured Party may exercise all rights and remedies, including the right to immediate possession of the Collateral, available to it under applicable law. Upon and during the continuance of an Event of Default, Debtor agrees to assemble all of the Collateral at a convenient place acceptable to Secured Party, and to pay all costs of collection of the Obligations and enforcement of Secured Party's rights, including reasonable attorney fees. Any notification of intended disposition of any of the Collateral required by law shall be deemed reasonably and properly given if sent at least ten (10) business days before such disposition, postage prepaid, addressed to Debtor at the address shown in this Agreement.

7. GOVERNING LAW; SEVERABILITY. This Agreement shall be construed in accordance with the laws of the State of Michigan, without regard to its conflicts of laws principles. Wherever possible each provision of this Agreement shall be construed in such manner as to be valid and enforceable under applicable law, but if any provision hereof shall be deemed invalid or unenforceable to any extent in any jurisdiction, such provision shall be ineffective only to the extent of such invalidity and unenforceability without invalidating or rendering unenforceable the remainder of such provision or any of the other provisions hereof, and any such invalidity or unenforceability in one jurisdiction shall not render such provision ineffective in any other jurisdiction.

8. AMENDMENT. No provision of this Agreement may be amended, modified, supplemented or waived, except by a writing duly executed by the Parties.

9. TERMINATION. This Agreement and the security interest granted by this Agreement shall automatically terminate upon payment in full of the Note whether by payment at maturity or prepayment.

10. NOTICES. Any notice, approval, request, authorization, direction or other communication under this Agreement shall be given in writing and shall be deemed to have been delivered and given for all purposes (i) on the delivery date if delivered by confirmed facsimile; (ii) on the delivery date if delivered personally to the Party to whom the same is

directed; (iii) one (1) business day after deposit with a commercial overnight carrier, with written verification of receipt; or (iv) three (3) business days after the mailing date, whether or not actually received, if sent by United States mail, return receipt requested, postage and charges prepaid, or any other means of rapid mail delivery for which a receipt is available. The notice address for the Parties shall be the address as set forth in this Agreement, with the other relevant notice information, including the recipient for notice and, as applicable, such recipient's fax number or e-mail address, to be as reasonably identified by notifying Party. The Secured Party and Debtor may by notice given under this Agreement designate any further or different addresses to which subsequent notices shall be sent.

11. COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which together shall be considered one and the same instrument. Photostatic or facsimile reproductions of this Agreement may be made and relied upon to the same extent as originals.

The Parties have executed this Security Agreement as of the date first written above.

DEBTOR: COMPANY

SECURED PARTY: MICHIGAN STRATEGIC FUND

Cindy Douglas
Fund Manager

SECURITY AGREEMENT

THIS SECURITY AGREEMENT (the "Agreement") dated MONTH _____, 2008 is between the Michigan Strategic Fund a public body corporate and politic within the Department of Treasury of the State of Michigan ("Secured Party"), whose address is 300 North Washington Square, Lansing, Michigan 48913 and _____, ("Debtor" and together with Secured Party, the "Parties"), whose address and principal office is _____.

RECITALS:

WHEREAS, Debtor is indebted to Secured Party in the principal amount of up to XXXX and 00/100 Dollars (\$XXXX) (the "Debt"); and

WHEREAS, to secure Debtor's payment of the Debt, Debtor has agreed to execute and deliver this Agreement.

NOW, THEREFORE, the Parties agree as follows:

AGREEMENT:

1. GRANT OF SECURITY INTEREST. Debtor grants Secured Party a continuing security interest in and to the Collateral. As used in this Agreement, "Collateral" shall mean all tangible personal property owned by Debtor excluding any inventory (as such term is defined in the Michigan Uniform Commercial Code, as amended), as it may be supplemented by hereafter acquired Collateral, together with all accessions, parts, attachments, accessories, tools and dies or appurtenances thereto, attached, kept, used or intended for use in connection therewith, and all substitutions, improvements, replacements and additions thereto. The security interest granted herein is to secure the repayment of the Debt (the "Obligations").

