MICHIGAN STRATEGIC FUND
BOARD MEETING AGENDA
July 28, 2015

Public Comment (please limit public comment to three (3) minutes)
Communications – Information only

- Chief Compliance Officer – Quarterly Report

A. Consent Agenda -

Proposed Meeting Minutes – June 23, 2015
Dieomatic (dba Cosma Casting Michigan) – MBDP Amendment – LeTasha Peebles
MPI Research – MSF Designated Renaissance Zone Revocation – Dan Parisian
Dumbarton Tool, Inc. – Tool & Die Zone Revocation – Dan Parisian
Outfield Partners, LLC – MCRP Amendment – Julius Edwards
Amendment to Memorandum of Understanding – MSF/MEDC – Deb Stuart
Amendment of Financial Officer Appointment – Mark Morante

B. Administrative -

Rigaku Innovative Technologies, Inc. – MBDP Grant Termination – Christin Armstrong

C. Business Investment

1. Business Growth -

Procurement Technical Assistance Center – Request to Issue RFP – Sean Carlson
International Trade Program – STEP Eligibility Amendment – Deanna Richeson
YFS Automotive Systems – MBDP Grant – Marcia Gebarowski
Magna Exterior and Interiors USA – MBDP Amendment – Josh Hundt
Townsend Energy Solutions – BTC Amendment and MEGA Termination – Josh Hundt

2. Access to Capital –

Technical Training, Inc. – MSDF Collateral Support – Chris Cook

D. Community Vitality –

Trailhead RO, LLC – MCRP – Stacy Esbrook
Albion Hotel – MCRP/Act 381 Work Plan – Rosalyn Jones

E. State Branding -

Travel Michigan – McCann-Erickson Contract Amendment - Dave Lorenz
Travel Michigan – Weber-Shandwick Contract Amendment – Dave Lorenz

F. Informational –

Quarterly Reports

STATE OF MICHIGAN
OFFICE OF THE CHIEF COMPLIANCE OFFICER
LANSING

RICK SNYDER
GOVERNOR

KEVIN FRANCART, ESQ.
CHIEF COMPLIANCE OFFICER

MEMORANDUM

July 16, 2015

TO: Honorable Richard D. Snyder
Governor and Chairperson of the State Administrative Board.

Steve Arwood
Chairperson
Michigan Strategic Fund Board

FROM: Kevin L. Francart
Chief Compliance Officer

RE: FY2015 Q3 Report of the Chief Compliance Officer.

The Chief Compliance Officer is required to report quarterly to the State Administrative Board and the Michigan Strategic Fund Board regarding compliance with internal policies and procedures and with applicable laws related to 21st century jobs fund programs. I am pleased to report that all compliance matters addressed during the third quarter of the 2015 fiscal year were successfully resolved or are being appropriately addressed.

With respect to the Michigan Strategic Fund Board, the Michigan Strategic Fund Act requires the Chief Compliance Officer to review and evaluate compliance with internal policies and procedures along with applicable state and federal law. The review and evaluation of the tourism promotion programs and activities for FY 2013 and FY 2014 continues. In preparation for the requirement, effective July 1, 2015, to have site visit guidelines posted on the MSF website, the Chief Compliance Officer assisted the MSF in drafting or updating site visit guidelines for the following programs: 21st Century Jobs Fund Loan and Investment Portfolio (Attachment A); Brownfield Tax Credit program (Attachment B); Michigan Business Development Program (Attachment C); Michigan Community Revitalization Program (Attachment D); Michigan Economic Growth Authority Tax Credits program (Attachment E); and, Renaissance Zone Program (Attachment F). As reported in the second quarter FY15 report, the Office of the Auditor General (OAG) released its report on internal control, compliance, and other matters for FY 2014. (Report Number 271-0401-15M). The MSF submitted its required correction plan agreeing with the OAG's findings and committing to having the corrections completed by November 25, 2015. (Attachment G). The Chief Compliance Officer successfully met the Association of Certified Fraud Examiners' character, experience, and education requirements, and passed its required exam and was awarded the Certified Fraud Examiner (CFE) credential (Attachment H).

300 NORTH WASHINGTON SQUARE
LANSING, MICHIGAN 48913

The Chief Compliance Officer provided informal advice regarding various issues arising this quarter concerning such topics as conflict of interest issues, the breadth of delegated Board authority, authorized use of 21st century job fund funds, and compliance with established Board policy and limitations.

FY2015 Q3 Report of the Chief Compliance Officer
July 16, 2015

Attachment A

Michigan Strategic Fund
Michigan Economic Development Corporation
21st Century Jobs Fund Loan & Investment[1] Portfolio
Site Visit Guidelines

Purpose of the Site Visit

Site visits performed under these guidelines are additional and complementary to the regular monitoring tools used to ensure compliance with program agreements as well as relevant program guidelines and state and federal laws, as applicable. Site Visits are also used for verifying the ongoing success and viability of the associated project.

Site Visits allows staff to validate information reported by the recipient of a 21st Century Jobs Fund Loan or Investment incentive and facilitates face-to-face communication between the recipient and staff, engendering a professional relationship conducive to compliance monitoring. Site visits are also used to verify the status of the company, attend board or shareholder meetings, and to discuss face-to-face restructure or workout terms.

Frequency of Site Visits

Recipients with an active incentive will receive at least one site visit per calendar year or as otherwise specified in the 21st Century Jobs Fund Loan or Investment agreement. Staff may conduct additional site visits as necessary to ensure compliance with the terms of the agreement.

Prior to the Site Visit

Scheduled Site Visits. If the site visit is to verify the status of the company, attend a board meeting, shareholder meeting, or to review milestones or progress reports, staff will review the project documents and verify the company is in compliance with all requirements under its agreement. If the site visit is to discuss a possible restructure, workout, or conversion, staff will review any proposed terms that were discussed with the company prior to the site visit.

Unscheduled Site Visits. At any time during the term of the agreement, a site visit may be made. After a recipient is selected for an unscheduled Site Visit, staff will review the agreement and related documents, including, but not limited to, the most recent progress report submitted by the recipient. Staff will visit the project site to review requested documentation in order to verify the accuracy of the information submitted and to confirm compliance with the agreements.

The Site Visit

The recipient is responsible for providing staff the access needed to perform the site visit. The recipient must have the requested documentation available. This may include providing an

[1] The 21st Century Jobs Fund Loans & Investment Portfolio includes awards made under the following programs: (i) Company Formation and Growth Fund, (ii) 21st Century Jobs Fund 2006 and 2008 business plan competition rounds, as well as its predecessor programs, Michigan Technology Tri-Corridor Fund program and Michigan Life Sciences Corridor Fund program, (iii) Choose Michigan program; (iv) the Pure Michigan Venture Match Fund program; (v) Accelerator Fund program; (vi) Business Incubator grants; and (vii) grants made pursuant to MCL 125.2088k for entrepreneurial support services and early stage funding programs.

agenda for board or shareholder meetings, preparing documentation to demonstrate the completion of a milestone, or preparing information to support data reported in the most recent progress report. The recipient should also be prepared to discuss the status of the company and any restructure, workout, or conversion terms, as applicable. Staff may also request a tour of the project site.

After the Site Visit

Staff will record a report of the site visit and include any questions or comments that are relevant to the site visit. Staff will also conduct periodic review of all active incentives to ensure timely completion and proper documentation of site visits.

FY2015 Q3 Report of the Chief Compliance Officer
July 16, 2015

Attachment B

Michigan Strategic Fund
Michigan Economic Development Corporation
Brownfield Tax Credit Site Visit Guidelines

Purpose of the Site Visit

Site visits performed under these guidelines are additional and complementary to the regular monitoring tools used to ensure compliance with the program agreements as well as relevant program guidelines and state and federal laws. Site visits are also used for verifying the ongoing success and viability of the associated project.

Brownfield Tax Credit incentives require project completion and Eligible Investments be made by the Qualified Taxpayer(s) for the project. Site visits allow staff to validate that a project has been completed in accordance with the requirements of the Project Preapproval Letter and Project Amendments authorized by the Michigan Strategic Fund ("MSF") and to verify Eligible Investment made by the Qualified Taxpayer(s) for the project. In addition, the site visits provide an opportunity for the developer to display their work, demonstrating how the project helped the revitalization of the surrounding community. The site visit also allows for face-to-face communication between staff and the awardee.

Frequency of Site Visits

Pursuant to MCL 208.1437(11), a site visit is required to confirm project completion where a project's Eligible Investment is estimated to be $10,000,000 or more. Staff may conduct additional site visits as necessary to ensure compliance with the terms of the Project Approval Letter and any Project Amendments. Additionally, staff will perform site visits for at least 10% of projects upon completion with an Eligible Investment estimated to be less than $10,000,000.

Prior to the Site Visit

Generally, the Site Visit will occur at the time of project completion or at the end of any phase of a "Multiphase Project" that have been approved by the MSF. Site visits may also occur to determine the need for project amendments. The Qualified Taxpayer must prepare the project site for a tour, including access to commercial, residential, and retail areas. In addition, the Qualified Taxpayer must prepare any documentation that staff requests to support that the project has been completed in accordance with the Project Preapproval Letter and any Project Amendments. Staff will review the project documentation to confirm that the required Eligible Investment has been made by the Qualified Taxpayer. Staff will also review the documentation for compliance with all requirements of the Project Preapproval Letter and any Project Amendments.

The Site Visit

The Qualified Taxpayer is responsible for provide Staff the access needed to ensure that all areas of the project site can be viewed to the satisfaction of the Staff. Prior to touring the project site, Staff will review the overall project with the Qualified Taxpayer in order to have an understanding of the work involved at the project prior to touring the space.

After the Site Visit

Staff will record a report of the site visit and include any questions or comments that are relevant to the visit.

FY2015 Q3 Report of the Chief Compliance Officer
July 16, 2015

Attachment C

Michigan Strategic Fund
Michigan Economic Development Corporation
Michigan Business Development Program Site Visit Guidelines

Purpose of the Site Visit

Site Visits performed under these guidelines are additional and complementary to the regular monitoring tools used to ensure compliance with the program agreements as well as relevant program guidelines and state and federal laws. Site visits are also used for verifying the ongoing success and viability of the associated project.

Michigan Business Development Program ("MBDP") incentives require job creation, job retention, or capital investment, with a maintenance period after all milestones have been completed. Site visits allow staff to validate information reported by the recipient of MBDP incentives and facilitates face-to-face communication between the recipient and staff engendering a professional relationship conducive to compliance monitoring.

Frequency of Site Visits

Staff will perform site visits and verify recipient-reported job creation, job retention and capital investment for at least 15% of active MBDPs and as may otherwise be necessary under the terms of the MBDP agreement to verify compliance with the requirements of a milestone or progress report. MBDP recipients are selected randomly for a site visit using various factors including the date of the last site visit, term of the MBDP, and due dates of the recipient's milestones.

Prior to the Site Visit

Scheduled Site Visits. After a milestone application is received, staff will review the MBDP Agreement and related documents, conduct a preliminary review of the milestone application to verify the recipient has met the minimum requirements and select a test sample of employment or investment compliance to be reviewed. Staff will request a site visit at the project site to review employee or investment related documents in order to verify the accuracy of the data submitted on the milestone application.

Unscheduled Site Visits. At any time during the incentive or maintenance period a site visit may be made. Staff will select recipients for unscheduled site visits based on selective criteria or randomly. After a recipient is selected for an unscheduled site visit, staff will review the MBDP Agreement and related documents, conduct a preliminary review of any information provided by the recipient and select a test sample of employment or investment documentation to be reviewed. Staff will visit the site of the project to review employee or investment related documents in order to verify the accuracy of the data submitted and compliance with the program agreements.

The Site Visit

The recipient is responsible for providing staff the access needed to perform the site visit. The recipient will have available the requested documentation. This may include preparing documentation to demonstrate or support information reported by the recipient on the milestone application or providing other information as requested by staff to verify compliance with the agreement. Staff will also discuss the overall project with the recipient representative in order to have an understanding of the work involved at the project. If necessary, staff may also require a tour of the project site.

After the Site Visit

Staff will record a report of the site visit and include any questions or comments that are relevant to the site visit. Staff will also conduct periodic review of all active MBDP incentives to ensure timely completion and proper documentation of site visits.

FY2015 Q3 Report of the Chief Compliance Officer
July 16, 2015

Attachment D

Michigan Strategic Fund
Michigan Economic Development Corporation
Michigan Community Revitalization Program Site Visit Guidelines

Purpose of the Site Visit

Site visits performed under these guidelines are additional and complementary to the regular monitoring tools used to ensure compliance with the program agreements as well as the relevant program guidelines and state and federal laws, as applicable.

Michigan Community Revitalization Program ("MCRP") incentives require recipients to make certain eligible investments in order to receive funding. Site visits allow staff to validate information reported by the recipient of MCRP incentives and facilitates face-to-face communication between the recipient and staff engendering a professional relationship conducive to compliance monitoring. In addition, site visits provide an opportunity for the recipient to display its work, demonstrating how the project helped the revitalization of the surrounding community.

Frequency of Site Visits

All Michigan Community Revitalization Program ("MCRP") awards require at least one site visit upon project completion.

Prior to the Site Visit

Generally, the site visit will occur at time of project completion. Prior to the site visit, staff will review the project documents and verify the recipient is in compliance with all requirements under the MCRP agreement. The recipient must prepare the project site for a tour, which may include access to commercial, residential, and retail areas. In addition, the recipient must prepare any documentation that staff requests to support that the project has been completed in accordance with the MCRP agreement.

The Site Visit

The recipient must provide staff with any access needed to ensure that all areas of the project site can be viewed to the satisfaction of staff. Prior to touring the project site, staff will review the overall project with the recipient in order to have an understanding of the work involved at the project prior to viewing the space.

After the Site Visit

Staff will record a report of the site visit and include any questions or comments that are relevant to the visit.

FY2015 Q3 Report of the Chief Compliance Officer
July 16, 2015

Attachment E

Effective July 1, 2015

Michigan Strategic Fund
Michigan Economic Development Corporation
Michigan Economic Growth Authority Tax Credits
Site Visit Guidelines

Purpose of the Site Visit

Site visits performed under these guidelines are additional and complementary to the regular monitoring tools used to ensure compliance with the program agreements as well as relevant program guidelines and state and federal laws. Site visits are also used for verifying the ongoing success and viability of the associated project.

Michigan Economic Growth Authority ("MEGA") tax credit incentives require job creation, job retention or capital investment with incentive terms up to 20 years. Site visits allow staff to validate information reported by the recipient of a MEGA tax credit and facilitates face-to-face communication between the company and staff, engendering a professional relationship conducive to compliance monitoring.

Frequency of Site Visits

Staff will perform site visits and verify recipient -reported job creation, retention and capital investment for at least15% of the Annual Credit Applications ("ACAs") submitted by MEGA tax credit recipients. In addition, site visits will be conducted for MEGA tax credit recipients submitting an ACA for the first time. MEGA tax credit recipients are selected randomly for a site visit using various factors including the estimated value of the tax credit, the date of the last site visit, and term of the MEGA tax credit agreement.

Prior to the Site Visit

After the ACA is received, staff will review the MEGA agreement and related documents to determine compliance with the terms of the agreement and to calculate the actual tax credit value. Staff will conduct a preliminary review of the ACA to verify the recipient has met the minimum requirements and select a sample of employee and, if applicable, investment data to be reviewed. Staff will request a site visit at the project site to review employee and investment related documents in order to verify the accuracy of the data submitted on the ACA.

The Site Visit

The recipient is responsible for providing staff the access needed to perform the site visit. The recipient will have available the requested documentation. This may include preparing documentation to demonstrate or support information reported by the recipient on the ACA or providing other information as requested by staff to verify compliance with the agreement. Staff will also discuss the overall project with the recipient representative in order to have an understanding of the work involved at the project. If necessary, staff may also require a tour the project site.

After the Site Visit

Staff will record a report of the site visit and include any questions or comments that are relevant to the site visit. Staff will also conduct periodic review of all active MEGA incentives to ensure timely completion and proper documentation of site visits.

FY2015 Q3 Report of the Chief Compliance Officer
July 16, 2015

Attachment F

Michigan Strategic Fund
Michigan Economic Development Corporation
Renaissance Zone Program Site Visit Guidelines

Purpose of Site Visit

Site visits performed under these guidelines are additional and complementary to the regular monitoring tools used to ensure compliance with the program agreements as well as relevant program guidelines and state and federal laws. Site visits are also used for verifying the ongoing success and viability of the associated project.

Renaissance Zones require job creation, job retention, or capital investment. Site visits allow staff to validate information reported by the Renaissance Zone recipient and facilitates face-to-face communication between the recipient and staff, engendering a professional relationship conducive to compliance monitoring. Site visits are also used to discuss amendment terms.

Frequency of Site Visits

Staff will perform site visits and verify recipient-reported job creation and capital investment for at least 15% of active Renaissance Zones with development agreements. Renaissance Zone recipients are selected randomly for a site visit using various factors including the date of the last site visit, term of the Renaissance Zone, and due dates of the recipient's milestones.

Prior to the Site Visit

Scheduled Site Visits. Staff will review the Renaissance Zone documents and verify the company is in compliance with the terms of its agreement. If the site visit is to discuss an amendment to the Renaissance Zone, Staff will also review any proposed amendment terms that were discussed with the recipient prior to the site visit.

Unscheduled Site Visits. At any time during the incentive or maintenance period a site visit may be made. Staff will randomly select recipients for unscheduled site visits. After a recipient is selected for an unscheduled site visit, staff will review the Renaissance Zone agreement and related documents, conduct a preliminary review of any information provided by the recipient and select a test sample of employment or investment documentation to be reviewed. Staff will visit the site of the project to review employee or investment related documents in order to verify the accuracy of the data submitted and compliance with the program agreements.

The Site Visit

The recipient is responsible for providing staff the access needed to perform the site visit. The recipient will have available the requested documentation. This may include preparing documentation to demonstrate or support information reported by the recipient on the milestone application or providing other information as requested by staff to verify compliance with the agreement. Staff will also discuss the overall project with the recipient representative in order to have an understanding of the work involved at the project. If necessary, staff may require a tour of the project site.

After the Site Visit

Staff will record a report of the site visit and include any questions or comments that are relevant to the site visit. Staff will also conduct periodic review of all active Renaissance Zone agreements to ensure timely completion and proper documentation of site visits

FY2015 Q3 Report of the Chief Compliance Officer
July 16, 2015

Attachment G

60 day response to OAG Report Number 271-0401-15M

Report on Internal Control, Compliance, and Other Matters

Michigan Strategic Fund

Fiscal Year ending September 30, 2014

Finding #1: MSF did not have sufficient internal control in place to ensure that it properly recorded and reported MSF's financial activity in accordance with generally accepted accounting principles (GAAP). This is a Material Weakness.

Response: MSF agrees with the finding. MSF will improve its internal control to ensure that it properly records and reports MSF financial activity.

Corrective Action:

1. MSF will record all adjusting entries prior to production of draft financial statements for auditors. This includes tribal gaming revenue, fair market value of investments in the Jobs for Michigan Investment Fund, and loan and investment disbursements. MSF will utilize a year-end transaction schedule and an annual comprehensive financial services plan to track status and ensure all entries are made.

   Completion date: 11/25/15

2. MSF will conduct a thorough management review of draft financial statements, including mitigation of any classification errors, prior to production of draft financial statements for auditors.

   Completion date: 11/25/15

Finding #2: MSF did not have sufficient internal control over financial reporting to ensure that it adhered to established deadlines for recording and reporting its financial activity. This is a Significant Deficiency.

Response: MSF agrees with the finding. MSF will improve its internal control over financial reporting to ensure that it adheres to established deadlines for recording and reporting its financial activity.

Corrective Action:

1. MSF will adhere to its year-end closing schedule by improving its calendar deadlines, putting checkpoints in place to monitor the status of its completion of procedures,

utilizing checklist tools, educating staff, and conducting timely management review prior to established deadlines.

Completion date: 11/25/15

FY2015 Q3 Report of the Chief Compliance Officer
July 16, 2015

Attachment H

NEWS: FOR IMMEDIATE RELEASE

CERTIFIED FRAUD EXAMINER

Kevin Francart Earns CFE Credential

Austin, TX – May 11, 2015 — The Association of Certified Fraud Examiners (ACFE), the world's largest anti-fraud organization and leading provider of anti-fraud training and education, is pleased to award Kevin Francart, of Lansing, Michigan, the globally preferred Certified Fraud Examiner (CFE) credential. In order to become a CFE, Francart has met a stringent set of criteria and passed a rigorous exam administered by the ACFE.

Francart has successfully met the ACFE's character, experience and education requirements for the CFE credential, and has demonstrated knowledge in four areas critical to the fight against fraud: Fraudulent Financial Transactions, Fraud Prevention and Deterrence, Legal Elements of Fraud and Fraud Investigation.

Francart joins the ranks of business and government professionals worldwide who have also earned the CFE certification. Francart is currently the Chief Compliance Officer for the State of Michigan, Office of the Chief Compliance Officer, in Lansing Michigan.

CFEs have the ability to: examine data and records to detect and trace fraudulent transactions; interview suspects to obtain information and confessions; write investigation reports; advise clients as to their findings; testify at trial; understand the law as it relates to fraud and fraud investigations; and identify the underlying factors that motivate individuals to commit fraud. CFEs on six continents have investigated more than 1 million suspected cases of civil and criminal fraud.

About the Association of Certified Fraud Examiners

Founded in 1988, the ACFE is celebrating its 25th anniversary as the world's largest anti-fraud organization and premier provider of anti-fraud training and education. Together with nearly 75,000 members, the ACFE is reducing business fraud worldwide and inspiring public confidence in the integrity and objectivity within the profession. For more information, visit ACFE.com.

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MICHIGAN STRATEGIC FUND

RESOLUTION 2015-

APPROVAL OF JULY 2015 CONSENT AGENDA
FOR THE MICHIGAN STRATEGIC FUND BOARD

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

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

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

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

Consent Agenda Items:

Proposed Meeting Minutes – June 23, 2015
Dieomatic (dba Cosma Casting Michigan) – MBDP Amendment
MPI Research – MSF Designated Renaissance Zone Revocation
Dumbarton Tool, Inc. – Tool & Die Zone Revocation
Outfield Partners, LLC – MCRP Amendment
Amendment to Memorandum of Understanding – MSF/MEDC
Amendment of Financial Officer Appointment

Ayes:

Nays:

Recused:

Lansing, Michigan
July 27, 2015

MICHIGAN STRATEGIC FUND BOARD
PROPOSED MEETING MINUTES
June 23, 2015

Members Present:

Paul Anderson (via phone)
Steve Arwood
Andrew Lockwood (on behalf of Treasurer Khouri)
Terri Jo Umlor
Mike Zimmer

Members Absent:

Larry Koops
Jody DePree Vanderwel
Shaun Wilson

Call to Order: Mr. Arwood called the meeting to order at 10.00 am.

Public Comment: No public comment. Mr. Arwood recognized Senator Horn in the audience, who attended the meeting in support of the Lutheran Social Services Bond Authorizing, under Access to Capital on the agenda.

Communications: Andrea Robach, MSF Administrator, notified the Board that updated materials for Michigan eLab and ZF North America were provided to them at the table.

CONSENT AGENDA

Resolutions 2015-072 through 2015-075 - June 23, 2015 Consent Agenda
Mr. Arwood asked if there were any questions from the Board on any of the items within the Consent Agenda. There being none, Mike Zimmer motioned for the approval of:

June 8, 2015 Proposed Meeting Minutes
Aisin Technical Center of America, Inc. – MBDP Amendment – 2015-073
Pi Optima, Inc. – Tool & Die Zone Revocation – 2015-074
Designation of MSF Financial Officer – 2015-075

Andrew Lockwood seconded the motion. **The motion carried: 5 ayes; 0 nays; 0 recused.**

BUSINESS INVESTMENT

ENTREPRENEURSHIP
Resolution 2015-076 Michigan eLab Partners – Limited Partnership Agreement Amendment
Mike Flanagan, Equity Programs Director, provided the Board with information regarding this action item. In January 2013, the MSF Board approved an award to Michigan eLab Capital Partners, LP in the amount of $2.25 million from the Pure Michigan Venture Development Fund. The Limited Partnership Agreement between eLab and Michigan Strategic Fund was executed on September 12, 2013. According to Michigan eLab, the fund has raised approximately $21 million in the 15 months after the initial contribution date. The fund would like an extension of the fundraising period to July 31, 2015 in order to admit Municipal Employees' Retirement System of Michigan as a Limited Partner; and amend the limited partnership

agreement to accommodate such admission of Limited Partner(s) or accept additional Capital Commitments from existing Limited Partners.

Staff Recommendation
MEDC Staff recommends approval of this amendment to the Limited Partnership Agreement.

Board Discussion
Mr. Arwood asked if there were any questions from the Board. There being none. Andrew Lockwood motioned for the approval of Resolution 2015-076. Terri Jo Umlor seconded the motion. **The motion carried: 5 ayes; 0 nays; 0 recused.**

BUSINESS GROWTH

Resolution 2015-077 ZF North America, Inc. – MBDP Grant
Jeremy Webb, Development Finance Manager, provided the Board with information regarding this action item. This is a request for a $4,000,000 performance-based grant to support the Michigan expansion of ZF North America, Inc. This project involves the creation of 571 Qualified New Jobs and a capital investment of up to $71,198,290 in the Charter Township of Northville, Wayne County.

ZF Friedrichshafen AG, the parent of the Applicant, was founded in 1915 for the development and production of transmissions for airships and vehicles. Today, the Applicant's product range comprises transmissions and steering systems as well as chassis components and complete axle systems and modules. The Applicant has over 7,300 employees spread over 22 facilities in North America. ZF North America, Inc. needs to expand research and development services, and evaluated both their existing South Carolina and Michigan locations as potential sites. The Applicant would need to purchase land in Michigan for this project. The proposed Michigan Business Development Program Performance-based Grant incentive package will help offset the cost of additional land and higher operating costs in Michigan over South Carolina.

Staff Recommendation
MEDC Staff recommends the approval of a performance based grant to ZF North America, Inc. in the amount of $4,000,000, according to the agreed upon terms and conditions as outlined in the terms sheet.

Board Discussion
Mr. Arwood asked if there were any questions from the Board. Discussion ensued pertaining to the types of jobs being created, and the planned timeline for construction. There being no further questions. Mike Zimmer motioned for the approval of Resolution 2015-077. Andrew Lockwood seconded the motion. **The motion carried: 5 ayes; 0 nays; 0 recused.**

ACCESS TO CAPITAL

Resolution 2015-078 – KTab II, LLC – Bond Inducement
Chris Cook, Capital Access Director, provided the Board with information regarding this action item. The request involves relocating KTab II, LLC manufacturing facilities in Ecorse, Michigan to Romulus, Michigan to accommodate the expansion of its manufacturing space from its current 80,000 square feet to 175,000 square feet, allowing the Company to conduct business more efficiently and meet growing customer demands. The Company is a family-owned Michigan corporation incorporated in 1964, and is a manufacturer of corrugated and fiberboard packaging including flexo cartons, die cutting, corrugated plastic, build up blocks, custom built kits, corrugated and chip partitions, ultrasonic welding, and specialty gluing. KTab II, LLC currently employs 53 individuals at its Ecorse facility. It is estimated at completion and full operation of the project, approximately 103 individuals will be employed in Romulus.

