

MICHIGAN STRATEGIC FUND BOARD MEETING

May 23, 2012

1:30 p.m.

Michigan Economic Development Corporation

300 N. Washington

Lake Michigan Conference Room

Lansing, Michigan

AGENDA

Call to Order

A. Adoption of April 25, 2012 Minutes [Action Item]

Public Comment [Please limit public comment to three (3) minutes]

Communication [Information – Ellen Graham]

B. Michigan Business Development Program

1. Hyundai America Technical Center, Inc. [Action Item- Marcia Gebarowski]
2. Sakthi Automotive Group USA Inc. [Action Item – Marcia Gebarowski]
3. Credit Acceptance Corporation [Action Item – Marcia Gebarowski]
4. Access Business Group, LLC [Action Item – Joshua Hundt]

C. Private Activity Bonds –The Gilbert Residence – Bond Authorizing – NTE \$10,000,000 - New Financing/Refinancing – Non Profit – Ypsilanti, Washtenaw County - [Action Item – Diane Cranmer]

D. Tool & Die Recovery Zones – PCS Company Amendment [Action Item – Karla Campbell]

E. Delegation of Authority - SSBCI Loan Participation Agreement and SSBCI Cash Collateral Deposit Agreement [Action Item - Elisabeth Alexandrian]

**MICHIGAN STRATEGIC FUND BOARD MEETING
APRIL 25, 2012**

PROPOSED MEETING MINUTES

A meeting of the Michigan Strategic Fund [MSF] Board was held on Wednesday, April 25, 2012 at the Michigan Economic Development Corporation, 300 N. Washington Square, Lansing, Michigan.

MEMBERS PRESENT: Andrew Lockwood [acting for and on behalf of Andy Dillon, designation attached], Howard Morris, Jennifer Nelson [acting for and on behalf of Michael Finney, designation attached], James Petcoff, Allan Pohl [acting for and on behalf of Steve Hilfinger, designation attached], Richard Rassel

MEMBERS ABSENT: Paul Hodges, Michael Jackson, Sabrina Keeley, Bill Martin, Shaun Wilson

CALL TO ORDER: The meeting was called to order at 1:32 p.m.

ADMINISTRATIVE: Ellen Graham, Board Relations Liaison, advised the Board a minor revision had been made to the Proposed Meeting Minutes of the March 25, 2012 Board meeting. On page 2, Community Development Block Grant Program, Board Discussion, with regard to Mr. Hilfinger's question of the allocation – Ms. Stuart's response "there had been a decrease of approximately \$30 million" was changed to "there had been a decrease to approximately \$30 million".

APPROVAL OF THE MARCH 28, 2012 MEETING MINUTES: Ms. Nelson asked if there were any questions from the Board. There being none, **Mr. Rassel motioned approval of the March 28, 2012 MSF Board meeting minutes. Mr. Petcoff seconded the motion.** The motion carried – 6 ayes; 0 nays; 0 recused; 5 absent.

PUBLIC COMMENT: Ms. Nelson asked if there was any public comment. There was none.

COMMUNICATIONS: Ms. Graham advised the Agenda had been revised. Item C, Michigan Business Development Program: Hyundai America and Sakthi Automotive had revised resolutions. Item F, Renaissance Zones – Johnson Control Amendment, had been removed.

**QUARTERLY REPORT OF DELEGATED APPROVALS FOR THE MICHIGAN BUSINESS
BUDINESS DEVELOPMENT PROGRAM AND MICHIGAN COMMUNITY DEVELOPMENT
PROGRAM [Information Item]**

Mark Morante, Senior Vice President, Program Management, provided the Board with information on this item.

Mr. Morante provided the Board with background information. The MSF Board approved the Michigan Business Development Program and the Michigan Community Revitalization Program on December 21, 2011. Both programs allow for delegated approval of projects that have incentives of \$1 million or less. Currently there has been a commitment of \$80 million with 528 jobs created. Staff is confident the entire \$100 million will be committed by the end of the year.

MICHIGAN BUSINESS DEVELOPMENT PROGRAM

Hyundai America Technical Center, Inc.

Marcia Gebarowski, Regional Project Manager, and Kathy Kleckner, Project Manager, provided the Board with information regarding this action item and introduced guests: Sung Hwan Cho, President; and Mark Torigian, General Counsel; William McFarland, Superior Township; Luke Bonner, Ann Arbor SPARK

Ms. Kleckner explained to the Board that the Applicant's plan is to expand an existing operation in Michigan, make investments and create new jobs related to the research and development of automotive components. Mr. McFarland expressed the unanimous community support for the project and thanked the Board for their assistance. Ms. Gebarowski recognized Luke Bonner of Ann Arbor SPARK as highly instrumental in bringing this project to fruition. Ms. Nelson stated that this project is a great example of the use the new program.

Recommendation: Staff recommends approval of the Michigan Business Development Program Proposal [MBDP]. Closing the proposal, subject to available funding under the Michigan Business Development Program at the time of closing, completion of due diligence, the results of which are satisfactory to the MEDC, finalization of all the MBDP transaction documents, will remain valid for 90 days with approval for MSF Fund Manager to extend the commitment an additional 30 days.

Board Discussion: The project will be presented at the May 23, 2012 meeting to reconfirm approval due to absence of a quorum at this meeting.

Sakthi Automotive Group USA, Inc.

Ms. Gebarowski and Ms. Kleckner provided the Board with information regarding this action item and introduced guests: Manickman Mahalingam, Chairman of Sakthi Group; Tushar Patel, Sakthi Automotive Group USA, and Tracie Tillinger, Detroit Economic Growth Authority

Ms. Kleckner advised the Board the applicant plans to open a new operation in Michigan, make investments and create jobs related to the manufacturing of automotive components.

Mr. Mahalingam advised the Board that the company has been a supplier to Delphi and GM. They have created their footprint in both China and Europe and now requesting the opportunity to expand in Michigan working with Ford and Chrysler. Ms. Tillinger expressed the support of the Detroit Economic Growth Corporation to the Board.

Recommendation: Staff recommends the approval of the Michigan Business Development Program Proposal [MBDP]. Closing the MBDP Proposal, subject to available funding under the MBDP at the time of closing, completion of due diligence, the results of which are satisfactory to the MEDC, finalization of all MBDP transaction documents will remain valid for 90 days with approval for MSF Fund Manager to extend the commitment an additional 30 days.

Board Discussion: The project will be presented at the May 23, 2012 meeting to reconfirm approval due to absence of quorum at this meeting.

PRIVATE ACTIVITY BONDS

Resolution 2012-40 – Red Arrow Dairy, LLC – Supplemental Indenture

Diane Cranmer, IDR Specialist, provided the Board with information regarding this action item and introduced Craig Hammond, Bond Counsel, Dickinson Wright PLLC.

Mr. Hammond provided the Board with an overview of the project. The Obligor desires to replace the confirming letter of credit issued by Bank of the West with an alternate confirming letter of credit to be issued by AgriBank, FCB. The Trust Indenture between the MSF and Wells Fargo Bank, N.A., as trustee, relating to the Series 2004 bonds permits the substitution of an alternate confirming letter of credit. AgriBank, FCB is only rated by Fitch Ratings. In order to obtain Fitch's rating for the Bonds, Fitch has required certain amendments to the Series 2004 Indenture to conform to Fitch's rating requirements and to require the Trustee to provide certain notices to Fitch. A Supplemental Indenture has been prepared which incorporates Fitch's required amendments to the Series 2004 Indenture. The MSF is a party to the Supplemental Indenture and it is necessary for the Board to approve the Supplemental Indenture.

Recommendation: Staff recommends the adoption of the Resolution approving the Supplemental Indenture.

Board Discussion: Ms. Nelson asked if there were any questions from the Board. There being none, **Mr. Lockwood motioned approval for Resolution 2012-40. Mr. Petcoff seconded the motion.** Ellen Graham, MEDC, took a Roll Call Vote:

ROLL CALL:

Ayes: Andrew Lockwood [acting for and on behalf of Andy Dillon, designation attached], Howard Morris, Jennifer Nelson [acting for and on behalf of Michael Finney, designation attached], James Petcoff, Allan Pohl [acting for and on behalf, designation attached], Richard Rassel

Nays: None

Recused: None

The motioned carried – 6 ayes; 0 nays; 0 recused; 5 absent.

Resolution 2012-41 – The Gilbert Residence – New Financing/Refinancing/Non-Profit – Ypsilanti, Washtenaw County

Ms. Cranmer provided the Board with information on this action item and introduced Derek McGill, CEO/Administrator, The Gilbert Residence.

Mr. McGill provided the Board with an overview of the project. The Gilbert Residence indicates phase one of the project will include the refurbishing of the 29 assisted living units of the existing building. Phase two is the expansion of the New Memory Care unit. The facility will replace the existing building and will be a licensed Home for the Aged.

Recommendation: Staff recommends adoption of an Inducement Resolution for this project.

Board Discussion: Ms. Nelson asked if there were any questions from the Board. There being none, **Mr. Rassel motioned approval for Resolution 2012-41. Mr. Lockwood seconded the motion.** The motion carried – 6 ayes; 0 nays; 0 recused; 5 absent.

Resolution 2012-42- MANS, LLC c/o Moeller Aerospace Technology, Inc. – New Financing/Manufacturing – Little Traverse Township, Emmet County

Ms. Cranmer provided background information on this item and introduced guests: Joe Baker, Chief Financial Officer, Moeller Manufacturing Company, Inc.; Tom Colis, Bond Counsel, Miller Canfield; John Cavanaugh, Vice President Public Finance, Comerica Securities.

