

MICHIGAN STRATEGIC FUND BOARD MEETING

April 25, 2012

1:30 p.m.

Michigan Economic Development Corporation

300 N. Washington

Lake Michigan Conference Room

Lansing, Michigan

REVISED AGENDA

Call to Order

A. Adoption of March 28, 2012 Minutes [Action Item]

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

Communication [Information – Ellen Graham]

B. Quarterly Report of Delegated Approvals for the Michigan Business Development Program and Michigan Community Revitalization Program [Information Item – Mark Morante]

C. Michigan Business Development Program [Action Item – Marcia Gebarowski]

1. Hyundai America Technical Center, Inc.
2. Sakthi Automotive Group USA Inc.

D. Private Activity Bonds – [Action Item – Diane Cranmer]

1. Private Activity Bond – Other
Red Arrow Dairy, LLC - Supplemental Indenture
2. Private Activity Bond - Inducement
The Gilbert Residence - \$10,000,000 – New Financing/Refinancing / Non-Profit – Ypsilanti, Washtenaw County
3. Private Activity Bond – Authorizing
MANS, LLC c/o Moeller Aerospace Technology, Inc. – New Financing/Manufacturing – NTE \$6,300,000 – Little Traverse Township, Emmet County

E. Community Development Block Grant Program

1. Authorize Solicitation for Technical Assistance Proposals for CDBG Grantee Process and Compliance Handbook [Action Item – Deborah Stuart]
2. Quarterly Report of CDBG Funds [Information Item – Deborah Stuart]

F. Tool & Die Recovery Zones [Action Item – Karla Campbell]

1. TG Manufacturing
2. Paslin Company
3. Approval of Tool & Die Recovery Zone Amendment, Time Extension, and Transfer of Ownership Application Form

G. 21st Century Jobs Fund Program

1. Credit Suisse Quarterly Update [Information Item – Mike Flanagan]
2. Pure Michigan Venture Development Fund [Action Item – Mike Flanagan]
3. MSDF and SSBCI MSF Delegated Authority Quarterly Report [Information Item – Elisabeth Alexandrian]
4. Cherry Growers, Inc. [Information Item – Eric Hanna]
5. Request for Approval of Modifications to the Capital Conduit Program: Real Estate Initiative Guidelines and Operating Company Initiative Guidelines [Action Item – Eric Hanna]

- a. Request for Approval of Modifications to the Capital Conduit Program and Associated Real Estate Initiative and Operating Company Initiative Guidelines
 - b. Request for Approval of Revised Business Terms for a Loan Facility with Develop Michigan, Inc. of up to \$500,000 and a Commercial Loan Guarantee Program for up to a total of \$19,500,000
 - c. Request for Approval of Revised Business Terms for a Loan Facility with Grow Michigan, LLC of up to \$500,000 and an Investment in Grow Michigan, Inc. of up to \$9,500,000
6. MSF Delegated Authority Quarterly Update for 21CJF Loan/Grant Portfolio [***Information Item – Michael Psarouthakis***]

**MICHIGAN STRATEGIC FUND BOARD MEETING
MARCH 28, 2012**

PROPOSED MEETING MINUTES

A meeting of the Michigan Strategic Fund [MSF] Board was held on Wednesday, March 28, 2012 at the Michigan Economic Development Corporation, 300 N. Washington Square, Lansing, Michigan.

MEMBERS PRESENT: Steve Hilfinger, Paul Hodges, Sabrina Keeley [via phone], Andrew Lockwood [acting for and on behalf of Andy Dillon, designation attached], Bill Martin, Howard Morris, Jennifer Nelson [acting for and on behalf of Mike Finney, designation attached], Jim Petcoff [via phone], Richard Rassel, Shaun Wilson

MEMBERS ABSENT: Mike Jackson

CALL TO ORDER: Ms. Nelson called the meeting to order at 1:32 p.m.

APPROVAL OF THE FEBRUARY 27, 2012 MEETING MINUTES: Ms. Nelson asked if there were any questions from the Board. There being none, **Mr. Lockwood motioned approval of the February 27, 2012 MSF Board meeting minutes. Mr. Rassel seconded the motion.** The motion carried – 9 ayes; 0 nays; 0 recused; 2 absent.

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

COMMUNICATIONS: Ellen Graham, Board Relations Liaison, advised the Board Mr. Petcoff and Ms. Keeley would be attending by phone. Mr. Wilson had provided a recusal letter for Item B.1. Private Activity Bonds, Prefix Corporation. Ms. Nelson had provided a recusal letter for Item F.2. under the 21st Century Projects, NRG. Changes to the packet were made to the Board Memo for Item D., Renaissance Zones – Amendment Approval. Changes had been made to the Board memo for Item E., Tool & Die Recovery Zones. Changes had been made to the Term sheet attached to the Board memo for Item F.2. A signed copy of the MSF Decision Documents had been placed behind agenda items F.3 and 4.

PRIVATE ACITIVTY BONDS

[Shaun Wilson recused]

Resolution 2012-26 – Prefix Corporation and Co-borrowers: Prefix Coatings and Kim-Fix

Diane Cranmer, IDR Specialist, provided the Board with information regarding this item and introduced guests: James Adsit, President and COO; and Jennifer Orton, Manager of Human Resources. Mr. Adsit provided the Board with an overview of the project. The project will include acquisition of land which includes a preexisting building, rehabilitation of the facility, and installation of machinery and equipment. The company is a modular component manufacturer that will be Tier 1 for Chrysler on a new vehicle.

Recommendation: Staff recommends the adoption of an Inducement Resolution in the amount of \$5,000,000 for this project.

Board Discussion: Ms. Nelson inquired about the type of jobs needed by the company. Mr. Adsit responded they were manufacturing in nature, but also included stocking, shipping, receiving as well as office jobs. There being no further questions, **Mr. Martin motioned approval for Resolution 2012-26. Mr. Hodges seconded the motion.** The motion carried – 8 ayes; 0 nays; 1 recused, 2 absent.

[Shaun Wilson returns.]

[Howard Morris arrives.]

Resolution 2012-27 – Apogee Enterprises

Ms. Cranmer provided the Board with information regarding this action item and introduced guest – Craig Hammond, Bond Counsel, Dickinson Wright PLLC.

Mr. Hammond provided the Board with an overview of the project. The Company proposes to finance or reimburse the costs of the acquisition, construction, installation, renovation, furnishing and equipping two of its manufacturing facilities.

Recommendation: Staff recommends the adoption of a bond Authorizing Resolution for an amount not to exceed \$10,000,000.

Board Discussion: Ms. Nelson asked if there were any questions from the Board. There being none, **Mr. Lockwood motioned approval for Resolution 2012-27. Mr. Martin seconded the motion.** Ellen Graham, MEDC, took a Roll Call Vote:

ROLL CALL:

Ayes: Steve Hilfinger, Paul Hodges, Sabrina Keeley [via phone], Andrew Lockwood [acting for and on behalf of Andy Dillon, designation attached], Bill Martin, Howard Morris, Jennifer Nelson [acting for and on behalf of Mike Finney, designation attached], Jim Petcoff [via phone], Richard Rassel, Shaun Wilson

Nays: None

Recused: None

The motion carried – 10 ayes; 0 nays; 0 recused; 1 absent.

COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

Resolution 2012-28 – Community Development Block Grant Program – 2012 Consolidated Plan

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

Ms. Stuart advised the Board the Consolidated Plan addresses housing and community development needs in the State of Michigan. According to the U.S. Department of Housing and Urban Development [HUD], the Consolidated Plan creates an opportunity for strategic planning and citizen, local governments, community organizations to address how the proposed programs will operate.

Recommendation: Staff recommends the MSF authorize the Fund Manager to submit the final CDBG 2012 Action Plan as part of the Consolidated Plan, in coordination with the Michigan State Housing Development Authority [MSHDA], to HUD for their consideration.

Board Discussion: Ms. Nelson asked if there were any questions from the Board. Mr. Hilfinger asked if the allocation was up or down from past years. Ms. Stuart replied there had been a decrease of approximately \$30 million. However, the decrease for the State of Michigan is not down comparatively to other states. Mr. Rassel requested that staff provide the Board with a quarterly update of the CDBG balances. Ms. Stuart advised staff will comply. Ms. Nelson asked if there were any additional questions

from the Board. There being none, **Mr. Wilson motioned approval for Resolution 2012-28. Mr. Martin seconded the motion.** The motion carried – 10 ayes; 0 nays; 0 recused; 1 absent.

RENAISSANCE ZONE PROGRAM

Resolution 2012-29 – Renaissance Zone Amendment Application Approval

Karla Campbell, Tax Incentive Manager, provided the Board with information regarding this action item.

Ms. Campbell advised the Board past requires applications related to the Michigan Renaissance zone program must be approved by the Michigan Strategic Fund [MSF]. In the past, staff requested companies submit a letter stating changes they requested with respect to their existing Renaissance Zone. Staff has found information received more accurate and precise when using an application where specific information is requested rather than a submission of a letter. The application will also assist staff with obtaining compliance information with respect to existing Renaissance Zone Development Agreements.

Recommendation: Staff recommends approval of the Renaissance Zone Amendment Application.

Board Discussion: Ms. Nelson asked if there were any questions from the Board. Mr. Hilfinger inquired regarding the compliance issues and what information staff is looking to obtain. Ms. Campbell responded MIOSHA violations were the most common. Ms. Nelson asked if there were any additional questions from the Board. There being none, **Mr. Martin motioned approval for Resolution 2012-29. Mr. Lockwood seconded the motion.** The motion carried – 10 ayes; 0 nays; 0 recused; 1 absent.

TOOL & DIE RECOVERY ZONES

Resolution 2012-30 – Advanced Integrated Tooling Solutions, LLC

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

The Michigan Economic Development Corporation [MEDC] has received a new resolution passed by the Charter Township of Chesterfield supporting an MSF approved extension for an additional three years. The Tool & Die Recovery Zone designation has allowed Advanced Integrated Tooling Solutions, LLC to commit to additional investment and job growth. Ms. Campbell added the Company has also received an eight year MEGA credit.

Recommendation: Staff recommends a three-year extension of the Recovery Zone duration on real property designated for Advanced Integrated Tooling Solutions, LLC, bringing the designation to a total of eight years with a new expiration date of 2018 rather than 2015.

Board Discussion: Ms. Nelson asked if the Company had collected on the MEGA tax credit. Ms. Campbell responded affirmatively. Ms. Nelson asked if there were further questions from the Board. **There being none, Mr. Martin motioned approval for Resolution 2012-30. Ms. Keeley seconded the motion.** The motion carried – 10 ayes; 0 nays; 0 recused; 1 absent.

21st CENTURY JOBS FUND PROGRAM

Resolution 2012-31 – Michigan Official Travel Guide RFP

George Zimmerman, Vice President, Travel Michigan, provided the Board with information regarding this action item.

Mr. Zimmerman explained to the Board for the last 20 years, Travel Michigan has produced Michigan Travel Ideas – a four-color, four-season official state travel guide in conjunction with a private-sector publisher. The publication, which includes advertising opportunities for Michigan travel-related businesses, has proven to be a comprehensive and cost-effective travel guide. The target distribution areas are Illinois, Indiana, Ohio, Wisconsin, Michigan and the city of St. Louis, Missouri. Mr. Zimmerman further stated the Department of Technology, Management and Budget, via letter dated

March 15, 2012, delegated to the MSF the authority to issue an RFP to solicit a vendor to develop and distribute the official Pure Michigan Travel Guide.

Recommendation: Staff recommends the MSF Board approve the release of the Travel Guide RFP.

Board Discussion: Ms. Nelson asked if there were any questions from the Board. Mr. Hilfinger inquired about the cost of the RFP. Mr. Zimmerman responded it would be approximately \$1 million. Mr. Martin asked who had been designated as the publisher. Mr. Zimmerman responded the Meredith Company, from Des Moines, Iowa. Ms. Keeley if this would be a one-year contract. Mr. Zimmerman responded the contract was designated for three years, with a two year extension. There being no further questions, **Mr. Russel motioned approval for Resolution 2012-31. Mr. Hodges seconded the motion.** The motion carried – 10 ayes; 0 nays; 0 recused; 1 absent.

[Jennifer Nelson Recused]

Resolution 2012-32 – Limo-Reid, Inc., d/b/a NRG Dynamix Senior Bridge Financing Agreement

Michael Psarouthakis, Vice President, Business Acceleration, and Michael Flanagan, Manager, Equity Capital Program, provided the Board with information on this action item.

Mr. Psarouthakis advised the Board Limo-Reid Inc., d/b/a NRG Dynamix [NRG] received a 2008 21st Century Jobs Fund loan for the development, commercialization and sale of a novel Hydraulic Hybrid Power Train targeting the light and medium truck markets. NRG has leveraged the MSF loan with an additional \$4+ million over the past three years, including convertible loans from Khosla Ventures and Ridgewood Capital. NRG has also faced some technical and commercialization hurdles that have delayed bringing their product to market as originally planned, but the company has recently overcome many of these issues and is optimistic on making significant progress in 2012 and 2013 until the investment negotiations fell through. As a result, Ridgewood Capital has proposed a senior bridge financing while they help NRG find a strategic investor or possibly negotiate the acquisition of NRG. Venture and Ridgewood Capital have each advanced \$25,000 to NRG in support of operations. If senior bridge financing terms are approved by the MSF Board, it is proposed the MEDC make the required \$250,000 bridge loan using corporate funds from the Follow on Fund, and to share any profits from this loan on a 50/50 basis with the MSF.

Recommendation: Staff recommends the request of a Senior Bridge Financing arrangement be approved.

Board Discussion: Steve Hilfinger inquired about the term sheet and financing of the loans, he asked if the terms would be the same for all parties including the Senior bridge loan return of 3x of the principal. Mr. Psarouthakis confirmed that the terms were the same for all parties including the MEDC Follow on Fund Loan. Paul Hodges asked why Khosla ventures decided against a second round of equity financing. Mr. Psarouthakis explained that they intended to concentrate on their other portfolio companies. There being no further questions, **Mr. Hilfinger motioned approval for Resolution 2012-32. Mr. Martin seconded the motion.** The motion carried – 9 ayes; 0 nays; 1 recused; 1 absent.

Pure Michigan Venture Match Fund

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

Mr. Psarouthakis advised the Board the investment environment continues to be extremely challenging for Michigan based companies. Under the Pure Michigan Venture Match Fund [PMVM], the Michigan Strategic Fund would provide a match of up to \$500,000 for eligible venture investments in Michigan based on technology companies. Pursuant to Section 88k(8) of the MSF Act, a public hearing was held on February 8, 2012 at the MEDC for the purpose of receiving public comment on the PMVM Fund Program Draft Guidelines and proposed PMVM Fund Resolution. Additionally, staff met with venture

capital family investment offices and other potential investors to provide feedback on the PMVM Fund program at the Michigan Venture Capital Association.

Recommendations: Staff recommends the changes to the definition of a qualified venture capital firm; allowing other non-traditional venture capital investments; simplification of the language in the guidelines; and reduction in the application fee.

Staff recommends an initial funding allocation of \$5,000,000 from the Jobs for Michigan investment fund and that repayment to the MSF from any investment made under the PMVM Fund be automatically returned to the PMVM Fund for future use under the program.

A letter dated January 29, 2012, from the Department of Technology, Management and Budget [DTMB], has delegated authority to the MSF to enter into a contract with an independent peer reviewer to review applications received in response to the PMVM Fund so long as the total cost of the contract is less than \$25,000 and the process used by the MSF to procure these services is conducted in the manner approved by the DTMB to ensure the State a fair and reasonable price as provided in MCL 18.1261(f).

Staff recommends the MSF delegate to the MSF Fund Manager the authority to develop and approve the scoring and evaluation criteria and process to be used by the independent peer experts in evaluating proposals received under the PMVM Fund.