The project includes the acquisition of approximately 10.85 acres of land and an existing approximately 175,000 square foot facility for approximately $1,500,000 located at 8111 Middlebelt Road, Romulus, Wayne County. The project also includes the rehabilitation of the existing facility at an estimated cost of $2,600,000.

Staff Recommendation
Upon review of the Private Activity Bond application for KTab II, LLC, staff recommends the adoption of an Inducement Resolution in the amount of $4,300,000 for this project. PNC Bank, National Association has indicated an interest in directly purchasing the bonds for the bank's own account. The Company will guarantee the obligations of the Borrower with respect to the bonds.

Board Discussion
Mr. Arwood asked if there were any questions from the Board. There being none, Andrew Lockwood motioned for the approval of Resolution 2015-078. Mike Zimmer seconded the motion. **The motion carried: 5 ayes; 0 nays, 0 recused.**

Resolution 2015-079 Lutheran Social Services of Michigan – Bond Authorizing
Chris Cook, Capital Access Director, provided the Board with information regarding this action item.
Lutheran Social Services of Michigan, a not-for-profit organization headquartered in Detroit, Michigan is requesting private activity bond financing to: a) refund the $15,540,000 outstanding principal amount of the Michigan Strategic Fund Variable Rate Demand Limited Obligation Revenue and Refunding Bonds (Lutheran Social Services Project), Series 2003 Bonds, which were originally issued in the principal amount of $19,195,000; b) fund $7,000,000 for a project at Borrower's Luther Manor (Saginaw, MI) location; and c) pay certain costs related to the issuance of the Series 2015 Bonds.

The Luther Manor facility, located in Saginaw, has been a provider of comprehensive nursing care and rehabilitation therapy in the Saginaw community for more than 46 years. The $7,000,000 project proposes to reduce the current number of beds to 95 and to renovate the different room layouts into 92 private rooms. In addition to said renovations, a 1,112 square foot lobby, 825 square foot canopy, and 1,485 square foot rehab resident room will be added. The bonds will be directly purchased in its entirety with Fifth Third Commercial Funding, Inc. Ziegler has been engaged as a placement agent.

Staff Recommendation
Based upon a determination by Dickinson Wright PLLC and the State of Michigan Attorney General's office that this transaction complies with state and federal law requirements for tax-exempt financing, staff recommends the adoption of a Bond Authorizing Resolution in an amount not to exceed $24,000,000.

Board Discussion
Mr. Arwood asked if there were any questions from the Board. There being none, Mike Zimmer motioned for the approval of Resolution 2015-079. Andrew Lockwood seconded the motion. **The motion carried via roll call vote: 5 ayes; 0 nays; 0 recused.**

Resolution 2015-080 Master Automatic Machine Company, Inc. – Bond Authorizing
Chris Cook, Capital Access Director, provided the Board with information regarding this action item.
Master Automatic Machine Company, Inc. ("Borrower") is requesting private activity bond financing in order to invest in the acquisition of new manufacturing equipment for their Livonia, Wayne County, Michigan facility, specifically new Echo Hill high-precision grinding machines and CNC turning and milling machines, as well as equipment for their facility located in Plymouth Charter Township, Wayne County, Michigan.

This project was induced for $3,000,000 at the April 2015 MSF Board Meeting. The Inducement Resolution was amended at the June 8 MSF board meeting to increase the project size to $4,000,000. Borrower expects to privately place its $4,000,000 in bonds with GE Government Finance, Inc. Said bonds will bear a fixed interest rate not to exceed 4.50% and Borrower will pay 84 monthly payments in arrears.

Staff Recommendation
Based upon a determination by Miller, Canfield, Paddock and Stone, P.L.C., and the State of Michigan Attorney General's office that this transaction complies with state and federal law requirements for tax-exempt financing, staff recommends the adoption of a Bond Authorizing Resolution in an amount not to exceed $4,000,000.

Board Discussion
Mr. Arwood asked if there were any questions from the Board. There being none, Andrew Lockwood motioned for the approval of Resolution 2015-080. Terri Jo Umlor seconded the motion. **The motion carried via roll call vote: 5 ayes; 0 nays; 0 recused.**

COMMUNITY VITALITY

Resolutions 2015-081 & 82 – Fulton and Seward, LLC – MCRP & Act 381 Work Plan
Stacy Esbrook, Community Assistance Team, provided the Board with information regarding this action item. Fulton and Seward, L.L.C. (Applicant) is requesting approval of a MCRP award in the amount of $3,000,000 in the form of a Loan Participation under Other Economic Assistance. The Applicant plans to construct a new, five-story building containing 10,000 square feet of ground floor retail space and 102 residential, market rate apartments on approximately one acre of property, as well as a two-story, 116 space parking structure on the site located at 616 West Fulton Street in the City of Grand Rapids. This project is part of an overall redevelopment of a larger parcel that will also include the construction of two other mixed-use or residential buildings.

The Applicant anticipates that the project will result in eligible investment of $25,026,044 and total capital investment in the amount of $33,775,000 in the City of Grand Rapids and the creation of 28 jobs. The City of Grand Rapids Brownfield Redevelopment Authority has submitted an Act 381 Work Plan (hereinafter Work Plan) request for the approval of local and school tax capture for eligible activities in the amount of $5,598,600. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at $2,876,001.

The proposed project is located within a distressed neighborhood on the west side of downtown Grand Rapids. Although it is adjacent to Grand Valley State University's downtown campus, it is also located within a neighborhood where very little redevelopment has occurred outside of the college campus for the last decade. As a result, the project has an as-complete and as-stabilized value of $27,800,000 and $29,500,000, respectively. However, the anticipated cost to construct the project is $33,775,000.

Staff Recommendation
MEDC Staff recommends approval of a MCRP performance-based loan participation in the amount of $3,000,000 for Fulton and Seward, L.L.C., as well as approval of local and school tax capture for the Act 381 eligible activities totaling $5,598,600 described above.

Board Discussion
Mr. Arwood asked if there were any questions from the Board. Discussion ensued pertaining to the location of the proposed project and the positive impact this development will have on the neighborhood. There being no further questions, Andrew Lockwood motioned for the approval of Resolutions 2015-081 & 2015-082. Mike Zimmer seconded the motion. **The motion carried: 5 ayes; 0 nays; 0 recused.**

<u>Resolution 2015-083 M1 Concourse/City of Pontiac – Act 381 Work Plan Approval</u>
Stacy Esbrook, Community Assistance Team, provided the Board with information regarding this action item. The Oakland County Brownfield Redevelopment Authority is seeking approval of local and school tax capture for Michigan Strategic Fund (MSF) eligible activities in the amount of $7,963,274. The Applicant plans to redevelop and reuse the vacant GM Pontiac Validation Center (PCC-VC) property in Downtown Pontiac. The development will serve as a mixed-use site that will include approximately 1/3 mile of frontage on Woodward Avenue, and will provide members and the public with access to a variety of unique venues, activities, and retail outlets.

The school taxes will be utilized to redevelop approximately 80 acres of property located at the entrance of downtown Pontiac and is bounded by Rapid Street (north), Woodward Avenue (east), South Boulevard West (south), and Franklin Road (west). The property is comprised of five parcels, with the two listed addresses of 130 West Wilson Avenue and 46399 Woodward Avenue in the City of Pontiac. Approximately 95 permanent, full-time jobs are anticipated to be created at an average hourly wage of $20. The total capital investment will be approximately $45 million and will be completed in four phases.

Staff Recommendation
The MEDC recommends approval of the request by the County of Oakland Brownfield Redevelopment Authority to capture local and school taxes for the MSF eligible activities totaling $7,963,274 described above. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at $3,733,183.

Board Discussion
Mr. Arwood asked if there were any questions from the Board. Discussion ensued pertaining to the tremendous value this project will bring to the area, and the existing blight that will be eliminated and redeveloped. There being no further questions, Terri Jo Umlor motioned for approval of Resolution 2015-083. Andrew Lockwood seconded the motion. **The motion carried: 5 ayes; 0 nays; 0 recused.**

<u>Resolution 2015-084 Wright Opera House – CDBG Amendment</u>
Community Development Block Grant ("CDBG") staff is requesting re-approval of $419,958 in CDBG funds for infrastructure improvements needed for the Wright Opera Block Infrastructure Project located in the City of Alma, Gratiot County, Michigan. The City expects that this project could result in private investment of $6.7 million and the creation of 42 jobs. On February 24, 2015, the Michigan Strategic Fund ("MSF") approved a $419,958 CDBG incentive in the form of a performance based grant with the City. The CDBG approval required that a grant agreement be entered into by May 25, 2015 (within 90 days of the date of the approval), contingent upon the developer providing written certification of the executed loan agreement, note, and mortgage as evidence that loan financing was secured.

CDBG staff received confirmation that as of June 2, 2015 all necessary loan financing documentation has been received by the MEDC. Due to administrative limitations, all parties have been unable to enter into the CDBG grant agreement by the established deadline of May 25, 2015. The project scope and parameters remain the same as previously approved.

Staff Recommendation
MEDC Staff recommends Re-approval of a CDBG performance based infrastructure grant agreement in the amount of $419,958 be authorized for the City of Alma for the Wright Opera Block Infrastructure Project.

Board Discussion
Mr. Arwood asked if there were any questions from the Board. There being none, Andrew Lockwood motioned for the approval of Resolution 2015-084. Paul Anderson seconded the motion. **The motion carried: 5 ayes; 0 nays; 0 recused.**

Mr. Arwood adjourned the meeting at 10:26 am.

MEMORANDUM

Date: **July 28, 2015**

To: **Michigan Strategic Fund ("MSF") Board Members**

From: **LeTasha Peebles, Development Finance Analyst**

Subject: **Dieomatic Incorporated d/b/a Cosma Casting Michigan *("Company" or "Applicant")***
Amendment to the Michigan Business Development Program ("MBDP")
Removal of Milestone Two and Three, Reduction of Qualified New Jobs and Disbursement Total

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Request

The Company is requesting an amendment to its existing Michigan Business Development Program (MBDP) performance based grant Agreement to amend the structure of the grant by removing the second and third Milestones and Disbursements, resulting in the reduction of qualified new jobs required and total grant award.

Background

On January 23, 2013, the Michigan Strategic Fund approved a $1,600,000 award for Dieomatic Incorporated under the MBDP. The Company proposed to purchase and renovate an existing building where a state-of-the-art manufacturing and light assembly facility would be established. The result would be the creation of 500 Qualified New Jobs and approximately $162 million in capital investment. The City of Battle Creek also committed to provide a property tax abatement in support of the project. The Company completed Milestone One for the creation of 55 Qualified New Jobs and received a disbursement of $200,000.

To date the Company has invested over $120 million into the project and has maintained the 55 Qualified New Jobs that were created. The Company has suffered the loss of two major General Motors contracts which has adversely affected their hiring plan. They are not anticipating hiring the expected 500 employees for this project.

After further discussion with the Company, staff determined the need to restructure the agreement to remove the final two Milestone requirements and disbursements reducing the Qualified New Jobs from 500 to 55 and the grant award total from $1.6 million to $200K. The Company will continue to be required to maintain the 55 Qualified New Jobs that were incented for the full term of the incentive agreement.

Recommendation

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

a) Amend the MBDP Agreement by removing Milestone Two and Three entirely;
b) Reduce the total Qualified New Jobs from 500 to 55;
c) Reduce the total grant from $1,600,000 to $200,000; and
d) All other aspects of the approval remain unchanged.

MICHIGAN STRATEGIC FUND

RESOLUTION 2015-

APPROVAL OF AN AMENDMENT TO MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT TO DIEOMATIC INCORPORATED

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

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

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

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

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

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

WHEREAS, by Resolution 2013-010, the MSF approved a $1,600,000 Michigan Business Development Program performance based grant on January 23, 2013 for the creation of 500 Qualified New Jobs and a capital investment of $162 million. A MBDP Grant Agreement ("Grant Agreement") was fully executed April 18, 2013; and the Company proposed to purchase and renovate an existing building where a state-of-the-art manufacturing and light assembly facility will be established (the "Project");

WHEREAS, the Company suffered the loss of two major OEM contracts and are not anticipating hiring the expected 500 employees for this project;

WHEREAS, the Company requests that the Michigan Business Development Program performance based Grant Agreement be amended and revised as follows: remove Milestone Two and Three requirements, reduce the total Qualified New Job requirement from 500 to 55 and decrease the grant award total from $1,600,000 to $200,000 ("Amendment");

WHEREAS, the MEDC recommends that the MSF approve the Company's Amendment request subject to: execution of the Grant Agreement Amendment 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 Amendment Award Recommendation").

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

Ayes:

Nays:

Recused:

Lansing, Michigan
July 28, 2015

MEMORANDUM

Date: July 28, 2015
To: Michigan Strategic Fund Board Members
From: Dan Parisian, Renaissance Zone Program Specialist
Subject: MPI Research, Inc.
Pharmaceutical Recovery Renaissance Zone - Revocation

Action
The Michigan Economic Development Corporation ("MEDC") is recommending the revocation of the Pharmaceutical Recovery Renaissance Zone for MPI Research, Inc. (the "Company") by the Michigan Strategic Fund ("MSF") Board. The Company's ten-year Recovery Zone term is currently set to expire at the conclusion of 2018.

Background
In June of 2008, the Michigan Strategic Fund ("MSF") approved a new Pharmaceutical Recovery Renaissance Zone for the MPI Research, Inc. project, which consisted of the renovation and utilization of two existing buildings in the City of Kalamazoo previously abandoned by Pfizer, Inc. The project was brought back to the MSF Board on December 19, 2012 to amend the current development agreement in order to remove a parcel designated in the original Pharmaceutical Recovery Zone, which was donated to the West Michigan University Medical School. The milestones were correspondingly modified to reduce the capital investment from $30 million to $5 million and to reduce job creation from 400 full-time jobs to 60 full-time jobs. The term of the Pharmaceutical Recovery Zone was reduced from 10 years to 15 years as part of this amendment.

Based on representations made by the Company in their 2014 annual progress report, a 90-day cure period was initiated by MEDC staff, as required in the Development Agreement. After negotiations with the MEDC, the Company agreed to voluntarily relinquish their current renaissance zone status. The Company was informed that the MEDC would seek revocation.

RECOMMENDATION
The MEDC recommends that the MSF Board approve the voluntary revocation of MPI Research, Inc.'s Pharmaceutical Recovery Renaissance Zone effective for Tax Year 2016.

MICHIGAN STRATEGIC FUND

RESOLUTION
2015-

REVOCATION OF AN EXISTING PHARMACEUTICAL RECOVERY RENAISSANCE ZONE DESIGNATION: MPI Research, Inc.

WHEREAS, Section 8a of the Michigan Renaissance Zone Act (the "Act"), 1996 PA 376, as amended by 2008 PA 116, MCL 125.2688a(2), authorizes the Michigan Strategic Fund ("MSF") to designate a pharmaceutical recovery renaissance zone (a "Pharmaceutical Recovery Zone") in one or more cities, villages, or townships if consented to by those local units of government;

WHEREAS, at its June 25, 2008 meeting, the Michigan Strategic Fund ("MSF") Board approved the City of Kalamazoo and Kalamazoo County's application for a Pharmaceutical Recovery Zone (the "Application"), Resolution 2008-089, for MPI Research, Inc. (the "Company") for a 15-year term beginning January 1, 2009;

WHEREAS, at its December 19, 2012 meeting, the Michigan Strategic Fund ("MSF") Board approved an amendment reducing the scope of the expansion project to one parcel, reducing the capital investment from $30 million to $5 million, reducing job creation from 400 full-time jobs to 60 full-time jobs and reducing the term of the Pharmaceutical Recovery Zone from 15 years to 10 years;

WHEREAS, Section 8a(2) of the Act requires a development agreement be entered into between the MSF and the Company receiving the Renaissance Zone (the "Development Agreement"), which committed the Company to numerous milestones with regards to job creation, new investment and reporting requirements;

WHEREAS, the Michigan Economic Development Corporation ("MEDC") provides administrative services for the renaissance zone program and pursuant to the Development Agreement, the MEDC, on behalf of the MSF, initiated a 90-day cure period which has since lapsed;

WHEREAS, following negotiations, the Company has requested to voluntarily relinquish their current renaissance zone status; and

WHEREAS, the MEDC recommends that the MSF Board approve the revocation of the Company's MSF designated Pharmaceutical Recovery Renaissance Zone.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board approves the revocation of the Company's MSF designated Pharmaceutical Recovery Renaissance Zone; and

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

Ayes:

Nays:

Recused:

Lansing, Michigan
July 28, 2015

MEMORANDUM

Date: **July 28, 2015**
To: **Michigan Strategic Fund Board**
From: **Dan Parisian, Compliance Specialist**
Subject: ***Dumbarton Tool, Inc.***
Tool and Die Recovery Zone – Revocation

Action
The Michigan Economic Development Corporation ("MEDC") is recommending the revocation of the Tool and Die Recovery Zone for Dumbarton Tool, Inc. (the "Company") by the Michigan Strategic Fund ("MSF") Board. The Company's ten year Recovery Zone term is currently set to expire at the conclusion of 2015.

Background
The MSF Board originally designated a Tool & Die Recovery Zone for Dumbarton Tool, Inc. located in the Township of Haring, as a member of the Michigan Tooling Group (the "Collaborative") in 2005.

The MEDC was notified by the Collaborative, which was confirmed by the owner of Dumbarton Tool, Inc., that the Company was no longer a participating member of the Michigan Tooling Group Collaborative effective December 31, 2014. By ceasing participation in the Collaborative, the Company is no longer eligible to receive the benefits of a Tool & Die Recovery Zone and the Company's President has confirmed the Company's intention to voluntarily terminate the designation.

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

The Township of Haring, the Company's resident agent, and the Collaborative President, were notified that the MEDC would recommend the Recovery Zone for revocation.

Recommendation
MEDC Staff recommends the MSF Board revoke the Tool and Die Recovery Zone designation for Dumbarton Tool, Inc. The revocation will be retro-active for Tax Year 2015.

MICHIGAN STRATEGIC FUND

RESOLUTION
2015-

REVOCATION OF AN EXISTING TOOL & DIE RENAISSANCE RECOVERY ZONE DESIGNATION: Dumbarton Tool, Inc.

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

WHEREAS, on December 21, 2005, the MSF Board approved a Tool & Die Recovery Zone designation for Dumbarton Tool, Inc. as a member of the Michigan Tooling Group Collaborative at its site in the Township of Haring, Wexford County located at 151 Clay Drive, Cadillac, Michigan 49601 (the "Property");

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

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

WHEREAS, the MEDC received notification from the Collaborative that the Company has ceased participation with the Michigan Tooling Group Collaborative; and

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

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board revokes the Tool and Die Recovery Zone designation for Dumbarton Tool, Inc. for the Property located in Township of Haring, Wexford County at 151 Clay Drive, Cadillac, Michigan 49601, effective retroactively on December 31, 2014 for property tax purposes and January 1, 2015 for all other purposes; and

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

Ayes:

Nays:

Recused:

Lansing, Michigan
July 28, 2015

PURE MICHIGAN

MEMORANDUM

Date: **July 28, 2015**

To: **Michigan Strategic Fund (MSF) Board**

From: **Julius L. Edwards, Capital Access**

Subject: **Amendment to Approval of up to $2,455,000 in a Michigan Community Revitalization Program Other Economic Assistance Award – Performance-Based Equity Investment for Outfield Partners, LLC**

Request

Staff is requesting to **split the original $2,455,000 Equity Investment Award into a $1,455,000 Equity Investment Award and a $1,000,000 Performance-Based Grant.** The change is being requested to help facilitate closing of the project and will maintain the originally anticipated economics for both the MSF and the private investor. The issue at hand is the unintended potential transfer of losses to the MSF upon exit which would have neither a negative or positive impact on the MSF but are extremely valuable to the private investor. In addition to the above mentioned change, the waterfall language will require a minor tweak as well, please see the proposed changes below:

Below is the newly proposed structure (the changes can be identified with elimination being done through strikethrough font and additions in **bold** font):

MCRP EQUITY INVESTMENT

Applicant(s):	Outfield Partners, LLC **or Related Entitie**s ("Company" or "Applicant")
Investor Investment Amount:	Cash contributions of not less than 10% of the total development costs, plus $486,000 in deferred developer fees.
MSF Investment Amount:	Up to the lesser of 25% of eligible investment or ~~$2,455,000~~ $1,455,000
Interest Purchased:	MSF will acquire an equity interest into Outfield Partners, LLC or an entity to be determined. The MSF will provide no guarantees on debt or accept any recourse obligation.

"Put" Right:	The MSF will receive a "Put" right for among other things failure to adhere to MSF statutory requirements. If exercised, Outfield Partners, LLC or another entity to be determined shall repay in full the entire contribution provided to the partnership and any earned but unpaid profits available at the time of the notice **plus $1,000,000** to exercise the Put on terms and conditions acceptable to the MSF.

Split of Net Cash Flows:

1. 80/20 split Investors to MSF, until the Investors receive a cumulative annual cash-on-cash return equal to 10% of Investors Equity.
2. 70/30 split Investors to MSF, until the Investors receive a cumulative annual cash-on-cash return equal to 14% of Investors Equity.
3. Thereafter, a 50/50 split Investors to MSF.

Split of Proceeds from Sale or Refinance:

1. Repayment of 50% of the Investor's Equity.
2. Repayment of MSF's original investment ~~less $1,000,000~~.
3. Repayment of the balance of the Investor's Equity.
4. 90/10 split Investors to MSF, until a 14% internal rate of return (IRR) has been achieved by the Investors.
5. 50/50 split Investors to MSF, until the MSF has received ~~the remaining amount of its original investment~~ **$1,000,000**.
6. Thereafter, 90% of net proceeds to Investors, with remaining 10% going to MSF.

Membership Change:	The MSF will have certain rights to block or consent to any material change in the membership of the project owner entity.
Sale/Liquidation:	The MSF will have certain rights to block or consent to any material liquidation or sale event (e.g., sale to a non-qualified third party).
Timing of Funding:	The MSF investment would be made after (a) all of the Investors' equity has been contributed to and used to fund approved and budgeted Project expenses and (b) the Senior Lender has waived all conditions precedent to funding (but for any conditions or obligations required of the Fund to make the Investment). For the avoidance of doubt, the MSF investment will be funded prior to the Senior Lender advancing any amounts under its loan.

MCRP PERFORMANCE-BASED GRANT

Applicant(s):	**Outfield Partners, LLC or Related Entities (“Company” or “Applicant”)**
MSF Grant Amount:	**Up to $1,000,000**
Timing of Funding:	**The MSF grant would be contributed after (a) all of the Investors’ equity has been contributed to and used to fund approved and budgeted Project expenses and (b) the Senior Lender has waived all conditions precedent to funding (but for any conditions or obligations required of the Fund to make the Investment). For the avoidance of doubt, the MSF investment will be funded prior to the Senior Lender advancing any amounts under its loan.**

Recommendation

Staff recommends approval of the amendment as presented.

MEMORANDUM

Date: **December 16, 2014**

To: **Michigan Strategic Fund Board**

From: **Marilyn Crowley, Community Assistance Team Specialist**

Brent Morgan, Manager, Brownfield and MCRP

Julius Edwards, Capital Services

Dan Wells, Brownfield Senior Program Specialist

Subject: **Outfield Partners, LLC Request for $2,455,000 Michigan Community Revitalization Program Performance-Based Equity Investment; and**

City of Lansing Brownfield Redevelopment Authority Request for Approval of an Act 381 Work Plan

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Request

The project requests to use both the Brownfield Act 381 Program and the Michigan Community Revitalization Program (MCRP) for the project located at 310 & 312 North Cedar Street, Lansing.

Outfield Partners, LLC is requesting approval of a performance-based equity investment in the amount of $2,455,000. The Applicant anticipates that the project will result in eligible investment of $9,823,000 and total capital investment in the amount of $11,201,213 in the city of Lansing and the creation of three jobs (Appendix A).

The Lansing Brownfield Redevelopment Authority has submitted an Act 381 Work Plan (hereinafter Work Plan) request for the approval of local and school tax capture for eligible activities in the amount of $3,530,973. Eligible activities that will be undertaken to alleviate Brownfield conditions on the property and complete the project include demolition, site preparation, infrastructure improvements and unique and special activities (Appendix B).

Background

Outfield Partners, LLC's sole purpose is to develop, construct, and manage the residential development located in the outfield of Cooley Law School Stadium. The entity is made up of Gillespie Group and Take Me Out to the Ballgame, LLC, doing business as the Lansing Lugnuts.

The Gillespie Group was founded in 1995. Since then, their portfolio has grown to over $160,000,000 in Real Estate Assets, including over 1,600 multi-family residential units and over 500,000 square feet of commercial/office space. Projects recently completed that included MEDC and local incentives include: Prudden Place Apartments, Stadium District Mixed-Use Development, the Midtown Redevelopment, and Armory Historic Redevelopment.

The Applicant, Outfield Partners, LLC, has not received any incentives from the MSF previously.

The Applicant plans to construct a new four-story building directly over the existing outfield of the Lansing Lugnuts. This project is truly a public-private partnership with The Outfield Partners, LLC and the city of Lansing. The city has a condominium agreement in place with the private development group for the air rights of the outfield of the stadium. The City will retain ownership beneath the condo area. The city will complete the brownfield activities for the site. This includes demolition and remediation of the former city of Lansing maintenance garages, construction of a public parking lot that will be leased by the new development, site preparation and infrastructure improvements specifically and solely to support the Development. The first floor of the new development will be owned by the city of Lansing and leased to the Lansing Lugnuts for expanded food and event capacity. The upper three floors will contain 79,494 square feet of residential space, making up 84 new units. This project will occur on approximately 2.80 acres of property located at 310 & 312 North Cedar Street in the city of Lansing. The properties are currently owned by the city of Lansing and The Outfield Partners, LLC. The eligible investment considers the cost of the residential units, but not the build-out of the city owned first floor.

a) The project is located within the boundaries of the city of Lansing, which is a Qualified Local Governmental Unit, and 312 North Cedar Street has been deemed a facility as verified by the Michigan Department of Environmental Quality, while 310 North Cedar Street is contiguous. The property is the subject of a Brownfield Plan, duly approved by the city of Lansing on June 9, 2014.

b) The project is located in a downtown and qualifies for an MCRP award because it is a facility.

The project's statutory requirements are addressed in Appendix A and a project map is provided in Appendix B.

<u>Deal Structure</u>

Market conditions within the Lansing market limits the rents that can be charged for the proposed high quality rental units. Additionally, the condominiumizing of the retail space to the City of Lansing further limits the projects income earning potential while adding to the overall cost of the project. It is for these reasons MEDC staff is recommending the MCRP incentive for the project be structured as an equity investment into the project.

It is anticipated that the project will be utilizing construction and permanent financing from First National Bank of Michigan. The owner will be contributing equity into the project at a minimum level of 10% of the total development cost and deferring 100% of developer fees. The remaining gap will be filled by a MCRP incentive not exceed the lesser of 25% of eligible investment or $2,455,000.

Summary of Development Sources:

First National Bank Mortgage Loan	$	6,310,000	56.33%
Deferred Developer Fees	$	486,000	4.34%
Owner Equity Investment	$	1,950,213	17.41%
MSF Equity Investment	$	2,455,000	21.92%
TOTAL	**$**	**11,201,213**	**100.00%**

MCRP EQUITY INVESTMENT

Applicant(s): Outfield Partners, LLC ("Company" or "Applicant")

Investor Investment Amount: Cash contributions of not less than 10% of the total development costs, plus $486,000 in deferred developer fees.