2. NO UNAUTHORIZED DISPOSITION OF COLLATERAL. Debtor agrees not to sell, convey, lease, hypothecate, assign, transfer, pledge, grant a security interest in, or otherwise dispose of or encumber all or any part of the Collateral without Secured Party's prior written consent, except any such disposition that occurs in the normal course of Borrower's business.

3. WARRANTIES. Debtor represents and warrants to Secured Party that: (a) Debtor has full legal title to the Collateral, is the lawful owner of all of the Collateral, and has an unqualified right to subject the Collateral to Debtor's security interest; (b) all of the Collateral is located in the State of Michigan at the address stated above or is in Secured Party's possession, and Debtor agrees not to remove the Collateral outside the State of Michigan without Secured Party's prior written consent, which consent shall not be unreasonably withheld or delayed; (c) Debtor has full authority, complete power, and is duly authorized to enter into this Agreement with Secured Party, and the execution of this Agreement does not constitute a breach of any provision contained in any other agreement or instrument to which Debtor is or may become a party or by which Debtor is or may be bound or affected; (d) Debtor will not use the Collateral in violation of any statute or ordinance; and (e) Debtor will pay promptly when due all taxes, assessments and governmental charges upon or against the Collateral before they become delinquent and before penalties accrue thereon, unless the same are being contested in

good faith by appropriate proceedings and Debtor has posted a bond or other security sufficient to ensure that its title to the Collateral will not be adversely affected.

4. PERFECTION OF SECURITY INTEREST. Debtor agrees to promptly execute and deliver to Secured Party any and all documents that Secured Party reasonably deems necessary or desirable to perfect the security interests granted herein. Upon termination of the Obligations, Secured Party agrees to promptly execute and deliver to Debtor any and all documents that Debtor reasonably deems necessary or desirable to release the security interests granted herein, including, without limitation, termination statements.

5. DELIVERY OF AGREEMENT. In the event that Debtor fails to execute or deliver any document required to be executed or delivered by Debtor pursuant to this Agreement, Secured Party may deliver this Agreement to any other party or attorney in order to evidence Debtor's obligations to Secured Party and Secured Party's security interest in the Collateral.

6. DEFAULT. For purposes of this Agreement, an "Event of Default" means that term as it is defined in the Loan Agreement, dated as of the date hereof, between Secured Party and Debtor (the "Loan Agreement"). Whenever an Event of Default shall exist, the Obligations may, at Secured Party's option, and without demand or notice of any kind, be declared immediately due and payable and Secured Party may exercise all rights and remedies, including the right to immediate possession of the Collateral, available to it under applicable law. Upon and during the continuance of an Event of Default, Debtor agrees to assemble all of the Collateral at a convenient place acceptable to Secured Party, and to pay all costs of collection of the Obligations and enforcement of Secured Party's rights, including reasonable attorney fees. Any notification of intended disposition of any of the Collateral required by law shall be deemed reasonably and properly given if sent at least ten (10) business days before such disposition, postage prepaid, addressed to Debtor at the address shown in this Agreement.

7. GOVERNING LAW; SEVERABILITY. This Agreement shall be construed in accordance with the laws of the State of Michigan, without regard to its conflicts of laws principles. Wherever possible each provision of this Agreement shall be construed in such manner as to be valid and enforceable under applicable law, but if any provision hereof shall be deemed invalid or unenforceable to any extent in any jurisdiction, such provision shall be ineffective only to the extent of such invalidity and unenforceability without invalidating or rendering unenforceable the remainder of such provision or any of the other provisions hereof, and any such invalidity or unenforceability in one jurisdiction shall not render such provision ineffective in any other jurisdiction.

8. AMENDMENT. No provision of this Agreement may be amended, modified, supplemented or waived, except by a writing duly executed by the Parties.

9. TERMINATION. This Agreement and the security interest granted by this Agreement shall automatically terminate upon payment in full of the Note whether by payment at maturity or prepayment.