Board Discussion: Ms. Nelson asked about the impact on early stage companies staying viable. Mr. Psarouthakis explained the gap between start-up cost and expanding. He further explained efforts to curtail/penalize companies from leaving the State. Mr. Martin inquired about expectations of number of applications to be received. Mr. Psarouthakis advised staff is aware of 3-4 in the pipeline. The program will be launched on April 2, 2012, with the website going live on March 28th. Mr. Hilfinger asked if the terms and conditions would be the same. Mr. Psarouthakis advised investment terms would remain the same. Companies must commit to a three year stay in the State of Michigan.

Ms. Nelson advised the Board there would be four resolutions to vote on.

Resolution 2012-33 – Approval of Pure Michigan Venture Match Fund

Ms. Nelson asked if there were any further questions from the Board. There being none, **Mr. Hodges motioned approval for Resolution 2012-33. Mr. Morris seconded the motion.** The motion carried – 10 ayes; 0 nays; 0 recused; 1 absent.

Resolution 2012-34 – Allocation of Michigan Venture Matching Fund

Ms. Nelson asked if there were any further questions from the Board. There being none, **Mr. Lockwood motioned approval for Resolution 2012-34. Mr. Rassel seconded the motion.** The motion carried – 10 ayes; 0 nays; 0 recused; 1 absent.

Resolution 2012-35 – Selection of Independent Peer Reviewers, Approval of Peer Process, and Delegation of Authority

Ms. Nelson asked if there were any further questions from the Board. There being none, **Mr. Wilson motioned approval for Resolution 2012-35. Mr. Martin seconded the motion.** The motion carried – 10 ayes; 0 nays; 0 recused; 1 absent.

Resolution 2012-36 – Approval of the Decision Document for the Pure Michigan Venture Match Fund

Ms. Nelson asked if there were any further questions from the Board. There being none, **Mr. Rassel motioned approval for Resolution 2012-36. Mr. Lockwood seconded the motion.** The motion carried – 10 ayes; 0 nays; 0 recused; 1 absent.

Michigan Supplier Diversification Fund [MSDF] – Guideline Modifications

Eric Hanna, Manager, Debt Capital Programs, provided the Board with information on this action item.

Mr. Hanna advised the Board the purpose of the MSDF program was created to promote access to capital for commercial borrowers who are base job creating companies and who, through the increased capital, will provide for employment opportunities and produce added tax revenue benefits in Michigan – Michigan Loan Participation Program [MLPP] and Michigan Collateral Support Program [MCSP]. The intent is to align the program guidelines for these programs. A Public Hearing was held on March 13, 2012 to receive comments and suggestions from the public and other interested stakeholders. There were no attendees. Therefore, staff reviewed the MSDF guidelines proposing a number of changes to clarify the intent of the program. Staff also proposes to review the current delegation under MSDF to match those delegations by the MSF for SSBCI. Staff is proposing quarterly updates to the full MSF Board on actions taken under the Delegation of Authority. Mr. Hanna advised the Board that to date, 70 companies have performed under these guidelines with a 36,000 job commitment, as well as approximately \$1.2 million generated in fees and income.

Recommendation: Staff recommends approval of the revisions of the MSCP and MLPP Guidelines which have been provided; approval of the Delegation of Authority and the delegation of the MSF Fund Manager or MSF Chairperson, with only one required to act, of the authority to revise the MLPP Agreements, Deposit Agreement and any related documents, and to negotiate and execute all final documents on behalf of the MSF, subject to standard due diligence and the availability of funds.

Board Discussion: Ms. Nelson advised there were two resolutions being presented to the Board for approval.

Resolution 2012-37 – Approval of Amendments to the Michigan Loan Participation Program Guidelines and the Michigan Collateral Support Program

Ms. Nelson asked if there were any questions from the Board. There being none, **Mr. Rassel motioned approval for Resolution 2012-37. Mr. Hilfinger seconded the motion.** The motion carried – 10 ayes; 0 nays; 0 recused; 1 absent.

Resolution 2012-38 – Approval of the Decision Document for the Michigan Supplier Diversification Fund

Ms. Nelson asked if there were any questions from the Board. There being none, **Mr. Lockwood motioned approval for Resolution 2012-38. Mr. Wilson seconded the motion.** The motion carried – 10 ayes; 0 nays; 0 recused; 1 absent.

Resolution 2012-39 – Request for a Public Hearing on Modifications to Develop Michigan – Capital Conduit Program: Real Estate Initiative Guidelines and Operating Company Initiative Guidelines

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

The Michigan Strategic Fund [MSF] approved the Capital Conduit Program and, within it the Real Estate Initiative [REI] and corresponding guidelines, as well as the Operating Company Initiative [OCI] and corresponding guidelines on December 21, 2011. The funding set aside for organization and formation activities will still need to be provided as a separate and distinct loan. This will necessitate separate loan agreements.

Recommendation: Staff recommends before adopting a resolution that substantially changes a 21st century investment program including any fees, charges, or penalties attached to that program, the MSF Board is required to hold a public hearing to provide an opportunity for people to present data, views, questions and arguments related to the proposed changes. Staff further recommends the MSF Board approval of a Public Hearing to be held on April 11, 2012.

Board Discussion: Ms. Nelson asked if there were any questions from the Board. There being none, **Mr. Lockwood motioned approval for Resolution 2012-39. Mr. Wilson seconded the motion.** The motion carried – 10 ayes; 0 nays; 0 recused; 1 absent.

Meeting adjourned at 2:22 p.m.

DRAFT



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

ANDY DILLON
STATE TREASURER

January 24, 2012

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

Dear Ms. Graham:

I hereby designate Andrew Lockwood to represent me at MEDC Board meetings I am unable to attend.

Sincerely,

A handwritten signature in cursive script, appearing to read "Andy Dillon".

Andy Dillon
State Treasurer

cc: Andrew Dillon



March 23, 2012

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

Dear Ms. Graham:

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

Sincerely,

A handwritten signature in cursive script that reads "Michael A. Finney".

Michael A. Finney
President & CEO

Michigan Economic Development Corporation
300 North Washington Square | Lansing, MI 48913 | 888.522.0103 | MichiganAdvantage.org | michigan.org



March 28, 2012

Ms. Ellen Graham
Board Liaison – MEDC
300 N. Washington Square
Lansing, MI

Dear Ms. Graham:

This is to advise that I am recusing myself from voting and will leave the meeting room during the discussion of the following items on the Michigan Strategic Fund Board Meeting Agenda on *March 28th, 2012*:

- **NRG**

The reason for my recusal and leaving the meeting room during discussion for this item relates to the fact that I may have a potential conflict of interest with respect to the parties involved in this Agenda item[s].

Sincerely,

A handwritten signature in black ink, appearing to read "Jennifer Nelson". The signature is written in a cursive, flowing style.

Jennifer R.V. Nelson
Chief of Staff and General Counsel



March 26, 2012

Ms. Ellen Graham
Board Liaison – MEDC
300 N. Washington Square
Lansing, MI

Dear Ms. Graham:

This is to advise that I am recusing myself from voting and will leave the meeting room during the discussion of the following items on the Michigan Strategic Fund Board Meeting Agenda on Wednesday, March 28, 2012:

- *Prefix Corporation and Co-Borrowers: Prefix Coatings LLC, Kim-Fix LLC*

The reason for my recusal and leaving the meeting room during discussion for these items relates to the fact that I may have a potential conflict of interest with respect to the parties involved in this Agenda item[s].

Sincerely,

A handwritten signature in black ink that reads "Shaun W. Wilson". The signature is written in a cursive style.

Shaun Wilson
Vice President & Director of Client &
Community Relations
PNC Financial Services Group

The PNC Financial Services Group
755 West Big Beaver Road Suite 2500 Troy Michigan 48064



MEMORANDUM

TO: Michigan Strategic Fund (“MSF”) Board Members
FROM: Mark Morante, Senior Vice President
DATE: April 25, 2012
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 approved deals since the inception of the program through the end of the 2nd quarter of the 2012 fiscal year. Attached is more information on each of the projects. Going forward the report to the MSF Board will be done quarterly during the month following the quarter end.

MBDP APPROVALS

Project Name	Approval Date	Location	Incentive Approved	Jobs	Investment
Panasonic Automotive Systems Company of America	3/5/12	Farmington Hills	\$500,000	60	\$8.16 million
Teijin Advanced Composites America Inc.	3/15/12	Auburn Hills	\$375,000	25	\$7.9 million
Lacks Enterprises, Inc.	3/26/12	Grand Rapids	\$350,000	120	\$31.9 million
Computerized Facility Integration, LLC	3/26/12	Southfield	\$434,500	79	\$.9 million
Magna Seating of America, Inc.	3/26/12	Highland Park	\$732,000	244	\$2.2 million

MCRP APPROVALS

Project Name	Approval Date	Location	Incentive Approved	Jobs	Investment
None approved this quarter					

Michigan Economic Development Corporation

**Panasonic Corporation of North America
d/b/a Panasonic Automotive Systems Company of America**

HISTORY OF THE APPLICANT

Panasonic Corporation of North America d/b/a Panasonic Automotive Systems Company of America (“Applicant”) is a 100% subsidiary of the Panasonic Corporation. The Panasonic Corporation was incorporated in Japan in 1935 and manufactures digital audio and video equipment, home appliances, consumer products and other components & devices. The Panasonic Corporation had annual revenue of \$109 billion for FY2011 and employs nearly 367,000 people worldwide. Panasonic’s automotive work employs about 8,800 people worldwide.

In 2009, the Panasonic Corporation acquired SANYO and is aligning their business units to ensure synergy among operating areas. The Applicant is seeking a location to merge three local offices and expand their operations related to the development of Human Machine Interfaces (HMI), vehicle sound systems and the design & development of electronics for hybrid and electric vehicles. The Applicant has not previously received incentives from the MSF.

PROJECT DESCRIPTION

The Applicant plans to expand their Michigan operations, make investments and create jobs related to the design and development of Human Machine Interfaces (HMI), vehicle sound systems, electronics for electric and hybrid vehicles, and sales & marketing.

- a) The Applicant is a “Qualified Business” that will locate and operate in Michigan.
- b) The project will be located in the City of Farmington Hills. The City has offered a “staff, financial, or economic commitment to the project” in the form of a property tax abatement, which will be considered by City Council on March 5th. The expected length of the abatement is 12 years with an estimated value of \$97,000, according to estimates from the City.
- c) The Applicant has demonstrated a need for the funding based on increased expansion costs relative to other locations in New Jersey and Georgia. The Applicant owns an engineering facility in Peachtree City, Georgia which has available space for this project. The Applicant would receive significant cost savings by locating the project in Georgia.
- d) The Applicant plans to create 60 Qualified New Jobs above a statewide base employment level of 259.
- e) The project meets the program guidelines as follows: the proposed project involves out-of-state competition, a net positive return to Michigan, a reuse of an existing facility, near-term job creation, and high wages.

MBDP INCENTIVE

This project involves the creation of 60 Qualified New Jobs and a capital investment of up to \$8.16 million in the City of Farmington Hills. The MSF approved \$500,000 in the form of a performance-based grant on March 5, 2012.

Teijin Advanced Composites America Inc.

HISTORY OF THE APPLICANT

Teijin Advanced Composites America Inc. (“Applicant”) engages in the research, development and prototyping of carbon fiber reinforced thermoplastic composites for automotive and other large-volume applications. The Applicant is a subsidiary of Teijin Holdings USA Inc., a holding company for Teijin Limited’s North and Latin American subsidiaries, which was incorporated in the United States in 1993.

The Applicant has developed a proprietary method of producing carbon fiber parts which significantly reduces the product’s cycle time and makes use of these fibers in high volume production. The Applicant has announced a co-development program with General Motors to use the technology for their vehicles.

The Applicant has not previously received incentives from the MSF.

PROJECT DESCRIPTION

The Applicant plans to open a new operation in Michigan, make investments and create jobs related to the research, development and prototyping of carbon fiber reinforced thermoplastic composites.

- a) The Applicant is a “Qualified Business” that will locate and operate in Michigan.
- b) The project will be located in the City of Auburn Hills. The City of Auburn Hills has offered a “staff, financial, or economic commitment to the project” in the form of a property tax abatement for eight years.
- c) The Applicant has demonstrated a need for the funding based on a higher personal property tax burden in Michigan and a larger economic development incentive package from other states.
- d) The Applicant plans to create 25 Qualified New Jobs above a statewide base employment level of zero.
- e) The project meets the program guidelines as follows: the proposed project involves out-of-state competition, a net-positive return to Michigan, near-term job creation, and high wages, among other benefits to the state.

MBDP INCENTIVE

This project involves the creation of 25 Qualified New Jobs and a capital investment of up to \$7.9 million in the City of Auburn Hills. The MSF approved \$375,000 in the form of a performance-based grant on March 15, 2012.

Lacks Enterprises, Inc.

HISTORY OF THE APPLICANT

Lacks Enterprises, Inc. (“Lacks”) is a Michigan S Corporation. The company was incorporated in 1961. Lacks is a privately held business headquartered in Grand Rapids, Michigan. Lacks has annual sales of \$360,000,000. At the time of application the company had 2,221 employees in Michigan.

Lacks is an automotive supplier the specializes in trim systems, wheel trim systems, and plastic plating. The company has long-term relationships with global partners such as Audi, Mercedes-Benz, Toyota, Nissan, Ford, Chrysler, and General Motors.

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

PROJECT DESCRIPTION

The Applicant plans to construct a new plant in Michigan, make investments and create jobs related to manufacturing and warehousing plastic plating for the automotive industry.

- a) The Applicant is a “Qualified Business” that is located and operates in Michigan.
- b) The project will be located in Cascade Charter Township. The township has offered a “staff, financial, or economic commitment to the project” in the form of a property tax abatement under PA 198 of 1974. The property tax abatement is for twelve years and has an estimated value of \$1.38 million.
- c) The Applicant has demonstrated a need for the funding based on competitive economic development packages from Indiana, Kentucky, South Carolina, and Virginia.
- d) The Applicant plans to create 120 Qualified New Jobs above a statewide base employment level of 2,221.
- e) The project meets the program guidelines as follows: the proposed project involves out of state competition from Kentucky, South Carolina, and Virginia. Additionally, this project is shovel-ready if located in Michigan, as capital investment is expected to begin May of 2012. This project is expected to result in total capital investment of \$31.9 million.

MBDP INCENTIVE

This project involves the creation of 120 Qualified New Jobs and a capital investment of up to \$31.9 million in the Charter Township of Cascade. The MSF approved \$350,000 in the form of a performance-based grant on March 26, 2012.

Computerized Facility Integration, LLC

HISTORY OF THE APPLICANT

Computerized Facility Integration, LLC (“Applicant”) is a comprehensive provider of consulting and systems integration for real estate and facility management. They provide facility management solutions to business clients by providing software services, consulting, implementation and product support. They work with several software applications including IBM Maximo and TRIRIGA. The Applicant has been in operation since 1998 and has operations in Southfield, Chicago, and New York. They currently employ over 45 people in Michigan.

The Applicant is the largest national technological implementation company for the TRIRIGA product, which will be used to service new contracts for the Applicant. TRIRIGA, which was recently acquired by IBM, is based near Las Vegas and has a niche skill set that makes Nevada an attractive site for the Applicant’s expansion.

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

PROJECT DESCRIPTION

The Applicant plans to expand their existing operations in Southfield, Michigan, make investments and create jobs related to real estate and facility management tools.

- a) The Applicant is a “Qualified Business” that is located and operates in Michigan.
- b) The project will be located in the City of Southfield. The City of Southfield has offered a commitment to the project in the form of a three-year property tax abatement, estimated at \$17,000 in value.
- c) The Applicant has demonstrated a need for the funding based on the location of the TRIRIGA, which will be used to service their expected business growth. The product is headquartered in Las Vegas, Nevada and could find qualified employees by locating in that region. In addition, the Applicant conducted a cost analysis, which indicated higher costs for the Michigan location based on additional employee expenses and higher property taxes.
- d) The Applicant plans to create 79 Qualified New Jobs above a statewide base employment level of 46.
- e) Pursuant to the program guidelines, the following was taken into consideration for the proposed project: the Applicant indicates that job creation will begin immediately; Michigan is competing for this project with an out-of-state location; the jobs will pay high-wages; and the project results in a positive return on investment for Michigan.