MSF Investment Amount: Up to the lesser of 25% of eligible investment or $2,455,000

Interest Purchased: MSF will acquire an equity interest into Outfield Partners, LLC or an entity to be determined. The MSF will provide no guarantees on debt or accept any recourse obligation.

"Put" Right: The MSF will receive a "Put" right for among other things failure to adhere to MSF statutory requirements. If exercised, Outfield Partners, LLC or another entity to be determined shall repay in full the entire contribution provided to the partnership and any earned but unpaid profits available at the time of the notice to exercise the Put on terms and conditions acceptable to the MSF.

Split of Net Cash Flows:

1. 80/20 split Investors to MSF, until the Investors receive a cumulative annual cash-on-cash return equal to 10% of Investors Equity.
2. 70/30 split Investors to MSF, until the Investors receive a cumulative annual cash-on-cash return equal to 14% of Investors Equity.
3. Thereafter, a 50/50 split Investors to MSF.

Split of Proceeds from Sale or Refinance:

1. Repayment of 50% of the Investor's Equity.
2. Repayment of MSF's original investment less $1,000,000.
3. Repayment of the balance of the Investor's Equity
4. 90/10 split Investors to MSF, until a 14% internal rate of return (IRR) has been achieved by the Investors.
5. 50/50 split Investors to MSF, until the MSF has received the remaining amount of its original investment.
6. Thereafter, 90% of net proceeds to Investors, with remaining 10% going to MSF.

Membership Change: The MSF will have certain rights to block or consent to any material change in the membership of the project owner entity.

Sale/Liquidation: The MSF will have certain rights to block or consent to any material liquidation or sale event (e.g., sale to a non-qualified third party).

Timing of Funding: The MSF investment would be made after (a) all of the Investors' equity has been contributed to and used to fund approved and budgeted for Project expenses and (b) the Senior Lender has waived all conditions precedent to funding (but for any conditions or obligations required of the Fund to make the Investment). For the avoidance of doubt, the MSF investment will be funded prior to the Senior Lender advancing any amounts under its loan.

Recommendation

MEDC Staff recommends the following:

a) Approval of local and school tax capture for the Act 381 eligible activities totaling $3,530,973 described above. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at $1,267,619.

b) Approval of an MCRP performance-based equity investment in the amount of $2,455,000 for Outfield Partners, LLC, contingent upon the following:

- MEDC staff receiving copies of all executed loan agreements, notes and mortgages, evidencing that the Applicant has financing in place in the minimum amount of $6,300,000 and for a term of not less than 60 months.
- MEDC staff receiving a final executed version of the "Comprehensive Development Agreement and the "Master Deed of Outfield Place" and any amendments, between the City of Lansing and Outfield Partners, LLC.
- MEDC staff receiving copies of "construction ready" plans and specifications.
- MEDC staff receiving an acceptable "Guaranteed Maximum Price" construction contract not to exceed $9.9 million.
- MEDC staff receiving any other documents or materials deemed necessary to close the transaction.

MICHIGAN STRATEGIC FUND
RESOLUTION 2015-

APPROVAL OF AN AMENDMENT TO A MICHIGAN COMMUNITY REVITALIZATION PROGRAM OTHER ECONOMIC ASSISTANCE AWARD FOR OUTFIELD PARTNERS, LLC (OR SUCH OTHER CO-APPLICANTS) (OUTFIELD PROJECT)

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

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

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

WHEREAS, pursuant to SFCR 2090-1(3), the MSF approved the MSF Fund Manager or the MSF President to negotiate the terms and conditions and execute all final documents necessary to effectuate awards and decisions approved under the MCRP ("Transaction Documents");

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

WHEREAS, by Resolution 2014-230 on December 16, 2014 the MSF Board awarded CRP Other Economic Assistance to Outfield Partners, LLC or other entities formed or to be formed in furtherance of the Outfield Project ("Applicant" or "Co-Applicants") of up to $2,455,000 ("Award");

WHEREAS, the MEDC has recommended that the MSF approve the amendment recommendation in accordance with the Amended Term Sheet, Exhibit A, with all other requirements remaining in place from the original approval.

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

ADOPTED

Ayes:

Nays:

Recused:

Lansing, Michigan
July 28, 2015

Exhibit A

MCRP EQUITY INVESTMENT

Applicant(s):	Outfield Partners, LLC or Related Entities ("Company" or "Applicant")
Investor Investment Amount:	Cash contributions of not less than 10% of the total development costs, plus $486,000 in deferred developer fees.
MSF Investment Amount:	Up to the lesser of 25% of eligible investment or $1,455,000
Interest Purchased:	MSF will acquire an equity interest into Outfield Partners, LLC or an entity to be determined. The MSF will provide no guarantees on debt or accept any recourse obligation.
"Put" Right:	The MSF will receive a "Put" right for among other things failure to adhere to MSF statutory requirements. If exercised, Outfield Partners, LLC or another entity to be determined shall repay in full the entire contribution provided to the partnership and any earned but unpaid profits available at the time of the notice plus $1,000,000 to exercise the Put on terms and conditions acceptable to the MSF.

Split of Net Cash Flows:

1. 80/20 split Investors to MSF, until the Investors receive a cumulative annual cash-on-cash return equal to 10% of Investors Equity.
2. 70/30 split Investors to MSF, until the Investors receive a cumulative annual cash-on-cash return equal to 14% of Investors Equity.
3. Thereafter, a 50/50 split Investors to MSF.

Split of Proceeds from Sale or Refinance:

1. Repayment of 50% of the Investor's Equity.
2. Repayment of MSF's original investment.
3. Repayment of the balance of the Investor's Equity.
4. 90/10 split Investors to MSF, until a 14% internal rate of return (IRR) has been achieved by the Investors.
5. 50/50 split Investors to MSF, until the MSF has received $1,000,000.
6. Thereafter, 90% of net proceeds to Investors, with remaining 10% going to MSF.

Membership Change:	The MSF will have certain rights to block or consent to any material change in the membership of the project owner entity.
Sale/Liquidation:	The MSF will have certain rights to block or consent to any material liquidation or sale event (e.g., sale to a non-qualified third party).
Timing of Funding:	The MSF investment would be made after (a) all of the Investors' equity has been contributed to and used to fund approved and budgeted Project expenses and (b) the Senior Lender has waived all conditions precedent to funding (but for any conditions or obligations required of the Fund to make the Investment). For the avoidance of doubt, the MSF investment will be funded prior to the Senior Lender advancing any amounts under its loan.

MCRP PERFORMANCE-BASED GRANT

Applicant(s):	Outfield Partners, LLC or Related Entities ("Company" or "Applicant")
MSF Grant Amount:	Up to $1,000,000
Timing of Funding:	The MSF grant would be contributed after (a) all of the Investors' equity has been contributed to and used to fund approved and budgeted Project expenses and (b) the Senior Lender has waived all conditions precedent to funding (but for any conditions or obligations required of the Fund to make the Investment). For the avoidance of doubt, the MSF investment will be funded prior to the Senior Lender advancing any amounts under its loan.

MEMORANDUM

Date: **July 28, 2015**

To: **Michigan Strategic Fund Board Members**

From: **Deborah Stuart, Director**
Community Incentive Programs

Subject: **Community Development Block Grant Program**
Second Amendment in the Memorandum of Understanding between the Michigan Strategic Fund and the Michigan Economic Development Corporation

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Request

Staff is requesting an extension of the term for the existing Memorandum of Understanding (MOU) between the Michigan Strategic Fund (MSF) and the Michigan Economic Development Corporation (MEDC) related to the CDBG 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 (MSF), for further distribution to eligible Units of General Local Government to carry out State approved activities.

The attached document is the current MOU with amendments which outlines responsibilities and signing authority between the two entities. The term of the MOU has expired and needs to be extended. Staff is recommending the term be extended until December 31, 2015.

Recommendation

The MEDC Staff recommends the MSF:

- Authorize a second amendment to the existing MOU between the Michigan Strategic Fund and the Michigan Economic Development Corporation to extend the term of the agreement to December 31, 2015.

FIRST AMENDMENT TO
MEMORANDUM OF UNDERSTANDING
BETWEEN
THE MICHIGAN STRATEGIC FUND
AND
THE MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

This Amendment ("Amendment") is to the Memorandum of Understanding ("MOU") between the Michigan Strategic Fund ("MSF") and the Michigan Economic Development Corporation ("MEDC") (together, the "Parties") effective September 27, 2012, with respect to the MSF's administration of the Michigan Community Development Block Grant Program ("CDBG Program"). The Parties agree that it is necessary to amend the MOU and pursuant to Section VII the Parties agree to amend the MOU as follows:

> Section IV, Duration of MOU, shall be amended by replacing "June 30, 2013" in the first sentence with "June 30, 2015."

Except as specifically provided above, the Parties agree that all other terms and conditions of the MOU shall remain unchanged and in effect.

The MSF and MEDC have caused this Amendment to be executed by the respective representatives duly authorized to do so. This Amendment may be executed in one or more counterparts and by facsimile, each of which shall constitute an original, and all of which together constitute the entire Amendment.

MICHIGAN ECONOMIC DEVELOPMENT CORPORATION,
a public body corporate

Dated: 9/13/13

By: Michael A. Finney
Michael A. Finney
President & CEO

MICHIGAN STRATEGIC FUND,
an agency of the State of Michigan

Dated: Sept. 13, 2013

By: Karla K. Campbell
Karla K. Campbell
MSF Fund Manager

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

This Memorandum of Understanding ("MOU") is entered into as of September 27, 2012 between the Michigan Strategic Fund ("MSF") and the Michigan Economic Development Corporation ("MEDC") to set forth the parties' understandings with respect to the MSF's administration of the Michigan Community Development Block Grant Program ("CDBG Program") pursuant to the Housing and Community Development Act of 1974, Public Law 93-383, as amended; 42 U.S.C. 5301 *et seq*, its implementing regulations, and applicable federal and state laws (collectively, "CDBG Legislation"), and, the United States Department of Housing and Urban Development (HUD) approved State of Michigan Consolidated State Plan for Housing and Community Development ("State Plan").

I. PURPOSE

Under the direction and control of the MSF Board, the MEDC shall provide certain administrative services associated with the CDBG Program, as provided in this MOU. It is the intent of the parties that the MSF and the MEDC will work cooperatively to ensure compliance with CDBG Legislation and that administrative services performed by the MEDC are conducted in such a way as to assist the MSF to meet CDBG Program national objectives and satisfy all CDBG Legislation and State Plan requirements.

II. MSF AUTHORITY AND RESPONSIBILITIES

The MSF is the state agency grant recipient for CDBG Program funds. Pursuant to CDBG Legislation, the MSF is responsible to ensure that CDBG funds are used in accordance with all CDBG program requirements. MSF Resolution 2012-128 dated and approved on September 27, 2012, approves this MOU. The MSF Fund Manager oversees MSF grant recipient responsibilities, and has oversight and control over all administrative services to be provided by the MEDC under this MOU.

III. MEDC RESPONSIBILITIES

Pursuant to MSF Resolution 2012-128 and in accord with the provisions of this MOU, the MEDC agrees to provide the following administrative services for the CDBG Program under the direction and control of the MSF Fund Manager:

A. Ensure compliance with CDBG Legislation, the State Plan, MSF resolutions and all applicable state requirements related to the CDBG Program;

B. Manage, review and monitor all CDBG Program resolutions approved by the MSF Board and all decisions of the MSF Fund Manager in compliance with CDBG Legislation and the State Plan;

C. Provide daily administrative services and oversight of CDBG Program activities and grants. Except as provided in this MOU, the CDBG Program Manager may approve and sign no-cost grant modifications and amendments to MSF Board approved CDBG grants. Provided however, that grant modifications or amendments to increase a grant or project budget, change an award recipient or intended beneficiary, shall require prior approval by the MSF Board;

D. Provide administrative services for daily operations of the CDBG Program's local revolving loan fund program ("RLF") consistent with any previous MSF Board approved RLF restructuring. The CDBG Program Manager may approve and sign RLF loans, loan amendments and loan documents, and, amendments or modifications to local RLF reuse plans consistent with MSF Board approved resolutions. Provided, however, that any transfer or assignment of any RLFs, RLF funds or program income and any new or reassigned grant funds awarded to the RLF program shall require prior approval by the MSF Board;

E. Prepare and present CDBG Program reports to the MSF Board, on a quarterly basis, and prepare any additional CDBG Program reports required by CDBG Legislation or MSF resolutions;

F. Maintain separate and appropriate accounting financial records and source documents for all CDBG Program funds;

G. After disclosure to and as directed in consultation with the MSF Fund Manager, timely review audit reports and take appropriate actions to assist with federal and state audit findings and questioned costs;

H. Work with communities and issue grant assistance offer letters, but not incur obligations or sign grant agreements until authorized by the MSF Board;

H. Coordinate its administrative services with all other local, state and federal agencies and departments that have any authority or responsibilities in connection with the CDBG Program or this MOU; and

I. Consult with the MSF Fund Manager and Department of Attorney General regarding any items that would have a potential legal impact on the MSF or the parties involved in the project.

IV. DURATION OF MOU

This MOU remains in effect through June 30, 2013, unless extended in writing and signed by the parties to this MOU. This MOU may be terminated in writing by the parties, or by giving the other party 90 days written notice of such termination.

V. NO INDEMNIFICATION

The MSF and the MEDC must each seek its own legal representation and bear its own costs, including judgments, in any litigation that may arise from the performance of this MOU. It is specifically understood and agreed that none of the parties will indemnify the others in any litigation

VI. SERVICE FEES

As payment for the MEDC services under this MOU, the MSF shall pay for actual costs related to the administration of the CDBG Program. Provided, however, that those costs do not exceed the allowable administrative and technical assistance costs defined in the CDBG Legislation.

VII. MODIFICATION OF AGREEMENT

The MSF and the MEDC agree that this MOU may be modified or amended from time to time, in writing, by the parties. The modifications or amendments must be approved by the MSF Board and signed by an authorized representative of each party.

MICHIGAN ECONOMIC DEVELOPMENT CORPORATION,
a public body corporate

Dated:______________

By: Jennifer Nelson
Jennifer Nelson
Chief of Staff and General Counsel

MICHIGAN STRATEGIC FUND,
an agency of the State of Michigan

Dated: 10/1/13

By: Karla K Campbell
Karla Campbell
MSF Fund Manager

MICHIGAN STRATEGIC FUND

RESOLUTION 2015-

EXTENSION OF THE MEMORANDUM OF UNDERSTANDING FOR THE MICHIGAN ECONOMIC DEVELOPMENT CORPORATION TO PROVIDE ADMINISTRATIVE SERVICES FOR THE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

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 (the "CDBG") program;

WHEREAS, pursuant to MCL 125.2007(i), the MSF Board may engage personnel as is necessary and engage the services of private consultants, managers, counsel, auditors, engineers, and scientists for rendering professional management and technical assistance and advice;

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

WHEREAS, it is the desire of the MSF Board that the staff of the Michigan Economic Development Corporation (the "MEDC") administer MSF programs associated with the CDBG program;

WHEREAS, to that end, the MSF Board desires to enter into a Memorandum of Understanding ("MOU") between the MSF and MEDC that describes the respective roles and responsibilities of the MSF and MEDC for the administrative services to be provided for the CDBG program; and

WHEREAS, the MSF Board believes it is in the best interest of the CDBG program to extend the term to December 31, 2015, for the attached MOU that describes the respective roles and responsibilities of the MSF and MEDC for the administrative services to be provided for the CDBG program subject to the direction and control of the MSF Board.

NOW, THEREFORE, BE IT RESOLVED, subject to the control and direction of the MSF Board, the MEDC shall provide certain administrative services for the CDBG program as set forth in the attached MOU that describes the respective roles and responsibilities of the MSF and MEDC until December 31, 2015; and

BE IT FURTHER RESOLVED, that the MSF Board authorizes the MSF Fund Manager to sign the second amendment to the MOU on its behalf.

Ayes:

Nays:

Recused:

Lansing, Michigan
July 28, 2015

MICHIGAN STRATEGIC FUND
RESOLUTION
2015-

DESIGNATION OF FINANCIAL OFFICER

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

WHEREAS, the MSF Board desires to appoint a Financial Officer to act in accordance with the delegations of authority set forth in the Michigan Strategic Fund Compiled Resolutions (the "Strategic Fund Compiled Resolutions" or "SFCR").

NOW, THEREFORE, BE IT RESOLVED, the MSF Bard hereby appoints Amanda Bright McClanahan as the Financial Officer for the MSF; and

BE IT FURTHER RESOLVED, resolution 2015-075 is rescinded in its entirety.

Ayes:

Nays:

Recused:

Lansing, Michigan
July 28, 2015

MEMORANDUM

To: ***Michigan Strategic Fund ("MSF") Board***

From: ***Christin Armstrong, Senior Corporate Counsel and Director, Compliance***

Date: ***July 28, 2015***

Subject: ***Rigaku Innovative Technologies, Inc. ("Company")***
Payment Plan for Michigan Business Development Program ("MBDP") Grant

---

Request

This is a request to authorize the MSF Fund Manager to negotiate the final terms and conditions of a repayment plan pursuant to which the Company may repay previously disbursed MBDP Grant funds over a period of time.

Background

On March 8, 2013, the MSF Board approved a $2,000,000 award to the Company under the MBDP. The Company proposed to expand its current operations in order to begin supplying the semi-conductor industry with optical products in the City of Auburn Hills which would result in the creation of 25 Qualified New Jobs and up to $55.7 million in capital investment. The City of Auburn Hills provided a PA 198 tax abatement.

Key Milestone Number One required the Company to maintain the Base Employment Level (defined as 53 jobs maintained by the Company on a statewide basis) and to provide evidence verifying a purchase order had been issued for the purchase of machinery and equipment totaling at least $5,000,000. The Company achieved Key Milestone Number One and received a disbursement of $2,000,000 on April 24, 2013.

Key Milestone Number Two required the Company to maintain the Base Employment Level, provide evidence that the machinery and equipment purchased and listed in Key Milestone Number One had been installed, and to provide evidence of issuance of a tax abatement by the City of Auburn Hills. Achievement of the milestone was confirmed on April 24, 2014. There were no grant disbursements tied to achievement of this Milestone. Key Milestone Number Three requires the Company to maintain the Base Employment Level and to create a minimum of 25 Qualified New Jobs ("QNJs") by December 31, 2017. There is no grant disbursement tied to achievement of this Milestone.

The Company's progress report submitted on October 10, 2014 indicated that the Company had not maintained its Base Employment Level (the "Event of Default"). The Company was notified of the Event of Default and provided an initial cure period of October 31, 2014. The Company requested and was granted an extended cure period of May 14, 2015. The Company did not cure the default by May 14, 2015. MEDC Staff and the Company have been in discussions regarding repayment of the previously disbursed grant funds. The Company acknowledges that it must repay the grant funds and has requested that the MSF allow it to repay the grant over time.

Recommendation

MEDC Staff recommends that the MSF Board authorize the MSF Fund Manager to negotiate and finalize a payment plan that would allow the Company to repay the MBDP Grant funds over time as follows (collectively, the "Recommendation"):

The MBDP Grant currently includes a provision that requires the Company to begin making an annual payment of $200,000 on or before December 31, 2018 and continuing no later than December 31 of each year until December 31, 2022. MEDC Staff recommends that the MSF maintain that payment structure for $1,000,000 of the MBDP Grant. MEDC Staff proposes the following repayment terms for the balance of the $1,000,000 in previously disbursed funds:

On or before September 1, 2015	$175,000
On or before December 31, 2015	$175,000
On or before March 31, 2016	$175,000
On or before September 30, 2016	$175,000
On or before March 31, 2017	$150,000
On or before September 30, 2017	$150,000

MICHIGAN STRATEGIC FUND
RESOLUTION 2015-

RESTRUCTURE OF MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT TO RIGAKU INNOVATIVE TECHNOLOGIES, INC.

WHEREAS, the Michigan Legislature passed legislation establishing the 21st Century Jobs Trust Fund initiative;

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 or 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) authorized 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 (the "Transaction Documents");

WHEREAS, the Guidelines require that decisions with respect to MBDP awards over $1,000,000 must be approved by the MSF Board;

WHEREAS, on January 23, 2013, Rigaku Innovative Technologies, Inc. (the "Company") was awarded an MBDP grant of up to $2,000,000 for the creation of twenty-five (25) Qualified New Jobs (as defined in the Transaction Documents) and capital investment of $5,000,000;

WHEREAS, on April 24, 2014, the Company received a disbursement of $2,000,000 for achievement of key milestones set forth in the Transaction Documents (the "Grant Disbursement");

WHEREAS, the Company defaulted under the Transaction Documents (the "Event of Default") and was unable to cure the Event of Default within the applicable cure period;

WHEREAS, the Event of Default is considered a Repayment Event under the Transaction Documents and requires the Company to repay the Grant Disbursement to the MSF;

WHEREAS, the Company has requested that the MSF Board allow it to repay the Grant Disbursement over a period of time in accordance with the following schedule (the "Repayment Plan"):

On or before September 1, 2015	$175,000
On or before December 31, 2015	$175,000
On or before March 31, 2016	$175,000
On or before September 30, 2016	$175,000
On or before March 31, 2017	$150,000
On or before September 30, 2017	$150,000
On or before December 31, 2018	$200,000
On or before December 31, 2019	$200,000
On or before December 31, 2020	$200,000
On or before December 31, 2021	$200,000
On or before December 31, 2022	$200,000.

WHEREAS, MEDC Staff recommends that the MSF Board approve the Repayment Plan and authorize the MSF Fund Manager to negotiate the final terms and conditions of and to execute any documents necessary to effectuate the Repayment Plan.

NOW, THEREFORE, BE IT RESOLVED, the MSF Board approves the Repayment Plan and authorizes the MSF Fund Manager to negotiate the final terms and conditions of and to execute any documents necessary to effectuate the Repayment Plan.

Ayes:

Nays:

Recused:

Lansing, Michigan
July 28, 2015

MEMORANDUM

Date: **June 5, 2015**
To: **Michigan Strategic Fund Board**
From: **Sean Carlson, VP, Michigan Defense Center / International Trade**

Subject: ***Procurement Technical Assistance Center (PTAC) Program – FY16 Grant RFP***

Request

The Michigan Economic Development Corporation (MEDC) Staff requests the MSF Board approve the Request for Proposals (RFP) process to identify and fund Procurement Technical Assistance Center (PTAC) Programs for fiscal year 2016.

Background

The MEDC is seeking to identify local PTAC host organizations to provide Procurement Technical Assistance services for Michigan businesses that will assist in successfully winning federal contracts, with a strong emphasis on United States Departments of Defense (DoD) and Homeland Security (DHS) contracts, as well as state and local contracts to a lesser extent.

The Michigan Defense Center (MDC) was created within the Michigan Strategic Fund pursuant to 2006 PA 317 in order to leverage business development opportunities associated with Departments of Defense and Homeland Security contracts. The MDC works to discover, identify, and prioritize defense and homeland security federal opportunities for Michigan businesses; captures, categorizes, and communicates Michigan capabilities; builds and cultivates strategic partnerships; and executes statewide initiatives. The MDC is also responsible for administering the Procurement Technical Assistance Center (PTAC) Program in Michigan.

The Department of Defense's Procurement Technical Assistance Center (PTAC) Program was established by Congress in 1985 to help create jobs and to improve the local economy by assisting business firms in obtaining and performing under federal, state, and local government contracts. The U.S. Defense Logistics Agency (DLA), the MDC/MEDC, and local economic partners fund Michigan PTACs. There are 11 regional PTAC offices to help Michigan companies to successfully secure, perform and retain defense and other government contracts.

The Michigan PTAC Program generates an enormous economic impact. In fiscal year 2014, the PTACs teamed with Michigan companies to secure $1 billion in government contracts resulting in thousands of jobs created or retained within the state. Collectively, hundreds of PTAC clients were successful in winning contracts and many more receiving valuable assistance towards their first contract win.

Request for Proposals (RFP) Process Summary

In an effort to implement best practices across MEDC, requests for future state funding for PTACs will need to be awarded through the RFP process. This approach will assist in determining the appropriate distribution of limited funding to programs that best address Economic Development needs and provide the greatest return on investment.

The RFP is expected to be released on Wednesday, July 29th with a Q&A period to be open until August 10th with answers to be posted by August 14th. A deadline for proposal is expected to be August 28th with a JEC review period of 14 days for award recommendations to the MSF board at the September meeting. The resulting agreements that will be established shall be for a full 12-month fiscal year 2016 period, from October 1st, 2015 through September 30th, 2016.

The objectives of the FY16 PTAC Program RFP process:

- Coordinate with PTACs in this state to maximize homeland security and defense business opportunities for small businesses and small business innovation research programs while focusing on communities most impacted by the contraction in the manufacturing sector.

- Focus on job creation and job retention from federal business opportunities associated with PTACs for homeland security and defense contracts and contracts related to homeland security and defense.

- Set a performance objective of increasing defense and homeland security contracts awarded to businesses located in this state.

- To maximize Return on Investment/Cost per Job for the PTAC Program.

The evaluation process will give preference to proposals that:

- Effectively indicate the ability of the Responder to meet the requirements of this RFP, especially the time constraints, quality of proposed service delivery, and past performance. MEDC and MDC is seeking collaborative, creative, and innovative approaches to delivering Procurement Technical Assistance to Michigan businesses. In the evaluation process, JEC members will give priority to direct client counseling and collaboration with stakeholders over all other activities and considerations. Further preference provided for demonstrated efforts to minimize activities that do not deliver value directly to Michigan businesses.

Recommendations

MEDC Staff recommends that the MSF Board approve the proposed RFP process to identify and fund qualified PTAC Programs with host organizations that submit responses to the opportunity.

REQUEST FOR PROPOSALS

Michigan Strategic Fund
RFP CASE - 00142782

Procurement Technical Assistance Centers

Fiscal Year 2016 Grants

REMINDER

Please check your submission to make sure you have included all of the specifications in the Request for Proposals.

RESPONDERS ARE RESPONSIBLE FOR ASSURING THAT THE FOLLOWING IDENTIFYING INFORMATION APPEARS IN THE SUBJECT LINE OF YOUR EMAIL: *"RFP CASE - 00142782 PTAC Proposal" with Company Name, and "message 1 of 3" as appropriate if the bid consists of multiple emails.*

The MEDC will not respond to telephone inquiries, or visitation by Responders or their representatives. Responder's sole point of contact concerning the RFP is below and any communication outside of this process may result in disqualification.