Mr. Baker provided the Board with an overview of the project. The project includes financing the construction of approximately 30,000 square foot addition to an existing 34,000 square foot manufacturing facility and the acquisition and installation of machinery and equipment.

Recommendation: Staff recommends the adoption of a bond Authorizing Resolution.

Board Discussion: Ms. Nelson asked if there were any questions from the Board. There being none, Mr. Petcoff motioned approval for Resolution 2012-42. Mr. Morris seconded the motion. Ellen Graham, MEDC, took a Roll Call Vote:

ROLL CALL:

Ayes: Andrew Lockwood [acting for and on behalf of Andy Dillon, designation attached], Howard Morris, Jennifer Nelson [acting for and on behalf of Michael Finney, designation attached], James Petcoff, Allan Pohl [acting for and on behalf, designation attached], Richard Rassel

Nays: None

Recused: None

The motioned carried – 6 ayes; 0 nays; 0 recused; 5 absent.

COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

Resolution 2012-43 – Authorize Solicitation for Technical Assistance proposals for CDBG Grantee Process and Compliance Handbook

Deborah Stuart, Manager, Community Development Block Grant Program, provided the Board with background information on this action item.

Ms. Stuart explained that over the past year it has become clear that the current policies and procedures related to the state and federal requirements associated with this program need to be reviewed and updated. Through conversations with HUD representatives and other State Programs, they have identified the best practice as having a third party review the handbook and provide guidance to Grantee on a regular basis. Due to increasing concerns regarding compliance, we agree with this strategy and would like to seek proposals from qualified consultants to review our current Grant Administration Guide, recommend policy and formal changes, provide sample documents when appropriate and provide a web friendly document that can be updated by staff as needed.

Recommendation: Staff recommends the MSF Fund Manager be authorized to proceed with the release of the Solicitation for Technical Assistance proposals for Community Development Block Grant Grantee Process and Compliance Handbook and the selection of the Evaluation Committee. The final recommendation will be brought before the Board for consideration.

Board Discussion: Ms. Nelson asked if there were any questions from the Board. There being none, **Mr. Rassel motioned approval for Resolution 2012-43. Mr. Lockwood seconded the motion.** The motion carried – 6 ayes; 0 nays; 0 recused; 5 absent.

QUARTERLY REPORT ON CDBG FUNDS [Information Item]

Ms. Stuart provided the Board with a summary of the current Program Year [PY] and anticipated commitments for 2012. She further advised the Board that the figures are adjusted frequently to account for funds that have been recaptured and new program income revenues.

TOOL AND DIE RECOVERY ZONE PROGRAM

Resolution 2012-44 – TG Manufacturing

Karla Campbell, Manager, State Tax Incentives, provided the Board with information on this action item.

Ms. Campbell advised the Board the Michigan Economic Development Corporation [MEDC] received a resolution from Grand Haven Township supporting a transfer of the Recovery Zone benefit for the remaining time period designated to TG Manufacturing, LLC with the expiration date of December 31, 2017. TG Manufacturing, LLC meets all the legislative requirements to be considered for this transfer.

Recommendation: Staff recommends the transfer of the Recovery Zone on real property parcel 70-07-04-200-009 previously designated for AIM Tool & Die to TG Manufacturing, LLC at 14324 172nd Avenue, Grand Haven, MI 49417 for the remaining five years with an expiration date of December 31, 2017.

Board Discussion: Ms. Nelson asked if there were any questions from the Board. There being none, **Mr. Russel motioned approval for Resolution 2012-44. Mr. Lockwood seconded the motion.** The motion carried – 6 ayes; 0 nays; 0 recused; 5 absent.

Resolution 2012-45 – Paslin Company

Ms. Campbell provided the Board with information on this action item.

Ms. Campbell advised the Board the MEDC received a request from the Eastern Michigan Tool & Die Collaborative, LLC to allow The Paslin Group to join the existing Recovery Zone that was designated by the MSF on December 21, 2005, effective January 31, 2012. The City of Warren, by resolution approved the creation of a five year Recovery Zone beginning January 1, 2013, for income tax purposes and ending December 31, 2017. For both personal and real property tax purposes, the zone would begin December 31, 2012. The Eastern Michigan Tool & Die Collaborative, LLC Recovery Zone members have agreed to allow The Paslin Company to join the coalition. Staff has determined The Paslin Company meets the requirements of the Act.

Recommendation: Staff recommends The Paslin Company be designated as a Recovery Zone and join the Eastern Michigan Tool & Die Collaborative, LLC for a duration of five years.

Board Discussion: Ms. Nelson asked if there were any questions from the Board. There being none, **Mr. Petcoff motioned approval for Resolution 2012-45. Mr. Lockwood seconded the motion.** The motion carried – 6 ayes; 0 nays; 0 recused; 5 absent

Resolution 2012-46 – Approval of Tool & Die Recovery Zone Amendment, time Extension and Transfer of Ownership Application Form

Ms. Campbell provided the Board with background information on this action item.

Ms. Campbell advised the Board that Program Administration staff finds more accurate and precise information is provided when using an application that requests specific information as opposed to receiving a letter from a company. This also assists staff in obtaining information on Renaissance zone compliance with respect to their existing collaborative agreement.

Recommendation: Staff recommends approval of Amendment, Time Extension, and Transfer of Ownership Application Form for Tool & Die Recovery Zones that have not yet expired.

Board Discussion: Ms. Nelson asked if there were any questions from the Board. There being none, **Mr. Rassel motioned approval for Resolution 2012-46. Mr. Lockwood seconded the motion.** The motion carried – 6 ayes; 0 nays; 0 recused; 5 absent.

21st CENTURY JOBS FUND PROGRAM

Credit Suisse Quarterly Update

Michael Flanagan, Manager, Equity Capital Program, introduced guests, Sean O'Donnel, Credit Suisse, In-State Investment Specialists; and Mike Kell, Vice President, Credit Suisse

Mr. Kell advised the Board that since 2006, the Michigan 21st Century Investment Fund has committed \$109 million to 13 funds and one company. The underlying funds have drawn approximately 56% of their capital commitments or \$61 million and many of funds have multiple years remaining in the investment period. Mr. O'Donnel further advised that as of April 2012, the Fund Managers have invested \$97.4 million into 24 Michigan-based portfolio companies which have 790 Michigan employees. Michigan 21st Century Investment fund managers have invested nearly 1.65x the amount they have drawn from the fund. Ms. Nelson asked from what states we had attracted money. Mr. O'Donnel advised it is primarily the East Coast states. In closing, Mr. O'Donnel summarized the portfolio companies, fund closing/events, and Michigan company investments.

Resolution 2012-47 – Pure Michigan Venture Development Fund

Mr. Flanagan provided the Board with information on this action item.

Mr. Flanagan advised the Board that the Pure Michigan Venture Development Fund program is based on the MEDC's successful programs executed in the early 2000. The goal is to help to seed promising young venture firms to grow the industry in the state. The goal of the program will be to increase the number of viable first and second time funds in the state; grow the venture industry in Michigan; increase the amount of venture investments in the state; increase the number of venture professionals in the state; and create more and better jobs. A total of \$9 million is targeted at the Venture Development Fund program over a two year period. An initial request for funding of \$5 million from the Jobs for Michigan investment fund is expected to last approximately one year. Staff is requesting the Board's approval of a public hearing to be held to provide the opportunity for the general public to comment on the proposed program guidelines and the proposed resolution which will be presented at the May or June MSF Board meeting.

Recommendation: Staff recommends approval of the Public Hearing Notice scheduled for May 9, 2012.

Board Discussion: Ms. Nelson asked if there were any questions from the Board. There being none, **Mr. Rassel motioned approval for Resolution 2012-47. Mr. Petcoff seconded the motion.** The motion carried – 6 ayes; 0 nays; 0 recused; 5 absent.

MSDF and SSBCI MSF Delegated Authority Quarterly Report – Information Item

Elisabeth Alexandrian, Capital Services Associate, provided an update to the Board on this informational item.

Ms. Alexandrian provided the Board with background information on these programs. Ms. Alexandrian stated that between January 1, 2012 and March 31, 2012 Thoroughbred Fulfillment, LLC had been approved by the MSF Chairperson and/or MSF Fund Manager, subject to due diligence and available funding.

Cherry Growers, Inc. - Information Item

Eric Hanna, Manager, Debt Capital Program, provided the Board with an update on this informational item.

Eric Hanna presented an informational item regarding an increase in participation support on loans through Huntington Bank to Cherry Growers, Inc. The increase is due to a proposal by Huntington Bank to finance the SBA piece of the originally structured deal, which will result in an increase in MSF exposure by approximately \$489,020. The loans are ultimately being used to reimburse Cherry Growers, Inc. for the cost of real estate improvements and purchase of equipment associated with the Materne contract. The increase will take the total MSF exposure above \$4MM; however, the exposure is split between the MSDF and MBGF programs, which is why it falls under Board delegated authority.

Resolution 2012-48 – Approval of Amendments to the Develop Michigan – Capital Conduit Program Real Estate Initiative and Operating Company Initiative Guidelines

Resolution 2012-49 – Approval of the Decision Document for the Develop Michigan – Capital Conduit Program

Mr. Hanna provided the Board with information on these action items.