10. NOTICES. Any notice, approval, request, authorization, direction or other communication under this Agreement shall be given in writing and shall be deemed to have been delivered and given for all purposes (i) on the delivery date if delivered by confirmed facsimile; (ii) on the delivery date if delivered personally to the Party to whom the same is directed; (iii) one (1) business day after deposit with a commercial overnight carrier, with written verification of receipt; or (iv) three (3) business days after the mailing date, whether or not

actually received, if sent by United States mail, return receipt requested, postage and charges prepaid, or any other means of rapid mail delivery for which a receipt is available. The notice address for the Parties shall be the address as set forth in this Agreement, with the other relevant notice information, including the recipient for notice and, as applicable, such recipient's fax number or e-mail address, to be as reasonably identified by notifying Party. The Secured Party and Debtor may by notice given under this Agreement designate any further or different addresses to which subsequent notices shall be sent.

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The Parties have executed this Security Agreement as of the date first written above.

DEBTOR: COMPANY

SECURED PARTY: MICHIGAN STRATEGIC FUND

Cindy Douglas
Fund Manager

EXHIBIT E
BUDGET

EXHIBIT F

PROGRESS REPORT

**Company Formation and Growth Fund
Annual Progress Report Template
Page One**

Attach additional sheets if necessary.

Company Name, Address and Phone Number:	
TOTAL PRINCIPLE LOAN AMOUNT AWARDED	
TOTAL AMOUNT OF LOAN DISBURSEMENTS RECEIVED TO DATE	
NUMBER OF NEW BUSINESSES CREATED, SINCE RECEIVING THE LOAN	
NUMBER OF NEW JOBS CREATED, SINCE RECEIVING THE LOAN	
AMOUNT OF ADDITIONAL FUNDS RECEIVED (LOANS OR INVESTMENTS) SINCE RECEIVING THE LOAN	
TOTAL REVENUES GENERATED, SINCE RECEIVING THE LOAN	
TOTAL AMOUNT OF LOAN PAID BACK TO THE MSF TO DATE	
NUMBER OF PRODUCTS COMMERCIALIZED, SINCE RECEIVING THE LOAN	
NUMBER OF SERVICES COMMERCIALIZED, SINCE RECEIVING THE LOAN	
NUMBER OF NEW PATENTS APPLIED FOR, SINCE RECEIVING THE LOAN	
NUMBER OF NEW PATENTS ISSUED, SINCE RECEIVING THE LOAN	
NUMBER OF TRADEMARKS ISSUED, SINCE RECEIVING THE LOAN	
NUMBER OF COPYRIGHTS APPLIED FOR, SINCE RECEIVING THE LOAN	
NUMBER OF COPYRIGHTS RECEIVED, SINCE RECEIVING THE LOAN	
THE TOTAL NUMBER OF NEW LICENSING AGREEMENTS BY INSTITUTION, SINCE RECEIVING THE LOAN:	
A.	
B.	
C.	
D.	
E.	
F.	
G.	
H.	
TOTAL NUMBER OF NEW LICENSING AGREEMENTS ENTERED INTO WITH MICHIGAN FIRMS, SINCE RECEIVING THE LOAN	
ADDITIONAL COMMENTS, IMPORTANT EVENTS ETC.	

PROGRESS REPORT

Company Formation and Growth Fund Annual Progress Report Template Page One

Attach additional sheets if necessary.

Company Name, Address and Phone Number:	
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B.	
C.	
D.	
E.	
F.	
G.	
H.	
TOTAL NUMBER OF NEW LICENSING AGREEMENTS ENTERED INTO WITH MICHIGAN FIRMS, SINCE RECEIVING THE LOAN	
ADDITIONAL COMMENTS, IMPORTANT EVENTS ETC.	