MBDP INCENTIVE

This project involves the creation of 79 Qualified New Jobs and a capital investment of up to \$908,000 in the City of Southfield. The MSF approved \$434,500 in the form of a performance-based grant on March 26, 2012.

Magna Seating of America, Inc.

HISTORY OF THE APPLICANT

Magna Seating of America, Inc. ("Magna Seating") is a subsidiary of Magna International. Magna International and subsidiaries represents themselves as the most diversified global automotive supplier. Magna International designs, develops, and manufactures technologically advanced automotive systems, assemblies, and components, and engineers and assembles complete vehicles primarily for sale to original equipment manufacturers. Magna International and subsidiaries have over 7,500 employees in Michigan.

Magna Seating is a Delaware C Corporation and was incorporated in 1985. Magna Seating, a wholly-owned operating unit of Magna International, is an innovative leader in the development and manufacture of high quality complete seating systems, seat structure and mechanism solutions as well as foam & trim products for the global automotive industry. Magna Seating has 877 employees in Michigan.

Magna Seating was awarded a seven year Standard MEGA Tax for its Highland Park facility in 2009. The tax credit had a maximum qualified new jobs number of 420, which has been exceeded by the company.

PROJECT DESCRIPTION

The Applicant plans to expand its present facility from 150,000 square feet to 200,000 square feet in Michigan, make investments and create jobs related to two new automotive seating contracts to two major automotive original equipment manufacturers.

- a) The Applicant is a "Qualified Business" that is located and operates in Michigan.
- b) The project will be located in the City of Highland Park. The municipality has offered a commitment to the project in the form of an existing property tax abatement under PA 328 of 1998 as well as proposing a new Property tax abatement under PA 198 of 1974. The PA 328 abatement has five years remaining and has an estimated value of \$215,602. The estimated value of the PA 198 abatement is not known at this time.
- c) The Applicant has demonstrated a need for the funding based on the company's ability to locate this project at its sites in Kentucky, Missouri, or Tennessee, or at a new facility in South Carolina.
- d) The Applicant plans to create 244 Qualified New Jobs above a statewide base employment level of 877.
- e) The project meets the program guidelines as follows: the proposed project involves out of state competition from sites in Kentucky, Missouri, Tennessee, and South Carolina. Additionally, the project is shovel-ready with support from the MSF with potential to create up to 144 jobs in 2012.

MBDP INCENTIVE

This project involves the creation of 244 Qualified New Jobs and a capital investment of up to \$2.2 million in the City of Highland Park. The MSF approved \$732,000 in the form of a performance-based grant on March 26, 2012.

MEMORANDUM

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

FROM: Marcia Gebarowski, Regional Project Manager

DATE: April 25, 2012

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

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

MBD PROGRAM AND ITS GUIDELINES

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

SOURCE OF INFORMATION

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

HISTORY OF THE APPLICANT

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

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

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

PROJECT DESCRIPTION

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

- a) The Applicant is a “Qualified Business”, as defined in MCL 125.2088r(9)(b), that is located and operates in Michigan.
- b) The project will be located in Superior Township. Superior Township has offered a “staff, financial, or economic commitment to the project” in the form of a property tax abatement. The abatement is anticipated to be a 12 year real property abatement. The total value of the tax abatement is estimated to be \$1.5 million. Additionally, Superior Township has created a Local Development Finance Authority (LDFA) district at the project site. The incremental tax capture collected through the LDFA will be used to pay a portion of the grant back to the MSF.
- c) The Applicant has demonstrated a need for the funding based on inadequate power supply to accommodate growth of the company. The DTE substation, built in 2005, needs to be replaced to allow for the Company to expand operations. Hyundai must pay for any improvements to the substation.
- d) The Applicant plans to create 50 Qualified New Jobs above a statewide base employment level of 141.
- e) Pursuant to the program guidelines, the following was taken into consideration for the proposed project: the company anticipates that investment and job creation will begin in the spring of 2012, and the project results in a positive ROI for Michigan.

INCENTIVE OPPORTUNITY

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

RECOMMENDATIONS

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

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

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

MICHIGAN STRATEGIC FUND

RESOLUTION 2012-

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

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

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

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

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

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

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

WHEREAS, the MEDC has recommended to the MSF Incentive Subcommittee that the MSF approve the Company’s Grant Request in accordance with the Term Sheet, subject to: (i) available funding, (ii) final due diligence performed to the satisfaction of the MEDC; and (iii) execution of the Transaction Documents within 90 days of the date of this Resolution (“Time Period”), or this Resolution shall have no effect; provided however, at the sole discretion of the MSF Fund Manager, the Time Period may be extended for up to an additional 30 days (“MBDP Award Recommendation”); and

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan

April 25, 2012



RECEIVED BY
Program Administration Division

APR - 3 2012

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

Michigan Economic
Development Corporation

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

Date: 3/29/2012

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

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

a. **Start Date for Measurement of Creation of Qualified New Jobs:** January 3, 2012

8. **Company Investment:** \$15,000,000 consisting of new construction and machinery and equipment related to the expansion of the Company building.

9. **Municipality supporting the Project:** Superior Township

a. **Municipality Support.** One of the conditions of execution of the final Agreement is the requirement that the municipality shall have committed to provide: a P.A. 198 tax abatement for 12 years. The final terms and conditions demonstrating this support shall be included in the final Agreement.

b. **LDFA Agreement.** The MSF and Superior Township LDFA Board shall enter into a reimbursement agreement for the payment of tax increment revenues related to this project as determined by the MEDC.

10. **Pre-closing Requirements:** In addition to all other requirements to execute a final Agreement, the Company must enter into an agreement to set-aside and waive all rights to a claim under MEGA Agreement 307 (dated February 13, 2006) and enter into an agreement amending MEGA Agreement 213 (dated September 16, 2003) indicating its agreement that the Qualified New Jobs counted under the BDP will not count under the MEGA Agreement 213 and vice versa. The final terms and conditions of each of these agreements shall be included with the final MEGA program amendments with the Company.

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

a. **Disbursement Milestone 1:** Up to \$566,470 Upon demonstrated purchase of the transformer to the Company, and approval of a property tax abatement by Superior Township by no later than May 30, 2012.

b. **Disbursement Milestone 2:** Up to \$163,838 Upon demonstrated completion of Milestone 1, and Company submittal of approved invoices for subcontractor work

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

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

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

13. Repayment Provisions:

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

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

14. Reporting Requirements:

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

15. Public Announcements:

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

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


If the Company is interested in the MEDC pursuing a recommendation to the MSF for a possible BDP Incentive Award for the Company along the above parameters, please sign and date this Term Sheet. If the MEDC does not receive the signed Term Sheet from the Company by March 30, 2012, the MEDC may not be able to proceed with any recommendation to the MSF.

COMPANY NAME

By:

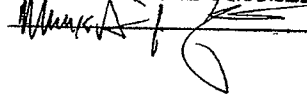
Its:

Dated:


Sung Hwan Cho, Ph.D.
President

03/30/2012

APPROVED TO FORM:
MARK TORIGIAN,
HATCI GENERAL COUNSEL



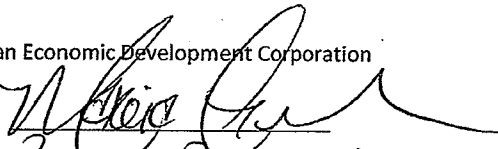
Acknowledged as received by:

Michigan Economic Development Corporation

By:

Its:

Dated:


Regional Project Manager
4/4/12



MEMORANDUM

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

FROM: Marcia Gebarowski, Regional Project Manager

DATE: April 25, 2012

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

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

MBDP PROGRAM AND ITS GUIDELINES

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

SOURCE OF INFORMATION

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

HISTORY OF THE APPLICANT

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

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

Michigan Economic Development Corporation

PROJECT DESCRIPTION

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

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

INCENTIVE OPPORTUNITY

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

RECOMMENDATIONS

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

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

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

MICHIGAN STRATEGIC FUND

RESOLUTION 2012-

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

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

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

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

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

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

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

WHEREAS, the MEDC has recommended to the MSF Incentive Subcommittee that the MSF approve the Company’s Grant Request in accordance with the Term Sheet, subject to: (i) available funding, (ii) final due diligence performed to the satisfaction of the MEDC; and (iii) execution of the Transaction Documents within 90 days of the date of this Resolution (“Time Period”), or this Resolution shall have no effect; provided however, at the sole discretion of the MSF Fund Manager, the Time Period may be extended for up to an additional 30 days (“MBDP Award Recommendation”); and

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan
April 25, 2012



MICHIGAN BUSINESS DEVELOPMENT PROGRAM
Performance Based Grant - Term Sheet

The following is a summary of the highlights of the project and basic terms for which the Company desires grant support from the Michigan Strategic Fund ("MSF") under the Michigan Business Development Program ("BDP").

Date: 3/15/2012

- 1. Company Name: Sakthi Automotive Group USA, Inc. ("Company" or "Applicant")
2. Company Address: 86 Executive Drive, Troy, Michigan 48083
3. Company EIN:
4. Project Address ("Project"): 6401 West Fort Street, Detroit, Michigan
5. BDP Incentive Type: Performance Based Grant
6. Maximum Amount of BDP Incentive: Up to \$1,500,000 ("BDP Incentive Award")
7. Base Employment Level: 2
8. Total Qualified New Job Creation: 170

Handwritten signature

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

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

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

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

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

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

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

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

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

14. Repayment Provisions:

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

15. Reporting Requirements:

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

16. Public Announcements:

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

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

If the Company is interested in the MEDC pursuing a recommendation to the MSF for a possible BDP Incentive Award for the Company along the above parameters, please sign and date this Term Sheet. If the MEDC does not receive the signed Term Sheet from the Company by March 21, 2012, the MEDC may not be able to proceed with any recommendation to the MSF.

COMPANY NAME SAKTHI AUTOMOTIVE GROUP USA INC.

By: [Signature]

Its: V. President

Dated: 3/22/2012

Acknowledged as received by:

Michigan Economic Development Corporation

By: [Signature]

Its: MEDC, RPM

Dated: 3/23/2012

[Signature]



MEMORANDUM

DATE: April 25, 2012

TO: MSF Board Members

FROM: Diane Cranmer, Private Activity Bond Specialist

SUBJECT: \$4,000,000 Michigan Strategic Fund Variable Rate Demand Limited Obligation Revenue Bonds, Series 2004 (Red Arrow Dairy, LLC Project) - Supplemental Indenture

BACKGROUND

On June 30, 2004 the MSF issued the Series 2004 Bonds referenced above to make a loan to Red Arrow Dairy, LLC, a Michigan limited liability company (“Obligor”), to finance the acquisition and installation of certain solid waste disposal facilities used at the Obligor’s dairy farm facility located at 69444 CR 687, Hartford Township, Van Buren County. The Series 2004 Bonds are currently supported by a letter of credit issued by Farm Credit Services of America, FLCA and a confirming letter of credit issued by Bank of the West. The Bonds were initially rated by Standard & Poor’s.

The Obligor desires to replace the confirming letter of credit issued by Bank of the West with an alternate confirming letter of credit to be issued by AgriBank, FCB. The Trust Indenture between the MSF and Wells Fargo Bank, N.A., as trustee, relating to the Series 2004 Bonds permits the substitution of an alternate confirming letter of credit; however AgriBank, FCB is only rated by Fitch Ratings (not Standard & Poor’s). In order to obtain Fitch’s rating for the Bonds, Fitch has required certain amendments to the Series 2004 Indenture to conform to Fitch’s rating requirements and to require the Trustee to provide certain notices to Fitch. A Supplemental Indenture has been prepared which incorporates Fitch’s required amendments to the Series 2004 Indenture. The MSF is a party to the Supplemental Indenture and it is necessary for the Board to approve the Supplemental Indenture.

ADDITIONAL INFORMATION

Bond Counsel

Craig Hammond, Dickinson Wright PLLC

RECOMMENDATION

Based upon a determination by Dickinson Wright PLLC and the State of Michigan Attorney General’s Office that the Supplemental Indenture complies with the terms of the Series 2004 Indenture and is necessary to obtain a rating on the Bonds from Fitch Ratings, staff recommends the adoption of the Resolution approving the Supplemental Indenture.



MEMORANDUM

DATE: April 25, 2012

TO: MSF Board Members

FROM: Diane Cranmer, Private Activity Bond Specialist

SUBJECT: Private Activity Bond - Inducement
The Gilbert Residence - \$10,000,000 – New Financing/Refinancing / Non-Profit – Ypsilanti,
Washtenaw County

COMPANY BACKGROUND

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

PROJECT DESCRIPTION

The Gilbert Residence indicates phase one of the project will include the refurbishing of the 29 assisted living units of the existing building. Phase two is the expansion of the New Memory Care “Grace Hall” unit. It will replace the existing 10 bed unit with a new 28 bed unit. The unit will be a licensed Home for the Aged, and will consist of 28 private rooms and will be entirely funded by private pay. The Gilbert Residence indicates this phase will add an additional 14,500 square feet as well as an independent HVAC system and residential kitchen. Phase three will convert the existing Memory Care unit into a “main street” area with common spaces providing new amenities for residents that will include a library, lounge, movie theatre, game room, wellness center and bistro-style dining. Phase four will include refinancing an existing debt of approximately \$825,340. The location of the project will take place within the City of Ypsilanti on parcels commonly known as 203 S. Huron Street and 117 S. Huron Street. The parcels identified are adjacent to each other on the north side of the 203 parcel and the south side of the 117 parcel.

ADDITIONAL INFORMATION

Job Creation

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

Legislative Information

Senator: Rebekah Warren – District 18

Representative: David Rutledge – District 54

Bond Counsel

Robert Schwartz, Clark Hill PLC

Proposed Placement of the Bond Issue

Bank of Ann Arbor has indicated an interest in directly purchasing the bonds

RECOMMENDATION

After reviewing the Private Activity Bond Application for The Gilbert Residence, staff recommends the adoption of an Inducement Resolution in the amount of \$10,000,000 for this project.



MEMORANDUM

DATE: April 25, 2012
TO: MSF Board Members
FROM: Diane Cranmer, Private Activity Bond Specialist
SUBJECT: Private Activity Bond – Bond Authorizing
MANS, LLC c/o Moeller Aerospace Technology, Inc. - \$6,300,000 – New
Financing/Manufacturing – Little Traverse Township, Emmet
County

COMPANY BACKGROUND

MANS, LLC is a Michigan limited liability company involved in the business of acquiring real and personal property for lease to the companies comprising Moeller Industries, a family of companies related through common ownership. Moeller's two primary manufacturing companies are Moeller Mfg. Company, Inc., a manufacturer of precision gas turbine engine components for use by the aircraft, aerospace and power generation industries, and punches and other tooling for the automotive industries and Moeller Aerospace Technology, Inc., a manufacturer of precision components for use by the aircraft, aerospace and power general industries. Moeller Aerospace Technology, Inc. is located at 8725 Moeller Drive and employs approximately 180 people at that location which is also the project location.

PROJECT DESCRIPTION

The project includes financing the construction of an approximately 30,000 square foot addition to an existing 34,000 square foot manufacturing facility and the acquisition and installation of machinery and equipment located at 8725 Moeller Drive, Little Traverse Township, Emmet County.

ADDITIONAL INFORMATION

1. Job Creation:

The company anticipates creating approximately 20 new jobs at project completion.

2. Employment Information (provided by MANS, LLC):

The starting hourly wage of the lowest paid job being created is \$10.00 per hour.

The average hourly wage of all jobs being created is \$15.00 per hour. The average hourly wage of all of the existing jobs at the company (site specific) is \$15.00 per hour.

The fringe benefits provided to the new hires by the company include medical, dental, vision and 401(k).

3. Legislative Information:

Senator Howard Walker – District 37
Representative Frank D. Foster – District 107

4. Bond Counsel:

Miller, Canfield, Paddock and Stone, PLC

5. Proposed Placement of the Bond Issue:

Comerica Bank will be providing a letter of credit to support this bond issue with Comerica Securities acting as placement agent and remarketing agent.

