

MICHIGAN STRATEGIC FUND BOARD
FINAL MEETING AGENDA
JANUARY 30, 2017
10:00 am

Public comment – Please limit public comment to three (3) minutes

Communications

Chief Compliance Officer Quarterly Report – *Information Only*

A. Consent Agenda

Proposed Meeting Minutes – December 20, 2016

MSHDA HDF Grant Acceptance & National Main Street Contract Renewal – Katharine Czarnecki

James Group International – Renaissance Zone Revocation – Josh Hundt

B. Business Investment

a. Business Growth

Fuel Cell System Manufacturing LLC – MBDP Grant – Stacy Bowerman

Automotive Lighting, LLC – MBDP Grant – Marcia Gebarowski

b. Capital Access

Paramount Baking Company – SSBCI Collateral Support – Rachel Bakken

Consumers Energy Company – Bond Inducement – Chris Cook

Samaritas f/k/a Lutheran Social Services of Michigan – Bond Amendment – Chris Cook

C. Informational

Quarterly Reports



STATE OF MICHIGAN
OFFICE OF THE CHIEF COMPLIANCE OFFICER
LANSING

RICK SNYDER
GOVERNOR

KEVIN FRANCCART, ESQ.
CHIEF COMPLIANCE OFFICER

MEMORANDUM

January 13, 2017

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

Steve Arwood
Chairperson
Michigan Strategic Fund Board

FROM: Kevin L. Francart
Chief Compliance Officer

RE: FY2017 Q1 Report of the Chief Compliance Officer.

The Chief Compliance Officer is required to report quarterly to the State Administrative Board and the Michigan Strategic Fund Board regarding compliance with internal policies and procedures and with applicable laws related to 21st century jobs fund programs. I am pleased to report that all compliance matters addressed during the first quarter of the 2017 fiscal year were either successfully resolved or are being appropriately addressed.

With respect to the Michigan Strategic Fund Board, the Michigan Strategic Fund Act requires the Chief Compliance Officer to review and evaluate compliance with internal policies and procedures along with applicable state and federal law. The Chief Compliance Officer assisted the MSF with conflict of interest questions; Board delegation; and Brand USA contract questions. As reported previously, because of staffing changes the site visit guidelines were modified. Because of the staffing changes the site visit guidelines were changed to no longer require a minimum number of site visits. Site visits are being performed pursuant to the site visit guidelines. The Chief Compliance Officer provided informal advice regarding various issues arising this quarter concerning such topics as background checks, the breadth of delegated Board authority, authorized use of 21st century job fund funds, and compliance with established Board policy and limitations.

MICHIGAN STRATEGIC FUND

RESOLUTION 2017-

**APPROVAL OF JANUARY 2017 CONSENT AGENDA
FOR THE MICHIGAN STRATEGIC FUND BOARD**

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

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

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

NOW, THEREFORE, BE IT RESOLVED, the MSF approves the Consent Agenda items listed below and identified in the final Consent Agenda for this board meeting.

Consent Agenda Items:

Proposed Meeting Minutes – December 20, 2016

MSHDA HDF Grant Acceptance & National Main Street Contract Renewal

James Group International – Renaissance Zone Revocation

Ayes:

Nays:

Recused:

Lansing, Michigan
January 30, 2017

**MICHIGAN STRATEGIC FUND
PROPOSED MEETING MINUTES
December 20, 2016**

Members Present

Steve Arwood
Dan Boge
Shelly Edgerton
Larry Koops
Andrew Lockwood (on behalf of Treasurer Khouri)
Jody DePree Vanderwel

Members Absent

Paul Anderson
Terri Jo Umlor
Shaun Wilson
Wayne Wood

Mr. Arwood called the meeting to order at 10:00 am.

Public Comment: Mr. Arwood asked that any attendees wishing to address the Board come forward at this time. No public comment.

Mr. Arwood recognized the following legislators and legislative staff in attendance: Representative John Chirkun and Jerry Gill on half of Senator Steve Bieda speaking in support of the Lipari Foods, Inc. project in Warren; Representative Brandt Iden speaking in support of the Stryker Corporation project in Portage; and Collin McDonough on behalf of Senator Margaret O'Brien speaking in support of the Stryker Corporation project in Portage and the Exchange Building LLC project in Kalamazoo. He also recognized Stephanie Young who attended on behalf of Representative Laura Cox in support of the Amazon project in Livonia.

Communications: Jennifer Tebedo, MSF Administrator, advised the Board that they received an updated resolution at the table for the Brand USA item under Image/State Branding on the agenda.

A. CONSENT AGENDA

Resolution 2016-240 Approval of Consent Agenda Items

Mr. Arwood asked if there were any questions from the Board regarding the items under the Consent Agenda. There being none, Jody DePree Vanderwel motioned for approval of the following:

Proposed Meeting Minutes – **November 22, 2016**

Community College Skilled Trade Equipment Program – Amendments – **2016-241**

SSBCI – Amendment Ratification – **2016-242**

216/220 W. Michigan, LLC/City of Kalamazoo – MCRP Re-approval – **2016-243**

Invenergy Thermal Development, LLC – Grant Amendment – **2016-244**

Marada Industries Inc. DBA Cosma Body Assembly Michigan – MBDP Amendment – **2016-245**

International Trade Pilot Exception Program (PEP) – Extension – **2016-246**

Lawrence Technological University – Grant Extension – **2016-247**

Techtown DTX Program – Contract Extension – **2016-248**

Automation Alley 7Cs Program – Contract Extension – **2016-249**

NextEnergy 2014 Entrepreneurial Support Specialized Services – MATch Energy Grant Extension – **2016-250**

Larry Koops seconded the motion. **The motion carried: 6 ayes; 0 nays; 0 recused.**

B. BUSINESS INVESTMENT

B1. Entrepreneurship

Resolution 2016-251 First Capital Fund RFP – Award Recommendation

Fred Molnar, Vice President Entrepreneurship & Innovation, provided the Board with information regarding this action item. Following brief discussion, Larry Koops motioned for the approval of Resolution 2016-251. Jody DePree Vanderwel seconded the motion. **The motion carried: 6 ayes; 0 nays; 0 recused.**

Resolution 2016-252 Michigan Business Incubator “Gatekeeper” Grants - Grant Extensions

Fred Molnar, Vice President Entrepreneurship & Innovation, provided the Board with information regarding this action item. Following brief discussion, Larry Koops motioned for the approval of Resolution 2016-252. Andrew Lockwood seconded the motion. **The motion carried: 6 ayes; 0 nays; 0 recused.**

B2. Business Growth

Resolution 2016-253 Lipari Foods Inc./City of Warren – Act 381 Work Plan

Marcia Gebarowski, Business Development Project Manager, provided the Board with information regarding this action item. Following brief discussion, Larry Koops motioned for the approval of Resolution 2016-253. Andrew Lockwood seconded the motion. **The motion carried: 6 ayes; 0 nays; 0 recused.**

Resolution 2016-254 Stryker Corporation – Portage – MBDP Grant

Mike Gietzen, Business Development Project Manager, provided the Board with information regarding this action item. A photocopy of the project’s schematic master plan that was provided to the Board at the table is attached. Following brief discussion, Larry Koops motioned for the approval of Resolution 2016-254. Jody DePree Vanderwel seconded the motion. **The motion carried: 6 ayes; 0 nays; 0 recused.**

Resolution 2016-255 Amazon – Livonia – MBDP Grant

Trevor Friedeberg, Business Development Project Manager, provided the Board with information regarding this action item. Following brief discussion, Larry Koops motioned for the approval of Resolution 2016-255. Shelly Edgerton seconded the motion. **The motion carried: 6 ayes; 0 nays; 0 recused.**

Resolutions 2016-256 & 2016-257 Ford Motor Land Development Corporation/City of Dearborn – 21st CJP Activity Grant/Act 381 Work Plan

Stacy Esbrook, Regional Director Community Assistance Team, provided the Board with information regarding these action items. Following brief discussion, Larry Koops motioned for the approval of Resolutions 2016-256 & 2016-257. Andrew Lockwood seconded the motion. **The motion carried: 6 ayes; 0 nays; 0 recused.**

B3. Capital Access

Resolutions 2016-258, 2016-259 & 2016-260 Michigan Supplier Diversification Fund CSP & LPP – Program Guidelines Modification

Chris Cook, Director Capital Programs, provided the Board with information regarding these action items. Following brief discussion, Larry Koops motioned for the approval of Resolutions 2016-258, 2016-259 & 2016-260. Andrew Lockwood seconded the motion. **The motion carried: 6 ayes; 0 nays; 0 recused.**

C. COMMUNITY VITALITY

Resolution 2016-261 Flint Grocer Improvement Program – MSF Activity Grant

Nate Scramlin, Community Assistance Team, provided the Board with information regarding this action item. Following brief discussion, Andrew Lockwood motioned for the approval of Resolution 2016-261. Jody DePree Vanderwel seconded the motion. **The motion carried: 6 ayes; 0 nays; 0 recused.**

Resolutions 2016-262, 2016-263 & 2016-264 Exchange Building, LLC/W. Michigan & Rose Development LLC/City of Kalamazoo – MCRP/Act 381 Work Plan/MBT Amendment

Emily Petz, Community Assistance Team, provided the Board with information regarding these action items. Following brief discussion, Shelly Edgerton motioned for the approval of Resolutions 2016-262, 2016-263 & 2016-264. Jody DePree Vanderwel seconded the motion. **The motion carried: 6 ayes; 0 nays; 0 recused**