EXHIBIT G

**CERTIFICATES OF GOOD STANDING AND CERTIFICATE/ARTICLES OF
INCORPORATION/ORGANIZATION**

EXHIBIT H

CONSENT RESOLUTIONS

CONSENT RESOLUTIONS IN LIEU OF SPECIAL MEETING OF BOARD OF DIRECTORS OF COMPANY X

WHEREAS, Section 525/141 of the Michigan Business Corporation Act/Delaware General Corporation Law (the “Act”) provides that unless otherwise restricted by the certificate/article of incorporation/organization or bylaws/operating agreement, any action required or permitted to be taken at any meeting of the board of directors, or of any committee thereof, may be taken without a meeting if all of the members of the board or of the committee, as the case may be, consent in writing, and the writing or writings are filed with the minutes of proceedings of the board or committee; and

WHEREAS, the Company X, a Michigan/Delaware corporation/limited liability company (the “Corporation/Company”) proposes to (a) enter into that certain Loan Agreement (the “Loan Agreement”) with the Michigan Strategic Fund, a public body corporate and politic created within the Department of Treasury of the State of Michigan (the “Lender”) providing for a loan to the Corporation/Company and (b) borrow up to X Dollars (\$X.XX) from Lender under the Loan Agreement (the “Loan”), to be evidenced by a Line of Credit Promissory Note given in the same maximum principal amount (the “Note”), and secured under that certain Security Agreement between Company X, a Michigan/Delaware corporation/company, as debtor, and Lender, as secured party (the “Security Agreement”; together with the Loan Agreement and the Note, the “Loan Documents”).

NOW, THEREFORE, the undersigned, being all of the members of the Board of Directors of the Corporation/members of the Company, do hereby consent to adoption of the following resolutions, as if adopted at a properly called and duly held special meeting of such Board of Directors as of the date set forth below:

RESOLVED, that the Board of Directors of the Corporation/members of the Company hereby approves the Loan Documents substantially in the form this day presented to the Board of Directors.

RESOLVED, that the Board of Directors of the Corporation/members of the Company hereby approves the Loan and the other transactions contemplated by the Loan Documents and does hereby authorize and direct the President and Chief Executive Officer, the Secretary and the Treasurer of the Corporation/Company, acting individually (each an “Authorized Officer/Member” and, collectively, the “Authorized Officers/Members”), for and on behalf of the Corporation/Company, to further negotiate, execute and deliver the Loan Documents and such other certificates, agreements, documents and other instruments as shall be necessary to otherwise evidence or secure the Loan; and to do such other acts and things, as any such Authorized Officer/Member shall deem necessary, advisable or appropriate to consummate the transactions contemplated by the Loan Documents.

RESOLVED, that the Board of Directors/members of the Company hereby ratifies and confirms all previous action taken by the Corporation with respect to the transactions contemplated by the Loan Documents.

RESOLVED, that nothing in these resolutions shall be construed to require that any more than one Authorized Officer/Member execute any of the Loan Documents.

These resolutions have been executed as of MONTH _____, 2008 and may be executed by facsimile signature, each of which shall constitute an original, and all of which together shall constitute one and the same instrument.

SIGNATURE

SIGNATURE

SIGNATURE

SIGNATURE

CONSENT RESOLUTIONS

CONSENT RESOLUTIONS IN LIEU OF SPECIAL MEETING OF BOARD OF DIRECTORS OF COMPANY X

WHEREAS, Section 525/141 of the Michigan Business Corporation Act/Delaware General Corporation Law (the “Act”) provides that unless otherwise restricted by the certificate/article of incorporation/organization or bylaws/operating agreement, any action required or permitted to be taken at any meeting of the board of directors, or of any committee thereof, may be taken without a meeting if all of the members of the board or of the committee, as the case may be, consent in writing, and the writing or writings are filed with the minutes of proceedings of the board or committee; and

WHEREAS, the Company X, a Michigan/Delaware corporation/limited liability company (the “Corporation/Company”) proposes to (a) enter into that certain Loan Agreement (the “Loan Agreement”) with the Michigan Strategic Fund, a public body corporate and politic created within the Department of Treasury of the State of Michigan (the “Lender”) providing for a loan to the Corporation/Company and (b) borrow up to X Dollars (\$X.XX) from Lender under the Loan Agreement (the “Loan”), to be evidenced by a Line of Credit Promissory Note given in the same maximum principal amount (the “Note”), and secured under that certain Security Agreement between Company X, a Michigan/Delaware corporation/company, as debtor, and Lender, as secured party (the “Security Agreement”; together with the Loan Agreement and the Note, the “Loan Documents”).