Procurement Team
Michigan Economic Development Corporation
300 North Washington Square
Lansing, Michigan 48913
medcprocurementteam@michigan.org

RFP 00142782

Procurement Technical Assistance Centers

Table of Contents

REQUEST FOR QUALIFICATIONS

Procurement Technical Assistance Centers

RFP 00000000

This Request for Proposals ("RFP") is issued by the Michigan Economic Development Corporation (the "MEDC"), Procurement Team Unit ("Procurement"). The MEDC provides administrative services to the Michigan Strategic Fund ("MSF"). Procurement is the sole point of contact with regard to all bidding and contractual matters relating to the services described in this RFP. Procurement is the only office authorized to change, modify, amend, alter, clarify, etc. the specifications, terms and conditions of this RFP and any qualifications made as a result of this RFP (the "Contract"). Procurement Team will remain the SOLE POINT OF CONTACT throughout this process. ***The MEDC will not respond to telephone inquiries, or visitation by Responders or their representatives. Responder's sole point of contact concerning the RFP is below and any communication outside of this process may result in disqualification.***

Procurement Team
Michigan Economic Development Corporation
300 North Washington Square
Lansing, Michigan 48913
medcprocurementteam@michigan.org

SECTION I
WORK STATEMENT

A) PURPOSE

The MSF is seeking to identify host organizations to provide Procurement Technical Assistance services for Michigan businesses that will assist in successfully winning federal contracts, with a strong emphasis on United States Departments of Defense ("DoD") and Homeland Security ("DHS") contracts, as well as state and local contracts to a lesser extent.

B) BACKGROUND STATEMENT AND OBJECTIVES

Background: The Michigan Defense Center ("MDC") was created within the MSF pursuant to 2006 PA 317 in order to leverage business development opportunities associated with Departments of Defense and Homeland Security contracts. The MDC works to discover, identify, and prioritize defense and homeland security federal opportunities for Michigan businesses; captures, categorizes, and communicates Michigan capabilities; builds and cultivates strategic partnerships; and executes state-wide initiatives.

Objectives: Coordinate with Procurement Technical Assistance Centers ("PTACs") in this state to maximize homeland security and defense business opportunities for small businesses and small business innovation research programs while focusing on communities most impacted by the contraction in the manufacturing sector.

Focus on job creation and job retention from federal business opportunities associated with PTACs, especially for homeland security and defense contracts and contracts related to homeland security and defense.

Set a performance objective of increasing defense and homeland security contracts awarded to businesses located in this state.

To maximize Return on Investment/Cost per Job for the PTAC program.

C) MINIMUM QUALIFICATIONS

Yes	No	
☐	☐	Agreement to transition to a statewide centralized PTAC database that will be funded and administered directly by the MEDC.
☐	☐	Agreement to adopt the tracking and reporting standard for counseling hours defined by MEDC and approved by the Defense Logistics Agency ("DLA").
☐	☐	Agreement to coordinate with MDC on the development and implementation of a standardized statewide PTAC training program for Michigan businesses.

Failure of the respondent to agree to the minimum requirements may result in disqualification from further consideration

D) DELIVERABLES

During the contract period, provide expert Procurement Technical Assistance to Michigan companies seeking government contracts, with a primary focus towards federal, DoD, and DHS contracts.

SECTION II
SUBMISSION FORMAT

A) To be considered, each Responder must submit a COMPLETE proposal in response to this RFP using the format specified. Responder'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 Responder to be essential to a complete understanding of the submission. Fiscal Year (FY) represents the period from October through September. Each section of the submission should be clearly identified with appropriate headings:

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.

2. Narrative – Include a narrative summary description of the proposed effort and of the services(s)/products(s) that will be delivered. The Narrative section shall be limited to 10 pages, 12 pt. Times New Roman font, and single-spaced (12 pages if responding with a satellite office). Specifically address the follow items in sufficient detail to convey your understanding of the needs presented by this RFP:

(i) Program Goals

1) Provide your projected program goals, including but not limited to new clients, active clients, counseling hours, and event goals for FY16 and a detailed description of how you developed the forecasts
2) Propose your approach to developing events and the scope and frequency of programs you plan to offer in FY16
3) Propose the approach and methods you will utilize to effectively identify, attract, and retain new clients

(ii) Prosperity Region involvement

1) Describe how you have coordinated, collaborated, and communicated with economic development partners in your Prosperity Region in the last 12 months
2) Propose your plan to coordinate, collaborate, and communicate with economic development partners in your Prosperity Region in FY16

(iii) Michigan Defense Center

1) Describe how you have coordinated, collaborated, and communicated with the Michigan Defense Center in the last 12 months
2) Propose your plan to coordinate, collaborate, and communicate with Michigan Defense Center in FY16, including integration of economic gardening tools

(iv) Client Counseling

1) Describe your process for retaining and prioritizing active clients and approach to maintaining high client satisfaction

(v) Facilitated Revenue

1) Propose an approach to growing your reported facilitated revenue results in FY16 (If your office is not located in a county where the heaviest concentration of businesses in the coverage area reside, propose how you will address this issue in your response)

(vi) Satellite Offices (when applicable)

1) Propose your approach to staffing a satellite office at (designated location) with a full time employee or FTE equivalent dedicated to (designated geographic location).
2) Include details on coordination efforts at the satellite office with local economic development and other partners, as well as with your PTAC office.

3. Technical Work Plans – Provide relevant detailed Process Flow Maps or other documents that outline a process for new client in-take and overall client management.

4. Historical Performance Metrics – Complete and submit Data Sheet tabs 1-3 in Attachment C to provide available information on performance metrics from FY10 thru FY14 and current year where indicated.

   The MEDC may evaluate the Responder's historical performance with the MEDC, and historical performance information may be a factor in qualifying a Responder.

5. Project Staffing – Identify a Project Manager and staff assigned by name and title. Indicate vacant positions, length of vacancy, and staff turnover rates. Project Staffing is limited to five pages, 12 pt. Times New Roman font, and single-spaced.

6. Qualifications – Include statement of agreement to the individual Qualifications in Part C of Section I signed and certified by the person authorized to sign and submit on behalf of the applicant.

7. Responder's Authorized Expediter – Include the name and telephone number of person(s) in your organization authorized to expedite any proposed agreement with the MEDC.

8. Additional Information and Comments – Include any other information that is believed to be pertinent, but not specifically asked for elsewhere.

B) PROGRAM BUDGET

The Responder is required to submit information regarding the PTAC program budget in accordance with the forms and instructions contained in Attachment A and Attachment B to this RFP.

C) PROPOSAL SUBMITTAL

Submit your proposal to the MEDC via email to medcprocurementteam@michigan.org. **Proposals will not be accepted via U.S. mail or any other delivery method.**

REPSONDERS ARE RESPONSIBLE FOR ASSURING THAT THE FOLLOWING IDENTIFYING INFORMATION APPEARS IN THE SUBJECT LINE OF YOUR EMAIL: *"RFP **CASE - 00142782** PTAC Proposal" with Company Name, and "message 1 of 3" as appropriate if the response 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 must be submitted to:

Procurement Team
medcprocurementteam@michigan.org

B) PROPOSAL STATEMENTS

To be considered, Responders must submit a complete response to this RFP, using the format provided in Section II of this RFP.

Proposals must be **signed physically or electronically** by an official of the Responder authorized to bind the Responder to its provisions. The proposals 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 of submission.

C) ECONOMY OF PREPARATION

Each proposal should be prepared simply and economically, providing a straightforward, concise description of the Responder'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 the multi-step selection process. The submission must address the requirements described in Section II of this RFP. Multiple Responders may be awarded to perform services in individual Prosperity Regions or a combination of Regions.

Responders will be evaluated according to the following criteria:

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* – Procurement will screen the proposals for technical compliance to include but not limited to:

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

2) Step II – Criteria for Satisfactory Technical Proposals – 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 Responder.

a.) Program Narrative – The proposal should indicate the ability of the Responder to meet the requirements of this RFP, especially the time constraints, quality, and recent projects similar to that described in this RFP. MEDC and MDC is seeking collaborative, creative, and innovative approaches to delivering Procurement Technical Assistance to Michigan businesses. In the evaluation process, priority is on direct client counseling and collaboration with stakeholders over all other activities and considerations. Demonstrated efforts to minimize activities that do not deliver value directly to Michigan businesses will be given preference.

b.) Competence, Experience and Staffing Capacity –The submission should indicate the competence of the personnel whom the Responder 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 Responder's Project Manager and the Project Manager's dedicated management and client counseling time, as well as that of other key personnel working on this project.

Responders may be required to make oral presentations of their proposal. These presentations provide an opportunity for the Responders to clarify the proposal. The MEDC will schedule these presentations, if required.

3) Step III – Criteria for Satisfactory Budget Proposal

a.) Based on what is in the best interest of the MSF, the MSF will award the grants considering value, quality, and the ability to meet the objectives of this RFP, of proposals that were approved as a result of this multi-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 responsive and responsible Responders who offer the best value to the MSF and the State of Michigan. Best value will be determined by the Responders meeting the minimum point threshold and offering the *best proposals that meet the objectives of the RFP.*

E) RESPONDERS COSTS

Neither the MSF nor the MEDC is liable for any costs incurred by any Responder.

F) TAXES

The MEDC may refuse to qualify any Responder who has failed to pay any applicable taxes or if the Responder has an outstanding debt to the State or the MEDC.

Expect as otherwise disclosed in an exhibit to the resulting proposal, Responder certifies that all applicable taxes are paid as of the date the Responder's proposal was submitted to the MEDC and the Responder owes no outstanding debt to the State or the MEDC.

G) CONFLICT OF INTEREST

The Responder must disclose, in an exhibit to the submission, any possible conflicts of interest that may result from services provided under the RFP.

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

1. Giving or offering a gratuity, kickback, money, gift, or anything of value to a MEDC official, officer, or employee with the intent of receiving a contract from the MEDC 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 Responder's performance of its duties and responsibilities to the MEDC under the Contract or otherwise create the appearance of impropriety with respect to being determined as qualified or performance under this RFP; 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 Responder or its affiliates or Interests on behalf of the MEDC will be influenced.

H) BREACH OF CONTRACT

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

I) DISCLOSURE OF LITIGATION

Except as otherwise disclosed in an exhibit to Responder's submission, there is no criminal litigation, investigations or proceedings involving the Responder (and each subcontractor, if subcontractors will be used to provide the goods/services requested under this RFP) or any of the Responder's officers or directors or any litigation or proceedings under the Sarbanes-Oxley Act. In addition, Responders must disclose in the exhibit requested under this Section of the RFP any civil litigation, arbitration or proceeding to which the Responder (or, to the extent Responder 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 Responder (or subcontractor); or (2) a claim or written allegation of fraud or breach of contract against Responder (or, to the extent Responder 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 Responder is prevented from disclosing under the terms of the settlement may be annotated as such.

J) FALSE INFORMATION

If the MEDC determines that a Responder purposefully or willfully submitted false information in response to this RFP, the Responder will not be considered as qualified and any resulting Contract that may have been executed may be terminated.

K) DISCLOSURE

All Responders should be aware that submissions submitted to the MEDC 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 Responders' statement. Responders, however, are encouraged to provide sufficient information to enable the MEDC to determine the Responder'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) 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.michiganbusiness.org. Applicants are encouraged to regularly check this site for changes or other information related to the RFP.

M) ELECTRONIC RECEIPT

ELECTRONIC VERSIONS OF YOUR STATEMENT OF QUALIFICATIONS SENT MUST BE RECEIVED AND TIME-STAMPED BY THE MEDC TO medcprocurementteam@michigan.org.

N) RESERVATION OF MSF DISCRETION

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

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

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 qualifications process, to appeal, and/or take any action, including, but not limited to, legal action, regarding the submission or proposal process in general may result in the applicant's disqualification and elimination from the proposal process.

O) <u>JURISDICTION</u>

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

P) <u>ADDITIONAL CERTIFICATION</u>

Pursuant to Public Act 517 of 2012, an Iran linked business is not eligible to submit a bid on a request for proposals, with a public entity.

Responder <u>must</u> include the following certification in the submission:

"Responder certifies that it is not an Iran-linked business as defined in MCL 129.312."

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

EXAMPLE

Federal Awards in FY '14		
Number of Awards	Total $ Awarded	% of clients receiving federal awards
50	$ 23,678,000	10%

DoD Awards in FY '14		
Number of Awards	Total $ Awarded	% of clients receiving DoD awards
30	$ 15,987,000	8%

DHS Awards in FY '14		
Number of Awards	Total $ Awarded	% of clients receiving DHS awards
1	$ 250,000	1%

State Awards in FY '14		
Number of Awards	Total $ Awarded	% of clients receiving state awards
34	$ 20,000,678	7%

Local Awards in FY '14		
Number of Awards	Total $ Awarded	% of clients receiving local awards
5	$ 1,567,429	15%

EXAMPLE

Fiscal Year*	Active Clients	New Clients	Counseling Hours	Available Hours**	Number of Events
FY 10					
FY 11					
FY 12					
FY 13					
FY 14					

*Indicate if/when transition to DLA Pilot Program

**Number of all staff working hours, not including paid time off or holidays

Number of Client Trainings

EXAMPLE

Active Clients*	% registered in SAM	% of Active Clients less than 24 months	% of Active Clients 25 to 60 months	% of Active Clients greater than 60 months	% of Active Clients that are small businesses	% of Clients that are 8(a)
400	95%	10%	40%	50%	85%	14%

*Active defined as having received at least 30 minutes of counseling in FY14 (October 2013-Septe ember 2014).

MICHIGAN STRATEGIC FUND
RESOLUTION

2015-

PROCUREMENT TECHNICAL ASSISTANCE CENTERS
REQUEST FOR PROPOSALS AND FUNDING ALLOCATION

WHEREAS, Public Act 315 and 225 of 2006, as amended, created the Michigan Defense Center ("MDC") within the Michigan Strategic Fund ("MSF");

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

WHEREAS, the Michigan Economic Development Corporation ("MEDC") provides administrative services to the MSF and the MDC;

WHEREAS, Section 88b(2)(c) of the Act provides that money transferred or appropriated to the MSF may be expended for programs or activities authorized under any chapter of the Act;

WHEREAS, Section 7(c) of the Act provides that the MSF shall have the power to make grants;

WHEREAS, the MSF has reviewed a RFP form, which includes provisions required by the Act and establishes a competitive proposal process for awarding grants to Procurement Technical Assistance Centers ("PTACs") for fiscal year 2016 (the "PTAC Program RFP"). A copy of this RFP form is attached to this Resolution;

WHEREAS, the MSF desires to initiate the competitive proposal process to award grant(s) to PTAC Programs and authorizes the issuance of the PTAC Program RFP; and

WHEREAS, the MEDC recommends and the MSF Board wishes to allocate up to $1.5 million for the PTAC Program RFP.

NOW, THEREFORE, BE IT RESOLVED, that the MSF approves the attached PTAC Program RFP and authorizes its issuance;

BE IT FURTHER RESOLVED, that the MSF Board allocates up to $1.5 million for the PTAC Program RFP; and

BE IT FURTHER RESOLVED, that the MSF authorizes the MSF Fund Manager to modify the PTAC Program RFP as may be necessary or appropriate, so long as the modifications are not materially adverse to the interests of the MSF.

Ayes:

Nays:

Recused:

Lansing, Michigan
July 28, 2015

PURE MICHIGAN

MEMORANDUM

Date: **July 28, 2015**
To: **Michigan Strategic Fund Board**
From: **Deanna Richeson, Director, International Trade Operations**

Subject: ***Pure Michigan Export Program – FY15 Allowance for Exceptions of Eligibility Criteria for State-funded State Trade and Export Promotion (STEP) Program grants***

Request

The Michigan Economic Development Corporation (MEDC) Staff requests the MSF Board approve a pilot program allowing exceptions to the STEP eligibility criteria for companies who show great export sales promise but due to extenuating circumstances do not meet the established criteria. This would apply only to the FY2015 State-funded STEP grants and not the Federally-funded portion, which is bound by the Small Business Administration (SBA) criteria. The pilot is a cautiously bold approach to grow Michigan's export sales. The FY2014 STEP ROI funds to export sales reported by STEP recipients was 78:1. If the pilot results in a healthy return on investment (ROI), a recommendation will be made to continue the pilot in FY2016.

The SBA eligibility criteria is as follows:

- Has a global workforce of 500 or less employees
- Demonstrates an understanding of the costs associated with exporting and doing business with foreign partners
- Has an exporting strategic plan in effect
- Represent significant potential impact to the regional economy
- Has two years of domestic sales
- Registered a profit during the last year
- Has an EIN linked to a Michigan address
- Is in good standing with the Michigan Department of Treasury and other regulatory agencies.

MEDC Staff also requests from the MSF Board the discretionary use of 10% or a maximum of $100,000 of State-STEP Program funds for awards to such well–positioned companies as mentioned above and the delegation of authority to approve applications demonstrating reasonable justification for not meeting the following criteria:

- Has a global workforce of 500 or less employees
- Has two years of domestic sales
- Registered a profit during the last year

Background

The SBA's State Trade and Export Promotion (STEP) program assists Small and Medium-Sized Enterprises (SMEs) which by SBA's definition must have less than 500 employees. STEP began as a 3-year program to support President Obama's call to jump start job growth by doubling U.S. exports in five years, and is now in its fourth funding year. A $50 million STEP re-authorization bill is now in conference.

Forty percent ($3.2 million) of the SBA's annual STEP funding was set aside for the top ten exporting states, with Michigan ranking 8th. The SBA required a 25% match and allowed only state entities to apply.

The State of Michigan's year-3 proposal named the Michigan Strategic Fund ("MSF") as the applicant and the 25% match was committed by the MSF. Governor Rick Snyder by letter dated May 15, 2014, endorsed and designated the MSF as the State of Michigan's official applicant for the STEP Program.

Michigan is one of three states to receive the $500,000 maximum award allowed for FY2015. MSF's 25% match of $166,667 brought the Federally-funded portion of the STEP program budget to $666,667.

STEP is a critical element to MEDC's international trade program, and one of the reasons for the strong ROI growth. Due to the strong performance record of STEP grants in the first three years, MSF approved expanding FY15 STEP Program grants with an additional $1 million dollars. The State-funded STEP grants follow the same criteria as the Federal STEP Program.

The STEP program allows states to incentivize SMEs to begin to export, or to expand their current exports, by reimbursing 50% on allowable export-related activities, up to a maximum of $12,000. In alignment with SBA's goal to maximize the use of existing federal and state export resources, Michigan will continue to integrate and expand services currently provided by the U. S. Department of Commerce (US-DOC), SBA, Michigan Department of Agriculture and Rural Development (MDARD) and Michigan Small Business Development Center (MI-SBDC) with services delivered by regional and local service providers. SBA funds, along with public and private resources, will support the following goals:

- Increase the number of small business exporters in Michigan
- Increase the value and volume of exports from Michigan
- Expand Michigan exports to new markets, raising competitiveness in the global marketplace

Michigan's pathway to reach $500 million in facilitated export sales by FY2017 includes a fourth-year STEP plan to assist 500 small business clients. Incentives are applied to business engaging in eligible export activities which include:

- Overseas trade mission participation
- International or domestic trade show participation
- Foreign market sales trips
- U.S. Department of Commerce services
- Website and/or marketing material translation services
- Agent, distributor and/or customer searches
- Foreign market research
- Foreign market product certification

To create awareness among Michigan SMEs of opportunities for overseas market expansion, a statewide marketing campaign employing social and traditional media will be expanded. Information on export and trade services, event calendars listing training workshops, trade shows, foreign buyer and trade missions and instructions on how to access services will be maintained on MEDC's website and widely linked to International Trade partner portals.

Regional Export Networks (RENs) will be utilized to coordinate efficient and effective delivery of STEP export services, supported by MEDC's partnerships with US-DOC, SBA, MI-SBDC, MSU-IBC, Van Andel Global Trade Center (VAGTC), Automation Alley, Northwest Michigan Council of Governments (NWMCOG) and Saginaw Valley State University (SVSU). To add capacity in each region, facilitate robust communications and encourage timely service delivery, MEDC International Trade has funded International Trade Manager (ITM) positions in each of four regions (3 - Southeast – Automation Alley; 2 - West – VAGTC; 1 - Central – SVSU; 1 - Northern - Northwest Michigan Council of Governments). ITMs work closely with their REN to foster regional and statewide collaboration. ITMs are responsible for coordinating, implementing, monitoring and reporting export activity resulting from services funded by this program. International Trade also funds a Grant Specialist to support the STEP program and ensure compliance with SBA guidelines.

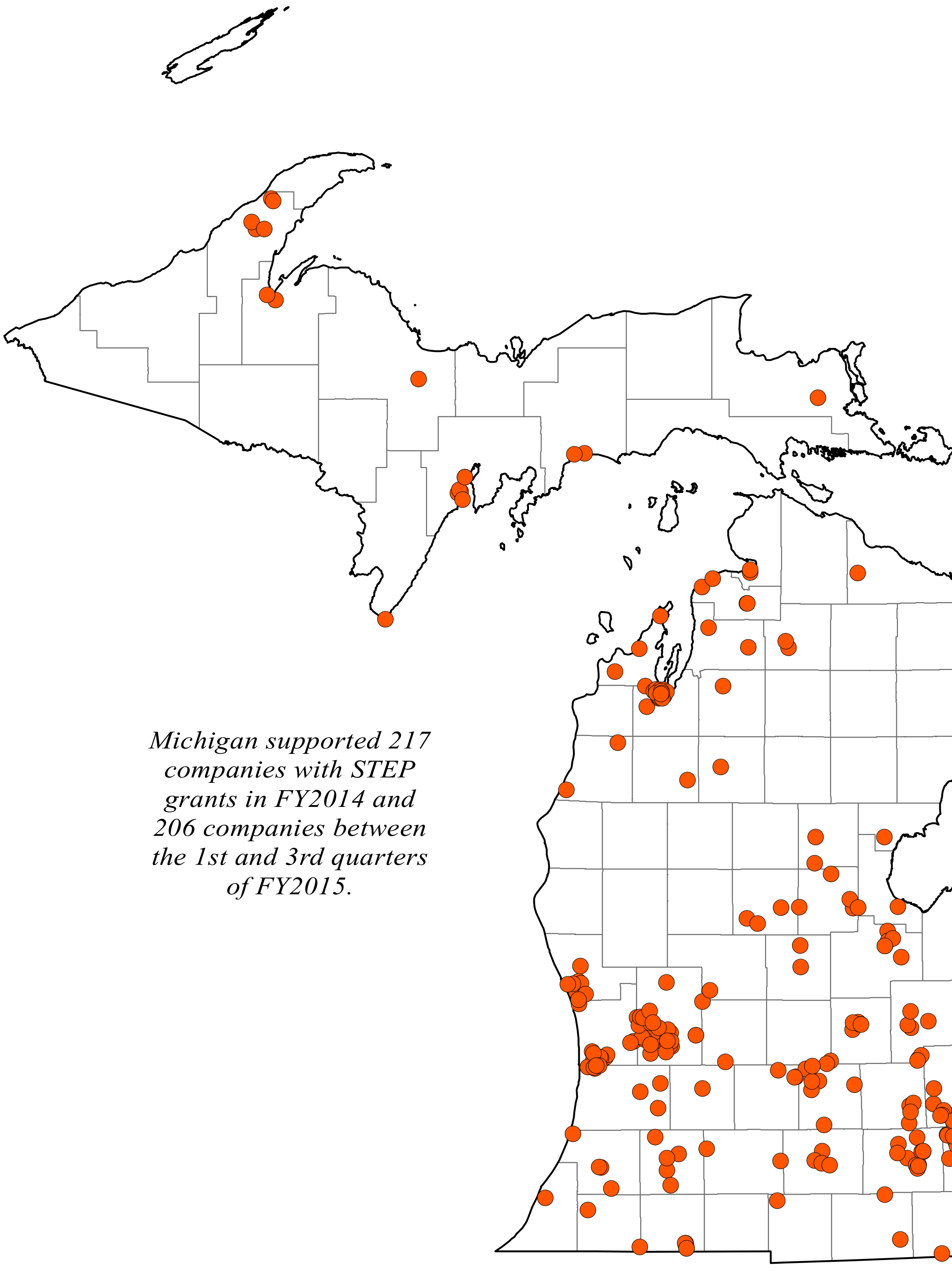
Proposal Summary

The Federally-funded portion of the FY2015 STEP Program has been fully obligated and now the State-funded portion is being utilized. There are many companies that are well positioned for export success that do not completely meet the SBA criteria, which could include global size domestic sales history, and profitability. This proposal would allow up to 10% or $100,000 in State-funded STEP grants to Michigan companies that fall within this scope.

Recommendations

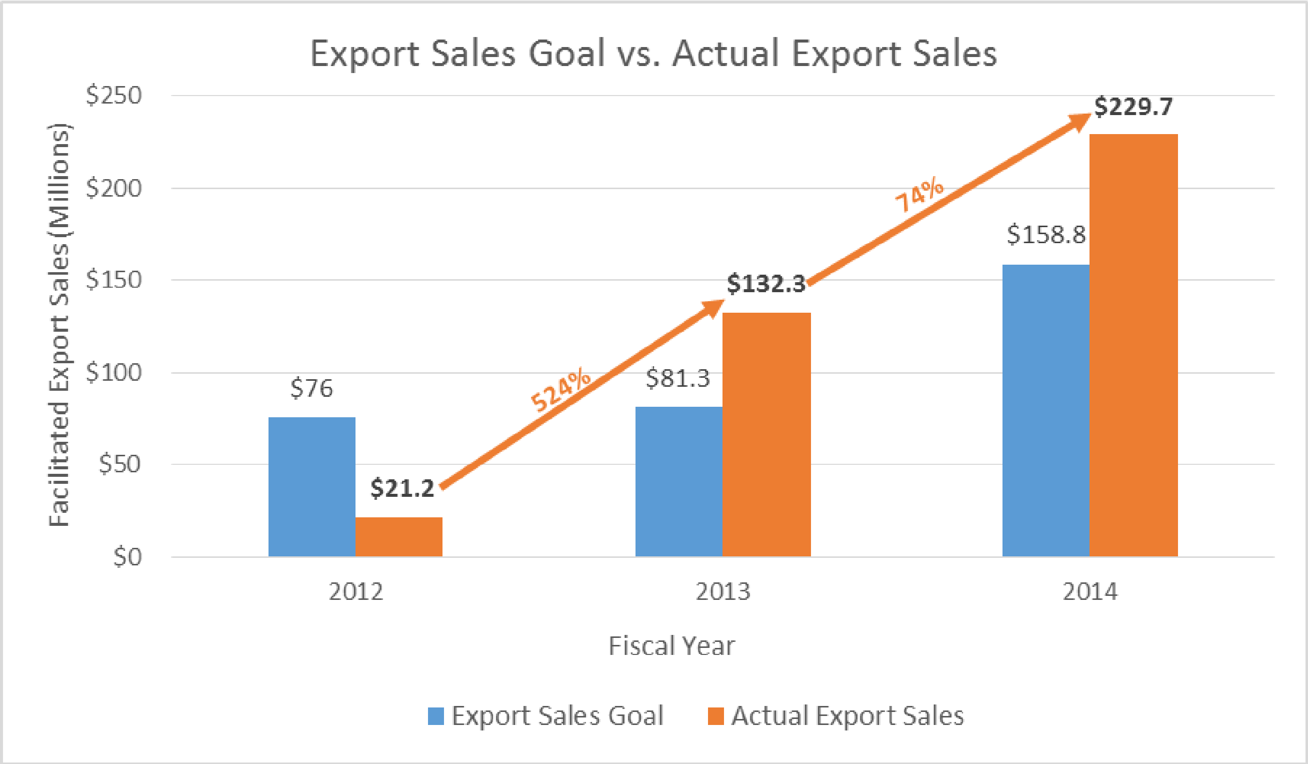
MEDC Staff recommends that the MSF Board ratify and approve the exception of eligibility guidelines for State-funded STEP Program grants. In accordance with the above information, MEDC staff seeks permission from the MSF to suspend eligibility guidelines to assist well-positioned exporting companies who do not meet all the established criteria. MEDC Staff also recommends that the MSF Board reaffirms the delegation of authority to determine and make certain STEP Program awards.