Resolutions 2016-265 & 2016-266 Queen Lillian II, LLC/City of Detroit – MCRP/Act 381 Work Plan

Brittney Hoszkiw, Community Assistance Team, provided the Board with information regarding these action items. Following brief discussion, Larry Koops motioned for the approval of Resolutions 2016-265 & 2016-266. Andrew Lockwood seconded the motion. **The motion carried: 6 ayes; 0 nays; 0 recused**

Resolution 2016-267 1001 Monroe LLC/City of Grand Rapids – Act 381 Work Plan

Ryan Kilpatrick, Community Assistance Team, provided the Board with information regarding this action item. Following brief discussion, Larry Koops motioned for the approval of Resolution 2016-267. Andrew Lockwood seconded the motion. **The motion carried: 6 ayes; 0 nays; 0 recused.**

Resolution 2016-268 225 Ludington Limited Dividend Housing Association LLC/City of Ludington – Act 381 Work Plan

Sue DeVries, Community Assistance Team, provided the Board with information regarding this action item. Following brief discussion, Larry Koops motioned for the approval of Resolution 2016-268. Shelly Edgerton seconded the motion. **The motion carried: 6 ayes; 0 nays; 0 recused.**

D. IMAGE/STATE BRANDING

Resolution 2016-269 Brand USA Letter of Agreement

David Lorenz, Vice President Travel Michigan, provided the Board with information regarding this action item. Following brief discussion, Larry Koops motioned for the approval of Resolution 2016-269. Jody DePree Vanderwel seconded the motion. **The motion carried: 6 ayes; 0 nays; 0 recused.**

Resolution 2016-270 Detroit Tigers Sponsorship

David Lorenz, Vice President Travel Michigan, provided the Board with information regarding this action item. Following brief discussion, Larry Koops motioned for the approval of Resolution 2016-270. Shelly Edgerton seconded the motion. **The motion carried: 6 ayes; 0 nays; 0 recused.**

Resolution 2016-271 Meredith Corporation – FY17 Allocation

David Lorenz, Vice President Travel Michigan, provided the Board with information regarding this action item. Following brief discussion, Larry Koops motioned for the approval of Resolution 2016-271. Andrew Lockwood seconded the motion. **The motion carried: 6 ayes; 0 nays; 0 recused.**

Resolution 2016-272 Miles Media – FY17 Allocation

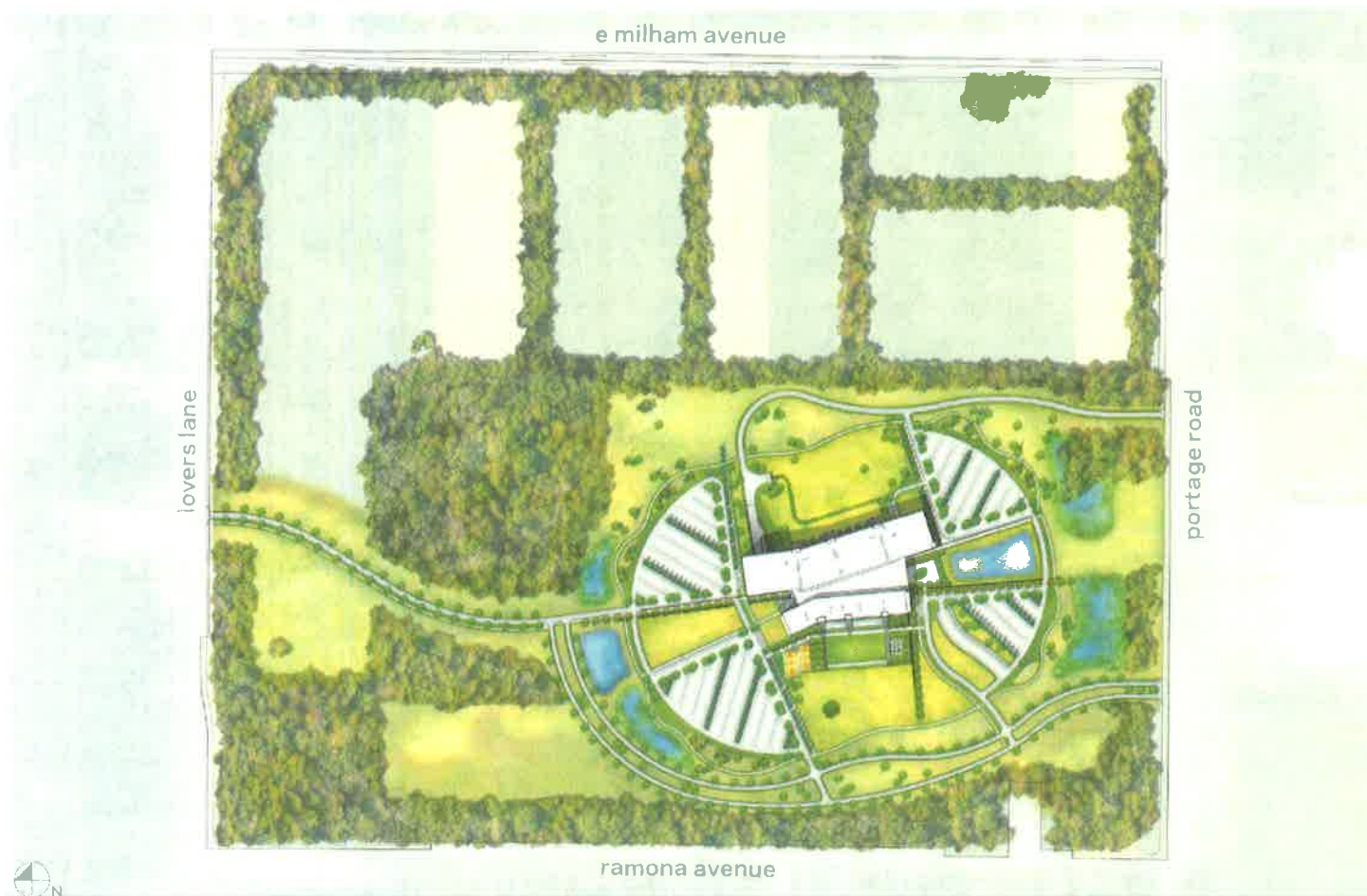
David Lorenz, Vice President Travel Michigan, provided the Board with information regarding this action item. Following brief discussion, Jody DePree Vanderwel motioned for the approval of Resolution 2016-272. Larry Koops seconded the motion. **The motion carried: 6 ayes; 0 nays; 0 recused.**

Resolution 2016-273 Michigan International Speedway Sponsorship

David Lorenz, Vice President Travel Michigan, provided the Board with information regarding this action item. *Kevin Francart, Chief Compliance Officer, noted a correction in the resolution; the amount of the sponsorship funding should be \$725,000 rather than \$750,000.* Following brief discussion, Larry Koops motioned for the approval of Resolution 2016-273. Shelly Edgerton seconded the motion. **The motion carried: 6 ayes; 0 nays; 0 recused.**

Mr. Arwood adjourned the meeting at 12:05 pm.

Schematic Master Plan



90% Schematic Design

Overview

- Design Intent
- Access + Circulation
- Lighting Strategy
- User Experience + Place
- Landscape Extents
- Stormwater Strategy
- Design Refinement
- Site Materials

TowerPinkster + 

Stryker Corporation



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

NICK A. KHOURI
STATE TREASURER

January 22, 2016

Ms. Andrea Robach
Board Relations Liaison
Michigan Strategic Fund Office
300 N. Washington Square
Lansing, MI 48913

Dear Ms. Robach,

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

Sincerely,

A handwritten signature in black ink, appearing to read "N.A. Khouri".

N.A. Khouri
State Treasurer

Cc: Andrew Lockwood

MEMORANDUM

Date: January 24, 2017

To: Michigan Strategic Fund Board

From: Katharine Czarnecki, Senior Vice President, Community Development

Subject: Acceptance of the Michigan State Housing Development Authority Housing Development Fund (HDF) grant and renewal of National Main Street Center (NMSC) Contract

Request

This memo covers two items. The first is the Michigan Strategic Fund's acceptance of MSHDA's Housing Development Fund grant that will support the administration of community development activities which was transferred to the MSF under Executive Order 2016-23. The second is to enter into an annual contract with the National Main Street Center (NMSC) to provide technical services to Select and Master level communities.

Background

In January 2016, the MSF, MSHDA and MEDC signed a Memorandum of Understanding (MOU) to transfer certain community development programs and community development funding at the MSF. In March 2016, the MSF board authorized staff to submit an application to MSHDA for an HDF grant. Due to delays, the grant application wasn't able to move forward at that time.

One of these programs transferred was the Michigan Main Street (MMS) program. In order to operate the Michigan Main Street (MMS) program, an annual contract with the National Main Street Center (NMSC) is entered into yearly to provide technical services to Select and Master communities. When the MMS Program was at the Michigan State Housing Development Authority the Authority's board approved the annual contract. With the realignment of Community Development, being housed within the Michigan Economic Development Corporation (MEDC), we are asking for the Michigan Strategic Fund (MSF) Board to approve the contract with the NMSC. The MMS program, operated by the Community Development Division at the MEDC, utilizes the services of the NMSC to conduct the program. The Technical Assistance services that NMSC will provide include the following:

Base-Line Assessment -- reviewing and assessing the progress communities make in establishing and developing their local Main Street program.