On December 21, 2011, the MSF Board approved the Capital Conduit Program and, within it, the Real Estate Initiative and corresponding guidelines, as well as the Operating Company Initiative and corresponding guidelines. On January 25, 2012, the MSF designated funding for the aforementioned to begin funding investment activities, program development and rating activities. On February 22, 2012, the MSF allocated \$22.5 million from the Investment Fund to the Capital Conduit Program but did not make any specific program awards. On March 28, 2012, the MSF approved a request for a public hearing regarding modification of the Guidelines of the Capital Conduit Program, the Real Estate Initiative Guidelines, and the Operating Company Guidelines. The hearing took place on April 11, 2012. There was one attendee, Tony Panici, who is an employee of Northstar Capital Advisory Services. No other comments were received.

Recommendation: Staff recommends approval of the proposed Guidelines and MSF Decision Document.

Board Discussion: Ms. Nelson asked if there were any questions from the Board regarding approval of the proposed Guidelines. There being none, **Mr. Rassel motioned approval for Resolution 2012-48. Mr. Morris seconded the motion.** The motion carried – 6 ayes; 0 nays; 0 recused; 5 absent.

Ms. Nelson asked if there were any questions regarding approval of the MSF Decision Document. There being none, **Mr. Lockwood motioned approval for Resolution 2012-49. Mr. Pohl seconded the motion.** The motion carried – 6 ayes; 0 nays; 0 recused; 5 absent.

Resolution 2012-50 – Approval of Revises Business Terms for Loan Facility, Pledge or Deposit Facility, and Additional Funding for the Develop Michigan – Capital Conduit Program

Mr. Hanna provided the Board with information on this action item.

Mr. Hanna explained to the Board, as had previously been discussed in March, based on considerable financial and legal due diligence it was determined that rather than the program providing a loan to Develop Michigan, Inc. [DMI], that the provision of loan guarantees or the pledge of collateral support was a more appropriate vehicle. The contemplated structure, a Pledge or Deposit Agreement, functions as a highly effective credit enhancement for bond investors and leverages between \$4 and \$5 dollars of funded bonds per \$1 guarantee dollar. Bonds are attractive due to the longer term and lower debt service required as compared to a traditional commercial loan.

Recommendation: Staff recommends approval for the MSF to authorize the transfer of up to an additional \$15 million from the Capital Conduit Program to the DMI. Of this \$20 million, \$500,000 shall be available as a line of credit upon approval and subject to proper final due diligence and \$19.5 million shall be available in the form of a Pledge or Deposit agreement subject to final due diligence as may be necessary. Staff further recommends approval to the revised loan terms and MSF approval of the Bond Enhancement Program.

Board Discussion: Ms. Nelson asked if there were any questions from the Board. There being none, **Mr. Morris motioned approval for Resolution 2012-50. Mr. Lockwood seconded the motion.** The motion carried – 6 ayes; 0 nays; 0 recused; 5 absent.

Resolution 2012-51 – Approval of Revised Business Terms for Loan Facility, Investment Facility and Additional Funding for the Develop Michigan – Capital Conduit Program

Mr. Hanna provided the Board with information on this action item.

Mr. Hanna explained, as was previously discussed in March, based on considerable financial and legal due diligence it was determined that rather than the program providing a loan to Grow Michigan, LLC [outside of the still proposed \$500,000 for organizational and early operation expenses] an investment was a more appropriate vehicle. The contemplated investment structure functions as a highly effective credit enhancement for the investors and allows the MSF to participate in profits if the investment meets performance expectations. The management team for Grow Michigan, LLC estimates it is approximately 40% through the fund raising process. It has received “soft circle” commitments from private sources including, but not limited to, super regional banks in the amount of \$35 million. The team continues to believe it will easily hit its \$50 million target in private capital; however, it intends to proceed to an early close at the \$35 million level so it may begin transacting business.

Recommendation: Staff recommends in addition to the \$2.5 million which has been made available to Grow Michigan, LLC in prior approvals, the MSF authorize the transfer of up to an additional \$7.5 million from the Capital Conduit Program to Grow Michigan, LLC. Of this \$10 million, \$500,000 shall be available as a line of credit upon approval and subject to proper final due diligence and up to \$9.5 million shall be available in the form of an investment tied to a member Unit Purchase Agreement and additional documents as may be necessary. Staff further recommends the MSF approve the revised loan terms and revised investment terms.

Board Discussion: Ms. Nelson asked if there were any questions from the Board. There being none, **Mr. Morris motioned approval for Resolution 2012-51. Mr. Pohl seconded the motion.** The motion carried – 6 ayes; 0 nays; 0 recused; 5 absent.

MSF Delegated Authority Quarterly Report for 21 CJF Loan/Grant Portfolio – Information Item
This item was tabled.

Meeting adjourned 2:43 p.m.

DRAFT



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

ANDY DILLON
STATE TREASURER

January 24, 2012

Ms. Ellen Graham
Board Relations Liaison
Michigan Strategic Fund Office
300 N. Washington Square
Lansing, Michigan 48913

Dear Ms. Graham:

I hereby designate Andrew Lockwood to represent me at Michigan Strategic Fund meetings I am unable to attend.

Sincerely,

A handwritten signature in cursive script that reads "Andy Dillon".

Andy Dillon
State Treasurer

cc: Andrew Dillon



March 23, 2012

Ms. Ellen Graham
Board Relations Liaison
Michigan Economic Growth Authority
300 N. Washington Square
Lansing, Michigan 48913

Dear Ms. Graham:

I hereby designate Jennifer Nelson, Chief of Staff, to represent me at the Michigan Strategic Fund Board meetings when I am unable to attend.

Sincerely,

A handwritten signature in blue ink that reads "Michael A. Finney". The signature is fluid and cursive, with a large, stylized "F" at the end.

Michael A. Finney
President & CEO



STATE OF MICHIGAN
DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS
LANSING

RICK SNYDER
GOVERNOR

STEVEN H. HILFINGER
DIRECTOR

DESIGNATION OF AUTHORITY

As Director of the Michigan Department of Licensing and Regulatory Affairs, I hereby designate Allan Pohl to serve as the LARA representative at the April 25, 2012, meeting of the Michigan Strategic Fund.

A handwritten signature in black ink, appearing to read "Steven H. Hilfinger", written over a horizontal line.

Steven H. Hilfinger, Director
Department of Licensing and Regulatory Affairs

Dated: 4-25-12



MEMORANDUM

DATE: May 23, 2012

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

FROM: Marcia Gebarowski, Regional Project Manager

SUBJECT: Approval of Michigan Business Development Request for \$2,500,000
Performance-based Grant to:

Hyundai America Technical Center, Inc.
6800 Geddes Road
Superior Township, Michigan 48189
www.hatci.com

MBD PROGRAM AND ITS GUIDELINES

On December 21, 2011, the MSF Board approved the Michigan Business Development Program (“MBDP”) and its guidelines. The MBDP is a 21st Century Jobs program and was created under Chapter 88r of the MSF Act. Under the MBDP guidelines, the MSF Board must approve MBDP requests over \$1 million, and requests for MBDP support of \$1 million or less may be approved by the MSF Chairperson together with either the MSF Fund Manager or the MSF State Treasurer Director. The primary intended objective of the MBDP is to provide incentives to businesses that create qualified jobs, make qualified investments, or a combination of both, in Michigan.

SOURCE OF INFORMATION

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

HISTORY OF THE APPLICANT

Hyundai America Technical Center, Inc. (“Applicant”) was established in 1986 and is a wholly owned subsidiary of Hyundai Motor Company of Korea. The company conducts emissions testing, engineering, research, development and design for Hyundai and Kia automobiles. Hyundai Motor Company was established in 1967 and is South Korea’s leading carmaker.

The Applicant plans to build a new addition to their existing facility. The new addition will contain testing space and associated mechanical and electrical rooms that will accommodate new EPA emission testing procedures.

The Applicant will continue to collect on a twenty year MEGA credit awarded in 2003 for the creation of up to 400 new jobs and a minimum investment of \$35 million.

Michigan Economic Development Corporation

PROJECT DESCRIPTION

The Applicant plans to expand an existing operation in Michigan, make investments and create jobs related to the research and development of automotive components.

- 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 Superior Township. Superior Township has offered a “staff, financial, or economic commitment to the project” in the form of a property tax abatement. The abatement is anticipated to be a 12 year real property abatement. The total value of the tax abatement is estimated to be \$1.5 million. Additionally, Superior Township has created a Local Development Finance Authority (LDFA) district at the project site. The incremental tax capture collected through the LDFA will be used to pay a portion of the grant back to the MSF.
- c) The Applicant has demonstrated a need for the funding based on inadequate power supply to accommodate growth of the company. The DTE substation, built in 2005, needs to be replaced to allow for the Company to expand operations. Hyundai must pay for any improvements to the substation.
- d) The Applicant plans to create 50 Qualified New Jobs above a statewide base employment level of 141.
- e) Pursuant to the program guidelines, the following was taken into consideration for the proposed project: the company anticipates that investment and job creation will begin in the spring of 2012, and the project results in a positive ROI for Michigan.

INCENTIVE OPPORTUNITY

This project involves the creation of 50 Qualified New Jobs and a capital investment of up to \$15 million in the Township. The requested incentive amount from the MSF is \$2,500,000. Please see below for more information on the recommended action.

RECOMMENDATIONS

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

- a) Approval of the MBDP Proposal as outlined in the term sheet attached to the proposed resolution (collectively, “MBDP Proposal”);
- b) Closing the MBDP Proposal, subject to available funding under the MBDP at the time of closing (“Available Funding”), completion of due diligence, the results of which are satisfactory to the MEDC (collectively, “Due Diligence”), finalization of all MBDP transaction documents, and further subject to the following terms and conditions:
 - a. Commitment will remain valid for 90 days with approval for MSF Fund Manager to extend the commitment an additional 30 days.