International Trade STEP Grant Recipients FY2014 and FY2015 Q1 - Q3



Michigan supported 217 companies with STEP grants in FY2014 and 206 companies between the 1st and 3rd quarters of FY2015.

Source: ArcGIS 2015; MEDC International Trade Team (ITT) Program customer information.



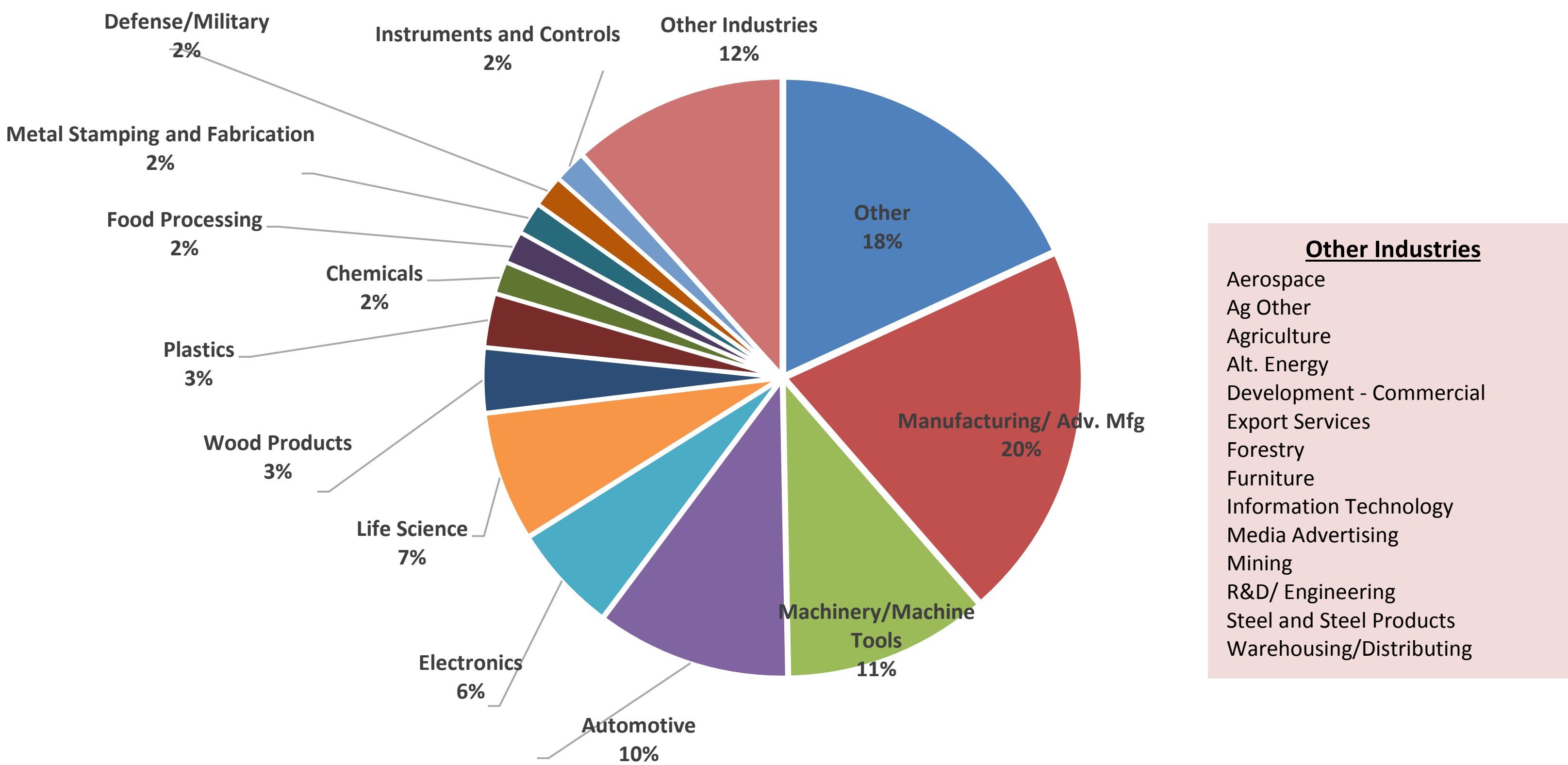
- In the first 3 years facilitated sales increased from $21 million to $229.7 million, and FY1 is on track to exceed $271million.

- MEDC uses a formula that every $200K creates 1 job. According to the federal International Trade Authority jobs formula (2014), every $172K export sales creates 1 job.

- The FY15 target of $271 million in sales equates to 1,571 jobs.

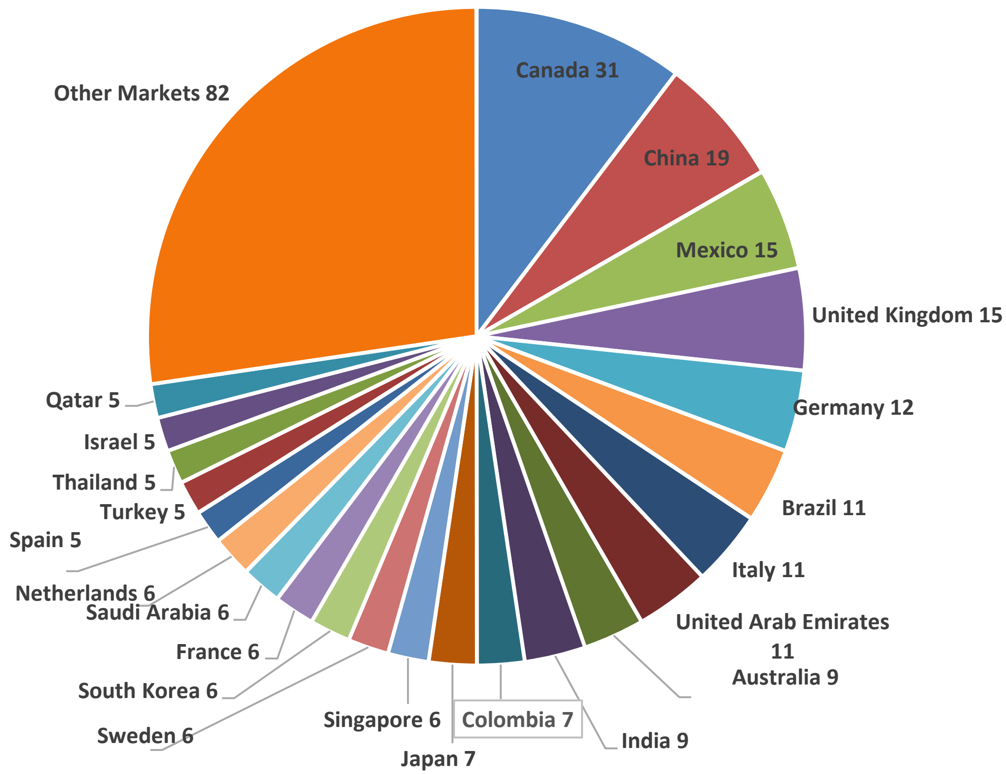
- FY14 percentage of Sales by region: Southeast: 52%, West: 17%, North: 17%, Central: 14%

FY15 PRODUCT DIVERSIFICATION BY INDUSTRY



- This industry breakdown shows one of Michigan's strengths is its diverse economy.

FY15 YTD MEDC-ASSISTED NEW MARKET ENTRIES BY COUNTRY

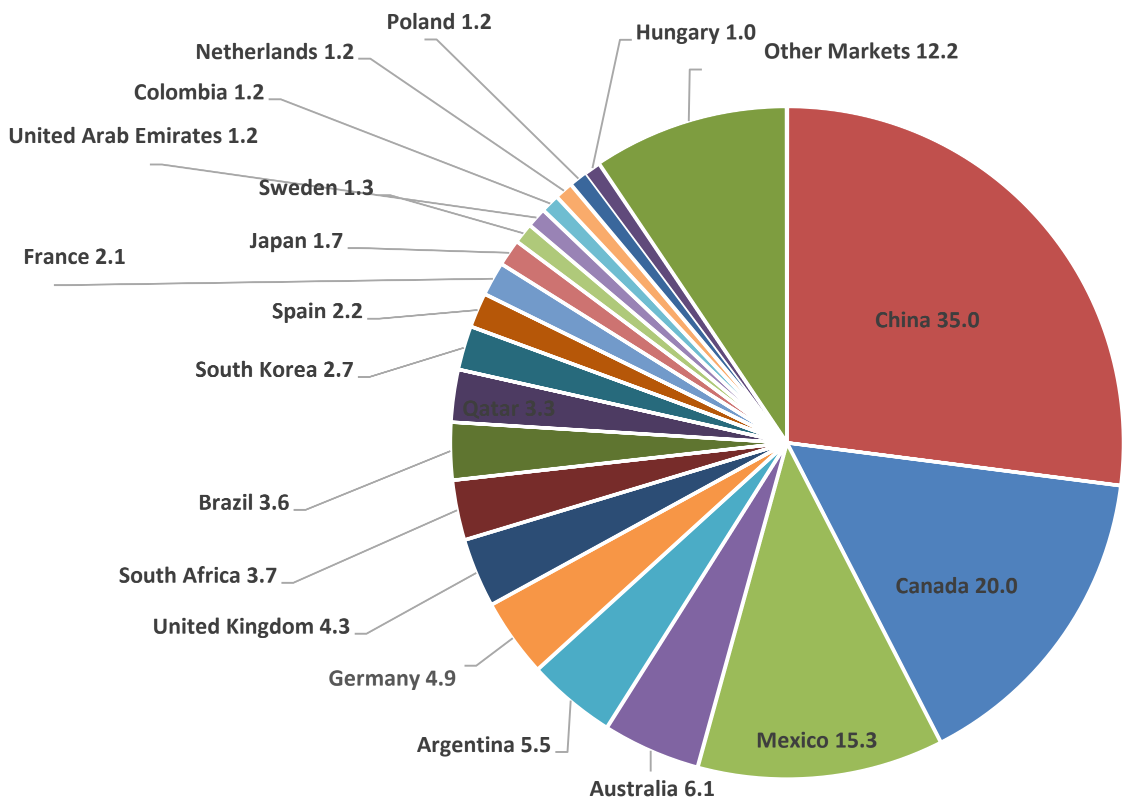


Other Markets

Algeria
Argentina
Austria
Bahamas, The
Bahrain
Belarus
Belgium
Cambodia
Chile
Costa Rica
Czech Republic
Denmark
Dominican Republic
Ecuador
Finland
Greece
Guatemala
Haiti
Hungary
Indonesia
Ireland
Jamaica
Jordan
Kenya
Kuwait
Lithuania
Malaysia
Mauritania
Morocco
Mozambique
New Zealand
Oman
Pakistan
Panama
Philippines
Poland
Portugal
Russia
Slovakia
South Africa
Switzerland
Taiwan
Trinidad and Tobago
Tunisia
Turkmenistan
Uruguay
Vietnam

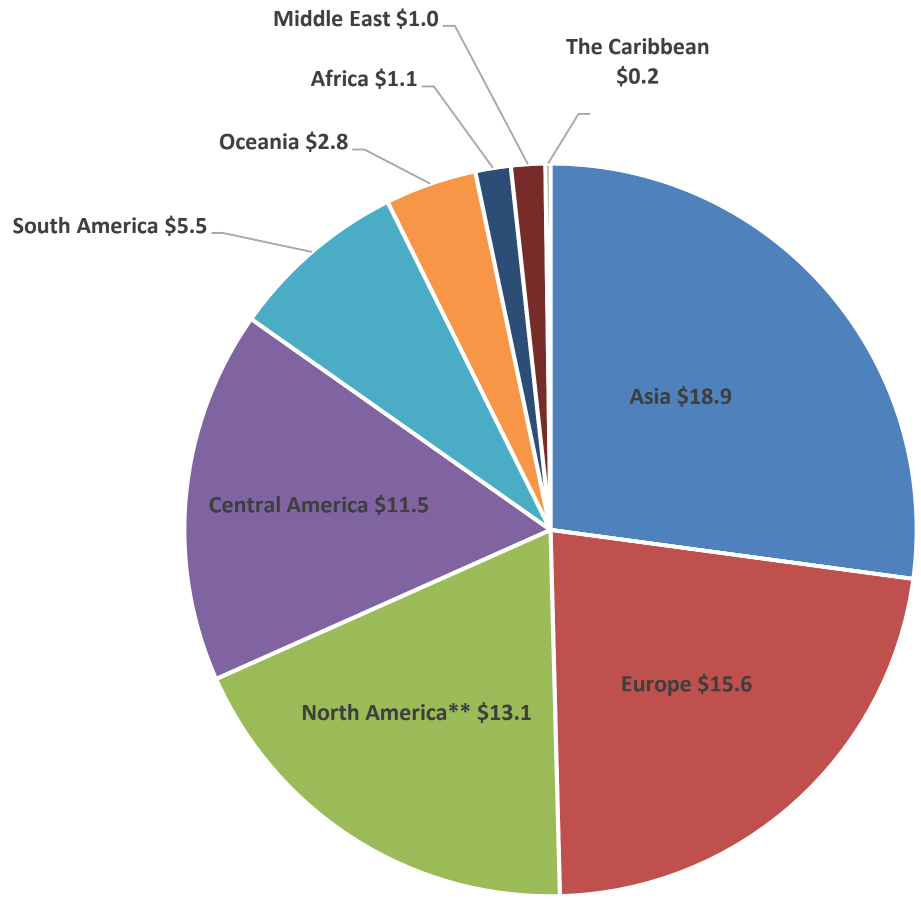
- One goal is to introduce companies to new export markets. For FY15 YTD MEDC-assisted companies entered 300 new markets.

FY15 YTD MEDC-ASSISTED TOP 20 EXPORT SALES BY COUNTRY
$129.5 M to 93 Countries
(In Millions)



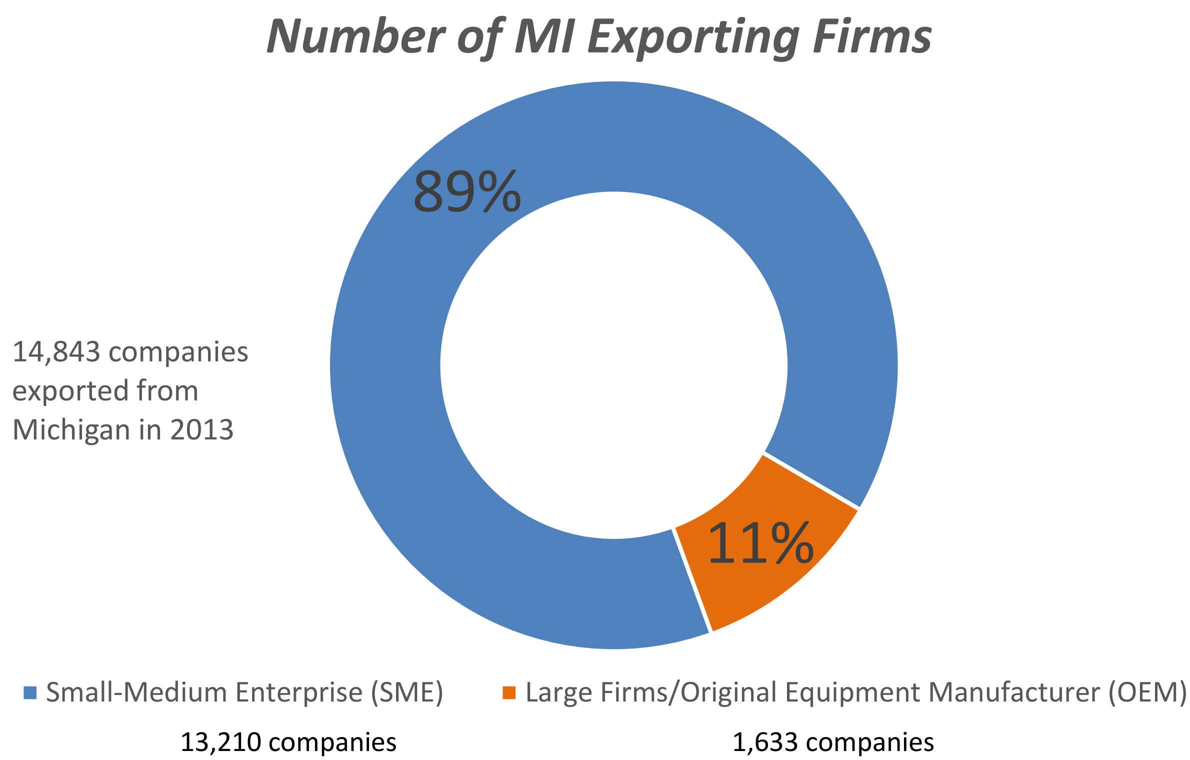
- Largest sales are in countries where a Michigan foreign office is established.
- Facilitated sales to China are noteworthy, as they have outpaced sales to other markets.

FY15 YTD MEDC-ASSISTED EXPORT SALES BY REGION



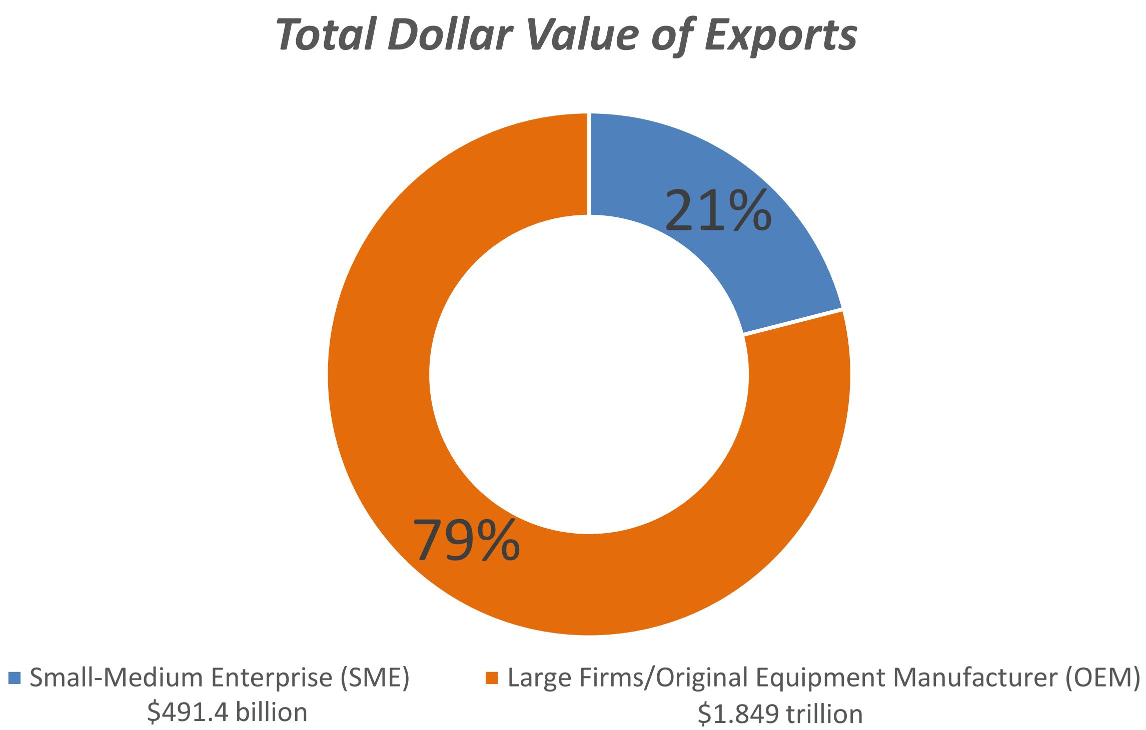
**North America excludes United States

Exports Sustain Michigan Jobs



- Michigan ranks 3rd in the U.S. for the largest number of Small-Medium Enterprise (SME) exporters which, although comprising only approximately 11% of total Michigan exporters, generate significant sales and also job creation.

Exports Sustain Michigan Jobs



- Michigan SMEs represent 89% of total Michigan exporting firms and generate 21% of export sales.

- This shows there is much more potential for greater export value from the 13,000+ SMEs in Michigan that the International Trade Program supports.

MI-STEP Pilot Program Proposal
To Allow Eligibility Exceptions

The MEDC International Trade Program requests the MSF Board approve the allowance of exceptions to MI-STEP eligibility criteria for companies who show great export sales promise but due to extenuating circumstances, do not meet one or more of the established criteria. Below are 11 examples of such companies.

<u>Companies not demonstrating a profit in 2014:</u>

1. **Solartonic (Ann Arbor)** – Innovates high quality, new wave, photovoltaic solar energy products and systems for buildings and streetscapes. They are seeking to grow their exports, but are not profitable because they are a start-up and have received venture capital (VC) funds.

2. **Everist Health (Ann Arbor)** – A personalized medicine company, which develops and commercializes medically unique diagnostics, prognostics and therapeutic selection technologies that help physicians improve medical outcomes and reduce the total cost of care. The company was started in 2012 and 100% of its sales are export. They participated in the MEDC Trade Mission to Medica, but did not show a profit since their funds were invested in R&D. They would like to participate in Arab Health and other MEDC missions with STEP assistance.

3. **Helix Steel (Ann Arbor)** – Manufacturer of a micro-rebar, an alternative for traditional rebar used in construction. They are selling to 30+ countries, but still rely on venture capital funds to stay afloat.

4. **Artemis Technologies (East Lansing)** — Developer of E-learning systems, Custom Websites, Mobile Apps, Technology Consulting, Support, Maintenance, and Social Media. They are an active user of the MEDC International Trade Program to develop strong, sustainable opportunities, primarily in Africa. They are considering spinning off their e-Learning business segment as a strategic business move to allow greater long-term growth and job creation. Starting as a new company would require them to operate for 1 year in order to meet the profitability criteria, even though they would be growing jobs through earned revenue. Losing MI-STEP funding would negatively impact the rate of their international growth. International sales are projected as the larger percentage of their revenue source, since target markets are populations of developing nations in need of education opportunities.

5. **Little Buildings (Romeo)** – Manufacturer and distributor of small buildings, booths, and in-plant offices. Showed a small loss in 2015 due to supplier issues (supplier failed to deliver in time parts needed to complete the requirements for a contract). Consequently, they could not deliver the buildings to meet requirements of the contract leaving them with more inventory than anticipated. The company needs to expand its factory space to meet demand.

6. **Lighthouse Molding (Sterling Heights)** – Manufacturer and developer of over-molding products and machines. They make the molds that protect electronic boards and expect to have $1.8M in sales in FY15 year, but were not profitable in FY14 ($50k loss). The company was negatively

impacted by the great recession, which has taken the company years to recover from. They had a large contract with A123, but the company failed to pay on the contract, which severely set them back. Lighthouse Molding is in the process of working their way to profitability and will show a profit in FY16. They have a relatively new website, but are generating leads from Europe and Canada, which they would like to proactively pursue.

7. **Coherix (Ann Arbor)** - Global supplier of high-speed, high-definition 3D measurement and inspection solutions. Based on multiple non-contact technology platforms, their solutions are designed to improve the management of manufacturing processes. The company currently has about $8 million in annual revenue of which 60% is exports. Because the company has invested over $50 million in research and development, they are not profitable until they can make $15 million in revenue. They have huge potential in the global marketplace and they need our funding to support their global development.

<u>Over-size Companies - more than 500 employees globally:</u>

1. **Morbark Industries (Winn)** — Designer and manufacturer of wood grinding, chipping and processing machinery. Active user of International Trade Program (MI-STEP, Foreign Office Services, Trade Missions, Small Business Services) for 3 years. Reported over $7.5 million in program assistance related sales in last four quarters alone. Just grew over 500 employees in last few months, all in rural, Winn (Isabella County) which is highly unusual. Morbark is an example of how international sales positively impact job creation, and would continue to benefit from all assistance the MEDC International Trade Program can provide.

2. **Android Industries (Auburn Hills (HQ), Detroit, Flint, Whitmore Lake)** – Manufacturer and developer of automotive assembly and sequencing systems. They were very interested in the MI-STEP grant program, but too large with 3,500 global employees under Mitsui ownership. The company has $400M in sales and is a woman-owned business. One of their key suppliers (Avancez) is a Certified Women Business Enterprise, located in Oakland County, which provides production runs when contracts require or favor woman-owned companies. The woman who owns Avancez is also a high-ranking executive at Android.

3. **Autocam Corporation (Kentwood (HQ), Marshall, Dowagiac)** – Manufacturer of precision components for automotive industry. They have less than 500 employees in Michigan, but because they have manufacturing sites outside of Michigan, Autocam is disqualified from the MI-STEP grant program. They are actively working on exporting to the Mexico market.

4. **Stiles Machinery (Kentwood)** – Manufacturer and developer of woodworking machinery, but also have expertise in manufacturing within a range of materials, including wood, plastics, composites, carbon fiber, glass, stone and nonferrous metals. We had worked with the company in the past, but they are no longer eligible for the MI-STEP grant program because they were recently purchased by a larger company.

MICHIGAN STRATEGIC FUND

RESOLUTION 2015-

PURE MICHIGAN EXPORT PROGRAM
PILOT PROGRAM

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

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

WHEREAS, under the Act, in particular Sections 88b(4), not more than five (5%) percent of the annual appropriation from the 21st century jobs trust fund may be used for business development and business marketing costs ("BDBM Funds");

WHEREAS, the Michigan Economic Development Corporation ("MEDC") provides administrative services to the MSF for a variety of programs overseen by the MSF;

WHEREAS, in Resolution 2014-166 dated September 17, 2014, the MSF approved the continuation of the Pure Michigan Export Program and the acceptance of the federal FY15 State Trade Export Promotion (STEP) award of $500,000 to increase the number of Michigan small businesses that are exporting, increase the value of exports for those small businesses that are currently exporting, and to expand their customer base by marketing to persons or entities outside of the State of Michigan ("MI-STEP Program");

WHEREAS, the MSF also approved the guidelines for the MI-STEP Program (the "MI-STEP Program Guidelines").

WHEREAS, based on the recommendation of the MEDC, the MSF Board desires to adopt and approve an amendment to the MI-STEP Program Guidelines for the MI-STEP Program for a pilot program through the end of the 2015 fiscal year allowing for the assistance of businesses which do not meet the SBA eligibility criteria ("Pilot Program"). The Pilot Program may only use state funds and in an amount of no more than $100,000;

WHEREAS, the MEDC recommends that the MSF authorize any revisions of the MI-STEP Program Grant Application and Agreement consistent with this resolution; and

WHEREAS, the MEDC recommends that the MSF approve the use of up to $100,000 for the Pilot Program of BDBM Funds previously approved for thePure Michigan Export Program budget.

NOW, THEREFORE, BE IT RESOLVED, the MSF hereby adopts and approves the Pilot Program for the MI-STEP Program;

BE IT FURTHER RESOLVED, that the MSF hereby authorizes any revisions of the MI-STEP Program Grant Application and Agreement consistent with this resolution; and

BE IT FURTHER RESOLVED, that the MSF hereby authorizes the use of up to $100,000 for the Pilot Program of BDBM Funds previously approved for the Pure Michigan Export Program budget.