NOW, THEREFORE, the undersigned, being all of the members of the Board of Directors of the Corporation/members of the Company, do hereby consent to adoption of the following resolutions, as if adopted at a properly called and duly held special meeting of such Board of Directors as of the date set forth below:

RESOLVED, that the Board of Directors of the Corporation/members of the Company hereby approves the Loan Documents substantially in the form this day presented to the Board of Directors.

RESOLVED, that the Board of Directors of the Corporation/members of the Company hereby approves the Loan and the other transactions contemplated by the Loan Documents and does hereby authorize and direct the President and Chief Executive Officer, the Secretary and the Treasurer of the Corporation/Company, acting individually (each an “Authorized Officer/Member” and, collectively, the “Authorized Officers/Members”), for and on behalf of the Corporation/Company, to further negotiate, execute and deliver the Loan Documents and such other certificates, agreements, documents and other instruments as shall be necessary to otherwise evidence or secure the Loan; and to do such other acts and things, as any such Authorized Officer/Member shall deem necessary, advisable or appropriate to consummate the transactions contemplated by the Loan Documents.

RESOLVED, that the Board of Directors/members of the Company hereby ratifies and confirms all previous action taken by the Corporation with respect to the transactions contemplated by the Loan Documents.

RESOLVED, that nothing in these resolutions shall be construed to require that any more than one Authorized Officer/Member execute any of the Loan Documents.

These resolutions have been executed as of MONTH _____, 2008 and may be executed by facsimile signature, each of which shall constitute an original, and all of which together shall constitute one and the same instrument.

SIGNATURE

SIGNATURE

SIGNATURE

SIGNATURE

Elaine Jaworsky

From: Randy Thelen <randy.thelen@lakeshoreadvantage.com>
Sent: Thursday, December 27, 2012 8:38 AM
To: Dean Wade; 'Skip Simms'; JBland@southwestmichiganfirst.com
Cc: rkitchens@southwestmichiganfirst.com; Martin Dober
Subject: Re: CFGF Interest Rate Fund Committee

Dean,

I am ok with your proposal as well.

If you were looking for any suggestions, the only one I would make would be to eliminate the escalating % based on job growth. Though I appreciate the intent, it seems to generate a lot of work for MEDC and the client to save a relatively small amount of money. I cannot imagine anyone complaining about a 3.25% interest rate paid on money they have been using for 5 years. If you want to keep it simple, I would be comfortable eliminating that sliding scale.

I am heading out of town and will be largely 'off the grid' starting today at noon. Please consider Lakeshore Advantage a 'yes' vote on the proposal with/without the suggested change.

Randy

Randy Thelen

President

Lakeshore Advantage

201 W. Washington Ave. Loft 410 | Zeeland, MI 49464
p 616.772.5226 | c 616.886.4351 | f 616.772.5602

www.LakeshoreAdvantage.com

www.MichiganSmartCoast.com

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From: Dean Wade <waded5@michigan.org>
Date: Wed, 26 Dec 2012 09:35:26 -0500
To: "'Skip Simms (Skip@annarborusa.org)'" <Skip@annarborusa.org>, Randy Thelen <randy.thelen@lakeshoreadvantage.com>, "'JBland@southwestmichiganfirst.com'" <JBland@southwestmichiganfirst.com>
Cc: "'rkitchens@southwestmichiganfirst.com'" <rkitchens@southwestmichiganfirst.com>, Martin Dober <doberm@michigan.org>
Subject: RE: CFGF Interest Rate Fund Committee

It has been suggested that I attempt to resolve this issue via email and to propose a solution that the Fund Committee can vote on. Below is a draft proposal and attached are supporting documents. If you agree, you can simply reply to this email with an affirmative vote.