RECOMMENDATION

After reviewing the Private Activity Bond Authorizing Resolution for MANS, LLC /Moeller Aerospace Technology, Inc., and based upon a determination by Miller, Canfield, Paddock and Stone, PLC and the State of Michigan Attorney General's Office that this project meets state and federal law requirements for tax exempt financing, staff recommends the adoption of a Bond Authorizing Resolution for an amount not to exceed \$6,300,000.



MEMORANDUM

Date: April 25, 2012

To: Michigan Strategic Fund Board

From: Deborah Stuart, Community Development Block Grant Manager

SUBJECT: Authorize Solicitation for Technical Assistance Proposals for Community Development Block Grant Grantee Process and Compliance Handbook

Background

The U.S. Department of Housing and Urban Development (“HUD”) allocates Community Development Block Grant (“CDBG”) funding to the State of Michigan, through the Michigan Strategic Fund, for further distribution to eligible Units of General Local Government to carry out State approved activities. The State’s responsibilities include ensuring the State’s and their Grantee’s compliance with the statute and HUD regulations. This includes providing technical assistance and auditing Grantees on the grant requirements, such as Davis Bacon and Related Acts, Uniform Relocation Act, National Environmental Policy Act, Fair Housing Act, Equal Access, Procurement, etc. HUD allows for one percent of our annual allocation and program income, to be used specifically for Technical Assistance to address this requirement.

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

Selection Considerations and Process

Staff would like to issue an RFP to solicit a vendor to review our current Grant Administration Guide, recommend policy and format changes, provide sample documents when appropriate, and provide a web friendly document that can be updated by staff, as needed. Staff will contact at least three firms to request proposals and will also post the request on the MEDC website. The details of the request are provided in the attachment. Proposals will be evaluated based on experience in developing policy handbooks, knowledge of the CDBG program and applicable compliance regulations, communication skills, clarity of proposal, timeline for completion, references and proposal fee.

Recommendation

Staff recommends that the MSF Fund Manager be authorized to proceed with the release of the Solicitation for Technical Assistance Proposals for Community Development Block Grant Grantee Process and Compliance Handbook and the selection of the Evaluation Committee. The final recommendation will be brought back for consideration and approval by the MSF.

MICHIGAN STRATEGIC FUND

RESOLUTION 2012-

SOLICITATION FOR TECHNICAL ASSISTANCE PROPOSALS FOR COMMUNITY DEVELOPMENT BLOCK GRANT GRANTEE PROCESS AND COMPLIANCE HANDBOOK

WHEREAS, the Michigan Strategic Fund (“MSF”) desires to solicit and consider proposals to review the Community Development Block Grant (“CDBG”) program’s current Grant Administration Guide, recommend policy and format changes, provide sample documents where appropriate, and provide a web friendly document that can be updated by staff;

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

WHEREAS, the MEDC recommends that the MSF issue the attached Solicitation for Technical Assistance Proposals for the CDBG program to invite proposals from vendors to review the CDBG program’s current Grant Administration Guide, recommend policy and format changes, provide sample documents where appropriate, and provide a web friendly document that can be updated by staff (“Guide Solicitation”);

WHEREAS, the MSF Board reviewed the Guide Solicitation attached to this Resolution, which establishes a standard process to evaluate proposals submitted as a result of the solicitation; and

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

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

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

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

Ayes:

Nays:

Recused:

Lansing, Michigan
April 25, 2012

Michigan Strategic Fund Community Development Block Grant

SOLICITATION FOR TECHNICAL ASSISTANCE PROPOSALS

(RFP-DOC-XXXX)

Release Date: April 26, 2012

I. INTRODUCTION

Under the Housing and Community Development Act of 1974, the U.S. Department of Housing and Urban Development (“HUD”) is authorized to allocate Community Development Block Grant (“CDBG”) funding to the State of Michigan, through the Michigan Strategic Fund, for further distribution to eligible Units of General Local Government to carry out State approved activities. The State’s responsibilities include ensuring the State’s and their Grantee’s compliance with the statute and HUD regulations. This includes providing technical assistance and auditing Grantees on the compliance requirements, such as Davis Bacon and Related Acts (DBRA), Uniform Relocation Act (URA), National Environmental Policy Act (NEPA), Fair Housing Act, Equal Access, Procurement, etc.

Over the past year, it has become clear that the current policies and procedures related to the state and federal requirements associated with this program need to be reviewed and updated significantly. Due to increasing concerns about compliance and the State’s goal to provide adequate reference resources to our Grantees, the MSF is seeking proposals from qualified consultants to review our current Grant Administration Guide, recommend policy and format changes, provide sample documents where appropriate, and provide a web friendly document that can be updated by staff, moving forward.

A. Scope of Work

The MSF is seeking individual/firms to provide technical assistance to update the current CDBG Grant Administration Guide as to current laws, regulations, and policies at both the Federal and State level. It is anticipated that State specific policies will need to be incorporated and created. The applicant, during the process, would be expected to identify those gaps, make recommendations on suggested policy for the staff to consider incorporating. Also, as part of the review, it is anticipated the consultant will need to update existing, identify new and create decision trees and forms necessary to assist Grantees with compliance. The MSF expects that the format of the final product will be user friendly, with links to resources, and one that staff can easily update in the future.

Anticipated chapters would include, but not be limited to, the following:

- **Introduction:** Goal of the Guide, Overview on State’s Program, Glossary of Terms, Resources, Contacts, etc.
- **Grant Start-Up:** Applicable Regulations/ Requirements, Roles, Checklists, Recommended File Set-up, etc.
- **Environmental Requirements:** Applicable Regulations/ Requirements including NEPA, Roles, Description of Process, Checklists, Sample Documents
- **Financial Management:** Applicable Regulations/ Requirements, Grant Administration Policies, Audit Requirements, Roles, Description of Process, Checklists, etc.
- **Program Policies:** Policies Specific to the State’s Economic Development, Community Development, Blight, and Revolving Loan Fund Programs.
- **Procurement and Contracting:** Applicable Regulations/ Requirements including Section 3, Bonding, Roles, Description of Process, Checklists, etc.

- **Construction Management and Labor Standards:** Applicable Regulations/ Requirements including DBRA, Roles, Description of Process, Checklists, etc.
- **Acquisition of Real Property:** Applicable Regulations/ Requirements including URA, Description of Process for Voluntary and Involuntary, Roles, , Checklists, etc.
- **Relocation and One-for-One Replacement:** Applicable Regulations/ Requirements including the URA, Roles, Description of Process, Checklists, etc.
- **Fair Housing and Equal Opportunity:** Applicable Regulations/ Requirements including Civil Rights Act, Roles, Description of Process, Checklists, etc.
- **National Objectives:** Applicable Regulations/ Requirements, Required Tracking, Roles, Description of Process, Checklists, etc.
- **Other Requirements:** Applicable Regulations/ Requirements Not Addressed in Other Chapters, Public Participation, Conflict of Interest, Roles, Description of Related Process, Checklists, etc.
- **Reporting, Amendments, and Monitoring:** Reporting, Policies on Amendments, Required Record Keeping, Monitoring Visits, Findings, Corrective Actions, Descriptions of Related Processes, Roles, Checklists, etc.
- **Grant Close-Out Process:** Required Documentation, Roles, Description of Process, Post Close-Out Requirements, etc.

B. Required Qualifications

This Solicitation for Technical Assistance is requesting proposals from interested applicants who have the experiences, skills, and time to complete the tasks outlined in the Scope of Work above.

Applicants responding are expected to have the following qualifications and they should be addressed within the proposal:

- Minimum of five years of experience providing or performing the serviced described in the Scope of Work
- Experience personnel performing that actual task or have personnel supervised by experienced staff
- Examples of their role in successful projects with similar requirements and available references

C. Estimated Timeline

April 25, 2012: MSF Approval – Solicitation for Proposals

April 26, 2012: Release of Solicitation for Proposals

May 18, 2012: Proposal due from applicant received by MSF via email on or before 5:00 p.m. to contracts&grants@michigan.org (See PROPOSAL section below for details)

June 27, 2011: Proposals and recommendation submitted to MSF for selection of Proposal.

July 9, 2011: Consultant must execute agreement with MSF.

II. PROPOSALS

The proposal must address the required elements listed below:

- Business Organization and History: State full name, address, e-mail and phone of your organization and, if applicable, the branch office or other subordinate element that perform, or other subordinate element that will perform the work identified.
- Statement of the problem: State your understanding of the problem presented.
- Narrative: Include the proposed effort and the specific services/products that will be delivered to address the problem identified.
- Prior Experience: Summary of experience, education and or certification related to developing policy handbooks, the CDBG program, and the applicable compliance regulations. Include resumes for the staff that will be assigned to perform the work and their specific experience.
- Price Proposal: Include an estimate on total cost for the described work. The summary must include a budget, identifying labor and travel costs.
- Timeline with description of deliverables.
- Statement of any potential conflicts of interest that the MSF should be aware of.

III. EVALUATION AND AWARD

A. Evaluation

Applications will be evaluated by an Evaluation Committee with expertise in the CDBG program, as selected by the MSF Fund Manager.

The Evaluation Committee will evaluate proposals based on the following:

- Communication Skill and Clarity of Proposal
- Competence, Experience and Staffing Capacity
- Timeline for Project Completion
- References
- Proposal Fee

The Evaluation Committee reserves the right to request additional information. During the review, the consultants may be required to make oral presentation of their proposals to provide clarification. The Committee will make recommendations to the MSF Board for a final determination.

B. Award and Agreements

An award will be made by the MSF Board and a form of service contract or agreement will be issued at the discretion of the MSF Board.

DECISIONS BY THE MSF BOARD ARE FINAL AND NOT SUBJECT TO APPEAL



**COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM
QUARTERLY REPORT
January 1 – March 31, 2012**

BACKGROUND

The U.S. Department of Housing and Urban Development allocates Community Development Block Grant (CDBG) funding to the State of Michigan, through the Michigan Strategic Fund, for further distribution to eligible Units of General Local Government to carry out State approved activities. The Program Year (PY) for this funding takes place from July 1st to June 30th. The following is a summary of the current PY and anticipated commitments for PY 2012. Please note these figures are adjusted frequently to account for funds that have been recaptured and new program income revenues.

CDBG Funding Summary	
Current Balance Available for Projects	\$ (5,224,951)
Anticipated Terminations or Withdrawals (Verbally Agreed by Grantee)	\$ 13,715,793
Anticipated New Funds Available for PY 2012	\$ 23,406,239
Offers for PY 2012	
Albion- Downtown Infrastructure Grant	\$ (470,000)
Boyne City- Downtown Infrastructure Grant	\$ (503,440)
Colon Façade- Façade Improvement Grant	\$ (155,639)
Elk Rapids- Economic Development Grant	\$ (257,900)
Ishpeming- Downtown Infrastructure Grant	\$ (399,043)
Ithaca- Downtown Infrastructure Grant	\$ (178,209)
Manistique- Downtown Infrastructure Grant	\$ (231,170)
Mt Pleasant- Downtown Infrastructure Grant	\$ (583,000)
Norway- Downtown Infrastructure Grant	\$ (225,752)
Plainwell- Façade Improvement Grant	\$ (178,130)
Project Perch- Economic Development Grant	\$ (2,100,000)
Three Rivers- Downtown Infrastructure Grant	\$ (750,000)
Funds Available for Offers for PY 2012	\$ 25,864,798



MEMORANDUM

Date: April 25, 2012

To: Michigan Strategic Fund Board Members

From: Karla Campbell, State Tax Incentives Manager
Kristin Buda, Program Administration

Subject: MSF Designated Renaissance Zone
Amendment Request
Johnson Controls APS Production, Inc.

COMPANY BACKGROUND

Johnson Controls APS Production, Inc. (“Johnson Controls APS”) is a wholly owned subsidiary of Johnson Controls. The company was formerly Johnson Controls-Saft APS, LLC, a joint venture between Johnson Controls and Saft formed in January 2006. Johnson Controls APS is one of the leading independent suppliers of lithium-ion batteries for hybrid and plug-in hybrid electric vehicles.

In 2009 the MEGA Board approved a MEGA Cell Manufacturing Credit, a High-Technology MEGA Tax Credit, and Battery Pack Manufacturing Tax Credit.

On February 14, 2012 the MEGA Board approved a Voucher Incentive to replace the Cell Manufacturing Credit, and the company agreed to set aside their High-Technology MEGA Tax Credit and their Battery Pack Manufacturing Credit.

Additionally, on October 28, 2009 the Michigan Strategic Fund Board approved a 15 year Renaissance Zone for the company’s project in the City of Holland, Ottawa County.

PROJECT BACKGROUND

In 2009 the company signed a Development Agreement for this Renaissance Zone, which required the company create 548 jobs by December 31, 2013 and make a capital investment of at least \$220,000,000 by December 31, 2011. Due to changes in the timing of the project, the company is requesting multiple amendments to the Renaissance Zone.

The company is continuing to make investment at its integrative cell manufacturing operation that develops and produces anode and cathodes, and manufactures battery cells and packs in the City of Holland, Ottawa County. The company plans to create at least 400 jobs related to the project by December 31, 2018, and invest at least \$220,000,000 related to the project by December 31, 2015. Additionally, the company has agreed to bring phase two of its integrated cell manufacturing operation to the City of Holland, Ottawa County.

PROJECT EVALUATION

Job Creation

400 full-time jobs by December 31, 2018

Private Investment

\$220,000,000 by December 31, 2015

Number of Acres

31.60 acres

Tax Information

It is estimated that approximately \$21,898,640 in property taxes will be abated over the term of the Renaissance Zone.

Period of Designation

15 years ending on December 31, 2024

ADDITIONAL INFORMATION

Development Agreement

The development agreement will be amended between Johnson Controls APS and the Michigan Strategic Fund.

Legislative Information

Senator: Arlan Meekhof – State Senate District 30

Representative: Bob Genetski – State House District 88

Other Incentives

MBT Voucher Incentive approved by the Michigan Economic Growth Authority Board on February 14, 2012.

Renaissance Zone

The Johnson Controls APS zone began January 1, 2010 and has an expiration date of December 31, 2024. The parcels for the project are 03-02-08-100-018 and 03-02-08-100-019.

RECOMMENDATION

The MEDC recommends MSF approval of the following amendments to the project:

- (i) Amend the name of “Johnson Controls – Saft APS Production, Inc.” to “Johnson Controls APS Production, Inc.”
- (ii) Amend the project description to read, “Construct the project as described in the application in a timely manner and satisfy the job creation requirements at the property in accordance with the terms of this agreement.”
- (iii) Amend the deadline for completing capital investment from December 31, 2011 to December 31, 2015.
- (iv) Reduce the required fulltime job creation requirement from 548 to 400, and extend the deadline for job creation from December 31, 2013 to December 31, 2018.
- (v) Amend the reporting need for a change of inner company transfer of ownership of Johnson Controls APS.

MICHIGAN STRATEGIC FUND

RESOLUTION 2012-

**AMENDMENT OF RENAISSANCE ZONE DEVELOPMENT AGREEMENT
JOHNSON CONTROLS APS PRODUCTION, INC.**

WHEREAS, Section 8a(2) of the Michigan Renaissance Zone Act (the “Act”), 1996 PA 376, as amended, authorizes the Michigan Strategic Fund (“MSF”) to designate up to 17 renaissance zones (a “Renaissance Zone”) in one or more cities, villages, or townships if consented by the local unit of government in which the zone is located;

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

WHEREAS, the MEDC received an application (the “Application”) for an amendment of the Renaissance Zone Development Agreement entered into under Section 8a(2) of the Act;

WHEREAS, Johnson Controls APS Production, Inc. (the “Company”) wishes to amend and restate its Renaissance Zone Development Agreement; and

WHEREAS, the MEDC recommends that the MSF Board approve the amending and restating the Company’s Renaissance Zone Development Agreement as follows:

1. Amend the name of “Johnson Controls – Saft APS Production, Inc.” to “Johnson Controls APS Production, Inc.”
2. Amend the project description to read, “Construct the project as described in the application in a timely manner and satisfy the job creation requirements at the property in accordance with the terms of this agreement.”
3. Amend the deadline for completing capital investment from December 31, 2011 to December 31, 2015.
4. Reduce the required fulltime job creation requirement from 548 to 400, and extend the deadline for job creation from December 31, 2013 to December 31, 2018.
5. Amend the reporting such that a intra company transfer of ownership of Johnson Controls APS Production, Inc. does not need Board consent.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board approves the amending and restating of the Company’s Renaissance Zone Development Agreement as follows:

1. Amend the name of “Johnson Controls – Saft APS Production, Inc.” to “Johnson Controls APS Production, Inc.”
2. Amend the project description to read, “Construct the project as described in the application in a timely manner and satisfy the job creation requirements at the property in accordance with the terms of this agreement.”
3. Amend the deadline for completing capital investment from December 31, 2011 to December 31, 2015.