The MSF Incentives Subcommittee has indicated its support of the Recommendation.

MICHIGAN STRATEGIC FUND

RESOLUTION 2012-

**APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT TO
HYUNDAI AMERICA TECHNICAL CENTER, INC.**

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

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

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

WHEREAS, on December 21, 2011, by Resolution 2011-184, the MSF (i) created the MBDP, (ii) adopted the guidelines for the MBDP (“Guidelines”), and (iii) approved the MSF Fund Manager to negotiate the final terms and conditions of the written agreements to be used to memorialize MBPD awards on the MSF’S behalf in accordance with the Guidelines (“Transaction Documents”);

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

WHEREAS, Hyundai America Technical Center, Inc. (“Company”) has requested a performance based MBDP grant of up to \$2.5 million (“Grant Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”);

WHEREAS, the MEDC has recommended to the MSF Incentive Subcommittee 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 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 (“MBDP Award Recommendation”); and

WHEREAS, the MSF Incentive Subcommittee has indicated its support of the MBDP Award Recommendation.

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

Ayes:

Nays:

Recused:

May 23, 2012
Lansing, Michigan



RECEIVED BY
Program Administration Division

APR - 3 2012

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

Michigan Economic
Development Corporation

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 ("BDP"). While the BDP is operated and funded through the MSF, recommendation for approval of a BDP incentive award is presented by the Michigan Economic Development Corporation ("MEDC") to the MSF.

Date: 3/29/2012

1. **Company Name:** Hyundai America Technical Center, Inc. ("Company" or "Applicant")
2. **Company Address ("Project"):** 6800 Geddes Road
Superior Township, Michigan 48198
3. **Company EIN:**
4. **BDP Incentive Type:** Performance Based Grant
5. **Maximum Amount of BDP Incentive:** Up to \$2,500,000 ("BDP Incentive Award")
6. **Base Employment Level** 141 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 BDP Incentive Award agreement ("Agreement") between the MSF and the Company.
7. **Total Qualified New Job Creation:** 50 The minimum number of total Qualified New Jobs the Company shall be required to create in Michigan (above the Base Employment Level) to be minimally eligible to receive the full amount of the BDP Incentive Award. Each Qualified New Job must be performed for consideration by a Michigan resident (whose Michigan income taxes are withheld as required), and each Qualified New Job must be in excess of the Base Employment Level. The final terms and conditions of the requirements for the minimum
(above Base Employment Level)

number of Qualified New Jobs that must be created, including provisions addressing disbursements of portions of the BDP Incentive Award, and the effects of the MEGA credit agreement amendments referenced below as well as the effects of short term layoffs, furloughs, or similar gaps in employment on the required minimum hours per week, shall be included in the final Agreement.

- a. **Start Date for Measurement of Creation of Qualified New Jobs:** January 3, 2012
- 8. **Company Investment:** \$15,000,000 consisting of new construction and machinery and equipment related to the expansion of the Company building.
- 9. **Municipality supporting the Project:** Superior Township
 - a. **Municipality Support.** One of the conditions of execution of the final Agreement is the requirement that the municipality shall have committed to provide: a P.A. 198 tax abatement for 12 years. The final terms and conditions demonstrating this support shall be included in the final Agreement.
 - b. **LDFA Agreement.** The MSF and Superior Township LDFA Board shall enter into a reimbursement agreement for the payment of tax increment revenues related to this project as determined by the MEDC.
- 10. **Pre-closing Requirements:** In addition to all other requirements to execute a final Agreement, the Company must enter into an agreement to set-aside and waive all rights to a claim under MEGA Agreement 307 (dated February 13, 2006) and enter into an agreement amending MEGA Agreement 213 (dated September 16, 2003) indicating its agreement that the Qualified New Jobs counted under the BDP will not count under the MEGA Agreement 213 and vice versa. The final terms and conditions of each of these agreements shall be included with the final MEGA program amendments with the Company.
- 11. **Disbursement Milestones:** The final terms and conditions of each of the disbursements of any portion of the BDP Incentive Award shall be included in the final Agreement, including that before any disbursement is made to the Company, the Company must have maintained: (i) the Base Employment Level (exclusive of the number of Qualified New Jobs then created) and (ii) any Qualified New Jobs created for which disbursements by the MSF have been made, and must otherwise be in compliance with all terms and conditions of the final Agreement, and further shall include:
 - a. **Disbursement Milestone 1:** Up to \$566,470 Upon demonstrated purchase of the transformer to the Company, and approval of a property tax abatement by Superior Township by no later than May 30, 2012.
 - b. **Disbursement Milestone 2:** Up to \$163,838 Upon demonstrated completion of Milestone 1, and Company submittal of approved invoices for subcontractor work

related to the Project totaling at least \$163,838, by no later than June 30, 2012.

- c. **Disbursement Milestone 3:** Up to \$560,170 Upon completion of the following: Disbursement Milestone 1, Milestone 2, and start of construction of the electrical substation at 6800 Geddes Rd, and the creation of 5 Qualified New Jobs above the Base Employment Level by no later than May 30, 2013.
- d. **Disbursement Milestone 4:** Up to \$491,514 Upon completion of the following: Disbursement Milestone 1, Milestone 2, Milestone 3 and Company submittal of approved invoices for subcontractor work related to the Project totaling at least \$491,514, by no later than June 30, 2013
- e. **Disbursement Milestone 5:** Up to \$718,008 Upon completion of Disbursement Milestone 1, Milestone 2, Milestone 3, Milestone 4 and upon demonstrated completion of the electrical substation in full working order and Company submittal of approved invoices for subcontractor work related to the Project totaling at least \$157,838 by no later than October 1, 2013.
- d. **Project Milestone 6:** No Disbursement Upon completion of Disbursement Milestone 1 and Milestone 2, Milestone 3, Milestone 4, Milestone 5 and demonstrated creation of 45 additional Qualified New Jobs above the Base Employment Level, and amendment to Company MEGA credit to increase its base employment by 50 by no later than January 3, 2016.

12. Term of Agreement: Execution of Agreement to January 3, 2018

13. 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. In addition to the reimbursement terms to be part of the LDFA 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 or operations for the Project 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 incited by this

Award. However, failure to create the minimum 50 Qualified New Jobs will result in all amounts of funds disbursed being repaid to the MSF by the Company.

14. Reporting Requirements:

Periodic reporting will be required with this program. The detailed information needed from the Company will be included in the final Agreement, but will include Project reporting for such things as: amount of proposed incentive, amount of actual incentive received by Company; amount of proposed and actual investment made by Company for Project; the committed number of new jobs and the actual number of new jobs created as a result of the Project; the educational attainment of the employees hired; the number of new patents, copyrights, or trademarks applied for and issued to the Company; the number of licensing agreements by the Company and the number of such licensing agreements entered into by the Company with Michigan based firms; and any products commercialized by the Company.

15. Public Announcements:

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

Any final BDP Incentive Award is contingent upon several factors, including: (i) submission by the Company of a completed application and all other documentation required under the BDP (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 BDP 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 March 30, 2012, the MEDC may not be able to proceed with any recommendation to the MSF.

COMPANY NAME

By:

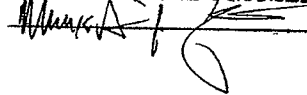
Its:

Dated:


Sung Hwan Cho, Ph.D.
President

03/30/2012

APPROVED TO FORM:
MARK TORIGIAN,
HATCI GENERAL COUNSEL



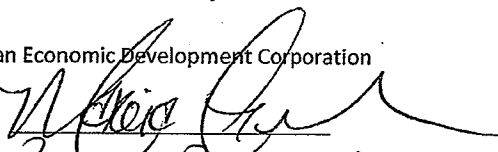
Acknowledged as received by:

Michigan Economic Development Corporation

By:

Its:

Dated:


Regional Project Manager
4/4/12



MEMORANDUM

DATE: May 23, 2012

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

FROM: Marcia Gebarowski, Regional Project Manager

SUBJECT: Approval of Michigan Business Development Request for \$1,500,000 Performance-based Grant to:

Sakthi Automotive Group USA, Inc.
86 Executive Drive
Troy, Michigan 48083
www.sakthigroup.com

MBDP PROGRAM AND ITS GUIDELINES

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

SOURCE OF INFORMATION

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

HISTORY OF THE APPLICANT

The Sakthi Group is a \$1.2 billion industrial conglomerate and one of the fastest growing business groups in South India. The Sakthi Group has a strong market presence in a number of markets with a host of group companies operating under its umbrella. Sakthi Automotive Group is one of the vertical operations of the Sakthi Group. Sakthi Auto is a major supplier of critical components to auto OEM’s. These components include steering knuckles, brake drums, brake discs, hubs, brake calipers and carriers. This project represents Sakthi’s first North American manufacturing operation.

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

Michigan Economic Development Corporation

PROJECT DESCRIPTION

The Applicant plans to open a new operation in Michigan, make investments and create jobs related to the manufacturing of automotive components.

- a) The Applicant is a “Qualified Business”, as defined in MCL 125.2088r(9)(b), that will locate and operate 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 12 year property tax abatement with an estimated value of \$903,000.
- c) The Applicant has demonstrated a need for the funding based on having a competitive economic incentive package from South Carolina and a higher property tax burden in Michigan.
- d) The Applicant plans to create 183 Qualified New Jobs above a statewide base employment level of 2.
- e) Pursuant to the program guidelines, the following was taken into consideration for the proposed project: the company has indicated that investment will begin in 2012, job creation will ramp up beginning in 2013, the company had solid out-of-state competition for this project from South Carolina and the project involves the re-use of an existing building in the City of Detroit.