Transformation Strategy Development – the service will help existing Main Street communities define and implement strategy-driven revitalization programs

Programming and Organizational Alignment – the service will help local Main Street communities align their programming and organizational structure with market-driven transformation strategies.

Technical Assistance Training -- providing technical training to communities.

Real Estate Development -- providing seminars on the real estate development process.

Retail Merchandising – providing workshops and consultations to downtown retailers to help them determine the best ways to manage inventories, improve floor plans and merchandising.

Program Branding – helping local programs identify their overall images. Communities will receive a program logo, logos for events, and website.

In order to financially support the contract at the fee of \$250,000, the HDF grant from MSHDA will include an annual amount of program costs which will cover the full amount. The MSDHA board is expected to take action on the HDF grant request at its board meeting on January 25, 2017.

Recommendation

MEDC staff recommends acceptance of the MSHDA HDF grant and recommends approval of a professional services contract (the “Contract”) with the National Main Street Center, an affiliate of the National Trust for Historic Preservation, in an amount not to exceed \$250,000. The Contract will be effective January 1, 2017 through December 31, 2017. This funding is contingent upon MSHDA board approval of the HDF grant on January 25, 2017.

MICHIGAN STRATEGIC FUND

**RESOLUTION
2017-**

ACCEPTANCE OF HOUSING DEVELOPMENT GRANT

WHEREAS, the Department of Talent and Economic Development (“TED”) was created by Executive Order 2014-12 (“EO 2014-12”), effective March 16, 2015 (the “Effective Date”);

WHEREAS, under EO 2014-12, the Michigan Strategic Fund (“MSF”) was transferred from the Department of Treasury to TED and the Michigan State Housing Development Authority (“MSHDA”) was transferred from the MSF to TED;

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

WHEREAS, at its December 15, 2015 meeting, the MSF Board authorized the MSF Fund Manager to enter into a Memorandum of Understanding to achieve the objective of aligning community development programs of the MSF, the MEDC, and MSHDA and to define the roles and responsibilities of each with respect to community development activities and operations (the “Community Development Activities MOU”);

WHEREAS, at its March 22, 2016 meeting, the MSF Board authorized the MSF Fund Manager to submit an application to MSHDA for a Housing Development Fund grant to support Community Development Activities;

WHEREAS, at its January 25, 2017 meeting, the MSHDA Board approved a Housing Development Grant in the amount of \$5,500,000 to the MSF to be used to support the Community Development Activities (the “HDF Grant”); and

WHEREAS, the MSF wishes to accept the HDF Grant and authorize the MSF President to execute all documents necessary to effectuate the HDF Grant.

NOW, THEREFORE, BE IT RESOLVED, the MSF Board accepts the HDF Grant to support Community Development Activities and authorizes the MSF President to finalize all documents necessary to effectuate the HDF Grant consistent with the terms and conditions of this resolution.

Ayes:

Nays:

Recused:

Lansing, Michigan
January 30, 2017

MICHIGAN STRATEGIC FUND

RESOLUTION

2017-

NATIONAL MAIN STREET CENTER CONTRACT

WHEREAS, the Department of Talent and Economic Development (“TED”) was created by Executive Order 2014-12 (“EO 2014-12”), effective March 16, 2015 (the “Effective Date”);

WHEREAS, under EO 2014-12, the Michigan Strategic Fund (“MSF”) was transferred from the Department of Treasury to TED and the Michigan State Housing Development Authority (“MSHDA”) was transferred from the MSF to TED;

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

WHEREAS, at its December 15, 2015 meeting, the MSF Board authorized the MSF Fund Manager to enter into a Memorandum of Understanding to achieve the objective of aligning community development programs of the MSF, the MEDC, and MSHDA and to define the roles and responsibilities of each with respect to community development activities and operations (the “Community Development Activities MOU”);

WHEREAS, at its September 27, 2016 meeting, the MSF Board authorized an amendment to the Community Development Activities MOU to extend the term of the MOU from September 30, 2016 to January 16, 2018;

WHEREAS, in connection with the Community Development Activities MOU, administration of the Michigan Main Street Program was transferred to the MSF and the MSF adopted its Michigan Main Street Program;

WHEREAS, on January 25, 2017, the MSHDA Board approved a Housing Development Fund Grant in the amount of \$5,500,000 for the MSF to support Community Development Activities, including the Michigan Main Street Program (the “HDF Grant”);

WHEREAS, pursuant to Section 7(i) of the MSF Act, the MSF may engage the services of private consultants, managers, counsel, auditors, engineers, and scientists for rendering professional management and technical assistance and advice, payable out of any money of the MSF that is legally available for that purpose;

WHEREAS, the MEDC recommends that the MSF Board engage the National Main Street Center to provide technical assistance and services for the Michigan Main Street Program and authorize the MSF Fund Manager to enter into a professional services contract of up to \$250,000, payable with funds from the HDF Grant, for a term of January 1, 2017 to December 31, 2017 (the “National Main Street Center Contract”); and

WHEREAS, the MSF Board wishes to approve the National Main Street Center Contract.

NOW, THEREFORE, BE IT RESOLVED, the MSF Board approves the National Main Street Center Contract; and

BE IT FURTHER RESOLVED, the MSF Board authorizes the MSF Fund Manager to take all steps necessary to effectuate the National Main Street Center Contract, consistent with the terms of this resolution.

Ayes:

Nays:

Recused:

Lansing, Michigan
January 30, 2017

Memorandum

Date: January 30, 2017

To: Michigan Strategic Fund Board

From: Josh Hundt – Vice President, Business Development Projects

Subject: City of Detroit Renaissance Zone
Southwest Delray Subzone
Revocation of Renaissance Zone Time Extension – James Group International

Action

Michigan Economic Development Corporation (“MEDC”) Staff requests the Michigan Strategic Fund (“MSF”) Board to approve a resolution revoking the Renaissance Zone time extension designation for James Group International’s (the “Company”) site in the Southwest Delray Subzone located in the City of Detroit. The Company’s extension term is currently set to expire on December 31, 2020.

Background

The Southwest Delray Subzone within City of Detroit Renaissance Zone has been in effect since 1997 and was set to expire on December 31, 2011. On December 15, 2010, the Michigan Strategic Fund Board (the “MSF”) awarded a time extension to the Company for an additional nine (9) years. The Company entered into a development agreement (the “Agreement”) with the MSF agreeing to the creation of one-hundred-eight (108) new full-time jobs and capital investment of \$2 million by December 31, 2015.

The Company failed to create one-hundred-eight (108) new jobs by December 31, 2015 as required per the Agreement. The Company size was reduced by thirty-two (32) jobs at the site. The company invested \$7.1 million at the site over the specified time period. A 90-day cure period was initiated on February 19, 2016. The cure period lapsed on May 19, 2016. MEDC staff and the company have conducted ongoing conversations to resolve the event of default.

Recommendation

MEDC Staff recommends that the MSF Board approve the revocation of James Group International’s Renaissance Zone time extension designation for their site in the City of Detroit, effective December 31, 2017 for property tax purposes, and January 1, 2018 for all other tax purposes.

MICHIGAN STRATEGIC FUND

**RESOLUTION
2017-**

**REVOCATION OF AN EXISTING RENAISSANCE ZONE TIME EXTENSION
DESIGNATION: James Group International**

WHEREAS, Public Act 116 of 2008 amended the Michigan Renaissance Zone Act (the “Act”), 1996 PA 376, as amended, to authorize the Michigan Strategic Fund (“MSF”) to extend the duration of renaissance zone status for one or more portions of an existing renaissance zone for a period of time not to exceed fifteen (15) years, provided that the extension will increase capital investment or job creation and the affected county consents to the extension;

WHEREAS, on December 15, 2010, the MSF Board approved a Renaissance Zone time extension for James Group International for the Southwest Delray Subzone in the City of Detroit Renaissance Zone (the “Zone”);

WHEREAS, Section 4(7) of the Act requires a development agreement be entered into between the MSF, the real property owner, and the Company, which requires milestones with regards to job creation and new investment;

WHEREAS, Section 4(7) of the Act allows the MSF Board to revoke the time extension designation if the MSF Board determines that increased capital investment or job creation will not begin within one (1) year of granting the extension or otherwise violates the terms of the written development agreement; and

WHEREAS, the Michigan Economic Development Corporation (“MEDC”) provides administrative services for the renaissance zone program, and was notified by the Company through annual reporting, that the Company failed to create one-hundred-eight (108) new jobs within the Zone by December 31, 2015 as required per the Development Agreement;

WHEREAS, pursuant to the development agreement, staff on behalf of the MSF, has sent notice to the Company initiating a 90-day cure period to cure its noncompliance or it will recommend revocation and the 90-day cure period has since lapsed;

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board approves the revocation of the Company’s Renaissance Zone time extension designation, effective December 31, 2017 for property tax purposes and January 1, 2018 for all other purposes; and

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

Ayes:

Nays:

Recused:

Lansing, Michigan
January 30, 2017

MEMORANDUM

Date: January 30, 2017

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

From: Stacy Bowerman, Senior Project Manager

Subject: *Fuel Cell System Manufacturing LLC (“Company” or “Applicant”)*
Michigan Business Development Program Performance-based Grant Request

Summary

This is a request from the Applicant for a \$2 million performance-based grant. This project involves the creation of 64 Qualified New Jobs, with the potential for up to 70 total jobs as a result of the project, and a capital investment of up to \$48,905,000 in Brownstown Charter Township, Wayne County, Michigan.