In 2007, the MEDC / MSF initiated a program designed to hire ex-Pfizer employees that had been laid off from the company's downsizing. The program is called Company Formation and Growth Fund (CFGF). The Board assigned authority for setting a final interest rate to a group called the Fund Committee. The Fund Committee includes representatives from SPARK, Southwest Michigan First, Lakeshore Advantage, and the MEDC.

Relevant Documentation (also see attached)

Note (Third Paragraph of the Promissory Note)

The unpaid principal balance of this Note shall bear interest from the date advanced at a per annum rate of one percent (1%). Interest shall be computed on the basis of the actual number of days elapsed. Beginning on the first day following the fifth anniversary of this Note and continuing until the Note is paid in full, the Restated Principal, as defined below, shall bear interest at a final interest rate to be set by the Fund Committee; provided that this final interest rate will not be set higher than the prime interest rate as defined in the Wall Street Journal on the first day following the fifth anniversary date of this Note.

MICHIGAN STRATEGIC FUND RESOLUTION, 2007-147, COMPANY FORMATION AND GROWTH FUND

WHEREAS, the MSF Board desires to establish a committee consisting of a representative from each of the following: Ann Arbor SPARK, Southwest Michigan First, Lakeshore Advantage Corporation and the Michigan Economic Development Corporation ("MEDC") (together, the "Fund Committee") to review applications received from qualified entities throughout the State of Michigan and make recommendations to the MSF Board to enter into a loan agreement with the recommended entities;

WHEREAS, to assist the Fund Committee in making recommendations, the MSF Board desires to adopt the attached Loan Evaluation Criteria ("Criteria") (Addendum 1); and

WHEREAS, the

Company Formation and Growth Fund Loan Evaluation Criteria

7) The interest rate will be dependent on the project meeting a fixed job creation number. The loan recipient will be expected to put forth its best efforts to meet or exceed the job creation number or provide a satisfactory explanation of the failure.

8) Repayment will be based on a 10 year amortization schedule with monthly payments beginning in year 6. Interest will begin to accrue in year 1. Years 1-5 will accrue at 1%. Years 6-10 will accrue at the final interest rate set by the joint project review committee. If the project fails to meet the estimated job creation number, the interest rate may be set at a higher rate to a maximum of the prime interest rate as defined in the Wall Street Journal at the time of review.

Proposal

Continue at the 1% as originally contemplated if the Company met or exceeded their contractual job creation number.

If the Company failed to meet their estimated job creation number, then the interest rate will be raised by 0.5% for each job the Company failed to hire, unless a satisfactory explanation of the failure is proved. The last job not to be filled may be lower than the 0.5%, depending on the prime interest rate as defined in the Wall Street Journal at the time of review.

If the Company cannot service the loan at the time when the first payment is due, then the MSF/MEDC reserves the right to restructure the loan in the best interest of the company, MSF and the MEDC. The restructure may involve modifying the interest rate, however, it is not constrained to the policy discussed here, nor will it require Fund Committee approval.

Wall Street Journal Prime Rate on Dec 19, 2012, %3.25

If you would like additional information, please don't hesitate to contact me.

Best,

Dean

From: Dean Wade
Sent: Tuesday, December 11, 2012 11:43 AM
To: Skip Simms (Skip@annarborusa.org); ['rkitchens@southwestmichiganfirst.com'](mailto:rkitchens@southwestmichiganfirst.com);
['randy.thelen@lakeshoreadvantage.com'](mailto:randy.thelen@lakeshoreadvantage.com); Martin Dober
Subject: CFGF Interest Rate Fund Committee

In 2007, the MEDC / MSF initiated a program designed to hire ex-Pfizer employees that had been laid off from the company's downsizing. The program is called Company Formation and Growth Fund (CFGF). The Board assigned authority for setting a final interest rate to a group called the Find Committee. The Fund Committee includes representatives from SPARK, Southwest Michigan First, Lakeshore Advantage, and the MEDC.