INCENTIVE OPPORTUNITY

This project involves the creation of 183 Qualified New Jobs and a capital investment of up to \$18.6 million in the City of Detroit. The requested incentive amount from the MSF is \$1.5 million in the form of a performance-based grant. Please see below for more information on the recommended action.

RECOMMENDATIONS

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

- a) Approval of the MBDP Proposal as outlined in the term sheet attached to the proposed Resolution (collectively, “MBDP Proposal”);
- b) Closing the MBDP Proposal, subject to available funding under the MBDP at the time of closing (“Available Funding”), completion of due diligence, the results of which are satisfactory to the MEDC (collectively, “Due Diligence”), finalization of all MBDP transaction documents, and further subject to the following terms and conditions:
 - a. Commitment will remain valid for 90 days with approval for MSF Fund Manager to extend the commitment an additional 30 days.

The MSF Incentives Subcommittee has indicated its support of the Recommendation.

MICHIGAN STRATEGIC FUND

RESOLUTION 2012-

**APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT TO
SAKTHI AUTOMOTIVE GROUP USA, INC.**

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

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

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

WHEREAS, on December 21, 2011, by Resolution 2011-184, the MSF (i) created the MBDP, (ii) adopted the guidelines for the MBDP (“Guidelines”), and (iii) approved the MSF Fund Manager to negotiate the final terms and conditions of the written agreements to be used to memorialize MBPD awards on the MSF’S behalf in accordance with the Guidelines (“Transaction Documents”);

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

WHEREAS, Sakthi Automotive Group USA, Inc. (“Company”) has requested a performance based MBDP grant of up to \$1.5 million (“Grant Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”);

WHEREAS, the MEDC has recommended to the MSF Incentive Subcommittee 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 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 (“MBDP Award Recommendation”); and

WHEREAS, the MSF Incentive Subcommittee has indicated its support of the MBDP Award Recommendation.

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

Ayes:

Nays:

Recused:

May 23, 2012
Lansing, 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 ("BDP"). While the BDP is operated and funded through the MSF, recommendation for approval of a BDP incentive award is presented by the Michigan Economic Development Corporation ("MEDC") to the MSF.

Date: 3/15/2012

1. **Company Name:** Sakthi Automotive Group USA, Inc. ("Company" or "Applicant")
2. **Company Address:** 86 Executive Drive
Troy, Michigan 48083
3. **Company EIN:**
4. **Project Address ("Project"):** 6401 West Fort Street
if different than above Detroit, Michigan
5. **BDP Incentive Type:** Performance Based Grant
6. **Maximum Amount of BDP Incentive:** Up to \$1,500,000 ("BDP Incentive Award")
7. **Base Employment Level** 2 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 BDP Incentive Award agreement ("Agreement") between the MSF and the Company.
8. **Total Qualified New Job Creation:** 170 The minimum number of total Qualified New Jobs the Company shall be required to create in Michigan (above the Base Employment Level), in addition to satisfying other milestones if applicable, to be minimally eligible to receive the
(above Base Employment Level)

A handwritten signature in black ink, appearing to read "Jup", is located in the bottom right corner of the page.

full amount of the BDP Incentive Award. Each Qualified New Job must be performed for consideration by a Michigan resident (whose Michigan income taxes are withheld as required), and each Qualified New Job must be in excess of the Base Employment Level. The final terms and conditions of the requirements for the minimum number of Qualified New Jobs that must be created, including provisions addressing disbursements of portions of the BDP Incentive Award, and the effects of short term layoffs, furloughs, or similar gaps in employment on the required minimum hours per week, shall be included in the final Agreement.

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

9. **Company Investment:** Up to \$18.6 million including purchase of a building, building renovations and purchase of machinery and equipment.

10. **Qualified Investment:** \$1,000,000 The total minimum amount of the required Company Investment in Michigan related to the project, which at a minimum must include the following: machinery and equipment related to the project at the project site *no later than December 31, 2012*. ("Qualified Investment"). The final terms and conditions of the Qualified Investment shall be included in the final Agreement.

11. **Municipality supporting the Project:** City of Detroit

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

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

- a. **Disbursement Milestone 1:** Up to \$600,000 Upon demonstrated creation of 7 Qualified New Jobs above the Base Employment Level, acquisition of building located at 6401 W. Fort St, Detroit MI by Company and verification of final approval of municipality support by no later than 8/30/2012.
- b. **Disbursement Milestone 2:** Up to \$200,000 Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 3 additional Qualified New Jobs above the Base Employment Level, upon demonstrated completion of an additional \$1,000,000 of the Qualified Investment by no later than 12/31/2012.
- c. **Disbursement Milestone 3:** Up to \$300,000 Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, and upon demonstrated creation of 40 additional Qualified New Jobs above the Base Employment Level, by no later than 06/30/2014.
- d. **Disbursement Milestone 4:** Up to \$400,000 Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, Milestone 3, and upon demonstrated creation of 120 additional Qualified New Jobs above the Base Employment Level, by no later than 04/01/2015.

13. **Term of Agreement:** Execution of Agreement to April 1, 2017.

14. **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 or operations for the Project 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.

15. **Reporting Requirements:**

Periodic reporting will be required with this program. The detailed information needed from the Company will be included in the final Agreement, but will include Project reporting for such things as: amount of proposed Incentive, amount of actual incentive received by Company; amount of proposed and actual investment made by Company for Project; the committed number of new jobs and the actual number of new jobs created as a result of the Project; the educational attainment of the employees hired; the number of new patents, copyrights, or trademarks applied for and issued to the Company; the number of licensing agreements by the Company and the number of such licensing agreements entered into by the Company with Michigan based firms; and any products commercialized by the Company.

16. Public Announcements:

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

Any final BDP Incentive Award is contingent upon several factors, including: (i) submission by the Company of a completed application and all other documentation required under the BDP (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 BDP 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 March 21, 2012, the MEDC may not be able to proceed with any recommendation to the MSF.

COMPANY NAME SAKTHI AUTOMOTIVE GROUP USA INC.

By: [Signature]

Its: V. President

Dated: 3/22/2012

Acknowledged as received by:

Michigan Economic Development Corporation

By: [Signature]

Its: MEDC, RPM

Dated: 3/23/2012

[Signature]

MEMORANDUM

DATE: May 23, 2012

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

FROM: Marcia Gebarowski, Regional Project Manager

SUBJECT: Approval of Michigan Business Development Request for \$1.8 million Performance-based Grant to:

Credit Acceptance Corporation
25505 W. Twelve Mile Road
Southfield, Michigan 48034
www.CreditAcceptance.com

MBDP PROGRAM AND ITS GUIDELINES

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

SOURCE OF INFORMATION

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

HISTORY OF THE APPLICANT

Credit Acceptance Corporation (“Applicant”) was formed in 1972 and provides auto loans to consumers, regardless of their credit history. The Applicant partners with automotive dealerships throughout the United States to provide loans to individuals who otherwise would not have access to the automobile credit market. The Applicant’s customer base is spread throughout the U.S., with significant sales in Michigan, New York, Texas, Ohio and Pennsylvania. The Applicant maintains a physical presence in Southfield, Michigan, its headquarters and in Henderson, Nevada. It also outsources functions to service centers in India and Costa Rica.

The Applicant received a Michigan Economic Growth Authority tax credit in 2007; however, the credit was not activated and no disbursements were made for that award. The Applicant has agreed to forego that incentive.

PROJECT DESCRIPTION

The Applicant plans to grow their employment at two existing company facilities in the City of Southfield in order to meet future staffing needs of the entire organization, make investments and create jobs related to the servicing of automotive consumer loans.

- a) The Applicant is a “Qualified Business”, as defined in MCL 125.2088r(9)(b), that will locate and operate in Michigan.
- b) The project will be located in City of Southfield. The City of Southfield has offered a “staff, financial, or economic commitment to the project” in the form of a property tax abatement for three years.
- c) The Applicant has demonstrated a need for the funding based on reduced wages, lower fixed costs and a reduced tax burden at their location in Nevada. In addition, the Applicant has experienced easier recruiting at their other locations.
- d) The Applicant plans to create 274 Qualified New Jobs above a statewide base employment level of 668.
- e) The project meets the program guidelines as follows: the proposed project involves out of state competition with an existing facility in Henderson, Nevada which the Applicant currently leases, the Applicant has indicated that investment will begin in 2012 and job creation will begin in 2013

INCENTIVE OPPORTUNITY

This project involves the creation of 274 Qualified New Jobs and a capital investment of up to \$10.2 million in the City of Southfield. The requested incentive amount from the MSF is \$1.8 million in the form of a performance-based grant. Please see below for more information on the recommended action.

RECOMMENDATIONS

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

- a) Approval of the MBDP Proposal as outlined in the term sheet attached to the proposed Resolution (collectively, “MBDP Proposal”);
- b) Closing the MBDP Proposal, subject to available funding under the MBDP at the time of closing (“Available Funding”), completion of due diligence, the results of which are satisfactory to the MEDC (collectively, “Due Diligence”), finalization of all MBDP transaction documents, and further subject to the following terms and conditions:
 - a. Commitment will remain valid for 90 days with approval for MSF Fund Manager to extend the commitment an additional 30 days.

The MSF Incentives Subcommittee has indicated its support of the Recommendation.