The Applicant has demonstrated a need for the funding. The Company also considered various locations throughout the United States, including one existing site in an adjacent state. The Company also considered a greenfield development for this project. The Company evaluated implementation costs, long-term cost of doing business, and incentives available in other states when determining where to locate. Further explanation of need will also be included in the considerations section.

Background

The Applicant, developed in 2016, is a new Joint Venture project between two existing automotive companies: General Motors (“GM”) and Honda Motor Company (“Honda”). The creation of the Company represents a first ever joint venture between the two Automotive OEMs. The Company is a newly created entity and therefore does not have any existing employees.

The Applicant has not received any incentives from the MSF in the past. However, GM has two active MEGA Tax Credits in Michigan. Language will be included in the final agreement that job creation as a result of this project will not count toward the GM MEGA Tax Credit.

GM and Honda have collaborated since 2013 on a next-generation advanced propulsion system. This project will represent the fruition of this partnership with the creation of an assembly operation in Brownstown Charter Township. The project will include renovation within an existing facility, including installation of machinery and equipment for assembly of advanced automotive technology. The project is expected to commence renovations in early 2020 with start of production anticipated for later that year. Additionally, this project will bring a new advanced technology product to the State of Michigan, which will lead to job creation and investments in Brownstown Charter Township.

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

Considerations

- a) The Applicant is a “Qualified Business”, as defined in MCL 125.2088r(9)(b), that will locate and operate in Michigan.
- b) The project will be located in Brownstown Charter Township. Brownstown Charter Township has offered a “staff, financial, or economic commitment to the project” in the form of expedited permit processing.
- c) The Applicant has demonstrated a need for the funding. When determining where to locate, the Company evaluated sites outside of Michigan, including one existing site in an adjacent state. The Company also considered a greenfield development for this project. In addition to implementation costs and long-term cost of doing business, the Company also took incentives into consideration when determining where to locate the project. The grant assistance will help offset some of the upfront implementation and training costs. The training assistance will help ensure the Company has the ability to train its workforce in safety as well as the new processes needed to assemble the advanced propulsion technology.
- d) The Applicant plans to create 64 Qualified New Jobs above a statewide base employment level of 0.
- e) Pursuant to the program guidelines, the following was taken into consideration for the proposed project: project is not a retail project; project is not a retention project; involves out-of-state competition; product diversification; has a net positive return to Michigan; and level of investment.

Recommendation

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

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

MICHIGAN STRATEGIC FUND

RESOLUTION 2017-

**APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT TO
FUEL CELL SYSTEM MANUFACTURING LLC**

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

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

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

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

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

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

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

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan
January 30, 2017

MICHIGAN ECONOMIC
DEVELOPMENT CORPORATION

**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: 1/11/2017

- | | | |
|---|--|---|
| 1. Company Name
("Company" or "Applicant"): | Fuel Cell System Manufacturing LLC | |
| 2. Company Address ("Project"): | 20001 Brownstown Center Drive
Brownstown Township, Michigan 48183 | |
| 3. MBDP Incentive Type: | Performance Based Grant | |
| 4. Maximum Amount of MBDP Incentive: | Up to \$2,000,000 ("MBDP Incentive Award") | |
| 5. Base Employment Level | 0 | 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 (subject to applicable law) of the Company data used to establish this level, shall be included in the final MBDP Incentive Award agreement (“Agreement”) between the MSF and the Company. |
| 6. Total Qualified New Job Creation:
(above Base Employment Level) | 64 | The minimum number of total Qualified New Jobs the Company and American Honda Motor Co., Inc., General Motors LLC, and GM Subsystems Manufacturing, LLC (to be known as “Company Group”) shall be required to create in Michigan (above the Base Employment Level), in addition to satisfying other milestones if applicable, to be minimally eligible to receive the full amount of the MBDP Incentive Award. Each Qualified New Job must be performed for consideration by a Michigan resident (whose Michigan income taxes are withheld as required), and each Qualified New Job must be in excess of the Base Employment Level. The final terms and conditions of the |

requirements for the minimum number of Qualified New Jobs that must be created, including provisions addressing disbursements of portions of the MBDP Incentive Award, shall be included in the final Agreement. The Qualified New Jobs for the MBDP are ineligible for any MEGA Credit Program.

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

7. **Company Investment:** \$48,905,000 for Machinery and Equipment and Special Tooling, or any combination thereof, for the Project.

8. **Municipality supporting the Project:** Brownstown Charter 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 expedited permit processing. The final terms and conditions demonstrating this support shall be included in the final Agreement.

9. **Disbursement Milestones:** The final terms and conditions of each of the disbursements of any portion of the MBDP Incentive Award shall be included in the final Agreement, including that before any disbursement is made to the Company Group 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 the Company must otherwise be in compliance with all terms and conditions of the final Agreement, and further shall include:

a. **Disbursement Milestone 1:** Up to \$1,550,000 Upon demonstrated creation of 48 Qualified New Jobs above the Base Employment Level, verification that at least 20 Company Group employees are enrolled in or completed at least one community college or Training Vendor certificate, and verification of final approval of municipality support by no later than December 31, 2021.

b. **Disbursement Milestone 2:** Up to \$450,000 Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 16 additional Qualified New Jobs (for a total of 64 Qualified New Jobs) above the Base Employment Level, by no later than December 31, 2023.

10. **Term of Agreement:** Execution of Agreement to June 30, 2024

11. **Repayment Provisions:**

Repayment provisions are required by law. The Repayment terms and conditions will be effective through the Term of the Agreement and shall be defined in the final Agreement. The final repayment provisions may require repayment of some or all of the disbursements made by the MSF, including if the Group moves 25%

or more of their employees out of Michigan, if the Company fails to maintain the Base Employment Level in Michigan, if the Company Group fails to maintain the Qualified New Jobs incented by this Award.

12. Reporting Requirements:

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

13. Public Announcements:

The Company shall not make, or cause, any announcement of the proposed MBDP Incentive Award parameters outlined in this letter before the date of approval by the MSF of the MBDP Incentive Award, unless prior authorized and coordinated with the MEDC. At the request and expense of the MSF or the MEDC, the Company will cooperate with the MSF or the MEDC to promote the Project through one or more of the placement of a sign, plaque, media coverage or other public presentation at the Project or other location acceptable to the Parties, subject to confidentiality required for maintenance of competitive position. The MSF and/or the MEDC agrees The Company will determine the announcement date.

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 January 12, 2017, the MEDC may not be able to proceed with any recommendation to the MSF.

Acknowledged as received by:

Fuel Cell System Manufacturing LLC

By:



Printed Name:

Suheb Haq

Its:

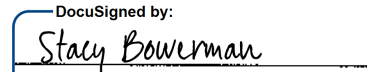
President

Dated:

January 12th, 2017

Michigan Economic Development Corporation

By:

DocuSigned by:


Printed Name:

COD238F5CD6E470...
Stacy Bowerman

Its:

Senior Planning Project Manager

Dated:

1/12/2017

MEMORANDUM

Date: January 30 , 2017

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

From: Marcia Gebarowski, Senior Business Development Project Manager

Subject: *Automotive Lighting, LLC (“Company” or “Applicant”)*
Michigan Business Development Program Performance-based Grant Request

Summary

This is a request on behalf of Automotive Lighting, LLC for a \$2,000,000 performance-based grant. This project involves the creation of up to 362 Qualified New Jobs over five years, and a capital investment of up to \$35 million in Independence Township, Oakland County.

The Company is establishing a new exterior lighting production facility in Michigan. To achieve this, they are retro-fitting a facility that currently houses exhaust component manufacturing. The exhaust work is very small, and the little work left will transfer to a facility in Mexico. Alternatively, the Company can co-locate this new production at one of their two existing lighting manufacturing operations in Mexico and their current lighting facility in Tennessee. This alternative would require a lower up front capital investment, as well as lower average wages than what is planned for the Michigan location. The Company will need to invest in a parking expansion to accommodate up to three shifts at the facility. The new manufacturing operation in Michigan reflects a higher average wage project compared to the two alternatives in Mexico, and despite higher shipping costs, lower wages and high production experience still make these two locations a more cost competitive alternative. State and local assistance is required to help offset the upfront capital costs associated with the parking lot expansion and other capital costs the Company will need to invest to prepare the facility for lighting production.

Background

Automotive Lighting was founded in 1999 as a joint venture of Magneti Marelli and Robert Bosch. This offered the opportunity to combine the knowledge in lighting technology of two companies with longstanding experience. Today Automotive Lighting is a full subsidiary of Magneti Marelli Group with headquarters in Reutlingen, Germany and is dedicated to the development, production and sale of automotive exterior lighting products for all major OEMs worldwide.

The Company will convert their existing manufacturing facility from an exhaust production facility to an exterior lighting facility. New equipment lines will be installed, and site improvements will be required to accommodate a larger workforce at the facility. This conversion will enable the Company to place the lighting production in Michigan for new contracts they have received from OEM customers.

The Company has not received MSF or other state discretionary incentives in the past.