Ayes:
Nayes:
Recused:

Lansing, Michigan
July 28, 2015

MEMORANDUM

Date: **July 28, 2015**

To: **Michigan Strategic Fund ("MSF") Board Members**

From: **Marcia Gebarowski, Senior Development Finance Manager**

Subject: ***YFS Automotive Systems, Inc. ("Company" or "Applicant")***
Michigan Business Development Program Performance-based Grant Request

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Summary
This is a request from the Company for a $1.3 million Performance-based grant. This project involves the creation of 162 Qualified New Jobs, and a capital investment of up to $26.9 million in the City of Detroit, Wayne County.

The Company evaluated locations in Ohio and Michigan for a new manufacturing operation. There are numerous upfront costs associated with selecting Michigan for this new operation. The Ohio property included a building, whereas the Michigan property is a vacant brownfield site that will require the company to make up-front building and infrastructure upgrade costs. The Company anticipates higher labor and energy costs with a Detroit operation as well. State and local incentives are needed to attract this new investment in Michigan, as well as help offset the higher costs the Company will have for the first five years until the new operation is fully ramped up.

Background
The Company is a tier-one supplier of fuel tanks and urea systems for all automotive OEMs. The Company was established in 1997 as ABC Group Fuel Systems, Inc. with a manufacturing facility in Gallatin, TN. The Company was purchased by the YFS Group in 2014, a Chinese-owned automotive supplier.

The project involved a commitment of the Michigan Business Development Program grant as well as a commitment of brownfield increment financing (TIF) reimbursement on eligible costs. The Company is still conducting site due diligence to determine costs. Should there be identified costs, staff will bring this request before the MSF Board at a future date.

The Company has not received any incentives from the MSF in the past.

The Company plans to acquire approximately 30 acres of vacant industrial property, to construct a 100,000 square foot manufacturing facility in the City of Detroit, make investments and create jobs related to the manufacturing of automotive components. This project will be their second manufacturing location in the U.S.

The MEDC legal unit has completed a civil and criminal background check for the entity and individuals related to this project.

Considerations

a) The Applicant is a “Qualified Business”, as defined in MCL 125.2088r(9)(b), that is located and operates in Michigan.
b) The project will be located in the City of Detroit. The city has offered a “staff, financial, or economic commitment to the project” in the form of a property tax abatement related to the project.
c) The Applicant has demonstrated a need for the funding. To complete the project in Detroit requires increased capital spend to prepare a brownfield site, construct a new facility, and pay higher labor rates as well as for higher energy costs compared to their alternative site in Ohio. State and local incentives will help offset these upfront costs, for a Detroit location to be chosen where the Company will have a positive long-term benefit of being close to their customers.
d) The Applicant plans to create 162 Qualified New Jobs above a statewide base employment level of 19.
e) Pursuant to the program guidelines, the following was taken into consideration for the proposed project: The Company has indicated that the project involved out-of-state competition, the project is located in a distressed community, capital investment will begin in 2015 and new jobs will be created in 2016, and the project results in a net positive return for Michigan.

Recommendation

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

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

PURE MICHIGAN®

MICHIGAN BUSINESS DEVELOPMENT PROGRAM
Performance Based Grant - Term Sheet

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

Date: 6/10/2015

1.	**Company Name:**	YFS Automotive Systems, Inc. ("Company" or "Applicant")	
2.	**Company Address:**	300 ABC Boulevard Gallatin, TN 37066	
3.	**Project Address ("Project"):**	Address TBD (New Construction) Detroit, MI 48212	
4.	**MBDP Incentive Type:**	Performance Based Grant	
5.	**Maximum Amount of MBDP Incentive:**	Up to $1,300,000 ("MBDP Incentive Award")	
6.	**Base Employment Level**	19	The number of jobs currently maintained in Michigan by the Company based on data submitted by the Company to the MEDC reflecting the **Company's statewide** employment level in Michigan prior to the proposed project. The Base Employment Level, including identification of the Company data used to establish this level, shall be included in the final MBDP Incentive Award agreement ("Agreement") between the MSF and the Company.
7.	**Total Qualified New Job Creation:** *(above Base Employment Level)*	162	The minimum number of total Qualified New Jobs the Company shall be required **to create at the Project** (above the Base Employment Level), in addition to satisfying other milestones if applicable, to be minimally eligible to receive the full amount of the MBDP Incentive Award. Each Qualified New Job must be performed for consideration by a Michigan resident (whose Michigan income taxes are withheld as required), and each Qualified New Job must be in excess of

MJ

11. **Term of Agreement:** Execution of Agreement to June 30, 2020

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

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

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 June 12, 2015, the MEDC may not be able to proceed with any recommendation to the MSF. MH

YFS Automotive Systems, Inc.		**Acknowledged as received by:** Michigan Economic Development Corporation	
By:	Marius [signature]	By:	Marcia [signature]
Printed Name:	MARIUS [illegible]	Printed Name:	Marcia Gebarowski
Its:	PRESIDENT	Its:	Snr Dev't Finance Mgr
Dated:	06 / 11 / 2015	Dated:	06/11/2015

MICHIGAN STRATEGIC FUND

RESOLUTION 2015-

APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT TO YFS AUTOMOTIVE SYSTEMS, 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, and (ii) adopted the guidelines for the MBDP ("Guidelines");

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

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

WHEREAS, YFS Automotive Systems, Inc. ("Company") has requested a performance based MBDP grant of up to $1,300,000 ("Grant Request"), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A ("Term Sheet"); and

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan
July 28, 2015

PURE MICHIGAN

MEMORANDUM

Date: **July 28, 2015**

To: **Michigan Strategic Fund ("MSF") Board Members**

From: **Mike Gietzen, Development Finance Manager**

Subject: **Magna Exteriors and Interiors USA, Inc. DBA Magna Interior Trim Components** ***("Company" or "Applicant")*** ***Amendment to Approved Michigan Business Development Program Grant Agreement***

Request

The amendment request is to restructure Michigan Business Development Program to the Applicant, which was a $1,329,000 Performance-based grant for the project that involved the creation of 443 Qualified New Jobs, and a capital investment of up to $3,639,100 located in China Township and Benzonia Township. The amendment will reduce the grant amount from $1,329,000 to $822,000, modify milestone two from a disbursement milestone to a performance only milestone, and establish July 28, 2015 as the end date for the term of the agreement.

Background

On January 29, 2014 Michigan Strategic Fund approved an $822,000 Performance-based grant for the creation of 274 Qualified New Jobs, and a capital investment of up to $3,639,100 located in China Township and Benzonia Township. The project was related to two new contracts to supply door trim molded parts and sub components, consoles, door molded parts, and subassemblies.

On July 22, 2014 Michigan Strategic Fund approved an amendment to increase the size of the project to the creation of 443 Qualified New Jobs which increased the performance based grant to $1,329,000 related to new customer contracts.

On November 7, 2014 the Applicant collected milestone one for a disbursement of $822,000 for the creation of 274 Qualified New Jobs.

On March 4, 2015 the Applicant summit the Milestone Two application for a disbursement of $507,000 for the creation of 169 additional Qualified New Jobs for a total of 443 Qualified New Jobs. At that time the applicant also informed MEDC staff that Magna International, Inc. has agreed to sell its worldwide interiors operations to Grupo Antolin, a Spanish supplier with global operations. MEDC staff has not released the disbursement of milestone two due to this asset purchase from Grupo Antolin.

Recommendation

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

a) Change milestone 2 from a disbursement milestone to a performance milestone only with no disbursement;
b) Reduce the total grant from $1,329,000 to $822,000;

c) Establish July 28, 2015 as the end date for the term of the grant agreement;
d) All other aspects of the approval remain unchanged.

MICHIGAN STRATEGIC FUND

RESOLUTION 2015-

APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT TO MAGNA EXTERIORS AND INTERIORS USA, INC. DBA MAGNA INTERIOR TRIM COMPONENTS

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

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

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

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

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

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

WHEREAS, the MSF Board approved a $1,329,000 Michigan Business Development Program Performance based grant amendment on July 22, 2014 for the expansion of two facilities in China Township and Benzonia, Michigan. The total investment for this project at both site totals $3,639,100 and a total job creation of 443 employees. (the "Project");

WHEREAS, Magna Exteriors and Interiors USA, Inc. ("Company") has requested an amendment to change milestone two from a disbursement milestone to a performance only milestone, reduce the grant amount from $1,329,000 to $822,000, and establish July 28, 2015 as the end date for the term of the grant agreement ("Amendment Request"); and

WHEREAS, the MEDC recommends that the MSF approve the Company's Amendment Request, subject to 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 Amendment Award Recommendation").

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

Ayes:

Nays:

Recused:

Lansing, Michigan
July 28, 2015

MEMORANDUM

Date: **July 28, 2015**

To: **Michigan Strategic Fund ("MSF") Board Members**

From: **Joshua Hundt, Director – Development Finance**

Subject: ***Townsend Energy Solutions, LLC ("Company" or "Applicant")***
Amendment to Approved Battery and Battery Related Manufacturing Credit and Termination of High-Technology MEGA Tax Credit

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Request

This is a request to (i) amend the Company's Battery and Battery Related Manufacturing Tax Credit, (ii) reduce the maximum amount of the Battery and Battery Related Manufacturing Tax Credit by $20 million, and (iii) terminate the Company's High-Technology MEGA Tax Credit, which is expected to result in an estimated savings of $6.3 million in estimated tax credit liability for the State of Michigan. The total anticipated savings in estimated tax credit liability for the State of Michigan as a result of these modifications is $26.3 million.

The requested amendment to the Battery and Battery Related Manufacturing Credit includes the following:

a) Reducing the maximum credit amount the Company may receive from $50,000,000 to $30,000,000;
b) Changing the project location from the City of Wixom, Oakland County to the City of Pontiac, Oakland County with the potential for additional sites to be added in the future at the discretion of the MSF Board;
c) Requiring the Company or one of its related entities to establish a program or partnership that benefits Pontiac school students.
d) Allowing capital investment that occurs at the Company's Troy, Oakland County location to count as eligible investment under the credit;
e) Moving the start date for capital investment expense from January 1, 2012 to July 1, 2011;
f) Removing the requirement that the Company locate the project in a Renaissance Zone. *

*Removing the Renaissance Zone requirement results in an estimated savings of approximately $15 million for the State of Michigan.

Background

On December 13, 2011 the Michigan Economic Growth Authority Board approved a High-technology MEGA Tax Credit, and on April 17, 2012 the Michigan Economic Growth Authority Board approved a Battery and Battery Related Manufacturing Credit for the Company.

Michigan's Advanced Battery Credits legislation (MCL 208.14346 as amended December, 2011), offered a tax credit equal to 25% of the capital investment for expenses related to construction of a facility that will produce at least one or more of the following: batteries, battery components, storage systems, battery thermal and management components or systems, AC or DC power supplies, power electronics, battery formation and test equipment, or energy conversion devices including components related to such products of various sizes and capacities. To be eligible for the full credit amount, the qualified taxpayer must create at least 750 new jobs and make a minimum investment of $200 million. The credit shall not exceed $25 million per year for no more than 4 years to a maximum value of $50 million.

Townsend Energy Solutions, LLC, through its subsidiary business Energy Power Systems, LLC ("EPS"), is focused on the development and production of advanced lead acid battery technologies to serve the needs of the transportation and grid storage markets.

EPS currently has 64 employees in Michigan at their Research & Development Center in Troy, which is an increase of 55 employees in Michigan at the time of their Battery and Battery Related Manufacturing Credit 2011. Over the last three years EPS has been focused on research & development of their proprietary product in preparation for commercialization and full-scale production.

EPS has selected the Centerpoint Campus building in Pontiac for their large-scale production facility, which is part of the RACER Trust portfolio. EPS has a planned start of production date of Q3 2016. EPS estimates that up to 300 employees will be needed for the first phase of production, and plans to have 750 employees and invest over $200 million in Michigan by 2020.

Recommendation

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

a) Amend the Battery and Battery Related Manufacturing Credit Agreement by changing the project location from the City of Wixom, Oakland County to the City of Pontiac, Oakland County, and add language to the section that additional sites may be added in the future at the discretion of the MSF Board.
b) Amend the Battery Related Manufacturing Credit Agreement to allow investment incurred at the Company's location in the City of Troy to be claimed as Capital Investment.
c) Require the Company or one of its related entities to establish a program or partnership that benefits Pontiac school students.
d) Amend the Battery and Battery Related Manufacturing Credit Agreement to move the start date for Capital Investment from January 1, 2012 to July 1, 2011.
e) Remove the requirement in the Battery and Battery Related Manufacturing Credit Agreement that the project has to be located in a Renaissance Zone established under Section 8A of the Michigan Renaissance Zone Act.

f) Terminate the Company’s High-Technology MEGA Tax Credit (#776) that was approved by the Michigan Economic Growth Authority December 13, 2011.

All other aspects of the approval remain unchanged.

MICHIGAN STRATEGIC FUND

RESOLUTION 2015 -

Townsend Energy Solutions, LLC
Battery and Battery Related Manufacturing Credit (Amendment #1)

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 2011-141 on December 13, 2011, authorizing a High-Technology MEGA Tax Credit in connection with locating an advanced manufacturing facility either through construction or rehabilitation of existing buildings at the former Ford Wixom plant in the City of Wixom, Oakland County and create jobs (the "Project") to Townsend Energy Solutions, LLC (the "Company");

WHEREAS, the MEGA Board adopted Resolution 2012-018 on April 17, 2012, authorizing a Battery and Battery Related Manufacturing Tax Credit in connection with constructing an advanced battery components manufacturing facility that includes advanced battery thermal and power management systems in the City of Wixom, Oakland County to the Company;

WHEREAS, the Michigan Economic Development Corporation provides administrative services to the MSF, and recommends approval of an Amendment to the Battery and Battery Related Tax Credit by the MSF Board to reduce the maximum credit amount received by the Company from $50,000,000 to $30,000,000; amend the Project location from the City of Wixom, Oakland County to the City of Pontiac, Oakland County, and authorize additional sites that may be added in the future at the discretion of the MSF Board; require the Company or one of its related entities to establish a program or partnership that benefits Pontiac school students; allow investment incurred at the Company's location in the City of Troy to be claimed as Capital Investment; move the start date for Capital Investment from January 1, 2012 to July 1, 2011; remove the requirement that the project has to be located in a Renaissance Zone established under Section 8A of the Michigan Renaissance Zone Act (all together, the "Battery Credit Amendment").

WHEREAS, the Michigan Economic Development Corporation also recommends that in addition to all other requirements to the Battery Credit Amendment, the Company must enter into an agreement to terminate and waive all rights to claim under its High-Technology MEGA Tax Credit that was approved under adopted Resolution 2011-141 on December 13, 2011 (the "MEGA Termination").

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board authorizes the terms of the Battery Credit Amendment and the MEGA Termination.

BE IT FURTHER RESOLVED, that all other provisions of Resolution 2012-018 are reaffirmed and the MSF authorizes the MSF Fund Manager to implement the terms of this resolution.

Ayes:

Nays:

Recused:

Lansing, Michigan
July 28, 2015

MEMORANDUM

To: Michigan Strategic Fund Board

From: Chris Cook, Director – Capital Access

Date: July 28, 2015

Subject: MSDF – Collateral Support Proposal
Technical Training, Inc. (and/or related borrowers)

Request

Technical Training, Inc. ("TTI" or "Company") is a global provider of training materials, research applications, consulting and staffing solutions. The Company is headquartered in Rochester Hills and services customers located throughout the world. Given the large amount of work performed for customers located outside of the US, TTI carries a high concentration of foreign A/R. This foreign A/R limits the ability of TTI to access working capital through conventional financing structures. FirstMerit Bank ("Bank") is proposing a new $10 million working capital line of credit that would replace the line that TTI has in place with another lender. The proposed line to be provided by the Bank would provide TTI access to working capital on both its domestic and foreign A/R. The Bank is requesting that the MSF provide collateral of up to $4.99 million in support of the line of credit.

A. Bank Facility and MSF Support

FirstMerit Bank has proposed to provide the following credit facilities:

Revolver = Working Capital	$10,000,000
Bank Card	$300,000
Total Loans Leveraged	$10,300,000

In addition to the financing being proposed by the Bank, TTI is also requesting $4 million in working capital financing from a non-bank financing provider. Given the above structure, the proposed MSF exposure is a maximum of:

Revolver = Working Capital	$4,990,000
Total MSF Contribution	$4,990,000

Under definitions provided by the US Department of Treasury related to the calculation of leverage, the reported leveraged lending as compared to MSF exposure is 2.87:1.

B. Confidentiality

As part of preparation for closing of the facility, there are numerous underwriting documents which contain financial and other proprietary information that are shared with Staff. The MSF Act, (pursuant to MCL 125.2005(9)) provides the MSF the authority to acknowledge such information as confidential information ("Designated Information"). The Bank and the company seek confidentiality protection from the MSF as described on the attached summary of Designated Information.

<u>Background</u>

TTI provides a range of products and services to automotive OEMs and large scale suppliers. These services include training, research, consulting, and staffing and recruiting. TTI develops training solutions in the areas of sales, marketing, business management, and technical and non-technical training. TTI develops customized training applications, including course design and development, publications, and assessment, evaluation, and certification. Training may be provided in-person or virtually. Research solutions provided by TTI includes B2B and B2C customer research, employee research, internal supply and process research, and stakeholder research. TTI provides staffing solutions through its development of a database of qualified candidates on six continents which allows the Company to conduct reliable searches and quickly place high-caliber candidates with employers.

TTI is owned 100% by Lori Blaker, who serves as its President and CEO. TTI was formed by in 1976 by Ms. Blaker's parents as S&J Tech Data with a focus on writing and printing service manuals. Ms. Blaker began working for the Company in 1979 with a focus on expanding product offerings. In 1984 TTI was formed as a subsidiary of S&J Tech Data in order to assist auto dealerships in training service technicians. Ms. Blaker was named President & CEO in 1992. Shortly thereafter the Company closed its service manual division and refocused solely on training. It was at that time that the Company was renamed TTI.

TTI's revenue stream is centered on the automotive industry, with its customer base including all major OEMs as well as multiple large suppliers including Delphi and Bosch. While the Company currently relies almost exclusively on the automotive sector, it has been working to diversify its revenue streams including consumer goods, pharmaceuticals, retailing, and telecom. TTI estimates that these other revenue streams will eventually account for 30% of the business of TTI.

While the Company has a worldwide presence, it has recently began the process of cost cutting for many of its international operations. Moving forward it is anticipated that many of the functions that had been performed at these international offices will be centralized and performed at the Company's headquarters in Rochester Hills.

The MSF has not previously provided support to TTI.

<u>Employment</u>

TTI reports having 1254 employees worldwide, with 188 of these jobs being located in Michigan. This represents 271 fewer total employees than the Company had 5 years ago, but 18 more Michigan employees than it had at that time.

The Company anticipates adding 100 employees within 6 months of loan closing, with 86 of those jobs being located in Michigan. The Company anticipates an additional 150 jobs within 2 years of loan closing, with 100 of jobs to be located in Michigan. The average annual salary for employees of TTI is $60,000.

	MI Employment	Total Employment	% of Employment in MI
5 Yrs. Ago	170	1525	11.15%
Today	188	1254	14.99%
6 Months From Closing	274	1354	20.24%
2 Yrs. From Closing	438	1554	28.19%

Financing Opportunity

The Bank has proposed a new $10 million working capital line of credit in order to support the operations of TTI. The proposed advance rate formula will permit draws based on 85% of third-party domestic A/R (US & Canada) up to 90 days from date of invoice plus 85% of eligible third-party non-domestic A/R up to 120 days from date of invoice, with a cap of $5 million for advances based on non-domestic A/R. The Bank's LOC will exclude A/R derived from Great Britain and Middle East based customers from the advance rate formula, as those assets will serve as security for the proposed working capital financing to be provided by the non-bank lender. The proposed advance rate will provide TTI with additional working capital availability as compared to its current LOC, which does not allow for meaningful advances on non-domestic A/R. TTI states that it has recently had to turn down business in China and India based on a limited ability to leverage international A/R as a part of its borrowing base. In addition to the working capital facilities being proposed, TTI is pursuing $1.5 million in subordinated debt which would be used to retire some existing debt of TTI related to strategic acquisitions made by the Company in recent years.

In 2008 nearly 70% of TTI's revenue was generated by business in the US. In order to better serve its global clients, the Company began to expand its international presence, including significant infrastructure investment. However, this significant investment combined with slowing growth rates led to a decline in the financial performance of the Company. Revenue growth began to soften in 2013 and eventually decreased in 2014. As a result, margins were compressed and net income declined, including a loss in 2014. As a result of this downturn, TTI hired a consultant and undertook a cost cutting approach which is anticipated to save the Company more than $2 million annually. These cost cutting measures were applied almost exclusively to non-domestic operations. The result of these cost cutting measures was a return to profitability by TTI for April 2015. Proforma fixed charge coverage for TTI was 1.81:1 in 2013 and 0.66:1 in 2014. Proforma statement for 2015, including the cost cutting initiatives brought about by the Company, results in a projected fixed charge coverage ratio of 3.70:1.

Despite the poor operating performance recorded by TTI in 2014, the balance sheet of the Company remains in good position, with a current and quick ratio of 1.05:1 and a positive net worth. The Company carries no long term senior debt on its balance sheet.

The proposed financing will include the requirement for the unlimited, unsecured personal guaranty of Lori Blaker.

Exit Strategy

The Bank has proposed to include two financial covenants as it relates to the proposed financing, a fixed charge coverage ratio covenant and a salary restriction on ownership. The fixed charge coverage covenant will require the Company to maintain a ratio of Operating Cash Flow to Fixed Charges of not less than 1.10:1 as calculated by the Bank, with testing to begin 9/30/15. The first test will be for the 6 month period from April 2015 to September 2015, the second test for the 9 month period ending December 2015, and thereafter testing will be performed quarterly based on a trailing twelve month basis. Operating Covenants will be calculated by the Bank based on the following definitions:

> Operating Cash Flow shall mean net income after taxes, exclusive of extraordinary gains and losses, plus interest expense, depreciation, amortization, and taxes, less dividends, distributions, unfunded capex, and taxes.
>
> Fixed Charges shall mean the sum of cash interest and scheduled principal payments.

The restriction on owner salary will limit increases to the annual salary of Lori Blaker to not more than 10%.

These covenants are intended to encourage re-investment in the balance sheet of TTI and ultimately allow for the release of the pledged collateral from the MSF.

Source of Information

It is the role of Capital Services Team staff (“CST”) to review for eligibility, completeness, and adherence to industry standards and practices, the information provided by the financial institution and to manage the MSF’s structural risk. Explanatory and background information is supplied in summary form to provide context for the request and is drawn exclusively from material submitted by the lending institution and from third party research sources such as Dunn and Bradstreets FirstResearch database.

Recommendation

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

a. Acknowledgment by the MSF that the Designated Information set forth on the attached summary is confidential;

b. Approval of the MSDF-CSP proposal contained herein and:

c. Subject to available funding under the MSDF-CSP 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 a MSDF-CSP Cash Collateral Deposit Agreement, and further subject to the following terms and conditions:

Facility 1 – Technical Training, Inc.

Borrower:	Technical Training, Inc. (and/or a related borrower(s))	
Lender:	FirstMerit Bank	
Loan Amount:	Up to $10,000,000	
MSF Cash Collateral:	Up to $4,990,000	
Loan Type:	12-month revolving line of credit	
Fees:	Tier II:	2.00% at Closing
		1.25% annually thereafter based on the MSF Share Balance

Other

- Commitment will remain valid for 90 days with approval for MSF Fund Manager to extend the commitment an additional 30 days.
- Unlimited, unsecured personal guaranty of Lori Blaker. Guaranty is for the benefit of the MSF, subordinated to the senior lender and limited by senior lender's exposure at time of closing, but the subordination of the guaranty to the MSF in favor of the senior lender may not exceed a principal balance of $10,300,000 along with reasonable interest and fees.
- The proposed financing will be subject to a minimum fixed charge coverage covenant, as calculated by the Bank. Minimum fixed charge coverage ratio will be set at a level acceptable to Bank and CST.
- The proposed financing will be subject to a limitation on owner compensation. The limitation on owner compensation will be set at a level acceptable to Bank and CST.

SUMMARY OF DESIGNATED INFORMATION

MICHIGAN STRATEGIC FUND CONFIDENTIALITY LOG

MSDF-CSP

Per MSF Approval of the Staff Recommendation dated July 28, 2015

Name of Applicant	Summary of Designated Information
Technical Training, Inc. located at 3903 West Hamlin Road, Rochester Hills, MI 48309 and any related borrowers and guarantors; and FirstMerit Bank, (collectively, "Interested Parties to the Proposed Transaction")	Any portion of any documents or record of any kind containing any of the following business or personal information pertaining to any of the Interested Parties to the Proposed Transaction: Financial statements (including without limitation, income statements, balance sheets, statements of cash flow and profit and loss statements), ratio analysis, appraisals and other appraisal reporting, collateral analysis, accounts receivable aging reports, customer names and lists, tax returns, credit reports, social security or other tax identification numbers, and any analysis, report or record of any kind by or on behalf of any of the Interested Parties to the Proposed Transaction containing any of the foregoing information.

MICHIGAN STRATEGIC FUND

RESOLUTION

2015-

APPROVAL OF COLLATERAL SUPPORT AGREEMENT FOR TECHNICAL TRAINING, INC. AND/OR RELATED BORROWERS

WHEREAS, Public Acts 215 and 225 of 2005 established the 21st Century Jobs 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 approved the creation of the Michigan Supplier Diversification Fund ("MSDF") as a loan enhancement program;

WHEREAS, on May 20, 2009, the MSF approved the: (i) creation and operation of the Michigan Collateral Support Program ("MCSP") under the MSDF; and (ii) adopted the MCSP guidelines, as later amended ("MCSP Guidelines");

WHEREAS, on June 24, 2009, the MSF approved the MSF Chairperson to negotiate the final terms and conditions of the Cash Collateral Deposit Agreement, as later amended, to be used for the MCSP ("MCSP Agreements") and sign the final MCSP Agreements on the MSF's behalf, so long as the final terms and conditions of the MCSP Agreements are not materially adverse to the interest of the MSF Board;

WHEREAS, the MCSP Guidelines require that requests for collateral support over $3,000,000 must be approved by the MSF Board;

WHEREAS, FirstMerit Bank ("Bank") has proposed new credit facilities of up to $10,000,000 ("Bank Loan") to Technical Training, Inc. and/or related borrower(s) ("Proposed Borrower") for working capital;

WHEREAS, Proposed Borrower has requested collateral support from the MSF under the MCSP for in the amount not to exceed the lesser of: (i) $4,990,000; or (ii) up to 49.9% of the total amount of the Bank Loan ("Collateral Support"); and

WHEREAS, the MEDC has reviewed the Bank's current credit documents for the Proposed Borrower, and recommends that the MSF Board approve the Collateral Support, subject to: (i) final due diligence performed to the satisfaction of the MEDC and the Chief Compliance Officer; and (ii) execution of the MCSP Agreements within 90 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.

NOW, THEREFORE, BE IT RESOLVED, the MSF approves the Collateral Support for the Proposed Borrower, subject to: (i) final due diligence performed to the satisfaction of the MEDC and the Chief Compliance Officer; and (ii) execution of the MCSP Agreements within 90 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.