MICHIGAN STRATEGIC FUND

RESOLUTION 2012-

**APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT TO
CREDIT ACCEPTANCE CORPORATION**

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

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

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

WHEREAS, on December 21, 2011, by Resolution 2011-184, the MSF (i) created the MBDP, (ii) adopted the guidelines for the MBDP (“Guidelines”), and (iii) approved the MSF Fund Manager to negotiate the final terms and conditions of the written agreements to be used to memorialize MBDP awards on the MSF’S behalf in accordance with the Guidelines (“Transaction Documents”);

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

WHEREAS, Credit Acceptance Corporation (“Company”) has requested a performance based MBDP grant of up to \$1.8 million (“Grant Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”);

WHEREAS, the MEDC has recommended to the MSF Incentive Subcommittee 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 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 (“MBDP Award Recommendation”); and

WHEREAS, the MSF Incentive Subcommittee has indicated its support of the MBDP Award Recommendation.

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

Ayes:

Nays:

Recused:

May 23, 2012
Lansing, Michigan

EXHIBIT A



**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: ~~5/1/2012~~ 5/4/12 OKMG

1. **Company Name:** Credit Acceptance Corporation ("Company" or "Applicant")

2. **Company Address:** 25505 W. Twelve Mile Road
Southfield, Michigan 48034
www.CreditAcceptance.com

3. **Project Address ("Project"):** 25505 W. Twelve Mile Road
If different than above Southfield, Michigan 48034

20700 Civic Center Drive, Suite 300
Southfield, Michigan 48076

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

5. **Maximum Amount of MBDP Incentive:** Up to \$1,800,000 ("MBDP Incentive Award")

6. **Base Employment Level** ~~668~~ 686 OKMG
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:** 274
(above Base Employment Level)
The minimum number of total Qualified New Jobs the Company shall be required to create in Michigan (above the Base Employment Level), in addition to satisfying other milestones if applicable, to be minimally eligible to receive the

full amount of the MBDP Incentive Award. Each Qualified New Job must be performed for consideration by a Michigan resident (whose Michigan Income taxes are withheld as required), and each Qualified New Job must be in excess of the Base Employment Level. The final terms and conditions of the requirements for the minimum number of Qualified New Jobs that must be created, including provisions addressing disbursements of portions of the MBDP Incentive Award, and the effects of short term layoffs, furloughs, or similar gaps in employment on the required minimum hours per week, shall be included in the final Agreement.

- a. **Start Date for Measurement of Creation of Qualified New Jobs:** April 1, 2012
8. **Company Investment:** Up to \$10.2 million in renovations, lease costs, furniture & fixtures, computers and other expenses.
9. **Municipality supporting the Project:** City of Southfield
- a. **Municipality Support.** One of the conditions of execution of the final Agreement is the requirement that the municipality shall have committed to provide: a property tax abatement. The final terms and conditions demonstrating this support shall be included in the final Agreement.
10. **Pre-Closing Requirement:** In addition to all other requirements that must be met prior to the execution of a final agreement, the Company must provide a letter indicating that they are setting-aside and waiving all rights to claim a credit under the Michigan Economic Growth Authority Agreement #385 (October 10, 2007).
11. **Disbursement Milestones:** The final terms and conditions of each of the disbursements of any portion of the MBDP Incentive Award shall be included in the final Agreement, including that before any disbursement is made to the Company, the Company must have maintained: (i) the Base Employment Level (exclusive of the number of Qualified New Jobs then created) and (ii) any Qualified New Jobs created for which disbursements by the MSF have been made, and must otherwise be in compliance with all terms and conditions of the final Agreement, and further shall include: Upon demonstrated creation of each Qualified New Job, the MSF will disburse \$6,569 per Qualified New Job (up to 274 Qualified New Jobs and not to exceed the total amount of \$1,800,000), provided that:
- i. By June 30, 2013, the Company demonstrates creation of at least 51 Qualified New Jobs and submits documentation of approved tax abatement by the City of Southfield;
 - ii. By June 30, 2014, the Company demonstrates creation of at least 40 additional Qualified New Jobs (for a total to such date of at least 91 Qualified New Jobs); and
 - iii. By December 31, 2015, the Company creates at least 159 additional Qualified New Jobs (for a total to such date of at least 250 Qualified New Jobs).

12. Term of Agreement:

~~Execution of Agreement to~~ Execution of Agreement to
December 31, 2017

13. 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 or operations for the Project 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 Incited by this Award.

14. Reporting Requirements:

Periodic reporting will be required with this program. The detailed information needed from the Company will be included in the final Agreement, but will include Project reporting for such things as: amount of proposed incentive, amount of actual incentive received by Company; amount of proposed and actual investment made by Company for Project; the committed number of new jobs and the actual number of new jobs created as a result of the Project; the educational attainment of the employees hired; the number of new patents, copyrights, or trademarks applied for and issued to the Company; the number of licensing agreements by the Company and the number of such licensing agreements entered into by the Company with Michigan based firms; and any products commercialized by the Company.

15. 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 to the MEDC, the MSF, and as applicable, the Chief Compliance Officer, (v) approval of an award by the MSF, and (vi) execution of a final Agreement containing the established milestones, repayment terms, reporting requirements, and all other detailed terms and conditions, required by the MSF.

If the Company is interested in the MEDC pursuing a recommendation to the MSF for a possible MBDP Incentive Award for the Company along the above parameters, please sign and date this Term Sheet. If the MEDC does not receive the signed Term Sheet from the Company by ~~May 7, 2012~~, the MEDC may not be able to proceed with any recommendation to the MSF.

May 4, 2012
OK MG

COMPANY NAME

By:

Its:

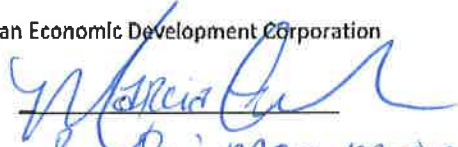
Dated:

[Signature]
CFO
5/4/12

Acknowledged as received by:

Michigan Economic Development Corporation

By:



Its:

Log. Proj. MGR-MEDC

Dated:

5/4/12

MEMORANDUM

DATE: May 23, 2012

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

FROM: Joshua Hundt, Senior Regional Project Manager

SUBJECT: Approval of Michigan Business Development Request for \$1,600,000
Performance-based Grant to:

Access Business Group LLC
7575 Fulton Street East
Ada, Michigan 49355
www.accessbusinessgroup.com

MBDP PROGRAM AND ITS GUIDELINES

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

SOURCE OF INFORMATION

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

HISTORY OF THE APPLICANT

Access Business Group LLC (“Access Business Group” or “Applicant”) is the supply chain entity for Alticor and its affiliated companies, including Amway Corp, a large multi-level marketing company.

Access Business Group was formed in 2001 to focus on providing and executing global supply chain for the family of companies to distribute finished products throughout the world.

Access Business Group currently has 1,631 employees in Michigan.

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

PROJECT DESCRIPTION

The Applicant plans to open a new operation in Michigan, make investments and create jobs related to the manufacture of nutritional products in the Township of Ada. The operation is planned to produce compressed tablets, hard shell tablets, and softgel capsules. Approximately 75% to 80% of the volume will be exported to foreign markets.

- 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 Ada Township. Ada Township has offered a “staff, financial, or economic commitment to the project” in the form of property tax abatement under PA 198 of 1974 for twelve years. The estimated value of this abatement is \$6.18 million.
- c) The Applicant has demonstrated a need for the funding based on competitive economic development packages from several competing states. The main competition for this project was Georgia and South Carolina.
- d) The Applicant plans to create 180 Qualified New Jobs above a statewide base employment level of 1,631.
- e) The project meets the program guidelines as follows: This project is a shovel ready project with support from the MSF. The company plans to begin preliminary engineering in the summer of 2012 and construction prior to the end of 2012. This project involves significant out-of-state competition from at least eleven other states, including Georgia and South Carolina. Additionally, this project results in a positive return on investment for the State of Michigan.

INCENTIVE OPPORTUNITY

This project involves the creation of 180 Qualified New Jobs, though the Applicant anticipates this opportunity can create up to 200 jobs, and a capital investment of up to \$80.95 million in the Township of Ada. The requested incentive amount from the MSF is \$1,600,000 in the form of a performance-based grant. Please see below for more information on the recommended action.

RECOMMENDATIONS

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

- a) Approval of the MBDP Proposal as outlined in the term sheet attached to the proposed Resolution (collectively, “MBDP Proposal”);
- b) Closing the MBDP Proposal, subject to available funding under the MBDP at the time of closing (“Available Funding”), satisfactory completion of due diligence, (collectively, “Due Diligence”), finalization of all MBDP transaction documents, and further subject to the following terms and conditions:
 - a. Commitment will remain valid for 90 days with approval for MSF Fund Manager to extend the commitment an additional 30 days.

The MSF Incentives Subcommittee has indicated its support of the recommendation.

MICHIGAN STRATEGIC FUND

RESOLUTION 2012-

**APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT TO
ACCESS BUSINESS GROUP LLC**

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

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

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

WHEREAS, on December 21, 2011, by Resolution 2011-184, the MSF (i) created the MBDP, (ii) adopted the guidelines for the MBDP (“Guidelines”), and (iii) approved the MSF Fund Manager to negotiate the final terms and conditions of the written agreements to be used to memorialize MBDP awards on the MSF’S behalf in accordance with the Guidelines (“Transaction Documents”);

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

WHEREAS, Access Business Group LLC (“Company”) has requested a performance based MBDP grant of up to \$1.6 million (“Grant Request”), along with other general terms and conditions which are outlined in the term sheet attached as Exhibit A (“Term Sheet”);

WHEREAS, the MEDC has recommended to the MSF Incentive Subcommittee 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 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 (“MBDP Award Recommendation”); and

WHEREAS, the MSF Incentive Subcommittee has indicated its support of the MBDP Award Recommendation.