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

Considerations

- a) The Applicant is a “Qualified Business”, as defined in MCL 125.2088r(9)(b), that is located and operates in Michigan.
- b) The project will be located in the township of Independence. The township has offered a “staff, financial, or economic commitment to the project” in the form of a property tax abatement related to the project.
- c) The Company has demonstrated a need for the funding. The Company has existing lighting production facilities in Mexico and Tennessee where new work can be placed in lieu of establishing a new manufacturing facility in Michigan. The wages and production experience are more competitive in Mexico, and the Company has a strong relationship with the State of Tennessee where they have received competitive incentives for job growth and new investment. MBDP and local tax abatements are required to help offset the higher up front capital costs associated with increasing building capacity.
- d) The Applicant plans to create up to 362 Qualified New Jobs above a project base employment level of 47.
- e) Pursuant to the program guidelines, the following was taken into consideration for the proposed project: the project will re-use an existing building, there was out of state competition for the project, the project will result in more and better jobs, and the project will have a positive ROI to Michigan.

Recommendation

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

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

MICHIGAN STRATEGIC FUND

RESOLUTION 2017-

APPROVAL OF A MICHIGAN BUSINESS DEVELOPMENT PROGRAM GRANT TO AUTOMOTIVE LIGHTING, LLC

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

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

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

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

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

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

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

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan
January 30, 2017

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

The following ("Term Sheet") is a non-binding (except as to confidentiality provisions) 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. The parties recognize that this Term Sheet is for informational purposes only and will be supplanted by a binding agreement, which is presently contemplated to be in the format substantially similar to the current Michigan Business Development Grant Agreement ("Final Agreement") a copy of which has been provided to the Applicant.

Date: 11/17/2016

1. **Company Name:** Automotive Lighting LLC ("Company" or "Applicant")
2. **Company Address:** 3900 Automation Ave
Auburn Hills, MI 48326
3. **Project Address ("Project"):** 5600 Bow Pointe Dr
Clarkston, MI 48346
4. **MBDP Incentive Type:** Performance Based Grant
5. **Maximum Amount of MBDP Incentive:** Up to \$2,000,000 ("MBDP Incentive Award")
6. **Base Employment Level** 47 The number of jobs currently maintained at the Project by the Company based on data submitted by the Company to the MEDC reflecting the Company's employment level at the Project 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:** 362 The minimum number of total Qualified New Jobs
(above Base Employment Level) the Company shall be required to create at the Project (above the Base Employment Level), in addition to satisfying other milestones if applicable, to be minimally eligible to receive the full amount of the MBDP Incentive Award. Each

PURE MICHIGAN*



Qualified New Job must be performed for consideration by a Michigan resident (whose Michigan income taxes are withheld as required), and each Qualified New Job must be in excess of the Base Employment Level. The final terms and conditions of the requirements for the minimum number of Qualified New Jobs that must be created, including provisions addressing disbursements of portions of the MBDP Incentive Award, shall be included in the final Agreement.

a. **Start Date for Measurement of Creation of Qualified New Jobs:** Date of Accepted Offer Letter (September 1, 2016)

8. **Company Investment:** \$35,000,000 in machinery and equipment, private infrastructure, leasehold improvements, annual lease costs, or any combination thereof, for the Project.

9. **Qualified Investment:** \$1,600,000 The total minimum amount of the required Company Investment in Michigan related to the project, which at a minimum must include the following: parking lot improvements and other related building and leasehold improvements at the project site ("Qualified Investment"). Investment made after January 1, 2017 and no later than September 30, 2017 will be considered as Qualified Investment. The final terms and conditions of the Qualified Investment shall be included in the final Agreement.

10. **Municipality supporting the Project:** Independence 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: **property tax abatement, and/or staff time and/or, expedited permitting related to the project.** The final terms and conditions demonstrating this support shall be included in the final Agreement.

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 the Company must otherwise be in compliance with all terms and conditions of the final Agreement, and further shall include:

- | | | |
|-------------------------------------|-----------------|---|
| a. Disbursement Milestone 1: | Up to \$800,000 | 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 July 30, 2017 |
| b. Disbursement Milestone 2: | Up to \$800,000 | Upon completion of Disbursement Milestone 1, upon demonstrated completion of the Qualified Investment, and upon demonstrated creation of 50 additional Qualified New Jobs (for a total of 100 Qualified New Jobs) above the Base Employment Level, by no later than December 30, 2017. |
| c. Disbursement Milestone 3: | Up to \$200,000 | Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, Disbursement 3, and upon demonstrated creation of 200 additional Qualified New Jobs (for a total of 300 Qualified New Jobs) above the Base Employment Level, by no later than September 30, 2018. |
| d. Disbursement Milestone 4: | Up to \$200,000 | Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, Disbursement Milestone 3, Disbursement Milestone 4, and upon demonstrated creation of 62 additional Qualified New Jobs (for a total of 362 Qualified New Jobs) above the Base Employment Level, by no later than May 30, 2020 |

12. Term of Agreement: Execution of Agreement to November 30, 2020

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 twenty-five percent (25%) or more of their employees at the Project out of Michigan, if the Company fails to maintain the Base Employment Level, if the Company fails to maintain the Qualified New Jobs incented 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.

15. Public Announcements and Confidentiality:



Neither party shall 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. At the request and expense of the MSF or the MEDC, the Company will cooperate with the MSF or the MEDC to promote the Project through one or more of the placement of a sign, plaque, media coverage or other public presentation at the Project or other location acceptable to the Parties.

Subject to open records laws and agreed upon public announcements, each party agrees to maintain the confidentiality of the provisions of this Term Sheet other than to share them with federal, state, local government authorities, economic development authorities, and financial, legal, and other similar advisors as well as any parent, subsidiary, affiliate, etc. and its respective employees, board member, etc.

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 December 2, 2016, the MEDC may not be able to proceed with any recommendation to the MSF.

Acknowledged as received by:

Automotive Lighting LLC

By:



Printed Name: LUCA BOVALINO

Its:



Dated:

12/12/2016

Michigan Economic Development Corporation

By:



Printed Name: Marcia Gebazowski

Its:

SMR BD Project Mgr

Dated:

1/17/2017

MEMORANDUM

To: Michigan Strategic Fund Board

From: Rachel A. Bakken, Capital Project and Portfolio Manager

Date: January 30, 2017

Subject: Paramount Baking Co., Inc/JMPHanna, LLC (and/or related borrowers/guarantors)
MBGF – Collateral Support Proposal

Request

Paramount Baking Co., Inc. (“Paramount” or “Company”) is a flat bread manufacturer located in Roseville, Michigan. The Company produces a full line of flat breads including Lavash and Pita breads in several sizes and flavors. JMPHanna, LLC (“JMPHanna” or “Co-Borrower”) is the real estate holding company. JMPHanna is co-owned by Joseph Hanna and his wife Maryanne Spryszak-Hanna while Paramount is owned 100% by Joseph Hanna.

First State Bank (“Bank”) has proposed financing of a \$2,130,596 real estate term loan (“Loan”) to Paramount and JMPHanna to pay off Huntington Bank. Due to a shortfall in collateral, the Bank is requesting collateral support from the MSF in the amount of 49.9% or \$1,063,167.

A. Bank Facility and MSF Support

The Bank has proposed to provide the following credit facilities:

Term = Real Estate Loan	\$2,130,596
Revolving = Line of Credit	\$850,000
<u>Revolver = Equipment Line of Credit</u>	<u>\$350,000</u>
Total Loans Leveraged	\$3,330,596

Given the above structure, the proposed MSF exposure is a maximum of:

<u>Term = Real Estate Loan</u>	<u>\$1,063,167</u>
Total MSF Contribution	\$1,063,167

In addition to the financing being proposed, the borrower will be injecting \$19,183 in equity toward the transaction. Under definitions provided by the US Department of Treasury related to the calculation of leverage, the reported leveraged lending as compared to MSF exposure is 3.15:1.

B. Confidentiality

As part of preparation for closing of the facility, there are numerous underwriting documents which contain financial and other proprietary information that are shared with Staff. The MSF

Act, (pursuant to MCL 125.2005(9)) provides the MSF the authority to acknowledge such information as confidential information (“Designated Information”). The Bank and the company seek confidentiality protection from the MSF as described on the attached summary of Designated Information.

Background

JMPHanna, LLC was formed in August 2004 and is owned 50% each by Joseph Hanna and Maryanne Spryszak-Hanna. The company is the real estate holding company for the commercial industrial buildings at 29778 and 29790 Little Mack Ave. in Roseville, MI. The buildings are occupied by the related entity Paramount Baking Co., Inc.

Paramount Baking Company is a flat bread manufacturer located in Roseville, Michigan. The company was started in 1916 in Detroit, Michigan. It was purchased by Joe Hanna in 1986. The company purchased an additional building (10,900 sq. ft.) on Little Mack in Roseville in December of 2000. Further expansion resulted in the purchase of another building across the street in 2007.

The Company produces a full line of flat bread including Lavash in several sizes and flavors. Paramount produces a full line of Pita bread including mini, square and several different sizes of round. These are produced in white, wheat, low carb, multi grain, and in Lebanese and Greek styles. The newest product line is pita chips. These are produced by baking and frying the bread and are made in multiple flavors including garlic, plain, sea salt, Mediterranean, cinnamon and the newest flavor parmesan/garlic.

Prior to 2014, Paramount distributed for On the Border and Mission Foods, which represented approximately 40% of Paramount’s total sales at the time. The Company discontinued distribution for the On the Border and Mission Foods at the end of 2013 due to declining commissions, failed promotions, and to also better serve their customers with accurate and timely deliveries. Current customers include Kroger, Vince & Joe, Hollywood Market, Nino Salvaggio, Pete & Frank, Randazzo and numerous other specialty markets and restaurants. In addition, private label products are produced for Oasis Foods, Amir Foods, Sahara and Steve’s Backroom. The retail grocery market is currently evolving. Since the recession of 2009 the market has been shifting to the larger big box stores like Kroger, Walmart, Meijer, Sam’s Club, and Costco.