ADOPTED

Ayes:

Nays:

Recused:

Lansing, Michigan
July 28, 2015

PURE MICHIGAN®

MEMORANDUM

Date: **July 28, 2015**

To: **Michigan Strategic Fund**

From: **Julius L Edwards, Capital Access**
Stacy Esbrook, Senior Community Assistance Team Specialist
Rob Garza, MCRP Program Specialist

Subject: **Trailhead RO, LLC and Fifth Third Bank – City of Royal Oak**
Request for Approval of a $4,500,000 Michigan Community Revitalization Program Other Economic Assistance - Loan Participation

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Request

Trailhead RO, LLC ("Applicant" or "Borrower") and Fifth Third Bank ("Lender") are requesting approval of a Michigan Community Revitalization Program award in the amount of $4,500,000 in the form of a Loan Participation under Other Economic Assistance. The Applicant anticipates that the project could result in eligible investment of $41 Million and total capital investment in the amount of $48 million in the city of Royal Oak and the creation of 144 FTE jobs. It is anticipated that the taxable value of the property will increase over $12 million upon completion.

The Project will create a mixed-use development with the goal of generating a dynamic and long-term asset to the community by reactivating property that is currently the site of a used car dealership that has been vacant since 2008 becoming an eyesore and drag on the community. Due to the mixed use nature of the project, additional financial burdens have been created for the developer compared to a stand-alone project of one or two uses. The financial gap that creates the need for the Michigan Community Revitalization Program support is primarily driven by the cost of construction due to high-rise construction used to fit all uses on the site and the cost of building a parking structure to support the development.

The development team has been able to secure senior financing from Fifth Third Bank in an amount not to exceed the lesser of $34,750,000 or a 70% Loan-to-Value (LTV). The LTV ratio is in line with industry standards of between 65-75% for hospitality driven projects. Also, it is anticipated that Develop Michigan (DMI) will be investing up to $6.5 million (13% of total development costs) in the project in the form of equity and equity equivalent capital. Hyatt Corporation – the franchiser – is contributing $480K into the project. The ownership team is investing approximately $4.1 million (8% of total development). In all, equity or equity equivalents will account for up to nearly 22% of the total development cost for the project. The remaining gap would be filled with a $4.5 million MCRP Other Economic Assistance Award. The Award would be in the form of a "Loan Participation" bearing an interest rate equal to that of the senior lender, but not less than 4%. The MCRP support will allow the development team to make an acceptable return on the project (anticipated to be between 12-15%). Additionally, the local municipality is supporting the project through up to $3 million in TIF reimbursements.

Background

Versa Development and CG Emerson Real Estate have partnered to develop the Project as Trailhead RO, LLC. Both companies are experienced real estate operators and developers with experience in all similar product types to the Trailhead Royal Oak construction. The combined team has adequate back-of-house resources to manage the development process. Gregory J. Erne is the primary contact for the development.

The Applicant has not received any incentives from the MSF previously.

Project Description

The Applicant plans create a new mixed-use development project on approximately 3.56 acres of property located at 400 N. Main Street in Royal Oak, Michigan. The project includes plans to redevelop the obsolete car dealership site that has been vacant since 2008 and create a vibrant, modern, mixed-use district in its place. The site includes 3 buildings totaling over 40,500 square feet that previously housed all operations of the dealership, including showroom and administrative, maintenance, and body shop. The buildings were built in the 1970s and are in a state of significant disrepair and will be demolished as part of the development plan of the site. The Developer purchased the site out of foreclosure from Ally Bank in June 2012 and has successfully received a re-zoning and site plan approval with the City of Royal Oak. In November 2014, the Developer obtained final site plan approval to construct a 5-story, 120 room Hyatt Place Hotel, a 6-story mixed-use building with 56 apartment units, retail space, and office space, as well as a 325 space parking deck.

The project is located in a downtown and qualifies for a MCRP award because it is a facility.

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

Recommendation

The MEDC staff recommends approval of a MCRP performance-based loan in the amount of $4,500,000 for Trailhead RO, LLC.

APPENDIX A

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.

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

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

The completion of the redevelopment of this abandoned, vacant property would positively benefit the community in which it is located. The surrounding district will be at an advantage with the addition of residential, retail, office space, and hotel accommodations in the heart of Downtown Royal Oak. There will be an increase in pedestrian traffic, an added day and full-time population, which will lead to an increase in the amount of tax paying residents as well as an increased discretionary local spending by residents, workers, and visitors. This transformation will be an asset to the city as well as eliminating a vacant, negative component of the downtown.

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

The Project will help the area north of 11 Mile Road on Main Street continue to see commercial and residential investment. The addition of office workers to the area, new full time residents in the apartment complex, as well hotel room occupants and patrons for the banquet and conference centers will support local development immediately adjacent to the Project.

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

The City of Royal Oak has approved a Reimbursement Agreement for the Project for Ad Valorem Real Estate Tax increment. The Project will receive 80% of the increment created over 10 years, not to exceed $3,000,000 in total capture. This was approved on April 16, 2014. The tax increment financing plan does not include the capture of state millage; it is local-only.

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

The development team has been able to secure senior financing from Fifth Third Bank in amount not to exceed the lesser of $34,750,000 or a 70% LTV. The LTV ratio is in line with industry standards of between 65-75% for hospitality driven projects. Also, it is anticipated that DMI will be investing up to $6.5 million (13% of total development costs) in the project in the form of equity and equity equivalent capital. Hyatt Corporation – the franchiser – is contributing $480K into the project. The ownership team is investing approximately $4.1 million (8% of total development).

In all, equity or equity equivalents will account for up to nearly 22% of the total development cost for the project. The remaining gap would be filled with a $4.5 million MCRP Other Economic Assistance Award. The Award would be in the form of a “Loan Participation” bearing an interest rate equal to that of the senior lender, but not less than 4%. The MCRP support will allow the development team to make an acceptable return on the project (anticipated to be between 12-15%).

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

The property is not qualifying as historic or functionally obsolete, and no vacant buildings will be reactivated.

F. Creation of jobs:

It is estimated that over 144 FTE jobs will be created from this project. The primary driver of FTE jobs is the hotel, which will employ directly over 135 people in various full and part time positions, including management, wait staff, cleaning, and maintenance personnel. There will also be jobs created for the apartment complex, as well as the new office and retail spaces. The wage ranges from salary positions in the $65,000 to $95,000 range, to hourly workers at a level of pay in the $12.00 to $16.00 per hour range.

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

The Hyatt Corporation is granting the ownership $480,000 in 'key money' to be applied towards the fit out of the hotel rooms. This money will be released to ownership upon completion of the construction of the Hotel.

H. Whether the project is financially and economically sound:

Upon reaching stabilized occupancy, it is anticipated that the project will generate sufficient cash flow to meet its debt service obligations and achieve an average debt service coverage of greater than 1.30:1.00. Additionally, the project will be supported financially by the ownership team.

A feasibility study performed by Hotel Investment Services, Inc. supports the proposed room rates and occupancy levels for the hotel portion of the development. The residential portion of the project is supported by a very strong residential market in Royal Oak with vacancy rate of less than 4%. The proposed commercial space is in line with the market.

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

Trailhead Royal Oak will increase the density of the area through the construction of approximately 56 units of multi-family housing, attract over 100 daytime workers in the office component, add jobs and density through the retail portion, and attract visitors and short-time stays from the 120 hotel rooms.

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

The Project promotes mixed-use development and walkable communities through the mixture of residential, office, retail, and hotel uses integrated together on the site in a very functional and efficient layout in the heart of Downtown Royal Oak.

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

The property being rehabilitated has been vacant a very long time, but it is not the conversion of public space to private.

L. Whether the project promotes sustainable development:

The Project promotes sustainable development through the nature of the mixed-use design and various construction elements. The utilization of best practices of storm water management for sewer, the use of local suppliers and materials for construction, and the integration of design elements such as sidewalks, bike rakes/storage and facilities for bike/walking commuters support sustainable development. The use of high-efficiency 'energy star' compliant mechanical systems will be incorporated in the design as well as lighting in the buildings will be LED and will include motion sensors to reduce lighting run times. Construction methods will include at-source recycling of materials and the use of crushed concrete for the road base.

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

The Project does not involve the rehabilitation of a historic resource.

N. Whether the project addresses area-wide redevelopment:

The Project addresses area wide redevelopment based on the fact that the zoning changes required are in keeping with the City's master plan and goals for the Special Redevelopment District in which the Project sits.

O. Whether the project addresses underserved markets of commerce:

The Project addresses underserved markets of commerce in the area through providing office space and residential rental units, which are both in high demand. The addition of the hotel, which currently does not exist in downtown Royal Oak, is also addressing an underserved marked of commerce in the area.

P. The level and extent of environmental contamination:

The Property has contaminants originating from its use as a car care center. These contaminants will be contained with engineering controls during construction, with limited removal of contaminated soils during the construction phase for foundations and sub-basements.

Q. 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):

This project is not the rehabilitation of a historic resource, therefore 36 CFR 67 does not apply.

R. 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 business.

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

No additional criterion needs to be considered.

APPENDIX B

Victory Motors
Co. 512 Original
Athletics
N Main St
Pingree Blvd
Studio Bridesmaid
Dimitrie Upholstering
Contract Design
Group, Inc
Barton Park North
Go Cycle Studios
N Center St
Project Area
W University Ave
Barton Towers
Co-op Apartments
Genesis The Church
E University Ave
E University Ave
Main Eleven
Hamlin Corner
Billings Lawn Equipment
Barton Park South

APPENDIX C

<u>FINANCING OPPORTUNITY – MCRP LOAN PARTICIPATION</u>

The project is seeking Michigan Strategic Fund (MSF) participation in coordination with Fifth Third Bank as the senior lender. The Lender, along with the Borrower, has requested the MSF participate in up to $4,500,000 in a $39,250,000 construction to permanent loan facility. The MSF would participate in all payments in proportion to its share of the loan, but would allow the collateral to apply first to the Lender's share in an event of liquidation. It is anticipated that disbursements to the project on the loan will be made on a pro-rata basis. Below outlines a summary of the development sources and the proposed structure of the loan participation.

SUMMARY OF DEVELOPMENT SOURCES:

Fifth Third Share		$	34,750,000	67.5%
MCRP Share		$	4,500,000	9.3%
Developer Equity		$	4,104,048	8.4%
DMI Investment		$	4,750,000	9.8%
	TOTAL	**$**	**48,584,048**	**100.0%**

<u>LOAN FACILITY</u>

MSF Facility	MCRP Loan Participation and Servicing Agreement Under "Other Economic Assistance"
Borrower:	Trailhead RO, LLC
Lender:	Fifth Third Bank
Total Loan Amount:	Currently estimated at $39,250,000
Lender Share:	Currently estimated at $34,750,000, not to exceed 70% of Appraised Value
MSF Share:	Up to the lesser of 15% of "Eligible Investment" or $4,500,000
Term:	To match that of the Lender, anticipated not to exceed 60 months with an interest only period of up to 36 months.
Amortization:	To match that of the Lender, anticipated not to exceed 300 months following the interest only period.
Interest Rate:	On the MSF share anticipated to be equal to the senior lender, but not less than 4.00% per annum
Repayment Terms:	On the MSF share anticipated to be up to 36 months of monthly interest only payments followed by monthly principal and interest payments.

Collateral:	To match that of the Lender, currently anticipated being a mortgage lien on the property and assignment of leases and rents, and assignment of TIF reimbursements. MSF share of collateral will be subordinated to that of the Lender.
Guarantee:	To be determined
Fee:	The MSF shall be paid a one-time fee equal to 1% of the MSF's share of the loan. The Lender may charge the borrower for this fee.
Funding:	The MSF will fund up to $4,500,000 to be disbursed following closing of the Loan and other performance criteria.
Other Conditions:	The MSF's Award will be contingent upon a minimum investment of equity or equity equivalents of not less than $8,850,000 contributed to the project.
MSF Delegation:	It is requested the Board delegate to the MSF Fund Manager, in consultation with legal counsel and other MSF and MEDC staff the final terms for the payment and amortization schedule, collateral, interest rate on the lenders share, and guarantees.

MICHIGAN STRATEGIC FUND

RESOLUTION 2015-

APPROVAL OF A MICHIGAN COMMUNITY REVITALIZATION PROGRAM EQUITY CONTRIBUTION AWARD TO OUTFIELD PARTNERS, LLC OR OTHER RELATED ENTITIES
(TRAILHEAD PROJECT)

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, as later amended) to enable the Michigan Strategic Fund ("MSF") to create and operate the Michigan Community Revitalization Program ("MCRP") to provide incentives in the form of grants, loans and other economic assistance for redevelopment of communities in Michigan;

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

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

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

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

WHEREAS, Fifth Third Bank ("Lender") will be providing financing to Trailhead RO, LLC and or related entities ("Proposed Borrower") of up to $39,250,000 toward the 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 $4,500,000 ("Award 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 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 for the Award Request within 120 days of the date of this Resolution ("Time Period"), or this Resolution shall have no effect; provided however, at the sole discretion of the MSF Fund Manager, the Time Period may be extended for up to an additional 90 days ("MCRP Award Recommendation"); and

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

Ayes:

Nays:

Recusals:

Lansing, Michigan
July 28, 2014

Exhibit A

Term Sheet

MSF Facility	MCRP Loan Participation and Servicing Agreement Under “Other Economic Assistance”
Borrower:	Trailhead RO, LLC
Lender:	Fifth Third Bank
Total Loan Amount:	Currently estimated at $39,250,000
Lender Share:	Currently estimated at $34,750,000, not to exceed 70% of Appraised Value
MSF Share:	Up to the lesser of 15% of “Eligible Investment” or $4,500,000
Term:	To match that of the Lender, anticipated not to exceed 60 months with an interest only period of up to 36 months.
Amortization:	To match that of the Lender, anticipated not to exceed 300 months following the interest only period.
Interest Rate:	On the MSF share anticipated to be equal to the senior lender, but not less than 4.00% per annum
Repayment Terms:	On the MSF share anticipated to be up to 36 months of monthly interest only payments followed by monthly principal and interest payments.
Collateral:	To match that of the Lender, currently anticipated being a mortgage lien on the property and assignment of leases and rents, and assignment of TIF reimbursements. MSF share of collateral will be subordinated to that of the Lender.
Guarantee:	To be determined
Fee:	The MSF shall be paid a one-time fee equal to 1% of the MSF’s share of the loan. The Lender may charge the borrower for this fee.
Funding:	The MSF will fund up to $4,500,000 to be disbursed following closing of the Loan and other performance criteria.
Other Conditions:	The MSF’s Award will be contingent upon a minimum investment of equity or equity equivalents of not less than $8,850,000 contributed to the project.
MSF Delegation:	It is requested the Board delegate to the MSF Fund Manager, in consultation with legal counsel and other MSF and MEDC staff the final terms for the payment and amortization schedule, collateral, interest rate on the lenders share, and guarantees.

MEMORANDUM

Date:	**July 28, 2015**
To:	**Michigan Strategic Fund Board**
From:	**Julius L. Edwards, Capital Access** **Dan Wells, Brownfield Program Senior Specialist** **Rosalyn J. Jones, Community Assistance Team Specialist**
Subject:	**Downtown Albion Hotel, LLC – City of Albion** **Request for Approval of an Act 381 Work Plan and a Michigan Community Revitalization Program Performance-Based Grant**

Request

The project requests to use both the Act 381 Brownfield Program and the Michigan Community Revitalization Program (MCRP) for construction of a new hotel and conference center, which would be located on 13 parcels of land that have been assembled at: 107, 111, 117, 119, and 121 West Center Street; 108, 112, 118, and 120 West Porter Street; and 208, 210, 212, and 216 South Superior Street in the City of Albion.

The City of Albion Brownfield Redevelopment Authority has submitted an Act 381 work plan (hereinafter work plan) request for the approval of local and school tax capture for eligible activities in the amount of $963,416. Prior to construction, Brownfield conditions, including blighted buildings and contaminated soils and groundwater, will need to be alleviated. Eligible activities will include demolition, lead and asbestos abatement, site preparation, public infrastructure improvements, and brownfield and work plan preparation. These activities will alleviate Brownfield conditions across the site and make it suitable for redevelopment and protect human health and the environment.

Downtown Albion Hotel, LLC (Applicant) is requesting approval of a performance-based grant in the amount of $1,000,000. The Applicant anticipates that the project will result in eligible investment of $7,033,555 and total capital investment in the amount of $8,428,136 in the City of Albion, the creation of 20 jobs, with an average hourly wage of $16.82, and increase the taxable value of the property by over $2.8 million.

The Downtown Albion Hotel project is considered to be a catalytic project transforming a vacant, blighted property located in the heart of downtown Albion into the only traditional hotel in the area. It is anticipated that the hotel will have a significant, positive economic impact by creating additional economic activity and synergy with Albion College, while improving public perception of downtown Albion. The development team is taking on significant market risk due to limited market information for a project of this type in the area.

The development team is in the process of securing approximately $2.4 million in senior financing from Mercantile Bank. Albion College will be providing a loan in the amount of $4 million, bringing the debt financing total to approximately $6.4 million, or a Loan-to-Cost (LTC) of roughly 76%. The Loan-to-Cost ratio is above traditional debt financing levels of 65% for hospitality projects. This is a particularly high ratio considering the unproven nature of the Albion hospitality market. The development team will be contributing $1 million in equity to the project (11.87% of total development cost). The remaining financing gap will be covered through a $1 million MCRP performance-based grant. The grant will allow the development team to mitigate the traditional risks of operating a hotel, as well as the added risk associated with operating in an unproven market, and provide them with a reasonable return (between 12-15% assuming a fully stabilized project). Lastly, Albion College and the City of Albion are demonstrating their support of the project through over $4.7 million in anticipated investment in the project.

Background

Downtown Albion Hotel, LLC is a single-purpose entity organized by SSP Associates, Inc. (SSP) to complete the project. Over the past five years, SSP has developed numerous Brownfield projects and has received a variety of incentives. SSP Associates is currently developing the UpTown at Rivers Edge Project in Bay City that was approved in 2011 for an Act 381 work plan ($12m), three small Brownfield credits ($1.25m, $1.2m and $1.2m, respectively) and a large Brownfield credit of $5.1m. A Michigan Works project in Saginaw was approved for an Act 381 work plan in 2012 for $778,140. A project located at 102 East Main Street in Midland received a $4.7m MCRP loan and an $8.3m Act 381 work plan approval in 2013.

The Applicant plans to demolish existing structures and construct a new 67,000 square foot, four story boutique hotel and conference center. The project will encompass nearly an entire city block and redevelop approximately 1.25 acres of property located on 13 parcels in downtown Albion. The 72 room hotel will offer a mix of standard rooms and extended stay suites. Approximately 3,000 square feet will be available for meetings, conferences, weddings, banquets, and community events.

Currently, the properties are owned by: the City of Albion, the Albion Building Authority (an entity incorporated by the City of Albion), Bishop Acquisitions, LLC (an entity owned and organized by the developer), and Proactis Development Strategies (a nonprofit corporation operated under the auspices of the Albion Economic Development Corporation).

Site demolition includes removal of old foundations and other obsolete site improvements and filling of those spaces with engineered fill. Building demolition includes three buildings deemed blighted which will also be subject to lead and asbestos abatement. Site preparation includes relocation of existing utilities, temporary facilities for construction, grading, and shoring to protect adjacent buildings. Infrastructure improvements include sidewalk, road, curb and gutter, landscaping and water, sewer and storm water utility improvements within the public right-of-way to service the hotel.

a) The project is located within the boundaries of the City of Albion, which is a Qualified Local Governmental Unit, and has been deemed a facility as verified by the Michigan Department of Environmental Quality on June 17, 2015, and deemed blighted by the City of Albion December 15, 2014. The property is the subject of a Brownfield Plan, duly approved by the City of Albion on December 15, 2014.
b) The project is located in a downtown and qualifies for a MCRP award because it is a facility and blighted.

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

Recommendation
Michigan Economic Development Corporation (MEDC) staff recommends the following:

a) Approval of local and school tax capture for the Act 381 eligible activities totaling $963,416 described above. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at $375,154.
b) Approval of a MCRP performance-based grant in the amount of $1,000,000 for Downtown Albion Hotel, LLC.

APPENDIX A

MCRP PROGRAM AND ITS GUIDELINES

On December 21, 2011, the Michigan Strategic Fund (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.

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

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

Over the years, Albion has suffered from the loss of its industrial base and has struggled with high rates of unemployment. In addition, the City has lost local retail spending to other major regional centers. One of the stated goals in its Master Plan is to affirm downtown as the center of commerce and civic life.

Albion College is one of the City's major employers. In addition to its 455 employees, the college is home to nearly 1,400 students. U.S. News and World Report ranked Albion College among the top national liberal arts colleges. Despite this ranking, the college's future growth and its ability to recruit students, faculty, and staff is influenced by the health and perceptions of the community in which it is located. Both the City and Albion College realize that their destinies are intertwined. A partnership has been formed between the college and the community, in order to promote economic development and assemble the partners, capital, and expertise necessary to make development happen.

The proposed project will redevelop underutilized property, fill a local need for high-quality hotel and event space, draw people to downtown Albion, create jobs, and result in increased property tax revenue. In addition, it will improve the appearance and public perception of downtown Albion and increase opportunities for local tourism. Albion is a small town, located in a primarily rural area, and is not a suburb of a major city.

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

The influx of people staying at or attending events at the hotel, would stimulate the local economy by making it attractive for other businesses to locate nearby and make additional investment in renovating, restoring, and redeveloping other buildings in downtown Albion. This is consistent with the City's desire to develop new opportunities for the downtown economy, direct economic development toward the retail sector, and increase the number of retail businesses in town.

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

The hotel project is being undertaken jointly by the private developer, the City and Albion College. Through the local portion of tax increment financing estimated at $761,516 (including the environmental portion), the local community will make public infrastructure improvements that will directly benefit the project and the public-at-large.

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

The development team is in the process of securing approximately $2.4 million in senior financing from Mercantile Bank. Albion College will be providing a loan in the amount of $4 million, bringing the debt financing total to approximately $6.4 million or a Loan-to-Cost (LTC) of roughly 76%. The Loan-to-Cost ratio is above traditional debt financing levels of 65% for hospitality projects. This is a particular high ratio considering the unproven nature of the Albion hospitality market. The development team will be contributing $1 million in equity to the project (11.87% of total development cost). The remaining financing gap will be covered through a $1 million MCRP performance-based grant. The grant will allow the development team to mitigate the traditional risks of operating a hotel, as well as the added risk associated with operating in an unproven market, and provide them with a reasonable return (between 12-15% assuming a fully stabilized project).

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

The project involves the redevelopment of 13 parcels of land. Eight of the 13 qualify as blighted property, i.e. 107, 111, 117, 119 and 121 West Center Street; 108 West Porter Street; and 212 and 216 South Superior Street. Three parcels have the “facility” designation, i.e. 208 South Superior Street and 118 and 120 West Porter Street. Two are considered adjacent and contiguous to a “facility” parcel, i.e. 112 West Porter Street and 210 South Superior Street.

There are three vacant buildings that will be demolished that are located within the City of Albion historic district but are not individual, contributing structures.

F. Creation of jobs:

The creation of approximately 20 full-time equivalent jobs is expected with an average hourly wage estimated at $16.82. Jobs will be typical of those associated with the hospitality industry, i.e. management, hospitality services personnel, cleaning, and maintenance.

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

Albion College will provide a $4,000,000 loan in support of the project. At the end of the fifth year, the College will have the option of converting the loan into an equity position or amortizing it over 18 years. It is anticipated that Chemical Bank will provide up to a $2.4 million loan. The developer has committed $1.0 million in private equity.

H. Whether the project is financially and economically sound:

Upon reaching stabilized operations it is anticipated that the project will produce enough cash flow to support its debt at a ratio of above 1.20:1.00. This is solid but below traditional debt service requirements for hospitality projects. To mitigate this risk, the financing provided by

Albion College will have flexible terms with an option to convert to equity if desired or necessitated. Also, the project will be operated and support by a strong development team with adequate financial resources and a solid operating history.

The hotel project will be a relatively risky project for the development team given the unproven nature of the market and lack of any comparable projects in the area. This is mitigated by the experience of the development team, primarily the Veridea Group as the hotel operator, which has developed successful hotel projects in the Upper Peninsula of Michigan, and the inclusion of Albion College's investment.

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

The project is a four-story infill project on what currently is a largely vacant city block within Albion's most dense commercial corridor.

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

The hotel convention center would increase the number of people who work and visit downtown and is located in close proximity to the Bohm Theatre. The Bohm Theatre project was honored with a 2015 Governor's Award for Historic Preservation. It is a prime setting for a wide array of events — first-run and classic films, musical performances, theatrical performances, lectures, and seminars. As people travel between the hotel and the Theatre, undoubtedly, there would be an increase in the amount of foot-traffic along Superior Street.

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

The project does not involve any public buildings.

L. Whether the project promotes sustainable development:

The project does include sustainable elements. The hotel development will utilize energy efficient measures in all aspects of the project. Energy-saving cladding and wall assemblies, windows and doors will be used to reduce the energy consumption lost to the exterior envelope. All appliances, mechanical systems and equipment shall be Energy Star rated, and lighting will use LED technologies and have energy saving controls.

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

The project does not involve rehabilitation of a historic resource. The buildings to be demolished are located in the City of Albion historic district, but they are not individual, contributing structures.

N. Whether the project addresses area-wide redevelopment:

The hotel convention center would appeal to college affiliates as well as to other members of the community. It would allow the college the opportunity to expand its programming and offerings and generate new sources of revenue. It would also provide the community-at-large with a venue for hosting weddings, banquets, and other special events.

O. Whether the project addresses underserved markets of commerce:

The project will respond to the demand for high-quality lodging (both short-term and extended stay) and event space in downtown Albion.

P. The level and extent of environmental contamination:

208 South Superior and 118 and 120 West Porter meet the definition of a "facility" as defined by Part 201 of NREPA, Michigan PA 451 of 1994. In January 2015, a Baseline Environmental Assessment (BEA) was conducted at 208 South Superior. Lead contamination was found in soil and groundwater at concentrations exceeding Michigan Department of Environmental Quality (MDEQ) Direct Contact Criteria (DCC) and Residential Drinking Water (DWC). A BEA prepared in February 2015 for 118 and 120 West Porter Street revealed that concentrations of benzo(a)pyrene, phenanthrene, and Michigan ten Metals exceed MDEQ Residential Cleanup Criteria (RCC) in soil and/or groundwater. Due care measures will be required for redevelopment of the property.

Two properties are considered adjacent and contiguous to a "facility" parcel - 210 South Superior Street is adjacent and contiguous to 208 South Superior Street and 112 West Porter Street is adjacent and contiguous to 118 West Porter Street.

Q. 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 project does not involve rehabilitation of a historic resource.

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

The project will not compete with or affect existing Michigan businesses as downtown Albion is devoid of high-quality hotel and hospitality services.

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

No additional factors need to be considered for this project.

ADDITIONAL STATUTORY CRITERIA UNDER ACT 381:

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

The project involves the redevelopment of 13 parcels of land. Eight of the 13 qualify as blighted property, i.e. 107, 111, 117, 119 and 121 West Center Street; 108 West Porter Street; and 212 and 216 South Superior Street. None of the existing buildings on the site will be reused.

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

No alternative greenfield site was considered for the project. The Brownfield Tax Increment Financing is needed to alleviate Brownfield conditions on the site that total approximately $815,000 in costs that would otherwise make the site too costly to redevelop.