Every award contained in the Promissory Note the following section:

The unpaid principal balance of this Note shall bear interest from the date advanced at a per annum rate of one percent (1%). Interest shall be computed on the basis of the actual number of days elapsed. Beginning on the first day following the fifth anniversary of this Note and continuing until the Note is paid in full, the Restated Principal, as defined below, shall bear interest at a final interest rate to be set by the Fund Committee; provided that this final interest rate will not be set higher than the prime interest rate as defined in the Wall Street Journal on the first day following the fifth anniversary date of this Note.

I would like to arrange a conference call to discuss.

Best,

Dean Wade
Portfolio Manager
Michigan Economic Development Corporation
300 N. Washington Square | Lansing, MI 48913
(517) 862-4253 (Cell)
Waded5@michigan.org

<http://www.michigan.org>
<http://www.michiganadvantage.org>

PURE MICHIGAN*
Michigan Economic Development Corporation



<http://www.facebook.com/MIAdvantage>



<http://www.facebook.com/PureMichigan.org>

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Elaine Jaworsky

From: Jill Bland <JBland@southwestmichiganfirst.com>
Sent: Thursday, December 27, 2012 8:29 AM
To: Dean Wade; 'Skip Simms (Skip@annarborusa.org)'; 'randy.thelen@lakeshoreadvantage.com'
Cc: Ron Kitchens; Martin Dober
Subject: RE: CFGF Interest Rate Fund Committee

Dean,

On behalf of Southwest Michigan First, this seems reasonable.

It might be helpful for us to get a final list, based on MEDC records, of who received the funds. I know a few of our companies have had leadership changes in the last two years. Has MEDC had conversations with them recently about any of this?

Thanks!

Jill Bland | executive vice president

Southwest Michigan First

241 East Michigan Avenue | Kalamazoo, Michigan 49007
p 269.492.3675 | c 269.217.0579 | jbland@southwestmichiganfirst.com



From: Dean Wade [mailto:waded5@michigan.org]
Sent: Wednesday, December 26, 2012 9:35 AM
To: 'Skip Simms (Skip@annarborusa.org)'; 'randy.thelen@lakeshoreadvantage.com'; Jill Bland
Cc: Ron Kitchens; Martin Dober
Subject: RE: CFGF Interest Rate Fund Committee

It has been suggested that I attempt to resolve this issue via email and to propose a solution that the Fund Committee can vote on. Below is a draft proposal and attached are supporting documents. If you agree, you can simply reply to this email with an affirmative vote.

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Relevant Documentation (also see attached)

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Elaine Jaworsky

From: Skip Simms <Skip@annarborusa.org>
Sent: Thursday, December 27, 2012 6:52 AM
To: Dean Wade; 'randy.thelen@lakeshoreadvantage.com'; 'JBland@southwestmichiganfirst.com'
Cc: 'rkitchens@southwestmichiganfirst.com'; Martin Dober; Paul Krutko
Subject: RE: CFGF Interest Rate Fund Committee

Dean,

Your proposal seems like a good one for the company. I'm good with it if the others are.

Are you in contact with all these companies? Have any made payments or paid off their notes? Have they been reminded that payments on their notes are now due?

Do you need anything from us?

Skip Simms
Senior Vice President
Ann Arbor SPARK
734-761-9317- Office
734-646-3173 - Cell

CEOpodcasts

From: Dean Wade [mailto:waded5@michigan.org]
Sent: Wednesday, December 26, 2012 9:35 AM
To: Skip Simms; 'randy.thelen@lakeshoreadvantage.com'; 'JBland@southwestmichiganfirst.com'
Cc: 'rkitchens@southwestmichiganfirst.com'; Martin Dober
Subject: RE: CFGF Interest Rate Fund Committee

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Relevant Documentation (also see attached)

Note (Third Paragraph of the Promissory Note)

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