The MSF has not previously provided support to Paramount Baking Co., Inc./JMPHanna, LLC or any of its affiliates.

Employment

Paramount currently has 20 full-time equivalent employees. The company anticipates adding 5 full-time employees within the next 6 months and an additional 10 within the next 5 years. The annual salary for employees of Paramount is \$35,000.

Financing Opportunity

Paramount discontinued distribution for Mission Foods and On the Border at the end of 2013. These two companies represented about 40% of Paramount total sales at that time. Distribution of these products was ceased due to declining commissions and failed promotions by the manufacturer along with an

increase of costs. Since then the focus has been on increasing Paramount product sales. The Company has been successful in this as evidenced by the increase of Kroger direct deposits of receivables going up from approximately \$14,000 to \$24,000 per week. Additionally, Paramount has secured a Meijer sales and service account. With this, coupled with the increase in receivables, Paramount is expecting total sales in 2017 to be similar to sales when it was distributing for Mission and On the Border. Sales of Paramount products are expected to soon surpass prior year sales when distributing for other manufacturers. These sales will be more profitable as Paramount's product line has greater margins.

The Bank has proposed a new \$2,130,596 commercial mortgage to Paramount Baking and JMPHanna. Proceeds from this Loan will be used to pay off two Huntington Bank loans. The Loan will have a five year term and 15 year amortization. Refinancing the previous debt from Huntington Bank will allow the Company to free up capital needed for business expansion.

In addition to the commercial mortgage, the Bank has also proposed two separate lines of credit. First, a \$350,000 equipment line of credit will be used to purchase new and used equipment. The line will have a one year draw period. Paramount ships 80% of goods directly, while using a distributor for the remaining 20%, the equipment line will aide in handling an increase in shipping as the business grows. At the expiration of the draw period the balance will be termed out over 7 years with both a variable and fixed rate option. Secondly, an \$850,000 line of credit will be used to provide working capital and will be formula based with advances limited to 80% of eligible accounts receivable plus 40% of inventory not to exceed \$250,000.

The Company is projecting a 111% increase over sales in FYE 9/30/15. Sales are projected to increase 16.3% in FYE 9/30/18. Sales are projected to continue to increase in FYE 9/30/19, by 5%. Sales were estimated by management to grow organically at 5% per annum for each year as a base for current customers. Management expects increases in revenue over the next three years due to the addition of a new large grocery client. Kroger sales are projected to be \$24,000 per week. Meijer sales are currently \$300 per week per each of 40 locations (\$48,000/month sales). During Phase I, within the first 90 days, Paramount is projecting increasing to 60 store locations at \$300 per week (\$72,000/month sales) and Phase II after 90 days, increasing to 100 store locations at \$300 per week (\$120,000/month sales). Additionally, when compared to proposed and existing annual debt obligations, debt service coverage is 1.58x for 2013, 1.35x for 2014; and 1.47x for 2015. The projected debt service coverage is 1.61x for FYE 9/30/17, 1.79x for FYE 9/30/18, and 1.61x for FYE 9/30/19.

The proposed financing will be secured by 1st mortgages on the owner-occupied industrial buildings at 29778 and 29790 Little Mack in Roseville, a 3rd mortgage on the guarantors' residence at 20739 Wicks Lane in Grosse Pointe Woods, a 1st assignment of all corporate assets excluding accounts receivable and inventory, and an assignment of a First State Bank deposit account.

The proposed financing will include the requirement for the unlimited, secured personal guarantees of Joseph Hanna and Maryanne Spryszak-Hanna.

Exit Strategy

The Bank has implemented the following loan covenant in conjunction with its existing financing to Paramount/JMPHanna.

- The minimum debt service coverage ratio of not less than 1.20 to 1

The “debt service coverage ratio” shall be defined as:

(Net Income + Interest Expense + Depreciation + Amortization)/(Actual Annual Debt Service).

This covenant is intended to require re-investment in the balance sheet of Paramount and ultimately the release of the pledged collateral from the MSF.

Source of Information

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

Recommendation

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

- a. Acknowledgment by the MSF that the Designated Information set forth on the attached summary is confidential;
- b. Approval of the MBGF-CSP proposal contained herein and;
- c. Subject to available funding under the MBGF-CSP at the time of closing (“Available Funding”), completion of due diligence, the results of which are satisfactory to the MEDC (collectively, “Due Diligence”), finalization of a MBGF-CSP Cash Collateral Deposit Agreement, and further subject to the following terms and conditions:

Facility 1 – Paramount Baking Co., Inc. and JMPHanna, LLC

Borrower:	Paramount Baking Co., Inc. and JMPHanna, LLC.
Lender:	First State Bank
Loan Amount:	up to \$2,130,596
MSF Cash Collateral:	up to \$1,063,167
Loan Type:	Term note featuring 5 year term/15 year amortization
Fees:	Tier II: 1.75% at Closing 1.00% annually thereafter on the MSF Share Balance.

Other

- Commitment will remain valid for 90 days with approval for MSF Fund Manager to extend the commitment an additional 30 days.

- Unlimited, unsecured personal guaranty of Joseph Hanna
- Unlimited, unsecured personal guaranty of Maryanne Spryszak-Hanna
*Guarantees are for the benefit of the MSF, subordinated to the senior lender and limited by senior lender's exposure at time of closing, but the subordination of the guarantees to the MSF in favor of the senior lender may not exceed a principal balance of \$3,330,596, along with reasonable interest and fees.
- The proposed financing will be subject to a debt service coverage ratio, as calculated by the Bank. Required minimum debt service coverage ratio will be set at a level acceptable to Bank and CST.

SUMMARY OF DESIGNATED INFORMATION

MICHIGAN STRATEGIC FUND CONFIDENTIALITY LOG

MBGF-CSP

Per MSF Approval of the Staff Recommendation dated January 30, 2017

Name of Applicant	Summary of Designated Information
Paramount Baking Co., Inc./JMPHanna, LLC 29790 Little Mack Roseville, MI 48066 and any related borrowers and guarantors; and First State Bank, (collectively, "Interested Parties to the Proposed Transaction")	Any portion of any documents or record of any kind containing any of the following business or personal information pertaining to any of the Interested Parties to the Proposed Transaction: Financial statements (including without limitation, income statements, balance sheets, statements of cash flow and profit and loss statements), ratio analysis, appraisals and other appraisal reporting, collateral analysis, accounts receivable aging reports, customer names and lists, tax returns, credit reports, social security or other tax identification numbers, and any analysis, report or record of any kind by or on behalf of any of the Interested Parties to the Proposed Transaction containing any of the foregoing information.

MICHIGAN STRATEGIC FUND

RESOLUTION 2017

**SSBCI MBGF-CSP
APPROVAL OF COLLATERAL SUPPORT AGREEMENT FOR
PARAMOUNT BAKING CO., INC./JMPHANNA, LLC AND RELATED BORROWERS**

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 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, On June 21, 2011, the US Department of Treasury approved the State of Michigan, through the MSF, to receive and disburse SSBCI funds within the SSBCI Programs created by the MSF;

WHEREAS, the Michigan Economic Development Corporation (“MEDC”) provides administrative services for the Michigan Strategic Fund (“MSF”) for SSBCI Programs, including the MBGF-CSP;

WHEREAS, First State (“Bank”) has proposed new credit facilities to Paramount Baking Co., Inc./JMPHanna, LLC and/or related borrowers (the “Proposed Borrowers”) of \$2,130,596 for a real estate term loan;

WHEREAS, Proposed Borrowers have requested collateral support from the MSF under the MBGF-CSP in an amount not to exceed the lesser of: (i) \$1,063,167 or (ii) up to 49.9% of the total amount of the Bank loan (“MBGF-CSP Support”);

WHEREAS, the MEDC has reviewed the Bank’s current credit documents for the Proposed Borrowers, and recommends that the MSF Board approve the MBGF-CSP Support, subject to: (i) available funding, and final due diligence performed, to the satisfaction of the MEDC; and (ii) execution of the MBGF-CSP Agreement within 90 days of the date of this Resolution (“Time Period”), or the collateral support approvals under this Resolution shall have no effect; provided however, at the sole discretion of the MSF Fund Manager, the Time Period may be extended for up to an additional 30 days;

NOW, THEREFORE, BE IT RESOLVED, the MSF approves the MBGF-CSP Support subject to: (i) available funding, and final due diligence performed, to the satisfaction of the MEDC; and (ii) execution of the MBGF-CSP Agreements within 90 days of the date of this Resolution (“Time Period”), or the loan participation support approvals under 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; and

BE IT FURTHER RESOLVED, that the MSF Fund Manager is authorized to negotiate all final terms and conditions and to execute the MBGF-CSP Agreement on behalf of the MSF, so long as the final terms and conditions are not materially adverse to the MSF.

Ayes:

Nays:

Recused:

Lansing, Michigan

January 30, 2017

MEMORANDUM

Date: January 30, 2017

TO: Michigan Strategic Fund Board

From: Christopher Cook, Director of Capital Access

Subject: *Private Activity Bond – Inducement
Consumers Energy Company
Solid Waste - \$200,000,000 – New*

Request:

Consumers Energy Company (Consumers) is requesting private activity bond financing for the purpose of issuing bonds (the “Series 2017 Bonds”).