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

No new Brownfields will be created by this project.

d) Other Factors Considered:

No additional factors need to be considered for this project.

Act 381 TIF: There are 61.6363 non-homestead mills available for capture, with school millage equaling 24 mills (38.94%) and local millage equaling 37.6363 mills (61.06%).Tax increment capture will begin in 2016 and is estimated to continue for eight years. The requested tax capture for eligible activities breaks down as follows:

School tax capture (38.94%)	$ 375,154
Local tax capture (61.06%)	$ 588,262
TOTAL	**$** 963,416

COST OF ELIGIBLE ACTIVITIES

Demolition	$ 100,000
Lead or Asbestos Abatement	50,000
Infrastructure Improvements	148,766
Site Preparation	+ 401,234
Sub-Total	$ 700,000
Contingency (15%)	+ 105,000
Sub-Total	$ 805,000
Interest (5%)	+ 148,416
Sub-Total	$ 953,416
Brownfield/Work Plan Preparation	+ 10,000
TOTAL	**$** 963,416

APPENDIX B

VIEW FROM CORNER OF S. SUPERIOR ST. & W. PORTER ST.

APPENDIX C

Summary of Terms

1. Company Name:	Downtown Albion Hotel, LLC
2. Company Address:	1100 S. Washington, Suite 3 Saginaw, Michigan 48601
3. MCRP Incentive Type:	Performance Based Grant
4. Maximum Amount of MCRP Incentive:	Lesser of 20% of the Eligible Investment, as defined below, or \$1,000,000 ("MCRP Incentive Award")
5. Project Description ("Project"):	The project includes demolition of three vacant functionally obsolete buildings and construction of a new 67,000 square foot 72 room hotel which will include approximately 3,000 square feet of conference/banquet space in Downtown Albion, Calhoun County, MI.
6. Anticipated Minimum Eligible Investment:	\$6,347,000 — The minimum is based on 80% of the total Eligible Investment amount requested on the CRP incentive application. The Eligible Investment on the Project is anticipated to include: • Demolition • New Building Construction • Site Improvements • Addition of Machinery, Equipment or Fixtures to the Project • Professional Fees
7. Start Date for Measurement of Eligible Investment:	January 1, 2015
8. Project Qualifying As:	• Facility • Blighted Property

9. **Progress and Milestones & Disbursement:** The final terms and conditions of each of the Progress Milestones shall be included in the final Agreement, including that before any disbursement is made to the Applicant, the Applicant must demonstrate timely completion of all Progress Milestones, as required, and otherwise be in full compliance with all terms and conditions of the final Agreement. The MSF Fund Manager, in coordination with MEDC Staff, is authorized to negotiate the final terms and conditions of the final Agreement to be used to memorialize MCRP awards on the MSF's behalf in accordance with the Guidelines and are anticipated to include:
   a. Pre-improvement Progress Milestone: Copies of all executed loan documents, evidencing that the applicant has closed on financing in the minimum amount of \$7,728,000 (includes financing to bridge MCRP Grant); final construction documents.

b. Completion of the Project Progress Milestone: Issuance of a certificate of occupancy on terms and conditions satisfactory to the MSF Fund Manager.

10. **Municipality supporting the Project ("Municipal Support"):** The City of Albion is supporting the project with Tax Increment Financing (TIF) from the City's Brownfield Redevelopment Authority in the estimated amount of $2.1 million in State and Local contributions.

11. **Site Plan Approval:** A condition for execution of the final Agreement is that the local unit of government, or its' designated planning body, has approved the final Site Plan for the Project, and that the form and substance of the Site Plan are acceptable to the MSF.

12. **Term of Agreement:** From execution of the final Agreement until the date three (3) years after the completion of the final Progress Milestone.

13. **Repayment and Penalty Terms:** Some repayment and penalty provisions are required by law. The repayment and penalty terms and conditions will be effective through the Term of the Agreement and shall be defined in the final Agreement, and may include any or all of the following: a penalty, reduction of all or a portion of the MCRP Incentive Award, repayment of any portion of any disbursement of the MCRP Incentive Award, or ineligibility of the Applicant and its sponsors for any support or economic assistance from the MSF, as the case may be, if the Applicant fails to comply with the Agreement, any reporting requirements defined in the final Agreement, or otherwise violates the MSF Act.

14. **Final Terms and Conditions:** The MSF Fund Manager, in coordination with MEDC Staff, is authorized to negotiate the final terms and conditions of the final Agreement to be used to memorialize MCRP awards on the MSF's behalf in accordance with the Guidelines and is anticipated to include the terms described above.

MICHIGAN STRATEGIC FUND

RESOLUTION 2015-

APPROVAL OF A MICHIGAN COMMUNITY REVITALIZATION PROGRAM PERFORMANCE BASED GRANT TO DOWNTOWN ALBION HOTEL, 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, as later amended) to enable the Michigan Strategic Fund ("MSF") to create and operate the Michigan Community Revitalization Program ("MCRP") to provide incentives in the form of grants, loans and other economic assistance for redevelopment of communities in Michigan;

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

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

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

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

WHEREAS, Downtown Albion Hotel, LLC ("Applicant") has requested a performance based grant of up to $1,000,000 ("Grant Award 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 that the MSF approve the Grant 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 for the Equity Award Request within 180 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 180 days ("MCRP Award Recommendation"); and

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

Ayes:

Nays:

Recusals:

Lansing, Michigan
July 28, 2015

Exhibit A
Term Sheet

1. Company Name:	Downtown Albion Hotel, LLC	
2. Company Address:	1100 S. Washington, Suite 3 Saginaw, Michigan 48601	
3. MCRP Incentive Type:	Performance Based Grant	
4. Maximum Amount of MCRP Incentive:	Lesser of 20% of the Eligible Investment, as defined below, or $1,000,000 (“MCRP Incentive Award”)	
5. Project Description (“Project”):	The project includes demolition of three vacant functionally obsolete buildings and construction of a new 67,000 square foot 72 room hotel which will include approximately 3,000 square feet of conference/banquet space in Downtown Albion, Calhoun County, MI.	
6. Anticipated Minimum Eligible Investment:	$6,347,000	The minimum is based on 80% of the total Eligible Investment amount requested on the CRP incentive application. The Eligible Investment on the Project is anticipated to include: • Demolition • New Building Construction • Site Improvements • Addition of Machinery, Equipment or Fixtures to the Project • Professional Fees
7. Start Date for Measurement of Eligible Investment:	January 1, 2015	
8. Project Qualifying As:	• Facility • Blighted Property	

9. **Progress and Milestones & Disbursement:** The final terms and conditions of each of the Progress Milestones shall be included in the final Agreement, including that before any disbursement is made to the Applicant, the Applicant must demonstrate timely completion of all Progress Milestones, as required, and otherwise be in full compliance with all terms and conditions of the final Agreement. The MSF Fund Manager, in coordination with MEDC Staff, is authorized to negotiate the final terms and conditions of the final Agreement to be used to memorialize MCRP awards on the MSF’s behalf in accordance with the Guidelines and are anticipated to include:
   a. Pre-improvement Progress Milestone: Copies of all executed loan documents, evidencing that the applicant has closed on financing in the minimum amount of $7,728,000 (includes financing to bridge MCRP Grant); final construction documents.

b. Completion of the Project Progress Milestone: Issuance of a certificate of occupancy on terms and conditions satisfactory to the MSF Fund Manager.

10. **Municipality supporting the Project (“Municipal Support”):** The City of Albion is supporting the project with Tax Increment Financing (TIF) from the city’s Brownfield Redevelopment Authority in the estimated amount of $2.1 million in State and Local contributions.

11. **Site Plan Approval:** A condition for execution of the final Agreement is that the local unit of government, or its’ designated planning body, has approved the final Site Plan for the Project, and that the form and substance of the Site Plan are acceptable to the MSF.

12. **Term of Agreement:** From execution of the final Agreement until the date three (3) years after the completion of the final Progress Milestone.

13. **Repayment and Penalty Terms:** Some repayment and penalty provisions are required by law. The repayment and penalty terms and conditions will be effective through the Term of the Agreement and shall be defined in the final Agreement, and may include any or all of the following: a penalty, reduction of all or a portion of the MCRP Incentive Award, repayment of any portion of any disbursement of the MCRP Incentive Award, or ineligibility of the Applicant and its sponsors for any support or economic assistance from the MSF, as the case may be, if the Applicant fails to comply with the Agreement, any reporting requirements defined in the final Agreement, or otherwise violates the MSF Act.

14. **Final Terms and Conditions:** The MSF Fund Manager, in coordination with MEDC Staff, is authorized to negotiate the final terms and conditions of the final Agreement to be used to memorialize MCRP awards on the MSF’s behalf in accordance with the Guidelines and is anticipated to include the terms described above.

MICHIGAN STRATEGIC FUND

RESOLUTION 2015-

APPROVAL OF A BROWNFIELD WORK PLAN
CITY/ OF ALBION BROWNFIELD REDEVELOPMENT AUTHORITY
ALBION HOTEL

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 City of Albion Brownfield Redevelopment Authority (the "Authority") has submitted a work plan for property located at 107, 111, 117, 119 and 121 West Center Street; 108, 112, 118, and 120 West Porter Street; and 208, 210, 212, and 216 South Superior Street within the City of Albion, known as the Albion Hotel (the "Project");

WHEREAS, the City of Albion 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 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 38.94% to 61.06% 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 June 29, 2015. 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 $805,000 for the principal activity costs of non-environmental activities and a contingency, a maximum of $148,416 in interest, and a maximum of $10,000 for Brownfield/Work Plan preparation, and with the capture of taxes levied for school operating purposes being limited to a maximum of $375,154.

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 the City of Albion 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 $148,416 related to the eligible activities for the Project.

Ayes:

Nays:

Recused:

July 28, 2015
Lansing, Michigan

PURE MICHIGAN®

MEMORANDUM

Date: July 28, 2015

To: MSF Board Members

From: David Lorenz, Vice President, Travel Michigan

Subject: Tourism Marketing and Advertising Services Contract Amendment

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REQUEST

This request is for the MSF Board to approve an additional $1,714,096.33, FY2015 funds to the existing contract with McCann Erickson USA, Inc. for tourism marketing and advertising services in the amount of $25,125,530.88. This amount is for production, Michigan media support, Brand USA/PPC/fall media and Detroit Airport international signage.

BACKGROUND

On September 21, 2011, the MSF Board approved a tourism marketing and advertising RFP ("Pure Michigan RFP") (Resolution 2011- 142) and authorized the MSF Fund Manager to appoint a Joint Evaluation Committee ("JEC") to review the proposals. The MSF subsequently awarded the tourism marketing and advertising contract with McCann Erickson USA, Inc., (Resolution 2011-168) for the period of January 1, 2012 to September 30, 2014, with the option to extend the contract for two additional one-year terms.

During the initial contract term, McCann Erickson has led the creative development and strategy that powers the nationally recognized Pure Michigan travel brand. The Pure Michigan brand has been honored with dozens of industry awards and is recognized across the travel industry as a tourism marketing leader. Every year, the campaign demonstrates its success through the annual increase of return on investment; these impressive results are outlined in the attached document.

At the September 17, 2014, the MSF Board approved a one-year extension of the agreement (Resolution 2014-160).

RECOMMENDATION

The MEDC recommends that the MSF Board allocate $1,714,096.33, and authorize the Fund Manager to enter into an extension of the contract agreement with McCann Erickson USA, Inc. for travel marketing and advertising services.

MICHIGAN STRATEGIC FUND

RESOLUTION
2015-

MCCANN-ERICKSON USA, INC. CONTRACT FOR TRAVEL MARKETING (Amendment #5)

WHEREAS, Public Act 489 of 2000, MCL 12.251 to 12.260, created the Michigan Trust Fund Act, of which the 21st Century Jobs Trust Fund ("Trust Fund") is established;

WHEREAS, Public Act 270 of 1984, MCL 125.2088b(2)(d), provided for annual appropriations as provided by law from the Trust Fund may be used for promotion of tourism in this state;

WHEREAS, on November 30, 2011, the Michigan Strategic Fund ("MSF") approved the use of McCann-Erickson USA, Inc. as the vendor for travel marketing and promotional campaign for the promotion of tourism for a period of three years, with the option for two additional one year extensions;

WHEREAS, on September 17, 2015, the MSF and McCann-Erickson approved the first one-year extension to the term;

WHEREAS, McCann-Erickson wishes to amend the contract to increase the contract amount by $1,714,096.33 for additional work for production, Michigan media support, Brand USA fall media, and the Detroit Metro Airport for international signage within the first one-year extension to the term;

WHEREAS, the Michigan Economic Development Corporation ("MEDC") provides administrative services for the MSF; and

WHEREAS, the MEDC recommends that the MSF increase the contract amount by $1,714,096.33 for additional work for production, Michigan media support, Brand USA fall media, and the Detroit Metro Airport for international signage within the first one-year extension to the term.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board amends the McCann-Erickson USA, Inc. contract by increase the contract amount by $1,714,096.33 for additional work for production, Michigan media support, Brand USA fall media, and the Detroit Metro Airport for international signage within the first one-year extension to the term; and

BE IT FURTHER RESOLVED, that the MSF Fund Manager is authorized to execute the amendment to the McCann-Erickson USA, Inc. contract consistent with the terms of this resolution.

Ayes:

Nays:

Recused:

Lansing, Michigan
July 28, 2015

PURE MICHIGAN

MEMORANDUM

Date: July 28, 2015

To: MSF Board Members

From: David Lorenz, Vice President, Travel Michigan

Subject: Public Relations Services Amendment

REQUEST

This request is for the MSF Board to approve additional FY2015 funds to the existing contract with Weber Shandwick for michigan.org, social media and public relations content for MEDC in the amount of $100,000, through the period of September 30, 2015. The amended contract amount for Travel Michigan PR services is $1,035,175.

BACKGROUND

On June 22, 2011, the MSF Board approved issuance of a public relations services Request for Proposal ("RFP") and authorized the MSF Fund Manager to appoint a Joint Evaluation Committee ("JEC") to review the proposals (Resolution 2011-093). The MSF subsequently awarded the public relations contract to Weber Shandwick (Resolution 2011-123), for the period of September 1, 2011 to September 30, 2014, with the option to extend the contract for two additional one-year terms (Resolution 2011-123).

During the initial contract term, Weber Shandwick has achieved significant media coverage for the State of Michigan, but has also established Pure Michigan as a national leader across all major social media platforms. The Pure Michigan brand has been honored with dozens of industry awards and is recognized across the travel industry as a marketing leader. Every year, the campaign demonstrates its success through the annual increase of return on investment for travel marketing; these impressive results are outlined in the attached document.

On September 17, 2014, the MSF Board approved a one-year extension of the agreement (Resolution 2014-161).

RECOMMENDATION

The MEDC recommends that the MSF Board allocate $100,000 and authorize the Fund Manager to enter into an extension of the contract agreement with Weber Shandwick, for Travel Michigan public relations services.

MICHIGAN STRATEGIC FUND

RESOLUTION
2015-

WEBER SHANDWICK WORLDWIDE CONTRACT FOR PUBLIC RELATIONS AND BUSINESS MARKETING (Amendment #3)

WHEREAS, Public Act 489 of 2000, MCL 12.251 to 12.260, created the Michigan Trust Fund Act, of which the 21st Century Jobs Trust Fund ("Trust Fund") is established;

WHEREAS, Public Act 270 of 1984, MCL 125.2088b(4), provided for not more than five percent of the annual appropriations as provided by law from the Trust Fund may be used for business development and business marketing costs;

WHEREAS, on August 24, 2011, the Michigan Strategic Fund ("MSF") approved the use of Weber Shandwick Worldwide as the vendor for the public relations and digital marketing program for a period of three years, with the option for two additional one year extensions;

WHEREAS, on September 17, 2014, the MSF approved the first one-year extension to the term;

WHEREAS, Weber Shandwick Worldwide wishes to amend the contract to increase the contract amount by $100,000 for additional work for the travel website, social media, and public relations within the first one-year extension to the term;

WHEREAS, the Michigan Economic Development Corporation ("MEDC") provides administrative services for the MSF; and

WHEREAS, the MEDC recommends that the MSF increase the contract amount by $100,000 for additional work for the travel website, social media, and public relations.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board amends the Weber Shandwick Worldwide contract by increasing the contract amount by $100,000 for additional work for the travel website, social media, and public relations; and

BE IT FURTHER RESOLVED, that the MSF Fund Manager is authorized to execute the amendment to the Weber Shandwick Worldwide contract consistent with the terms of this resolution.

Ayes:

Nays:

Recused:

Lansing, Michigan
July 28, 2015

PURE MICHIGAN®

MSF DELEGATED AUTHORITY QUARTERLY UPDATE
FOR 21CJF LOAN PORTFOLIO
Board Meeting July 28, 2015

FOR QUARTER ENDED JUNE 30, 2015

BACKGROUND

Pursuant to Section 125.2088k-3 of the Michigan Strategic Fund Compiled Resolutions, the Michigan Strategic Fund (MSF) Board approved a delegation of authority for decisions with regard to awards under the (i) Company Formation and Growth Fund, (ii) 21st Century Jobs Fund 2006 and 2008 business plan competition rounds, as well as its predecessor programs, Michigan Technology Tri-Corridor Fund program and Michigan Life Sciences Corridor Fund program, and (iii) those loans awarded under the Choose Michigan program, including the authority to approve loan restructure requests (the "Delegation of Authority"). Under the Delegation of Authority, actions related to awards with an original amount of $1,000,000 or less may be approved by the MSF Chairperson, the MSF Fund Manager and the MSF State Treasurer Director, with only one required to act. Actions related to awards with an original amount of $1,000,001 to $3,000,000 are reviewed by the MSF Advisory Subcommittee before presentation to the delegates for final approval. Actions related to awards with an original amount of $3,000,001 are presented to the full MSF Board.

APPROVALS BY AUTHORIZED DELEGATE

Between April 1, 2015 and June 30, 2015 the following actions were approved pursuant to the Delegation of Authority:

Organization	Action(s)	Award Amount (full award amount)	Disbursed Amount (actual amount disbursed)	Date
Phrixus Pharmaceuticals, Inc.	Restructure	$350,000	$350,000	April 3, 2015
AureoGen Biosciences, Inc.	Restructure	$1,994,476	$1,994,476	April 6, 2015
AureoGen Biosciences, Inc.	Restructure	$200,000	$200,000	April 6, 2015
Epsilon Imaging, Inc.	Consent by Shareholders	$767,547	$767,547	April 7, 2015
Armune BioScience, Inc.	Conversion	$100,000	$50,000	April 21, 2015
TransPharm Preclinical Solutions, LLC	Restructure	$400,000	$400,000	April 27, 2015

Solidica, Inc.	Write Off (2004 Award)	$639,497	$639,497	June 9,2015
Solidica, Inc.	Write Off (2006 Award)	$1,295,259	$1,295,259	June 9,2015
Solidica, Inc.	Write Off (2008 Award)	$900,000	$900,000	June 9,2015
Spaceform Welding Solutions, Inc.	Consent in Lieu of Meeting of Directors	$1,000,000	$1,000,000	June 18, 2015

MSF DELEGATED AUTHORITY QUARTERLY UPDATE
MSDF AND SSBCI PROGRAMS
CAPITAL ACCESS TEAM
April 1 – June 30, 2015

APPROVALS BY AUTHORIZED DELEGATES

Between April 1 and June 30, 2015 the following actions were approved by the MSF Chairperson and MSF Fund Manager, subject to due diligence, and available funding:

SSBCI - MBGF:						
Organization	Request Type	MSF Support	Loan Amount	Action	Date Approved	Closed
Opportunity Resource Fund	MBGF-LGP	$ 1,000,000	$ 5,000,000	Approved by Chair and Fund Manager	May 24, 2015	N
Short's Brewing Company	MBGF-CSP	$ 374,250	$ 750,000	Approved by Chair and Fund Manager	May 24, 2015	Y
Ally Equipment Solutions	MBGF-LPP	$ 199,600	$ 400,000	Approved by Chair and Fund Manager	June 4, 2015	N
Center Machine & Tool, LLC	MBGF-CSP	$ 147,000	$ 300,000	Approved by Chair and Fund Manager	June 6, 2015	Y
Total		$ 1,720,850	$ 6,450,000			

MSDF:						
Organization	Request Type	MSF Support	Loan Amount	Action	Date Approved	Closed
Midwest Tool & Die, Inc.	MSDF-CSP	$ 171,500	$ 350,000	Approved by Chair and Fund Manager	April 22, 2015	Y
Iron Key Corporation	MSDF-LPP	$ 157,185	$ 315,000	Approved by Chair and Fund Manager	May 22, 2015	N
Total		$ 328,685	$ 665,000			

MEMORANDUM

DATE: July 28, 2015

TO: Michigan Strategic Fund ("MSF") Board Members

FROM: Josh Hundt, Director, Business Incentives
Deborah Stuart, Director, Community Incentive Programs

SUBJECT: Quarterly Report of Delegated Approvals on Michigan Business Development Program & Michigan Community Revitalization Program

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On December 21, 2011, the MSF Board approved the Michigan Business Development Program ("MBDP") and the Michigan Community Revitalization Program ("MCRP"). Both programs allow for delegated approval of projects that have incentives of $1 million or less. Listed below is a synopsis of the delegated deals that were approved during the third quarter of the 2015 fiscal year.

Detailed information is now sent to all Board Members as they are approved. As such, the detailed informational sheet on each approval is not included in this memo. If you would like additional information on a project, please let us know.

MBDP APPROVALS

Project Name	Approval Date	Location	Incentive Approved	Jobs	Investment
Atomic Object, LLC - Expansion - FY2015	4/13/2015	Grand Rapids	$250,000	33	$2,942,700
Sakthi Auto Group USA - Expansion - 2014	4/28/2015	Detroit	$3,500,000	350	$31,865,000
Terryberry Company - Expansion - FY2015	5/1/2015	Grand Rapids	$250,000	53	$2,650,000
Harloff Manufacturing Company, LLC - Relocation - FY2015	5/4/2015	Paw Paw	$158,000	38	$920,250
Hearthside Food Solutions, LLC -Hickey and Associates - Expansion - FY2015 Project Desert	5/6/2015	Kentwood	$450,000	91	$10,698,400
Bmax- North American Headquarters - FY15	5/11/2015	Pontiac	$250,000	26	$1,348,900
Michigan Brand - Expansion - FY2015	6/4/2015	Frankenmuth	$250,000	94	$4,735,000
Marada Industries Inc. dba Cosma Body Assembly Michigan - New Development - FY2015	6/8/2015	New Hudson	$1,600,000	250	$56,088,310

Ferrous CAL Co.- Redevelopment in Gibraltar - 2014	6/8/2015	Gibraltar	$6,000,000	100	$50,200,000
Magna Seating of America Inc.- Project One Touch (New Development Novi HQ) - FY2015	6/19/2015	Novi	$984,000	164	$65,191,000
Mico Industries - Expansion - FY2015	6/19/2015	Kentwood	$350,000	81	$8,186,955
Agape Plastics, Inc. - Expansion - FY2015	6/19/2015	Grand Rapids	$300,000	54	$14,715,000
ZF North America, Inc - Transmission Tech Center 2015	6/23/2015	Northville	$4,000,000	606	$71,198,290
Project Wildcat - Attraction (Hangar) - FY2015	6/23/2015	Romulus	$1,000,000	84	$31,710,000
Shepherd Caster LLC Project Flock - Expansion - FY2015	7/7/2015	St Joseph	$350,000	50	$1,549,000

MCRP APPROVALS

Project Name	Approval Date	Location	Incentive Approved	Jobs	Investment
207 East Baltimore LLC	4/1/2015	City of Detroit	$225,000	1	$1,787,300
Paradise Valley Real Estate Holdings, LLC and Real Times, Inc. of Illinois	4/22/2015	City of Detroit	$413,000	35	$3,155,006
678 Selden, LLC	6/16/2015	City of Detroit	$670,210	4	$3,689,001

MEMORANDUM

DATE: **July 28, 2015**

TO: **Michigan Strategic Fund ("MSF") Board Members**

FROM: **Dan Wells, Brownfield Program Senior Specialist**
Deborah Stuart, Director, Community Incentive Programs

SUBJECT: **Quarterly Report of Delegated Approvals on Act 381 Work Plans**

On December 31, 2012, The Brownfield Redevelopment Financing Act (Act 381) was amended to allow the chairperson of the Michigan Strategic Fund delegated approval of work plans that consist of tax capture of less than $500,000. Listed below is a synopsis of the delegated work plans that were approved during the 3rd quarter of the 2015 fiscal year.

Project Name	Approval Date	Location	Approved TIF Amount	Jobs	Investment
Mack Athletic Complex	4/2/2015	Detroit	$248,033	3	$1,021,297
Great Lakes Physical Medical & Rehabilitation	4/10/2015	Wyandotte	$481,693	10	$3,016,623
Landaal Packaging Systems	4/21/2015	Bay City	$495,100	4	$5,528,314
Bridgeport Commons Project	6/17/2015	Sault Ste. Marie	$464,250	45	$5,243,001
		Total	**$1,689,076**	**62**	**$14,809,235**

Detailed information is now sent to all Board Members as they are approved. As such, the detailed informational sheet on each approval is not included in this memo. If you would like additional information on a project, please let us know.

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MEMORANDUM

Date: **July 28, 2015**

To: **Michigan Strategic Fund Board**

From: **Deborah Stuart, Director, Community Incentive Programs**
Christine Whitz, Manager, Community Development Block Grant Program

Subject: ***Community Development Block Grant Program***
Quarterly Report of Delegated Approvals (April - June, 2015)

On October 23, 2013, the MSF Board approved the Community Development Block Grant (CDBG) program delegated approval of projects that have incentives of $1 million or less. Listed below is a synopsis of the delegated deals that were approved during the previous quarter. If you would like additional information on a project, please let us know.

Grantee	Approval Date	CDBG Funds	Brief Summary of Project
City of Grayling	4/2/15	$448,775	The City of Grayling requested $448,775 in CDBG funds for façade improvements needed for the Downtown Façade Improvement Project. The City expects that this project could result in private investment of $182,558 and the creation of three (3) jobs.
Village of Spring Lake	4/2/15	$137,000	The Village of Spring Lake requested $137,000 in CDBG funds for blight elimination for historic preservation needed for the Isabel's House. The Village expects that this project could result in private investment of $152,000.
Technical Assistance*	4/22/15	$25,000	The CDBG program requested $25,000 in CDBG Technical Assistance to conduct a four-day training program for state CDBG agency staff.
City of Lapeer	5/6/15	$309,000	The City of Lapeer requested $309,000 in CDBG funds for the infrastructure improvements needed for the Lapeer Plating & Plastics, Inc. project. The City expects that this project could result in private investment of $4,500,000 and the creation of 50 jobs.
City of Marshall	5/19/15	$381,071	The City of Marshall is requested $381,071 in CDBG funds for blight clearance and job creation associated with the redevelopment of the Cronin Building project. The City expects that this project could result in private investment of $773,561. The project is also based on the anticipated creation of 18 jobs in relationship to the build-out of Sister's Tavern.
City of Sault St. Marie	6/19/15	$500,000	The City of Sault Ste. Maire requested $500,000 in CDBG funds for job training needed for the AMI Industries, Inc. project. The City expects that this project could result in private investment of $3,700,000 and the creation of 100 jobs.
Total CDBG Funds for Quarter		$1,800,846	

*contractual services