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

Ayes:

Nays:

Recused:

Lansing, Michigan
May 23, 2012



**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: 5/1/2012

- | | |
|---|--|
| 1. Company Name: | Access Business Group LLC ("Company" or "Applicant") |
| 2. Company Address: | 7575 Fulton Street East
Ada, Michigan 49355 |
| 3. Project Address ("Project"):
<i>if different than above</i> | 5101 Spaulding Avenue
Ada, Michigan |
| 4. MBDP Incentive Type: | Performance Based Grant |
| 5. Maximum Amount of MBDP Incentive: | Up to \$1,600,000 ("MBDP Incentive Award") |
| 6. Base Employment Level | 1,631

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:
<i>(above Base Employment Level)</i> | 180

The minimum number of total Qualified <u>New</u> Jobs the Company shall be required to create in Michigan (above the Base Employment Level), in addition to satisfying other milestones if applicable, to be minimally eligible to receive the full amount of the MBDP Incentive Award. Each Qualified New Job must be performed for consideration by a Michigan resident (whose |

Michigan income taxes are withheld as required), and each Qualified New Job must be in excess of the Base Employment Level. The final terms and conditions of the requirements for the minimum number of Qualified New Jobs that must be created, including provisions addressing disbursements of portions of the MBDP Incentive Award, and the effects of short term layoffs, furloughs, or similar gaps in employment on the required minimum hours per week, shall be included in the final Agreement.

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

8. **Company Investment:** \$80,950,000

9. **Municipality supporting the Project:** Township of Ada

a. **Municipality Support.** One of the conditions of execution of the final Agreement is the requirement that the municipality shall have committed to provide a property tax abatement under PA 198 of 1974. The final terms and conditions demonstrating this support shall be included in the final Agreement.

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

a. **Disbursement Milestone 1:** Up to \$550,000 Upon demonstrated creation of 50 Qualified New Jobs above the Base Employment Level and verification of final approval of municipality support by no later than December 31, 2013.

b. **Disbursement Milestone 2:** Up to \$550,000 Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 60 additional Qualified New Jobs above the Base Employment Level, by no later than December 31, 2014.

c. **Disbursement Milestone 3:** Up to \$500,000 Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, and upon demonstrated creation of 70 additional Qualified New Jobs above the

Base Employment Level, by no later than December 31, 2015.

11. Term of Agreement: Execution of Agreement to December 31, 2017

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 or operations for the Project out of Michigan, if the Company fails to maintain the Base Employment Level in Michigan, if the Company fails to maintain the Qualified New Jobs Incented by this Award.

13. Reporting Requirements:

Periodic reporting will be required with this program. The detailed information needed from the Company will be included in the final Agreement, but will include Project reporting for such things as: amount of proposed incentive, amount of actual incentive received by Company; amount of proposed and actual investment made by Company for Project; the committed number of new jobs and the actual number of new jobs created as a result of the Project; the educational attainment of the employees hired; the number of new patents, copyrights, or trademarks applied for and issued to the Company; the number of licensing agreements by the Company and the number of such licensing agreements entered into by the Company with Michigan based firms; and any products commercialized by the Company.

14. Public Announcements:

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

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

If the Company is interested in the MEDC pursuing a recommendation to the MSF for a possible MBDP Incentive Award for the Company along the above parameters, please sign and date this Term Sheet. If the MEDC does not receive the signed Term Sheet from the Company by May 2, 2012, the MEDC may not be able to proceed with any recommendation to the MSF.

COMPANY NAME

By:



Its:

VICE PRESIDENT

Dated: MAY 1, 2012

Acknowledged as received by:

Michigan Economic Development Corporation

By: Jon E. HW

Its: Senior Regional Project Manager

Dated: May 2, 2012

MEMORANDUM

Date: May 23, 2012
To: MSF Board Members
From: Diane Cranmer, Private Activity Bond Specialist
Subject: Private Activity Bond – Bond Authorizing
The Gilbert Residence – NTE \$10,000,000 – New Financing/Refinancing/Non-Profit –
Ypsilanti, Washtenaw County

COMPANY BACKGROUND

The Gilbert Residence is a Michigan not-for-profit senior living community that opened in 1960 in Ypsilanti. The Gilbert Residence indicates it consists of 72 units that include a 32 bed nursing unit, a 30 bed assisted living unit, and a 10 bed assisted living memory care specific unit. The nursing beds are funded by private pay and Medicaid. The nursing unit is comprised of 15 semi-private and 2 private rooms. The assisted living unit is entirely private pay. All 30 beds are licensed as Home for the Aged. It is comprised of 27 private rooms and 2 dual-occupancy rooms. The Memory Care “Grace Hall” unit is entirely private pay. All 10 beds are licensed Home for the Aged. It is comprised of 8 private rooms and one semi-private room. The Gilbert Residence currently employs 88 individuals.

PROJECT DESCRIPTION

The Gilbert Residence indicates phase one of the project will include the refurbishing of the 29 assisted living units of the existing building. Phase two is the expansion of the New Memory Care “Grace Hall” unit. It will replace the existing 10 bed unit with a new 28 bed unit. The unit will be a licensed Home for the Aged, and will consist of 28 private rooms and will be entirely funded by private pay. The Gilbert Residence indicates this phase will add an additional 14,500 square feet as well as an independent HVAC system and residential kitchen. Phase three will convert the existing Memory Care unit into a “main street” area with common spaces in providing new amenities for residents that will include a library, lounge, movie theatre, game room, wellness center and bistro-style dining. Phase four will include refinancing an existing debt of approximately \$726,000. The location of the project will take place within the City of Ypsilanti on parcels commonly known as 203 S. Huron Street and 117 S. Huron Street. The parcels identified are adjacent to each other on the north side of the 203 parcel and the south side of the 117 parcel.

ADDITIONAL INFORMATION

Job Creation

The Gilbert Residence anticipates creating 12.2 additional full time equivalents. It is anticipated that 10.7 of the full time equivalents will be clinical/patient staff while 1.5 of the staff will be ancillary.

Legislative Information

Senator: Rebekah Warren – District 18
Representative: David Rutledge – District 54

Bond Counsel

Clark Hill PLC

Proposed Placement of the Bond Issue

Bank of Ann Arbor will directly purchase the bonds.

RECOMMENDATION

After reviewing the Private Activity Bond Authorizing Resolution for The Gilbert Residence and based upon a determination by Clark Hill PLC and the State of Michigan Attorney General's Office that this project meets state and federal law requirements for tax exempt financing, staff recommends the adoption of a Bond Authorizing Resolution for an amount not to exceed \$10,000,000.



MEMORANDUM

Date: May 23, 2012

To: Michigan Strategic Fund Board Members

From: Karla Campbell, Manager State Tax Incentives

Subject: Existing Tool & Die Recovery Zone
Amending Recovery Zone
Company: P.C.S. Company
Local Unit: City of Fraser, Macomb County
Collaborative: Michigan International Tooling Alliance

COMPANY BACKGROUND

The P.C.S. Company is a manufacturer and distributor of molding systems and component parts for the plastic injection molding and die cast industries. The P.C.S. Company supplies products to the following markets: packaging, building/construction, consumer, transportation, electrical/electronics, furniture, and industrial. The items produced vary greatly from food containers to turbine parts.

The P.C.S. Company, as a member of the Michigan International Tooling Alliance, was designated a recovery zone by the Michigan Strategic Fund (MSF) on December 15, 2010, effective December 31, 2010. The companies in the Michigan International Tooling Alliance were approved for various years. At that time, P.C.S. Company obtained a resolution from the City of Fraser approving a five (5) year designation with an expiration date of December 31, 2015.

The Company was also awarded a PA 198 effective December 13, 2005 with an expiration of December 31, 2018.

RECOVERY ZONE AMENDMENT REQUEST

The Tool & Die Recovery Zone has enabled the P.C.S. Company to commit to additional investment and job growth. The company has invested approximately \$698,090 in cranes and re-arranging machinery to increase production and efficiency since the designation of the Recovery Zone in 2010. P.C.S. Company employed 102 full-time employees at the time of designation and currently employs 121 full-time employees. The company plans on investing an additional \$2,245,000 through 2014 which is anticipated to result in 26 new full-time jobs.

P.C.S. Company currently has a memorandum of understanding (MOU) with the MSF and local unit of government as required in legislation. The MOU will be amended to include the additional real property parcel.

Staff has received a new resolution passed by the City of Fraser supporting an MSF approved amendment of the original recovery zone to include an additional contiguous parcel for the remaining three (3) years. Under MCL 125.2688d(7), the MSF may modify an existing Recovery Zone to add additional property under the same terms and conditions as the existing Recovery Zone if the additional real property is contiguous to the existing qualified tool and die business property, will become qualified tool and die business property once it is brought into operation and the City of Fraser has consented to the modification.

RECOMMENDATION

The MEDC recommends an amendment of the existing Recovery Zone and MOU to include the real property parcel 11-32-205-005 for P.C.S. Company at 34500 Doreka, Fraser, MI 48026 for the remaining three (3) years with an expiration date of December 31, 2015.