Background:

Consumers is a Michigan corporation engaged in providing electric and gas service to approximately 6.7 million of Michigan’s 10 million residents in the Lower Peninsula. Consumers is the principal subsidiary of Jackson-based CMS Energy Corporation. Consumers employs more than 7,000 men and women in the State of Michigan.

Description of Project:

Consumers is seeking bond financing to pay the costs of the construction, associated issuance costs and capitalized interest for the following project:

Consumers indicates in April of 2015 the United States Environmental Protection Agency (“EPA”) issued the Coal Combustion Residual Resource Conservation and Recovery Act Rule (40 CFR 257 Subpart D) (“CCR RCRA Rule”) to regulate the beneficial use and disposal of CCR materials generated at coal-fired electrical power generating complexes. The CCR RCRA Rule adopts minimum standards for beneficially reusing and disposing of non-hazardous CCRs. The rule establishes new minimum requirements for site location, groundwater monitoring, flood protection, storm water design, fugitive dust control, and public disclosure of information. The CCR RCRA



Rule also sets out conditions under which CCR units would be forced to cease receiving CCR and non-CCR waste and initiate closure based on the inability to achieve minimum safety standards, meet a location standard, or meet minimum groundwater standards. In accordance with the CCR RCRA rule, any CCR surface impoundment or CCR landfill that was actively receiving CCRs on the effective date of the CCR RCRA rule was deemed to be an “Existing CCR Unit” on that date and subject to self-implementing compliance standards and schedules.

Consumers’ environmental strategy to comply with the self-implementing requirements of the CCR RCRA Rule (RCRA Program) is estimated to cost \$200 million through 2020.

RCRA Program costs are allocated among nine major projects at the five Consumers locations described below:

1. D. E. Karn Generating Plant located at 2742 N. Weadock Highway in Essexville, Bay County, Michigan. Estimated expenditures totaling \$80 million related to the closure of Bottom Ash Pond, landfill closure and installation of new Bottom Ash Tanks.
2. J. H. Campbell Generating Facility located at 17000 Croswell Street in West Olive, Ottawa County, Michigan. Estimated expenditures totaling \$50 million related to the closure and capping of Bottom Ash Ponds and installation of new Bottom Ash Tanks.
3. B. C. Cobb Generating Facility located at 151 North Causeway in Muskegon, Muskegon County, Michigan. Estimated expenditures totaling \$25 million related to the closure and capping of Bottom Ash Ponds and Ponds.
4. J. B. Whiting Plant located at 4525 E. Erie Road in Erie, Monroe County, Michigan. Estimated expenditures totaling \$25 million related to the closure and capping of Ponds.
5. J. C. Weadock Generating Facility located at 2555 N. Weadock Highway in Essexville, Bay County. Estimated expenditures totaling \$20 million related to the closure and capping of Bottom Ash Ponds.

Plans of Finance:

Consumers regularly works with groups of investment banking firms in the marketing of its securities. Consumers is in discussions with investment banking firms specifically related to tax-exempt financing and has received interest in assisting with the marketing of the bonds. A Letter of Intent will be obtained once Consumers selects a firm and will forward a copy of the letter as a supplement to the application.

Consumers has indicated it may be advantageous to enhance the credit quality of the bonds by obtaining one or more letters of credit in favor of the trustee from a highly-rated bank or banks, which will help reduce the interest rate borne by the bonds.

Recommendation:

After reviewing the Private Activity Bond application for Consumers, staff finds this project meets the requirements for an Inducement Resolution in the amount of \$200,000,000.

MICHIGAN STRATEGIC FUND

INDUCEMENT RESOLUTION

2017 –

CONSUMERS ENERGY COMPANY

WHEREAS, Consumers Energy Company, a Michigan for profit corporation (the “Company”), is presently located at One Energy Plaza, Jackson, Michigan 49201;

WHEREAS, the Company desires to comply with the self-implementing requirements of the EPA issued Coal Combustion Residual Resource Conservation and Recovery Act Rule to regulate the beneficial use and disposal of coal combustion residuals materials generated at coal-fired electrical power generating complexes and utilize bond proceeds for financing the costs of construction, associated issuance costs and capitalized interest. The proposed project locations are at the Company’s existing facilities in Essexville, Bay County; West Olive, Ottawa County; Muskegon, Muskegon County; and Erie, Monroe County (the “Project”);

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

WHEREAS, the Company has advised the MSF that the cost of the Project will not exceed Two Hundred Million Dollars (\$200,000,000);

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

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

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

1. The MSF intends to provide the Loan to the Company subject to the conditions of this Resolution.
2. The Loan shall be designated for the Project in accordance with the Company's Tax-Exempt Application Form dated December 22, 2016.

3. The maximum principal amount of the bonds (the "Bonds") expected to be issued to provide the Loan to finance the Project shall not exceed Two Hundred Million Dollars (\$200,000,000). The Company shall be obligated to make loan repayments in an amount sufficient to assure full repayment of the Bonds, establish appropriate reserves and pay costs and expenses relating to the issuance of the Bonds and the making of the Loan.

4. The MSF's obligation to issue the Bonds and make the Loan shall be conditioned upon a) the ability of the MSF to issue, sell and deliver the bonds under applicable federal and state laws, b) receipt of an allocation from the State Treasurer pursuant to 1988 PA 496 as it relates to limitations on the issuance by states of private activity bonds under the Code, and c) any prioritization, fee schedules or other requirements or limitations implemented by the MSF or the State Treasurer.

5. The MSF's obligation to make the Loan and issue the Bonds contemplated by this Resolution shall expire two years after the date of this Resolution.

6. The Loan may be evidenced by a promissory note and secured by such instruments as are in form and substance satisfactory to the MSF, the Attorney General of the State of Michigan (the "Attorney General") and bond counsel to the MSF, including a loan agreement, indenture, first mortgage, security agreement and such additional security as may be required by the MSF or purchaser of the Bonds.

7. Subject to compliance with this Resolution, the MSF will authorize a bond resolution approving the issuance of the Bonds (the "Bond Resolution") for the purpose of making the Loan and funding the reserves and costs associated with the issuance and administration of the Bonds, and enter into a loan agreement and related documents with the Company and a bond purchase agreement with a bond purchaser, which documents shall be subject to the approval of the Attorney General and bond counsel to the MSF.

8. The Bonds shall not be general obligations of the MSF but shall be payable as to principal and interest solely from the proceeds of the payments to be made by the Company to the MSF (or to a trustee appointed by the MSF pursuant to the Bond Resolution), as provided in the Bond Resolution. The agreements relating to the Loan and the issuance of the Bonds shall contain such provisions as will be necessary to make absolutely certain that under no circumstances will the Bonds or this Resolution be a debt or obligation of the State of Michigan or a general obligation of the Michigan Strategic Fund, nor will the State of Michigan be liable on the Bonds.

9. All costs and expenses involved in the authorization, issuance, sale, and delivery of the Bonds and in the making of the Loan shall be paid from the Bond proceeds or, if they are insufficient, by the Company.

10. The staff of the MSF is authorized and directed to initiate the proceedings described in this Resolution and to enter into negotiations, subject to the approval of the MSF, with a bond purchaser for the sale of the Bonds. Any authorized signatory is authorized to prepare and file with the Michigan Department of Treasury a request for allocation as it relates to the State limitations on the issuance of private activity bonds.

11. Bond counsel to the MSF and the Attorney General are authorized and directed to prepare and submit to the appropriate parties all proceedings, agreements and other documents as shall be necessary or appropriate in connection with the issuance of the Bonds and to make applications on behalf of the MSF to the United States Internal Revenue Service and to other governmental agencies for such income tax and other rulings and approvals as may be necessary in relation to the issuance of the Bonds. Any authorized signatory is authorized to execute such powers of attorney and other documents as may be appropriate in connection with the foregoing. All costs and expenses pertaining to the above matter shall be paid from the bond proceeds or by the Company.

12. A preliminary official statement or other offering materials may be used in connection with the sale of the Bonds; provided, however, that no preliminary official statement or other offering materials shall be circulated unless any description of the MSF, the Bonds and documents to which the MSF is a party shall have been approved by bond counsel to the MSF and the Attorney General.

13. All resolutions and parts of resolutions insofar as they conflict with this Resolution are rescinded.

Ayes:

Nays:

Lansing, Michigan
January 30, 2017

MEMORANDUM

Date: January 30, 2017

To: Michigan Strategic Fund Board

From: Christopher Cook, Director, Capital Access

Subject: *Private Activity Bond – Request for Change in Documents
Samaritas f/k/a Lutheran Social Services of Michigan
Nonprofit – Amendment*

Request

Samaritas f/k/a Lutheran Social Services of Michigan (the “Borrower”) is requesting the MSF Board approve an amendment to the Series 2015 Bond Indenture to extend the drawdown period for advances under the Series 2015 Bonds until July 31, 2018. The extension will grant the Borrower sufficient time to complete the project and drawdown all bond proceeds.

Background:

Borrower was first incorporated as Lutheran Inner Mission League in 1934 with its name changing to Lutheran Social Services of Michigan in 1959, and in 2016 changing to Samaritas. Borrower has three primary areas of service: Senior Living, Children & Families, and Home & Community.

The Luther Manor facility, located in Saginaw, has been a provider of comprehensive nursing care and rehabilitation therapy in the Saginaw community for more than 46 years.