4. Reduce the required fulltime job creation requirement from 548 to 400, and extend the deadline for job creation from December 31, 2013 to December 31, 2018.
5. Amend the reporting such that a intra company transfer of ownership of Johnson Controls APS Production, Inc. does not need Board consent.

BE IT FURTHER RESOLVED, that the MSF Board authorizes the MSF President or Fund Manager, in consultation with the Department of the Attorney General, to enter into an amended and restated Renaissance Zone Development Agreement consistent with the terms of this Resolution.

Ayes:

Nays:

Recused:

Lansing, Michigan
April 25, 2012



MEMORANDUM

Date: April 25, 2012
To: Michigan Strategic Fund Board Members
From: Jeremy Webb, Renaissance Zone Program Specialist
Karla Campbell, State Tax Incentives Manager
Subject: Existing Tool & Die Recovery Zone
Transfer of Recovery Zone Benefit
TG Manufacturing, LLC
Grand Haven Township, Ottawa County
Tooling Advantage Group

COMPANY BACKGROUND

TG Manufacturing, LLC was formed in April 2011 and acquired all assets from AIM Tool & Die. The company offers in-house design support, prototype, production and assembly of custom parts and systems manufactured for medical, automotive, military, aerospace, and electronic industries.

AIM Tool & Die, a member of the Tooling Advantage Group, was designated as a Recovery Zone by the Michigan Strategic Fund (MSF) on December 20, 2006 effective January 1, 2007. The companies in the Tooling Advantage Group were approved for various years. TG Manufacturing, LLC obtained a resolution from Grand Haven Township approving a transfer of the Recovery Zone benefit for the designations as approved by the Michigan Strategic Fund (MSF) in 2006 for 11 years with an expiration date of December 31, 2017. The Michigan Economic Development Corporation (MEDC) received signatures from all members of the Tooling Advantage Group certifying that TG Manufacturing, LLC is a member of their Tool & Die Collaborative.

TRANSFER OF RECOVERY ZONE BENEFIT REQUEST

The MEDC received a resolution from Grand Haven Township supporting a transfer of the Recovery Zone benefit for the remaining time period designated to TG Manufacturing, LLC with the expiration date of December 31, 2017. TG Manufacturing, LLC meets all legislative requirements to be considered for this transfer of the Recovery Zone benefit.

The Tool & Die Recovery Zone designation has enabled TG Manufacturing, LLC to invest \$175,000 in their facility in 2012. In addition, the company is projecting investments totaling \$590,000 by 2017. At the time of designation, TG Manufacturing, LLC employed approximately 15 employees and has since doubled the number of employees.

TG Manufacturing has added a second shift due to new investment in machines and plans to add more employees as a result.

RECOMMENDATION

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

MICHIGAN STRATEGIC FUND

RESOLUTION 2012-

**TRANSFER OF THE RECOVERY ZONE BENEFIT FOR AN EXISTING
TOOL AND DIE RECOVERY ZONE
TG MANUFACTURING, LLC**

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

WHEREAS, on December 20, 2006, the MSF Board designated a Recovery Zone for the Tooling Advantage Group beginning January 1, 2007;

WHEREAS, the Tooling Advantage Group now includes TG Manufacturing, LLC (the “Company”), a qualified tool and die business under the Act, located at 14324 172nd Ave, Grand Haven, MI 49417 (the “Property”);

WHEREAS, the Michigan Economic Development Corporation (“MEDC”) provides administrative services for the renaissance zone program, and received a request from the Company to transfer the recovery zone benefit of the Tool & Die Renaissance Recovery Zone designation from AIM Tool & Die to TG Manufacturing for the remaining duration with an expiration date of December 31, 2017;

WHEREAS, the Township of Grand Haven has passed a resolution consenting to the transfer of the recovery zone benefit of the Tool & Die Renaissance Recovery Zone designation from AIM Tool & Die to the Company for the remaining duration with an expiration date of December 31, 2017; and

WHEREAS, the MEDC fully considered the Company’s request and recommends the MSF transfer the recovery zone benefit of the Tool & Die Renaissance Recovery Zone duration on the parcel of property previously designated for AIM Tool & Die to the Company at 14324 172nd Ave, Grand Haven, MI 49417;

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board approves the transfer of the Recovery Zone benefit of the Tool & Die Renaissance Recovery Zone from AIM Tool & Die to TG Manufacturing, LLC for the remaining duration with an expiration date of December 31, 2017 on the parcel of property at 14324 172nd Ave, Grand Haven, MI 49417;

BE IT FURTHER RESOLVED, that the Company shall provide a written report to the MSF by January 31, 2013, and annually each January 31 thereafter through 2018 that includes the following information:

1. the amount of capital investment, including, but not limited to, real and personal property investment, in the Property;
2. the number of individuals employed at the Property at the beginning and the end of the reporting period, as well as the number of individuals transferred to the Property from another entity owned by the Company, if any;
3. new jobs, including full-time jobs, created at the Property and the average wage for these new jobs;
4. the status of the Company’s business operations;

5. the most recent State Equalized Value (SEV) and taxable value of the Property and personal property located at the Property, including personal property located at the Property that existed prior to the Effective Date; and
6. any other information reasonably requested by the MSF regarding the Property or the extension of the designation described in this Agreement.

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

Ayes:

Nays:

Recused:

Lansing, Michigan
April 25, 2012

MEMORANDUM

Date: April 25, 2012
To: Michigan Strategic Fund Board Members
From: Jeremy Webb, Renaissance Zone Program Specialist
Karla Campbell, State Tax Incentives Manager
Subject: Company Joining an Existing Tool & Die Recovery Zone
Existing Zone: Eastern Michigan Tool & Die Collaborative, LLC
Company Joining: The Paslin Company
City of Warren, Macomb County

COMPANY BACKGROUND

The Paslin Company was founded in 1937. Today, the primary business is the complete supply of turnkey tooling and robotic automation for the welding of sheet metal, truck frames and other automotive related products. Paslin has approximately 700,000 square feet in seven separate buildings throughout Warren, Michigan. Only one of the buildings is leased while the other six are owned by The Paslin Company. There are 287 full-time tooling designers, machinists, toolmakers, electricians, and support staff in the four individually described properties.

PROJECT BACKGROUND

The Michigan Economic Development Corporation (MEDC) has received a request from the Eastern Michigan Tool & Die Collaborative, LLC to allow The Paslin Company to join their existing Recovery Zone that was designated by the MSF on December 21, 2005, effective January 1, 2006.

The City of Warren, by resolution, approved the creation of a five year Recovery Zone beginning January 1, 2013, for income tax purposes and ending December 31, 2017. For both personal and real property tax purposes, the zone would begin December 31, 2012.

The Eastern Michigan Tool & Die Collaborative, LLC Recovery Zone members have agreed to allow The Paslin Company to join the coalition. There was a unanimous vote to accept The Paslin Company as a member.

The Act allows the MSF to modify an existing Recovery Zone to add one or more qualified tool and die businesses with the consent of all other qualified tool and die businesses that are participating in the Recovery Zone. The company joining still must meet all the requirements in the Act. There are currently 16 companies in the collaborative.

PROJECT DOCUMENTATION

The Eastern Michigan Tool & Die Collaborative, LLC supports The Paslin Company in becoming a member as they are an ISO certified designer and manufacturer of automated welding systems, gauges, tooling, fixtures and special machines. The Paslin Company has diversified into the “Green Industry”, designing and building specialty tooling and equipment for the TESLA electric vehicle, commercial truck catalytic converter and the “UNI SOLAR” solar panel. They employ 287 people in the proposed zones and average \$85 million in annual sales overall. The inclusion of The Paslin Company in the Eastern Michigan Tool & Die Collaborative can bring unique manufacturing capabilities, new technologies, new business opportunities for members, strengthen diversification efforts and, through its size, improve buying power and the ability to handle large tooling programs.

PROJECT EVALUATION

Staff has determined that the application and documentation meet the requirements of the Act because The Paslin Company:

1. Has obtained an authorizing resolution of support from the City of Warren where the company's property is located;
2. Owns or leases the property to be included in the proposed zone and the property is used primarily for tool and die business operations;
3. Is a qualified tool and die business located on the property and has a NAICS code of 333514;
4. Has 75 or more full-time employees and will enter into a written agreement with the MSF and local unit of government as required in legislation; and
5. Has entered into a collaborative agreement with companies that have a NAICS code that falls within 333511-333515 or 332997.

ADDITIONAL INFORMATION

Property Addresses

25411, 25303 and 25205 Ryan Road
Warren, MI 48091

3400 E 10 Mile Rd
Warren, MI 48091

23655 Hoover Rd
Warren, MI 48089

Real Property Parcel Numbers

13-19-478-013
13-19-478-014
13-30-201-017
13-27-426-033

Legislative Information

Senator: Steven M. Bieda - District 09
Representative: Lesia Liss - District 28

RECOMMENDATION

The MEDC recommends MSF approval of the property for The Paslin Company to be designated as a Recovery Zone and join the Eastern Michigan Tool & Die Collaborative, LLC for a duration of five years ending December 31, 2017.

MICHIGAN STRATEGIC FUND

RESOLUTION 2012-

**COMPANY JOINING AN EXISTING TOOL & DIE RENAISSANCE RECOVERY ZONE
THE PASLIN COMPANY**

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

WHEREAS, on December 21, 2005, the MSF Board designated a Recovery Zone for the Eastern Michigan Tool & Die Collaborative, LLC beginning January 1, 2006;

WHEREAS, the Eastern Michigan Tool & Die Collaborative, LLC now includes The Paslin Company (the “Company”), a qualified tool and die business under the Act, located at the following four individually described properties:

25411 Ryan Rd, Warren, MI 48091
25303 and 25205 Ryan Rd, Warren, MI 48091
3400 E 10 Mile Rd, Warren, MI 48091
23655 Hoover Rd, Warren, MI 48089

(the “Property”);

WHEREAS, the Michigan Economic Development Corporation (“MEDC”) provides administrative services for the renaissance zone program, and received a request from the Eastern Michigan Tool & Die Collaborative, LLC to allow The Paslin Company to join their existing Recovery Zone that was designated by the MSF on December 21, 2005, effective January 1, 2006 for a period of five years that would begin January 1, 2013, for income tax purposes and end December 31, 2017. For both personal and real property tax purposes, the zone would begin December 31, 2012;

WHEREAS, the City of Warren has passed a resolution consenting to the addition of The Paslin Company to the existing Eastern Michigan Tool & Die Collaborative, LLC Tool & Die Renaissance Recovery Zone for a period of five years with an expiration date of December 31, 2017; and

WHEREAS, the MEDC fully considered the Eastern Michigan Tool & Die Collaborative, LLC’s request and recommends the MSF approval of the property for The Paslin Company to be designated as a Recovery Zone and join the Eastern Michigan Tool & Die Collaborative, LLC;

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board approves the property for The Paslin Company to be designated as a Recovery Zone and join the Eastern Michigan Tool & Die Collaborative, LLC for a period of five years with an expiration date of December 31, 2017 on the parcels of property at:

25411 Ryan Rd, Warren, MI 48091
25303 and 25205 Ryan Rd, Warren, MI 48091
3400 E 10 Mile Rd, Warren, MI 48091
23655 Hoover Rd, Warren, MI 48089;

BE IT FURTHER RESOLVED, that the Company shall provide a written report to the MSF by January 31, 2014, and annually each January 31 thereafter through 2017 that includes the following information:

1. the amount of capital investment, including, but not limited to, real and personal property investment, in the Property;
2. the number of individuals employed at the Property at the beginning and the end of the reporting period, as well as the number of individuals transferred to the Property from another entity owned by the Company, if any;
3. new jobs, including full-time jobs, created at the Property and the average wage for these new jobs;
4. the status of the Company's business operations;
5. the most recent State Equalized Value (SEV) and taxable value of the Property and personal property located at the Property, including personal property located at the Property that existed prior to the Effective Date; and
6. any other information reasonably requested by the MSF regarding the Property or the extension of the designation described in this Agreement.

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

Ayes:

Nays:

Recused:

Lansing, Michigan
April 25, 2012



MEMORANDUM

Date: April 25, 2012
To: Michigan Strategic Fund Board Members
From: Karla Campbell, State Tax Incentives Manager
Subject: Approval of Tool & Die Recovery Zone Amendment, Time Extension, and Transfer of Ownership Application Form

PROGRAM BACKGROUND

The Renaissance Zone Act, PA 376 of 1996, requires that applications related to the Michigan Renaissance Zone program must be approved by the Michigan Strategic Fund (MSF). In the past, we have asked companies for a letter stating the changes that they are requesting with respect to their existing Renaissance Zones.

However, Program Administration has found that we receive more accurate and precise information using an application where specific information is requested than we do when a company sends us a letter. This also assists staff in obtaining information on Renaissance Zone compliance with respect to their existing collaborative agreement.

RECOMMENDATION

The Michigan Economic Development Corporation recommends approval of the attached Amendment, Time Extension, and Transfer of Ownership Application Form for Tool & Die Recovery Zones that have not yet expired.

MICHIGAN RENAISSANCE ZONE PROGRAM

**Tool & Die Recovery Zone Application for
Time Extension, Transfer of Ownership,
or Amendment**

MICHIGAN STRATEGIC FUND

April 2012

MICHIGAN RENAISSANCE ZONE PROGRAM

Tool & Die Recovery Zone Application

Application Checklist / Submission Instructions

APPLICATION CHECKLIST

- Completed Application
- Resolution from the Local Unit of Government recommending the amendment (Not more than 5 years if applying for a Time Extension and shall include Real Property Parcel Number(s)).
- A Property Parcel map including boundaries, parcel number(s) and acreage, if changed from the original application.
- A letter from the collaborative. The letter can be written by the Recovery Zone contact person, on behalf of the collaborative members (signature required). The letter should explain that the collaborative supports the change to the original Recovery Zone.
- Applicant must disclose, in a brief narrative, any possible conflicts of interest with members of the Local Unit of Government and/or MSF.
- Copies of the two (2) most recent real property tax bills.

APPLICATION SUBMISSION

The completed original application should be emailed to:

renzoneprogram@michigan.org

OR

The completed original application should be mailed to:

Renaissance Zone Program
Michigan Strategic Fund
c/o Michigan Economic Development Corporation
300 N. Washington Square
Lansing, MI 48913

NOTE: This application, including any attachments, contains information from the Renaissance Zone Program of the Michigan Strategic Fund. This information is intended for use only by the project to which it is released. If you are not the intended recipient of this application, be advised that any dissemination, distribution, or use of the contents of this application is strictly prohibited.