MICHIGAN STRATEGIC FUND

**RESOLUTION
2012-**

**EXISTING COMPANY ADDING CONTIGUOUS PROPERTY TO AN EXISTING TOOL & DIE
RENAISSANCE RECOVERY ZONE (“RECOVERY ZONE”): P.C.S. Company**

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

WHEREAS, the Act authorizes the MSF Board to consider all applications made by tool and die businesses or qualified local governmental units for a Recovery Zone;

WHEREAS, on December 15, 2010, the MSF Board designated a Recovery Zone for the Michigan International Tooling Alliance, effective January 1, 2011;

WHEREAS, Section 8d(7) of the Act permits the MSF to modify an existing Recovery Zone to add additional property under the same terms and conditions as the existing Recovery Zone if the additional real property is contiguous to the existing qualified tool and die business property, will become qualified tool and die business property once it is brought into operation and the City of Fraser (“City”) has consented to the modification;

WHEREAS, the Michigan Economic Development Corporation (“MEDC”) provides administrative services for the renaissance zone program, and received an application and supporting materials from P.C.S. Company (the “Company”) to add contiguous property to their existing Recovery Zone under the same terms and conditions as their existing Recovery Zone (the “Application”);

WHEREAS, the Michigan International Tooling Alliance provided written consent for the addition of the contiguous property to the existing Recovery Zone and that the Company is a member in good standing;

WHEREAS, by resolution, the City consented to the addition of the contiguous property to the existing Recovery Zone;

WHEREAS, the additional real property is contiguous to the existing qualified tool and die business property;

WHEREAS, 34500 Doreka, Fraser, MI 48026 is a qualified tool and die business property;

WHEREAS, the City has consented to the modification and recommends approval; and

WHEREAS, the MEDC fully considered the Application and supporting documentation submitted by the Company to add 34500 Doreka, Fraser, MI 48026 under the same terms and conditions as the existing Recovery Zone and the MEDC recommends approval subject to the following condition:

1. The written agreement between the Company, City and the MSF pursuant to Section 8d(8) of the Act be amended on or before May 31, 2012, to add the contiguous property.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board approves the Application and supporting documentation submitted by the Company to add the contiguous property identified in the application and as 34500 Doreka, Fraser, MI 48026 to the existing Recovery Zone under the same terms and conditions as the existing Recovery Zone for a period of three (3) years beginning January 1, 2013, for Michigan Business Tax and income tax purposes with an expiration of December 31, 2015. For personal and real property tax purposes, the designation begins December 31, 2012 with an expiration of December 31, 2015, subject to the following condition:

1. The written agreement between the Company, City and the MSF pursuant to Section 8d(8) of the Act be amended on or before May 31, 2012, to add the contiguous property; 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:

May 23, 2012
Lansing, Michigan



MEMORANDUM

Date: May 23, 2012

To: Michigan Strategic Fund Board Members

From: Liz Alexandrian, Capital Services Associate

Subject: SSBCI Loan Participation Agreement and SSBCI Cash Collateral Deposit Agreement

SSBCI-MBGF-Loan Participation and Collateral Support Programs, and their Guidelines

On May 25, 2011, the MSF Board approved the Michigan Business Growth Fund – Loan Participation Program (“MBGF-LPP”) and its guidelines, and the MBGF-LPP Loan Participation and Servicing Agreement (“MBGF-LPP Participation Agreement”), for use within the MBGF. The MBGF-LPP was created under the federal government’s State Small Business Credit Initiative (“SSBCI”). Under the MBGF-LPP guidelines, the MSF Board must approve MBGF-LPP requests over \$2.5 million, and requests for loan participation of \$2.5 million or less may be approved by any two of the following: MSF Chairperson, or the MSF Fund Manager, or the MSF State Treasurer Director.

The primary intended objective of the MBGF-LPP is to enhance the cash flow position of commercial borrowers to promote advancement of credit facilities from lenders.

On May 25, 2011, the MSF Board also approved the Michigan Business Growth Fund – Collateral Support Program (“MBGF-CSP”) and its guidelines, and the MBGF-CSP Cash Collateral Deposit Agreement (“MBGF-CSP Deposit Agreement”), for use within the MBGF. The MBGF-CSP was created under and funded by the federal government’s State Small Business Credit Initiative (“SSBCI”). Under the MBGF-CSP guidelines, the MSF Board must approve MBGF-CSP requests over \$2.5 million, and requests for collateral support of \$2.5 million or less may be approved by any two of the following: MSF Chairperson, or the MSF Fund Manager, or the MSF State Treasurer Director.

The primary intended objective of the MBGF-CSP is to enhance the collateral position of commercial borrowers to promote advancement of credit facilities from lenders.

Background

The MBGF-LPP Participation Agreement includes template “waterfall” language (in Section 7) which provides for priority of payments to the Lender and the MSF in a collection situation after a borrower defaults. In summary, the waterfall language states that after an event of default, any proceeds collected by the lender in respect to any loans would be applied in the order that the loans closed – meaning that they would first pay for the cost of collection, then pay interest, fees and principal with respect to the Prior loans, then pay on a pro-rata basis on the subject loan, and lastly pay on any coincidental and future loans. This waterfall language is not lien specific.

Therefore, the MSF could potentially be paid off with proceeds from collateral that are not specifically tied to the loan that is participated in depending on the order of loans closed. This language could also work the opposite way, in that collateral specifically tied to the loan in which the MSF participates, could potentially be used to pay off other debt held by the lender if that debt closed prior to the subject loan.

Staff proposes that the MSF Board delegate to the MSF Fund Manager or the MSF Chairperson, with only one required to act, the authority to revise the MBFG-CSP Agreement, MBFG-LPP Agreement, and all related and ancillary documents (collectively, the “MBGF Agreements”) as may be necessary and appropriate, provided that the final terms and conditions of the MBGF Agreements are not otherwise materially adverse to the MSF, and to negotiate and execute all final documents on behalf of the MSF, subject to standard due diligence and the availability of funds (“Delegation of Authority”).

Recommendation

MEDC Staff recommends that the MSF Board approve the Delegation of Authority.

MICHIGAN STRATEGIC FUND

RESOLUTION 2012-

DELEGATION OF AUTHORITY STATE SMALL BUSINESS CREDIT INITIATIVE AGREEMENTS

WHEREAS, under the State Small Business Credit Initiative Act of 2010 (title III of the Small Business Jobs Act of 2010, Public Law 111-240, 124 Stat. 2568, 2582 (the “SSBCI”), the United States Congress appropriated funds to the United States Department of Treasury (“US Treasury”) to be allocated and disbursed to states that have applied for and created programs in accordance with the SSBCI to increase the amount of capital made available by private lenders to small businesses (“SSBCI Programs”);

WHEREAS, at its May 25, 2011 meeting, the Michigan Strategic Fund Board (“MSF Board”) approved: (i) the creation of the Michigan Business Growth Fund (the “MBGF”), an SSBCI Program created by the MSF to disburse SSBCI funds in accordance with the SSBCI, and (ii) as part of the MBGF, the creation of a collateral support program designed to enhance the collateral position of commercial borrowers to promote advancement of credit facilities from lenders (the “MBGF-CSP”), and (iii) the guidelines for the MBGF-CSP (“MBGF-CSP Guidelines”) and MBGF-CSP Cash Collateral Deposit Agreement (“MBGF-CSP Agreement”), each to be utilized for the operation of the MBGF-CSP, and (iv) the MSF Fund Manager or Chairperson to negotiate and sign the terms and conditions of the MBGF-CSP Agreement as authorized by the MSF Board;

WHEREAS, also at its May 25, 2011 meeting, the MSF Board approved: (i) the creation of the Michigan Business Growth Fund (the “MBGF”), an SSBCI Program created by the MSF to disburse SSBCI funds in accordance with the SSBCI, and (ii) as part of the MBGF, the creation of a loan participation program designed to facilitate financing of projects for commercial borrowers (the “MBGF-LPP”), and (iii) the guidelines for the MBGF-LPP (“MBGF-LPP Guidelines”) and MBGF-LPP Loan Participation and Servicing Agreement (“MBGF-LPP Agreement”), each to be utilized for the operation of the MBGF-LPP, (iv) the delegation of authority to any two of the MSF Fund Manager, the MSF Chairperson or the directorship seat of the MSF held by the state treasurer (or as permitted, his or her designee from within the Department of Treasury) to approve proposed MBGF-LPP awards less than or equal to \$2.5 million (“MBGF-LPP Delegation”), and (v) the MSF Fund Manager or Chairperson to negotiate and sign the terms and conditions of the MBGF-LPP Agreement as authorized by the MSF;

WHEREAS, the Michigan Economic Development Corporation (“MEDC”) provides administrative services for the MSF for MBGF-CSP and the MBGF-LPP; and

WHEREAS, the MEDC recommends that the MSF delegate to the MSF Fund Manager the authority to revise the MBGF-CSP Agreement, MBGF-LPP Agreement, and all related and ancillary documents (collectively, the “MBGF Agreements”) as may be necessary and appropriate, provided that the final terms and conditions of the MBGF Agreements are not otherwise materially adverse to the MSF (the “Delegation of Authority”).

NOW, THEREFORE, BE IT RESOLVED, based on the recommendation of the MEDC, the MSF approves the Delegation of Authority; and

BE IT FURTHER RESOLVED, the MSF Chairperson or MSF Fund Manager, with only one required to act, is authorized to negotiate the final terms and conditions of each of the

MBGF Agreements and to sign each of the final MBGF Agreements on the MSF's behalf, so long as the final terms and conditions of each of the MLPP Agreements are not otherwise materially adverse to the interest of the MSF Board.

Ayes:

Nays:

Recused:

May 23, 2012
Lansing, Michigan