The MSF issued bonds in 2015 for the purpose of refunding \$15,540,000 for the outstanding principal amount of the Michigan Strategic Fund Variable Rate Demand Limited Obligation Revenue and Refunding Bonds (Lutheran Social Services Project), Series 2003 Bonds, which were originally issued in the principal amount of \$19,195,000; and to fund \$7,000,000 for a project at the Borrower’s Luther Manor location in Saginaw, Michigan, and to pay certain costs related to the issuance of the bonds.

The Borrower is requesting MSF Board approval for a change in documents as follows:

The Michigan Strategic Fund and Fifth Third Bank, as Depository, entered into a July 1, 2015 Bond Indenture for the issuance of up to \$22,825,000 in principal amount of Michigan Strategic Fund Limited Obligation revenue and Revenue Refunding Bonds (Lutheran Social Services of Michigan Project), Series 2015. The Series 2015 Bonds were issued as drawdown bonds and the drawdown period ends January 1, 2017. Fifth



Third Commercial Funding, Inc. (Bondholder) and Samaritas would like to extend the draw down period to July 31, 2018. This requires an amendment to the definition of “Advance End Date” in the Bond Indenture. The current definition states:

“Advance End Date” means the earlier of (i) January 1, 2017 and (ii) the date on which the initial Bank Purchaser receives written notice from the Borrower signed by an Authorized Borrower Representative (which notice shall be irrevocable) informing the initial Bank Purchaser that the Borrower will not request further Advances of the principal of the Bond and acknowledging that the initial Bank Purchaser shall have no further obligation to make further Advances of the principal of the Bonds.

The Borrower is requesting that the Advance End Date be amended and restated to July 31, 2018 in the above language.

Recommendation:

Staff is recommending approval of the amending resolution to amend the Bond Indenture.

MICHIGAN STRATEGIC FUND

RESOLUTION

2017-

At a meeting of the Michigan Strategic Fund (the “MSF”) held on January 30, 2017, in Lansing, Michigan, the following motion was moved and supported:

WHEREAS, the MSF has issued its Limited Obligation Revenue and Revenue Refunding Bonds (Lutheran Social Services of Michigan Project), Series 2015 in the aggregate principal amount of not to exceed \$22,825,000 (the “Bonds”) for the benefit of Samaritas (f/k/a Lutheran Social Services of Michigan), a Michigan nonprofit corporation (the “Borrower”), pursuant to a Bond Indenture dated as of July 1, 2015, between the MSF and Fifth Third Bank, as Depository (the “Depository”) (the “Indenture”); and

WHEREAS, the MSF designated the Bonds as a “draw-down loan” within the meaning of Treas. Reg. 1.150-1(c)(4)(i) and the Indenture permitted advances of the Bond proceeds upon the terms and conditions set forth in the Indenture until the “Advance End Date”;

WHEREAS, Section 802 of the Indenture permits the Borrower and the Fifth Third Commercial Funding, Inc. (the “Bank Purchaser”) to amend the Indenture with the consent of the MSF and the Depository;

WHEREAS, the Borrower has requested the MSF and the Depository consent to the amendment of the Indenture in order to extend the Advance End Date from January 1, 2017 to July 31, 2018 (the “Amendment”); and

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

1. The MSF approves the Amendment of the Indenture in substantially the form on file with the MSF, subject to the condition that the Borrower and the Bank Purchaser consent to the Amendment and the Amendment is executed by the Depository.
2. Upon receipt by staff of the MSF of the documentation required by this resolution, any Authorized Officer is authorized to execute and deliver the Amendment, in substantially the form approved, with any changes that are considered necessary in the opinion of the staff after consultation with the Department of Attorney General to carry out the matters approved by this resolution.

3. This resolution shall become effective upon adoption. If the Amendment to the Indenture is not executed and delivered by February 24, 2017, together with all other documentation executed pursuant to this resolution, the authority granted by this resolution shall lapse.

Adopted.

Ayes:

Nays:

Recusals:

January 30, 2017 Meeting
Lansing, Michigan

2016-0161497-A/MSF Lutheran Social Services Amendment/Resolution

MEMORANDUM

DATE: January 30, 2017
TO: Michigan Strategic Fund (“MSF”) Board Members
FROM: Lisa Pung, Director, Community Incentives
SUBJECT: Quarterly Report of Delegated Approvals of Brownfield Act 381 Work Plans

On December 31, 2012, The Brownfield Redevelopment Financing Act (Act 381) was amended to allow the chairperson of the Michigan Strategic Fund delegated approval of work plans that consist of tax capture of less than \$500,000. Listed below is a synopsis of the delegated work plans that were approved during the first quarter of the 2017 fiscal year.

If you would like additional information on a project, please let us know.

Project Name	Approval Date	Location	Approved TIF Amount	Jobs	Investment
Axle Brewing Company	10/20/2016	Ferndale	\$212,503	10	\$2,800,000
216/220 West Michigan	10/21/2016	Kalamazoo	\$160,958	18	\$2,409,138
WSF 2015, LLC Redevelopment	12/22/2016	Holland	\$456,250	2	\$5,207,544
Total			\$829,711	30	\$10,416,682

MEMORANDUM

Date: January 30, 2017

To: Michigan Strategic Fund Board

From: Christine Whitz, Director, Community Development Block Grant Program

Subject: *Community Development Block Grant Program
Quarterly Report of Delegated Approvals (October – December 2016)*

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

Grantee	Approval Date	CDBG Funds	Brief Summary of Project
City of Marshall	10/19/16	\$20,000	The City requested an increase of \$20,000 to their existing CDBG Rental Rehabilitation Grant. The funds will help cover increased building materials and construction from the original cost estimates.
City of Mason	10/31/16	\$60,000	The City requested an increase of funds to their existing CDBG Rental Rehabilitation grant. The funds will cover rising cost of building materials and plumbing construction.
City of Chelsea	12/20/16	\$525,000	The City requested \$525,000 for blight elimination and rehabilitation needed for the Mack Building on 110 Jackson Street. The City expects that this project could result in private investment of \$792,763.
Total CDBG Funds for Quarter		\$605,000	

MEMORANDUM

DATE: January 30, 2017

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

FROM: Josh Hundt, Vice President, Business Development Projects
Lisa Pung, Director, Community Incentives

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

On December 21, 2011, the MSF Board approved the Michigan Business Development Program (“MBDP”) and the Michigan Community Revitalization Program (“MCRP”). Both programs allow for delegated approval of projects that have incentives of \$1 million or less. Listed below is a synopsis of the delegated deals that were approved during the first quarter of the 2017 fiscal year.

If you would like additional information on a project, please let us know.

MBDP APPROVALS

Project Name	Approval Date	Location	Incentive Approved	Jobs	Investment
Lenderfull	10/19/2016	Pontiac	\$800,000	118	\$1,750,000
Flex-N-Gate	10/19/2016	Shelby Township	\$900,000	242	\$11,007,240
Vickers Engineering	10/20/2016	Troy	\$160,000	53	\$5,102,500
Creative Foam Corporation	10/20/2016	Flint	\$550,000	110	\$6,805,500
2 nd Chance Wood	10/20/2016	Durand	\$250,000	60	\$2,500,000
ABB	10/27/3016	Auburn Hills	\$250,000	40	\$9,135,000
SF Motors	10/28/2016	Ann Arbor	\$1,000,000	150	\$10,747,820
Humanetics Innovation Solutions	11/3/2016	Farmington Hills	\$350,000	52	\$19,163,093
Mophie	11/8/2016	Kalamazoo	\$375,000	65	\$685,000
Sigma Machine	11/11/2016	Kalamazoo	\$350,000	58	\$27,800,000

MBDP and MCRP Delegated Approvals

January 30, 2017

Page 2 of 2

NxGen MDx	11/14/2016	Grand Rapids	\$250,000	37	\$2,869,000
Dorel Home Furnishings	12/2/2016	Dowagiac	\$348,000	87	\$2,000,000
CUP Acquisition dba Custom Machine	12/12/2016	Grand Rapids	\$216,000	54	\$2,286,550
NVINT Services	12/14/2016	Caledonia	\$175,000	26	\$364,000
Kerkstra Precast	12/15/2016	Trenton	\$300,000	54	\$16,223,595
Valeo North America	12/27/2016	Auburn Hills	\$1,000,000	290	\$4,968,266
PJ Wallbank Springs	12/29/2016	Port Huron	\$350,000	68	\$803,000
Fuyao Automotive North America	12/31/2016	Plymouth	\$1,000,000	533	\$66,300,000
SW – North America	12/31/2016	Lyon Township	\$400,000	56	\$9,625,000

MCRP APPROVALS

Project Name	Approval Date	Location	Incentive Approved	Jobs	Investment
MidTown Lofts, LLC	10/19/2016	Port Huron	\$83,126	4	\$432,504
216/220 WM, LLC	10/21/2016	Kalamazoo	\$387,147	18	\$2,409,138
Hinman Lake, LLC	10/31/2016	Muskegon	\$450,600	2	\$2,603,125
BGR Investments, LLC & Big Boiler Brewing, LLC	12/22/2016	Lowell	\$193,200	16	\$1,189,342

**MSF DELEGATED AUTHORITY QUARTERLY UPDATE
FOR 21CJF LOAN PORTFOLIO
BOARD MEETING – JANUARY 30, 2017**

FOR QUARTER ENDED DECEMBER 31, 2016

BACKGROUND

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

APPROVALS BY AUTHORIZED DELEGATE

No actions were approved pursuant to the Delegation of Authority between October 1, 2016 and December 31, 2016.