MICHIGAN RENAISSANCE ZONE PROGRAM

Tool & Die Renaissance Recovery Zone

PART 1 – APPLICATION FORM

A. TOOL & DIE RENAISSANCE RECOVERY ZONE –CONTACT/SIGNATORY INFORMATION

Contact Person Name:	Title:	
Tool & Die Renaissance Recovery Zone Coalition Name:		
Telephone:	E-mail:	
Street Address / PO Box:		
City:	State:	ZIP Code:
I, [TYPE YOUR FULL NAME HERE], CERTIFY THAT THE COMPANY IN THIS APPLICATION IS PARTICPATING AND COLLABORATING WITH THE TOOL & DIE RENAISSANCE RECOVERY ZONE COALITION ON A REGULAR BASIS AND INFORMATION PROVIDED IS COMPLETE, TRUE AND ACCURATE.		
Signature:	Title:	Date:

B. COMPANY INFORMATION

Name of Company:		
Street Address / PO Box:		
City:	State:	ZIP Code:
Contact Name:	Title:	
Telephone:	E-mail:	
Signatory's Name:	Title:	
Street Address / PO Box:		
City:	State:	Zip:
Telephone:	Email:	

C. PROPERTY INFORMATION – CANNOT INCLUDE MORE PROPERTY THAN WHAT WAS ORIGINALLY DESIGNATED (unless application is for amendment only)

Owner Name & Title:		
Street Address:		
City:	State:	Zip Code:
Telephone:	E-Mail:	
Total Acres to be included within zone:		
Number of years remaining of RZ benefit:		
Number of years applying for a Time Extension (leave blank if application is not for Time Extension): Note: Not to exceed 5 years		
If the Company is not the owner, please describe the length of the lease and provide verification that the property is leased by the Company:		

D. REQUEST

- Extension of time (not to exceed 5 years).
- Transfer of ownership.
- Recovery Zone Amendment.

MICHIGAN RENAISSANCE ZONE PROGRAM

Tool & Die Renaissance Recovery Zone

Part 2 – DESCRIPTION OF THE PROJECT

A. Describe the history and background of the company.

B. Describe the amendment request.

C. Describe the corporate structure of the company. (Check one)

- LLC
- C corp
- S corp
- Joint Venture
- Private Partnership
- Other _____

D. Describe what investment has been made at the property since the time of the Recovery Zone designation.

E. How many full-time employees were employed at time of designation and how many full-time employees are employed today? If employment levels have decreased, please explain.

F. Is any new investment planned and/or any new full-time jobs being created? Please explain.

G. How often does the Company meet to collaborate with the Tool & Die Renaissance Recovery Zone Coalition?

MICHIGAN RENAISSANCE ZONE PROGRAM

Tool & Die Renaissance Recovery Zone

Part 2 – DESCRIPTION OF THE PROJECT

H. Describe the benefit package provided to the employees.

I. Is the Property a single Contiguous Geographic Area? Yes No

J. Real Property Parcel ID#(s): **Should be the same as approved by the Local Unit of Government per their Resolution**

K. Legal Description of the property to be included in the Renaissance Zone.

L. Is there any other company located within the building or parcel that is currently designated for your Tool & Die Renaissance Recovery Zone? If yes, please explain.

MICHIGAN RENAISSANCE ZONE PROGRAM

Tool & Die Renaissance Recovery Zone

Part 3 – TAX INFORMATION

Will the company file the Corporate Income Tax? Yes No

A. FOREGONE MICHIGAN BUSINESS TAX

Annual savings of Michigan Business Tax for the Company to date since designation \$

B. FOREGONE PROPERTY TAXES (Both Real and Personal)

Annual savings of property taxes for the Company to date since designation \$

C. SEV AND TV ON THE PROPERTY

SEV Year: **2011**

TV Year: **2011**

	SEV: \$	TV: \$
Real Property-LAND		
Real Property-BUILDING		
Personal Property		
TOTALS	SEV: \$	TV: \$

D. ADDITIONAL INFORMATION

Do you certify that all Taxes (property, income and other) are current? Yes No
If no, explain below:

School District Code (Speak with your Treasurer if you do not know your 5-digit School District Code)

Company's Federal Employer Identification Number (FEIN)

Company's Dun & Bradstreet Number (DUNS):

Senator's Name:

Senate District:

Representative's Name:

House District:

COMPANY CONSENT AND CERTIFICATION

I, [TYPE YOUR FULL NAME HERE], CERTIFY THAT THE INFORMATION PROVIDED IN THIS APPLICATION IS, COMPLETE, TRUE AND ACCURATE. I ALSO CERTIFY THAT THERE ARE NO SUITS OR PROCEEDINGS, PENDING, OUTSTANDING, OR TO THE BEST OF MY KNOWLEDGE, THREATENED, BEFORE ANY COURT, GOVERNMENTAL COMMISSION, BOARD, BUREAU, OR OTHER ADMINISTRATIVE AGENCY OR TRIBUNAL, WHICH, IF RESOLVED [AGAINST THE COMPANY], WOULD HAVE A MATERIAL ADVERSE EFFECT ON THE FINANCIAL CONDITION OR BUSINESS OF THE COMPANY. I UNDERSTAND THAT THIS APPLICATION DOES NOT COVER ALL MATTERS RELEVANT FOR CONSIDERATION BY THE MSF, THE MSF RESERVES THE RIGHT TO REQUEST ADDITIONAL INFORMATION, AND THAT CONSIDERATION OF THE APPLICATION AND INFORMATION SUPPLIED IN NO WAY OBLIGATES THE MSF TO APPROVE ANY REQUESTS.

Signature

Date

MICHIGAN STRATEGIC FUND

RESOLUTION 2012-

APPROVAL OF FORM OF TOOL & DIE RECOVERY ZONE APPLICATION

WHEREAS, the Michigan Legislature enacted the Michigan Renaissance Zone Act (the “Act”), 1996 PA 376, as amended, which authorizes the State Administrative Board (“SAB”) and the Michigan Strategic Fund (“MSF”) to designate renaissance zones to provide temporary relief from certain taxes for businesses located and conducting business activity within the renaissance zone;

WHEREAS, the Act at 125.2691 requires that “the form of the application for a renaissance zone designation shall be as specified by the” MSF. Further, the MSF “may request any information from an applicant, in addition to that contained in an application, as may be needed to permit the board to discharge its responsibilities under this act.”

WHEREAS, the Michigan Economic Development Corporation (“MEDC”) provides administrative services for the renaissance zone program and has developed a template for a Tool & Die Recovery Zone Amendment, Time Extension, and Transfer of Ownership Application (see Attachment A) (the “Template”) which may be used when requesting an amendment, time extension, or transfer of ownership to an existing Tool & Die Recovery Zone; and

WHEREAS, the MEDC recommends that the MSF Board adopt the attached Template as the form of the application pursuant to 125.2691 for those particular renaissance zone amendments.

NOW, THEREFORE, BE IT RESOLVED, that the MSF Board adopts the attached Template as the form of the application pursuant to 125.2691 for those particular renaissance zone amendments; and

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

Ayes:

Nays:

Recused:

Lansing, Michigan
April 25, 2012

CONFIDENTIAL

MSF Board Meeting

Quarterly Report

Michigan 21st Century Investment Fund,
L.P.

April 25th, 2012

The Customized Fund Investment Group

Important Information

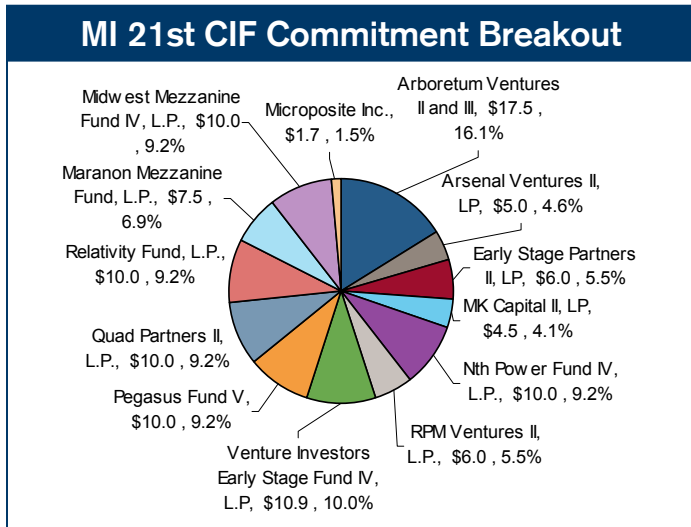
This document has been prepared, at the request of The Michigan 21st Century Investment Fund (“MI 21st CIF”), for its general informational purposes in connection with its investment in a program (the “Program”) with the Customized Fund Investment Group (“CFIG”) of Credit Suisse Asset Management (“CSAM”) and may not be used or reproduced for any other purpose. This document is for informational purposes only and all information contained herein is subject to revision and completion. This document does not constitute or form part of an offer to issue or sell, or of a solicitation of an offer to subscribe or buy, any securities or other financial instruments, nor does it constitute a financial promotion, investment advice or an inducement or incitement to participate in any product, offering or investment. Any such offer will be made only by means of the Program’s confidential private placement memorandum and is subject to the terms and conditions contained therein and in the limited partnership agreement (or other organizational documents) of the Program, as amended, restated or modified. The information set forth herein does not purport to be complete. In addition, this document does not constitute nor shall it or the fact of its distribution form the basis of, or be relied on in connection with, any investment contract.

Please note that the views, analyses and opinions reflected herein unless expressly stated otherwise reflect the perspective of CFIG and do not necessarily state or reflect the views of CSAM, Credit Suisse (USA), Inc., Credit Suisse Group AG or any of their respective affiliates, officers, directors, employees or agents (collectively, “Credit Suisse”). No representation, warranty or undertaking, express or implied, is given as to the accuracy or completeness of the information or opinions contained herein. No reliance may be placed for any purpose on the information and opinions contained in this document or their accuracy or completeness and nothing contained herein shall be relied upon as a promise or representation whether as to past or future performance. The information contained in this document is preliminary in nature and subject to verification by CFIG. Certain information contained herein (including certain underlying return information, forward-looking statements and economic and market information) has been obtained from the underlying fund managers, published third-party sources and/or prepared by other parties and which has not been updated through the date hereof. In addition, certain information contained herein has been obtained from companies in which investments have been made by CFIG and entities affiliated with CFIG. While such sources are believed to be reliable for the purpose used herein, none of CFIG, CSAM, or Credit Suisse assumes any responsibility for the accuracy or completeness of such information. CFIG assumes no responsibility for independent verification of such information and has relied on such information being complete and accurate in all material respects. Nothing contained herein should be construed as legal, business or tax advice. MI 21st CIF should consult its own attorney, business adviser and tax adviser as to legal, business, tax and related matters concerning the information contained herein.

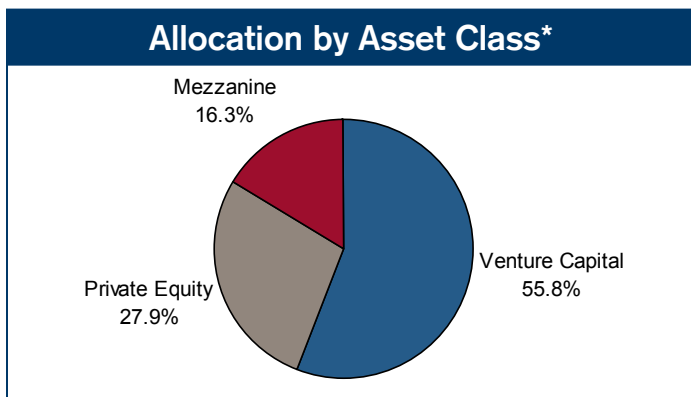
Michigan 21st Century Investment Fund Summary

- Since 2006, the MI 21st CIF has committed **\$109.0 million** to **13 funds** and one company

By U.S. dollars invested



By U.S. dollars invested



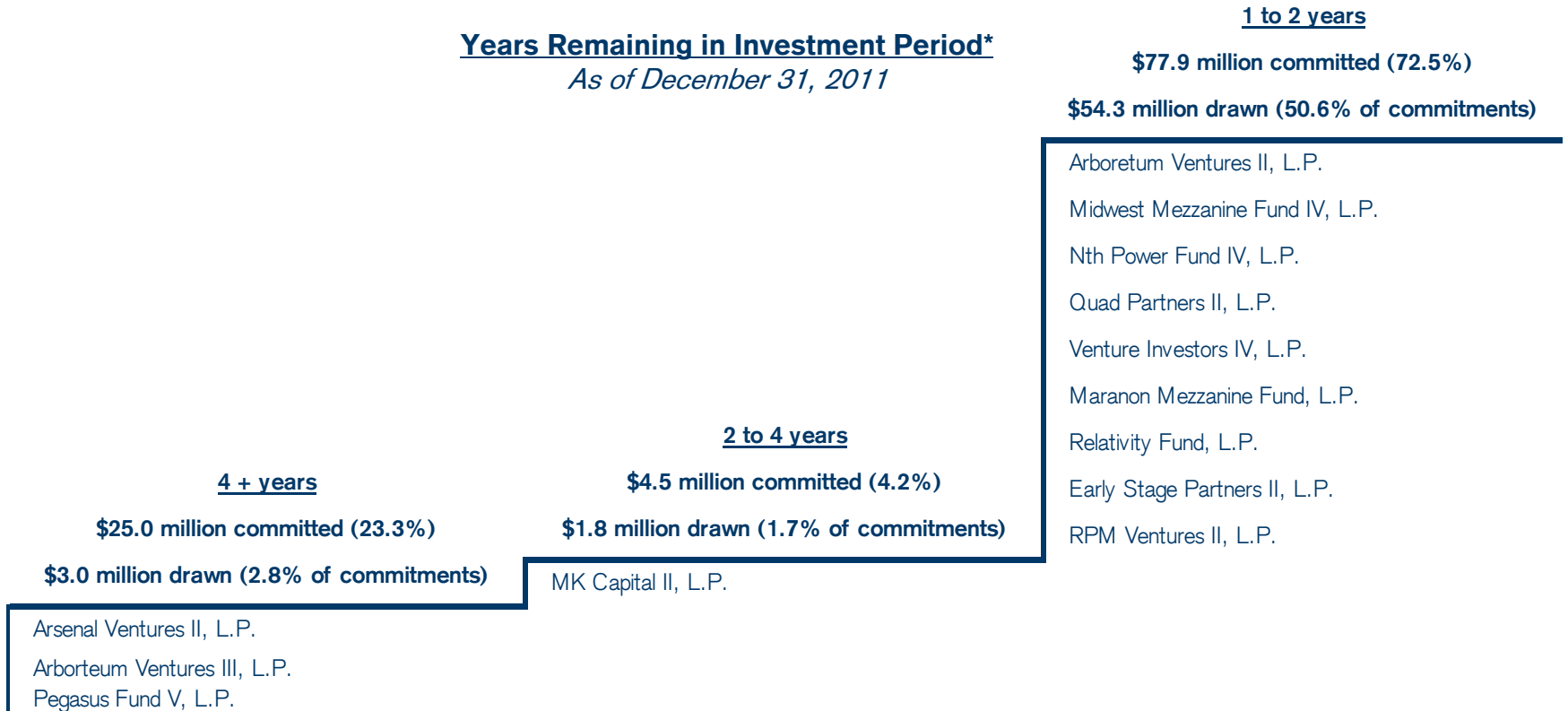
Fund Managers

Arboretum Ventures		Quad Partners	
Early Stage Partners		Relativity Capital	
Maranon Mezzanine		Pegasus Partners	
Midwest Mezzanine		Venture Investors	
Nth Power		Arsenal Ventures	
RPM Ventures		MK Capital	

Michigan 21st Century Investment Fund Summary (Cont'd)

- As of December 31, 2011 the underlying funds have drawn approximately **56%** of their capital commitments or \$61.0 million
- Many funds have multiple years remaining in the investment period
- Credit Suisse is actively assessing Michigan investment plans and activity for all fund managers

Years Remaining in Investment Period* *As of December 31, 2011*



* Note: Total exclude \$1.7 million investment in Microposite Inc.

Michigan-Based Portfolio Companies

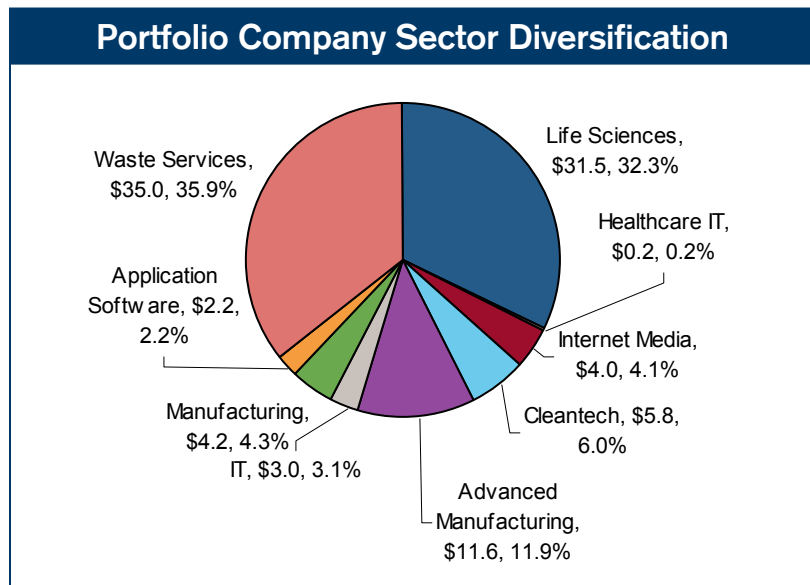
As of April 2012, the Michigan 21st Century Investment Fund managers (Fund Managers) have invested **\$97.4 million** into **24** Michigan-based portfolio companies which have **790** Michigan employees. Michigan 21st Century Investment fund managers have invest nearly **1.65x** the amount they have drawn from the Fund.



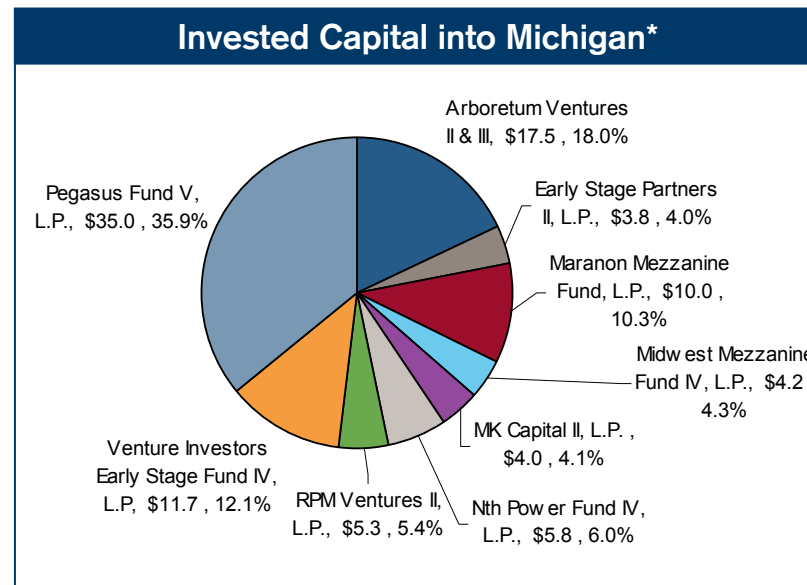
Michigan-Based Portfolio Companies (Cont'd)

- Overall, **\$452.7 million** of equity has been invested into these 24 portfolio companies by all syndicate partners. This represents a **4.65x** leveraging of the MI 21st CIF underlying fund manager investments
- These portfolio companies continue to be diversified across sectors, including life sciences, manufacturing, healthcare, IT, waste services and media
- Arboretum Ventures** has been the most active manager to-date with over **\$17.5 million** invested into **8** unique Michigan-based companies
- Pegasus V** and **Maranon Mezzanine** have invested the most dollars in the State with **\$50 million** and **\$35 million, respectively**

By U.S. dollars invested



By U.S. dollars invested



Michigan Private Equity / Venture Capital News

- Fund closings/events
 - **Venture Investors Early Stage Fund V** held its first closing
 - **Flagship Venture Partners V** closed at **\$270 million** and made a commitment to establish a Michigan office and hire a Michigan-based individual
 - **Pegasus Capital Advisors** has exceeded **\$600 million** in capital raised in Fund V
- Michigan company investments
 - **Pegasus Partners V** invested in **\$35 million** three Michigan facilities for ReCommunity, the largest pure play recycling company in North America
 - An affiliate of **Pegasus Capital Advisors** relocated ZeroBase Energy from Maine to Detroit, Michigan. ZeroBase designs and manufactures backup power sources which are powered by a combination of traditional and renewable energy and designed to maintain energy reliability.
 - CytoPherix raises the largest VC round since 2009 at **\$34 million**, which was led by **Early Stage Partners**

MEMORANDUM

DATE: April 25, 2012

TO: MSF Investment Subcommittee

FROM: Mike Flanagan – Manager, Equity Capital Programs

SUBJECT: Program Proposal - Pure Michigan Venture Development Fund

BACKGROUND

The table below illustrates the growth of the venture capital industry in Michigan from 2001 to 2012. The primary reason for this dramatic change has been Michigan’s efforts to expand the industry, which were started by Michigan Economic Development Corporation (“MEDC”) over a decade ago. These efforts included the Michigan Life Science Corridor, the Michigan Technology Tri-Corridor, the 21st Century Investment Fund, Venture Michigan Fund I & II, and Invest Michigan.

Year	Number of Venture Funds	of Capital Management	Under	Number of Venture Professionals
2001	7		\$500 million	18
2012	35		\$3 billion	82

Michigan’s efforts have been successful at attracting and creating a vital segment of the capital markets. Venture capital represents the only institutional risk capital for early stage companies with high-growth potential. Venture backed companies create roughly 10% of new jobs nationally, with a disproportionate amount in the high-wage, high-skill category, as well as over 15% of GDP nationally.

As of the most recent data from the Michigan Venture Capital Association (“MVCA”), Michigan ranks 18th nationally in venture capital deployed in state, up from 25th in 2006.

However, the state needs to continue to support the venture industry to be competitive regionally and nationally. Michigan still lags far behind states like California, Illinois, and Pennsylvania, which had \$12 billion, \$600 million, and \$540 million in venture investments respectively in 2010. Michigan by comparison had approximately \$215 million in venture investments in the same period. This is no surprise, as all of these other states had significant head-starts in building their respective venture industries through public efforts.

There is no reason that Michigan cannot be in the top tier of the venture industry nationally in the future. Michigan ranks 5th nationally in number of patents awarded, is in the top 15 in university innovation (the University of Michigan ranks 4th), is in the top 5 states for science and engineering doctorates, and ranks 2nd in industrial R&D spending. In other words, Michigan is near the top in most categories that are the critical drivers of good venture deals, but the venture industry needs to continue to grow in order to support and integrate with this critical foundation. If not, the State will continue to see innovative, growth-oriented companies find capital elsewhere, and we will surrender that economic growth to other states.

PROGRAM PROPOSAL

Staff proposes launching the Pure Michigan Venture Development Fund (“VDF”), which is modeled after the successful programs that were executed in the early 2000s by the MEDC. Those programs had the goal of helping to seed promising young venture firms to grow the industry in the state. Some of the state’s successful funds were originally seeded by those programs, including Arboretum Ventures I, North Coast Technology Investors, EDF I, T-Gap, and Apjohn Ventures. The new VDF program hopes to help seed similarly promising young funds that will grow into larger funds in subsequent years.

The VDF will have all of the following goals:

- Increase the number of viable first and second time funds in the state
- Grow the venture industry in MI
- Increase the amount of venture investments in the state
- Increase the number of venture professionals in the state
- Create more and better jobs

A total of \$9 million is targeted at the VDF program over a two year period. An initial request for funding of \$5,000,000 million from the Jobs for Michigan investment fund (the “Investment Fund”) is expected to last approximately one year.

PROGRAM GUIDELINES

The VDF would operate under the following general guidelines:

Eligibility

- Venture funds are required to have raised \$1 million in private capital at the time of application, which must be evidenced by signed investor commitments. Funds that have raised more than \$25 million are not eligible to apply. Funds with target sizes of \$50 million or more will not qualify.
- The General Partners of applicant funds must have committed to invest in the fund a minimum of 1% of the total fund size.
- Venture funds seeking to apply must meet all of the following additional minimum criteria:
 - Must be headquartered in Michigan;
 - Must have a minimum of 2 managing partners/directors;
 - Must be a member of the MVCA; and
 - Must be a first or second generation fund (fund I or II; not required to be first time fund managers)
- Preference will be given to venture funds that have not previously received investment(s) from the Michigan Strategic Fund or MEDC. Funds that have received previous investment from the MSF or MEDC which makes up more than 20% of the fund size will not qualify to receive additional state funding from the Venture Development Program.
- Applicants will be required to submit comprehensive information regarding the fund, including management team experience, track record, investment profile and philosophy, a financial plan, and references, among other information.
- All proposals will be evaluated by independent peer review experts.
- Program staff will perform additional due diligence of applicant funds at its discretion. Funds shall provide information upon request to the satisfaction of program staff’s due diligence.
- The program will charge an application fee of \$1,000.

Approved Funds

- The Program will invest as a limited partner up to \$2.25 million per qualified venture capital fund.
- Approved venture funds will receive a provisional commitment of \$2.25 million, which shall be fully committed in tranches contingent on the following milestones:

1. **First Tranche = \$125,000:** contingent on execution of a commitment agreement with the MSF, committing the fund to raise a total of \$8 million from other investors within 24 months. Disbursement may be used for operational expenses, including fund raising activities.
 2. **Second Tranche = \$1 million:** contingent on fund receiving commitments totaling \$4 million from at least three (3) other investors within 12 months of the initial disbursement, which must be evidenced by signed commitment agreements.
 3. **Third Tranche = \$125,000:** committed concurrently with second tranche so long as fund continues to fund raise. Disbursement may be used for operational expenses, including fund raising activities.
 4. **Fourth Tranche = \$1 million:** contingent on fund receiving commitments totaling \$8 million from at least three (3) other investors within 24 months from the initial disbursement, which must be evidenced by signed investor commitments.
- Should an approved fund fail to meet any of the scheduled milestones, the MSF may, at its discretion, rescind subsequent tranches of its commitment and commit those funds to other qualified applicants.
 - Approved venture funds shall execute a Limited Partnership Agreement with the MSF.
 - Approved funds shall also execute a side letter with the MSF, requiring, among other things, that the fund invest in Michigan companies, at minimum, an amount equal to the MSF investment into the fund.
 - The MSF may cap its return on investment in the fund in order to provide incentive to other potential investors.
 - Approved venture funds shall be subject to periodic reporting requirements.

PROCESS AND PROGRAM REQUIREMENTS

Pursuant to Section 88k of the MSF Act, the MSF must establish a competitive process to make awards under the Venture Development Fund. Applications submitted in response to this funding opportunity will undergo evaluation by independent peer review experts based on the following four, equally weighted criteria: scientific and technical merit, personnel expertise, commercial merit, and the ability to leverage additional funding. Detailed information on the Venture Development Fund process and program requirements are attached as Exhibit A (“VDF Program Guidelines”) and incorporate the competitive process requirements of Section 88k of the MSF Act.

The MSF Act also requires that a public hearing be held to provide the opportunity for the general public to comment on the proposed VDF Program Guidelines and the proposed resolution. The proposed resolution approving the VDF Program is attached as Exhibit B (“VDF Resolution”). After consideration of the comments and information received at the public hearing, the final VDF Program Guidelines will be presented to the MSF Board for approval and implementation.

RECOMMENDATION

MEDC Staff respectfully requests the feedback of the MSF Investment Subcommittee on the request to Issuance of a Notice of Public Hearing to be held on May 9, 2012 at the Michigan Venture Capital Association for the purpose of receiving public comment on the VDF Program Guidelines and VDF Resolution.

MICHIGAN STRATEGIC FUND

RESOLUTION 2012-

**PURE MICHIGAN VENTURE DEVELOPMENT FUND
NOTICE OF PUBLIC HEARING**

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

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

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

WHEREAS, pursuant to MCL 125.2088k(8), prior to adopting the attached proposed resolution that would approve the creation and operation of the Pure Michigan Venture Development Fund (“VDF”) to make investments to qualified venture funds in order to assist in the growth of the venture industry and increase the number of venture investments in the State, the MSF Board shall hold a public hearing that provides an opportunity for public comment;

WHEREAS, the MSF desires to hold a public hearing with respect to the Proposed Resolution and the VDF on May 9, 2012 to offer persons an opportunity to present data, views, questions and arguments; and

WHEREAS, the MSF desires to approve the Notice of Public Hearing and to authorize Mark Morante to be present at the hearing and participate in the public discussion regarding the Proposed Resolution and the VDF.

NOW, THEREFORE, BE IT RESOLVED, that Mark Morante is authorized to publish the attached Notice implementing the requirements of MCL 125.2088k(8);

BE IT FURTHER RESOLVED, that the MSF designates Mark Morante to be present at the public hearing and participate in the public discussion of the Proposed Resolution and the VDF; and

BE IT FURTHER RESOLVED, pursuant to MCL 125.2088k(8), that no sooner than 14 days after the public hearing, the MSF intends to adopt a final resolution implementing changes to the 21st Century Jobs Fund program by approving the VDF.

Ayes:

Nays:

Recused:

Lansing, Michigan
April 25, 2012

NOTICE OF PUBLIC HEARING

On May 9, 2012, the Michigan Strategic Fund Board ("MSF Board") will hold a public hearing with respect to the attached proposed resolution of the MSF Board approving changes to the 21st Century Jobs Fund initiative program for fiscal year 2012. The proposed resolution seeks to establish the Pure Michigan Venture Development Fund.

The hearing will commence at 10:00 a.m. at the Michigan Venture Capital Association ("MVCA") located at 115 W. Huron Street, 3rd Floor, Ann Arbor, Michigan 48104. Interested persons wishing to express any data, views or arguments regarding the Proposed Resolution will be given an opportunity to do so at the public hearing. Written comments will be accepted by the MSF Board at Michigan Strategic Fund Board, c/o Mike Flanagan, 300 North Washington Square, Lansing, MI 48913, or electronically to 21stCenturyJobs@michigan.org, but must be mailed or electronically transmitted on or before the date and time of the hearing.

This hearing will provide a reasonable opportunity for interested persons to express their views, both orally and in writing, on the Proposed Resolution.

The MEDC will provide necessary reasonable accommodation upon seven (7) days' notice to the MEDC. Individuals with disabilities needing a reasonable accommodation to effectively participate in this public hearing should contact MEDC by writing or calling the person listed below.

Dated: April 25, 2012

Ellen Graham
Michigan Strategic Fund Board
300 North Washington Square
Lansing, Michigan 48913
(517) 241-2244

Michigan Strategic Fund Board
21st Century Jobs Fund

Pure Michigan Venture Development Fund

Program Application, Process & Guidelines

Release Date: June 28, 2012

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I. **IMPORTANT DATES and REMINDERS**

- **Applications will be accepted starting June 28, 2012**
- Questions from potential applicants regarding the Pure Michigan Venture Development Fund (“Program”) will only be accepted via email sent to VDF@Michigan.org. Responses to all qualifying questions will be posted on the MEDC’s website:
 - www.michiganadvantage.org/PureMichiganVentureDevelopmentFund.
- Proposals must be submitted to the MEDC via email sent to VDF@Michigan.org. Once the MEDC has received the application you will be contacted on how to pay the application fee. Proposals will not undergo peer review until the application fee has been received.
- **Venture funds should not submit an application fee until they have received notice from program staff.** MEDC Staff will conduct an initial review of the application prior to requiring the fee to ensure the application meets the minimum criteria of the Program. MEDC Staff will provide instructions for payment of the application fee upon verifying that the application meets the minimum requirements of the Program.
- An independent peer review of the application will be conducted upon receipt of all qualified applications. Applicant funds should plan to be available for face to face interviews with the peer reviewers.
- Award decisions will to be announced on an ongoing basis until the funding is fully committed.
- Applications will not be accepted once available funding has been fully committed. If additional funding designated for the Program or previous investments have liquidity events that are returned to the Program the application process will be reopened and announced on www.michiganadvantage.org/PureMichiganVentureDevelopmentFund.
- Applicant proposals may not exceed 35 pages, utilizing ten (10) point font or greater, submitted as a single Portable Document Format (.pdf) file. Proposals in excess of 35 pages will be disqualified. Application format requirements can be found in Section VI of this document.
- Prior to final submission, please verify all of the specifications as described for Program as defined in this document are included.

II. INTRODUCTION

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

A. Program Overview

Under the 21st Century Jobs Fund Initiative, the MSF Board has been given the opportunity to foster the growth of innovative companies with the potential for high growth in Michigan. Early stage innovative companies often require venture capital in order to grow.

Recognizing that Michigan has a relatively small venture capital industry, the MSF has approved the Pure Michigan Venture Development Fund (“VDF” or “Program”) to assist in the growth of the venture industry by increasing the number of viable venture funds, with the intent of increasing the number of venture investments in the state. The program will ultimately encourage diversification of the state’s economy into competitive edge technology sectors, as defined in the MSF Act.

The Program, through a peer-reviewed competitive process, will award qualifying first and second generation venture funds up to \$2.25 million each. It is anticipated that the Program will award up to four venture funds based on current and future MSF funding.

B. Program Goals

The Program has all of the following goals:

- Increase the number of viable first and second time funds in the state
- Grow the venture industry in MI
- Increase the amount of venture investments in the state
- Increase the number of venture professionals in the state
- Create more and better jobs
- Return of and on capital

III. ELIGIBILITY, REQUIREMENTS AND OBLIGATIONS

A. Venture Fund Eligibility Criteria

- This Program is designed to invest in first and second generation funds in Michigan for the primary purpose of increasing their ability to raise additional funds and become viable entities.
- To qualify, applicant venture funds are required to have raised \$1 million in private capital at the time of application, which must be evidenced by signed investor commitments. Funds that have

raised more than \$25 million are not eligible to apply. Funds with target sizes of \$50 million or more will not qualify for this Program.

- Venture funds seeking to apply must meet all of the following additional minimum criteria:
 - Must be headquartered in Michigan
 - Must have a minimum of 2 managing partners/directors
 - Must be a member of the Michigan Venture Capital Association (MVCA)
 - Must be a first or second generation fund (fund I or II)
 - Fund managers do not need to be first time fund managers. Preference will be given to experienced fund managers.
- Preference will be given to venture funds that have not previously received investment(s) from the Michigan Strategic Fund or MEDC. Funds that have received previous investment from the MSF or MEDC which makes up more than 20% of the fund size will not qualify to receive additional state funding from the Venture Development Program.
- To qualify, venture funds must submit all information required under Section VI of this document.
- Program staff will perform additional due diligence of applicant funds at its discretion prior to making any award, including civil and criminal background checks. Funds shall provide information upon request to the satisfaction of program staff's due diligence.
- All proposals will be evaluated by independent peer review experts.

B. Technology Sector Requirement

- Applicants of the Program must be able to show how they will create jobs and commercialize product(s) within one or more of the competitive edge technology sectors defined in Section 125.2088a of the MSF Act, as amended, and as determined by the MSF Board, including:
 1. Life Sciences Technology
 2. Advanced Automotive Manufacturing and Materials
 3. Homeland Security and Defense
 4. Alternative Energy
 5. Information Technology
 6. Agricultural Processing Technology
 7. and/or any other innovative technology as determined by the MSF Board

C. For-Profit Entity

- Only qualified venture funds are eligible to receive funding through the Program.
- Eligible venture funds must be authorized to conduct business in the State of Michigan. For further details on eligibility requirements refer to *Legal Requirements, Appendix A*.

D. Application Fee

- A non-refundable application fee of \$1,000, payable to the MEDC, will be due upon notification from the MEDC. **The fee is not due at the time of application.** In cases where an application is disqualified prior to undergoing a peer review, no fee will be required. MEDC Staff will provide instructions on payment of the application fee if the application meets the minimum requirements of the Program.

E. Financial Contributions

- The MSF Board requires that applicants will have already received commitments from other Limited Partners of at least \$1 million at the time of application. Each proposal must include a signed commitment agreements to evidence such commitments.
- General Partners of applicant funds are required to commit to invest at least 1% of the total fund size into the fund.

F. Awards, Agreements and Required Terms

- The Program will invest as a limited partner up to \$2.25 million per qualified venture capital fund. Awards will be distributed in the form of equity investments or convertible notes at the discretion of the MSF Fund Manager after the peer review has been completed.
- Approved venture funds will receive a provisional commitment of \$2.25 million, which shall be final committed in tranches contingent on the following milestones:
 1. First Tranche = \$125,000: contingent on execution of a commitment agreement with the MSF, committing the fund to raise a total of \$8 million from other investors within 24 months. Disbursement may be used for operational expenses, including fund raising activities.
 2. Second Tranche = \$1 million: contingent on fund receiving commitments totaling \$4 million from at least three (3) other investors within 12 months of the initial disbursement, which must be evidenced by signed commitment agreements.
 3. Third Tranche = \$125,000: committed concurrently with second tranche so long as fund continues to fund raise. Disbursement may be used for operational expenses, including fund raising activities.
 4. Fourth Tranche = \$1 million: contingent on fund receiving commitments totaling \$8 million from at least three (3) other investors within 24 months from the initial disbursement, which must be evidenced by signed investor commitments.

- Should an approved fund fail to meet any of the above scheduled milestones, the MSF may at its discretion, rescind subsequent tranches of its commitment, and commit those funds to other qualified applicants.
- Approved funds must execute a side letter with the MSF, requiring, among other things, that it invest in Michigan companies, at minimum, an amount equal to the MSF investment into the fund.
- Approved venture funds shall be subject to periodic reporting requirements.
- The total initial amount available for all investments made from the Program is \$5 million. The MSF may allocate additional funding to the VDF in the future. After investment awards have been officially announced, MEDC staff will contact each award recipient to set up a date and time to negotiate the contractual terms for the investment agreement and to structure a monitoring program. Successful applicants will also be informed of the requirements for progress reports.
- All contracts approved by the MSF Fund Manager will contain a provision that the Auditor General has access to the books and records, including financial records and all other information and data relevant to the terms of the contract related to the use of the investment.
- As a condition of receiving an investment from the Program, a business must agree to maintain its principal operations in Michigan for a minimum of three years and execute a repurchase agreement with the MSF that provides for the repurchase of a qualified investment if the business voluntarily relocates out of Michigan prior to the third anniversary of the execution of the Program investment agreement.
- Successful proposals approved for funding by the MSF Fund Manager are subject to the final execution of a legal agreement and successful completion of a due diligence review including, among other things, criminal and civil background checks of the applicant. Background checks will include, without limitation, affiliates, subsidiaries, officers, directors, managerial employees, and any person or entity which directly or indirectly holds a pecuniary interest in that business entity of 20% or more. Further details concerning this process are included in *Legal Requirements, Appendix A*.

G. Estimated Timeline

June 27, 2012 MSF Board final review and approval of the Program and Program Guidelines

June 28, 2012 Publication of the Program Guidelines at:
www.michiganadvantage.org/PureMichiganVentureDevelopmentFund
 and opening of the Program to accept applications

Ongoing No Deadline Applicant questions due via e-mail

Ongoing No Deadline Responses to questions posted on MEDC Website at
www.michiganadvantage.org/PureMichiganVentureDevelopmentFund

Ongoing No Deadline Proposals in the form of a business plan must be received by the MEDC via email sent to VDF@Michigan.org

Estimated 90 days from payment of the application fee Review Period; an independent peer review will be conducted. Applicants should plan to be available for face to face interviews with the peer review panel during this period.

- **Awards will be announced on a rolling basis. The MSF will continue to accept applications until funding for the Program is fully committed.**

IV. APPLICATION PROCESS

A. Submission

- Applications must be sent by email to VDF@Michigan.org.
- Proposals will be time stamped by the MEDC Staff. It is the sole responsibility of the applicants to submit proposals and application fees in a timely fashion.
- Applicants will be notified by the MEDC with instructions on how to pay the \$1,000 application fee after receipt of the Company application and verification that it meets the guidelines for submittal.
- All questions from applicants must be submitted via email to VDF@Michigan.org. Questions that are phoned, faxed, sent through regular mail, or emailed directly to MEDC staff or the MSF Board will not be accepted. Answers to qualifying questions will be posted periodically at www.michiganadvantage.org/PureMichiganVentureDevelopmentFund; applicants are encouraged to check this website frequently.
- Incomplete proposals will not be accepted or reviewed. **Any change or update to the acceptance of proposals will be posted on the MEDC website.** Such postings shall constitute constructive notice to the general public and to all applicants of any modifications or alterations of the deadline for proposals. Therefore, applicants are strongly encouraged to continuously check the MEDC website at www.michiganadvantage.org/PureMichiganVentureDevelopmentFund.

B. Confidentiality of Submitted Materials

- **All** proposal materials and materials generated throughout the competition, including, but not limited to, peer review materials, letters of commitment, biographical information, and due diligence information, submitted to the MEDC and State of Michigan through the MSF Board may be subject to public disclosure under Michigan’s Freedom of Information Act (“FOIA”). For further details on confidentiality requirements refer to the *Legal and Policy Section, Appendix A.*
- *As provided in the Michigan Strategic Fund Act (“MSF ACT”), the applicants may request that “financial or proprietary information,” as defined in the MSF Act, contained within proposal submission materials be protected from disclosure under the Michigan FOIA. Such information **MUST** be identified directly within the material submitted by applicants and comply with the following requirements:*

- *Identify each component and portion of the narrative for which you are requesting confidentiality. **Text, tables or graphics MUST be bolded and marked with asterisks and brackets (*[bold if text]*) within the narrative.***
- *Identify the attachment and the portion of the document for which you are requesting confidentiality. **Text, tables or graphics MUST be bolded and marked with asterisks and for portions of a multi-page document, such as the Business Plan, you MUST also list the page numbers of all pages that contain information marked by asterisks and bold brackets.***
- Applicants understand that by failing to properly identify information that the applicant desires to be designated as confidential by the MSF Fund Manager, the applicant waives all rights and actions against the MEDC, the MSF Board, and the State of Michigan and its participants, officers, agents and employees regarding the release of information that could have otherwise been acknowledged as confidential but for the applicant’s failure to properly designate the information as provided in this section or take other necessary action to have information acknowledged as confidential. It is the applicant’s sole responsibility to identify information that it desires to be designated as confidential. Neither the MSF Board nor MEDC shall be liable for any inadvertent disclosure of any of the applicant’s information designated as confidential by the applicant.
- The MSF Fund Manager will determine and acknowledge information requested to be kept confidential on a case by case basis.

V. INDEPENDENT PEER REVIEW PROCESS

Proposals will be evaluated by independent peer review experts with business expertise and experience in areas such as venture capital, business creation and business growth scenarios, and technology commercialization.

All proposals will be scored and ranked based on the four equally weighted legislatively mandated criteria as referenced below.

- Commercialization Merit
- Personnel Expertise
- Ability to Leverage Additional Funds
- Scientific and Technical Merit

Upon consideration of the independent peer review recommendation, the MSF Board will make all final award decisions.

DECISIONS BY THE MSF ARE FINAL AND NOT SUBJECT TO APPEAL

VI. APPLICATION FORMAT – BUSINESS PLAN

Proposals must be in the form of a business plan, not to exceed 35 pages, utilizing ten (10) point font or greater, submitted as a single Portable Document Format (.pdf) file attachment. Proposals in excess of 35 pages will be disqualified. This page limit does not include the cover page, required appendices for letters of collaboration and/or financial commitment(s) or policy on conflict management.

Proposals may only be submitted electronically via email to the MEDC at VDF@Michigan.org. **Proposals will not be accepted via U.S. mail or any other delivery method.** A non refundable application fee of \$1,000 will be due upon notification from the MEDC.

Applicants should keep in mind the following four, equally weighted legislatively mandated criteria by which all proposals will be evaluated:

- Commercialization Merit
- Personnel Expertise
- Ability to Leverage Additional Funds
- Scientific and Technical Merit

Applicants are asked to submit a business plan that should contain, at a minimum, the following items:

A. Executive Summary

1. Overview of venture fund and business plan
2. Significance to Michigan

B. Partnership Information

1. Inception / History
2. Funds organized to date along with respective vintage years and amounts of committed capital
3. Organizational structure
4. Descriptions of all entities associated / affiliated with the Partnership
5. Detailed contact information for all office locations (address, telephone and fax) and key due diligence contact (e-mail, telephone and fax)

C. Fund Raising Information

1. Target / maximum amount of capital to be raised
2. Expected date of initial and final close
3. Prior funds' schedule of LPs along with individual commitment amounts

4. Preliminary indications of interest for the new fund (if applicable), with expected commitment amounts
5. Investors not investing in new fund (if applicable) and reason(s) for non-participation
6. Amount of capital drawn down for the prior fund along with estimated reserves for fees, expenses and future rounds of financing
7. Briefly describe your policies to share/allocate investment opportunities between active fund(s) and the new fund to be raised

D. Investment Focus

1. Investment strategy / philosophy along with an in-depth discussion of the changes (if any) as compared to the prior fund (if applicable)
2. Areas of focus across various dimensions including geography, sector and transaction type
3. Competitive matrix showing the Firm's competitive positioning against potential competitors
4. The Firm's competitive advantages given the aforementioned strategy/areas of focus
5. Any affiliations and/or partnerships with research institutions, universities, companies, etc.

E. Investment Profile

1. Investment plan as determined by number of investments, average investment size and investment pace during the investment period
2. Target company profile
3. Size (revenues, enterprise value, total capitalization, etc)
4. Average equity investment
5. Target ownership stake
6. Transaction structure / type
7. Portfolio diversification across various dimensions including:
 - o Geography
 - o Sector and sub-sector
 - o Company (i.e. maximum total investment – inclusive of add-on acquisitions / financing – per company)

F. Investment Process

1. Past deal flow log for the last five years (or less if applicable) along with statistics showing the number of deals undergoing preliminary screening, detailed due diligence and actual investments
2. Expertise in sourcing and evaluating overall deal flow

3. Discuss the investment decision-making process at each stage of deal flow (preliminary screening, detailed due diligence, final investment)
4. Describe the composition of the investment committee and any change(s) from the prior fund(s)

G. Investee Company Due Diligence and Portfolio Management

1. Portfolio company application process
2. Fund's due diligence process
3. Investment approval process
4. Post-investment activities to monitor and add value to investee companies:
 - Form and format of reporting required from portfolio companies for term of investment
 - Establishing and monitoring achievement of milestones and actions contemplated when milestones are missed
 - Assistance to be provided to portfolio companies needing follow-on funding
 - Plans to protect the Fund's ownership position in its portfolio companies
 - Plans to assist portfolio companies with business, technology and management issues such as recruiting management team, introduction to partners or new customers, technology matchmaking activities, etc.

H. Milestones and Timing

1. Anticipated schedule of investing the bulk of the Award in portfolio companies
2. Anticipated exit schedules
3. Financial Objectives/Returns on investments

I. Financial Plan

1. Investment Forecast: Provide a five year cash-flow forecast for all investible funds, indicating how the Fund will allocate these dollars to each portfolio company
2. Five year Operating Budget for the Fund: Provide a detailed five-year Operating Budget for the Fund.

J. Management Team

1. Total number of full-time professionals employed by the GP, broken down into investment professionals, accounting and finance professionals, and miscellaneous support staff

2. Breakdown of investment professionals by designation (Partner, Principal / Vice President, Associate, Analyst, etc)
3. Detailed biographies of all investment professionals along with relevant biographical information
4. Briefly describe any other professional responsibilities of management, including public funds, charitable activities, board responsibilities, etc.
5. Turnover of senior professionals (Vice President and above) since inception including reasons for departure and other relevant information
6. Describe the functional responsibilities of each investment professional along with approximate time allocation across various investment activities, including deal sourcing, structuring, execution, monitoring and exit management
7. Discuss expected staffing levels
8. Capital commitment by each professional
9. Carried interest split among investment professionals and the vesting schedule, along with comparison to the prior fund(s) if applicable

K. Track Record

1. Historical investment track record in Excel showing:
 - o Actual cash flows, by investment, for realized and unrealized investments
 - o Actual LP cash flows (net of all expenses) for the prior fund(s)
2. Please provide Transaction Summaries for all investments made to date including the following information:
 - o Company name, location and business description
 - o Investment thesis
 - o Existing investors in the company along with the respective investment amounts
 - o Composition of the Board of Directors
 - o Recent company developments
 - o Initiatives taken by the Firm to improve company performance
 - o Company outlook, including key milestones, progress on financial / operating parameters, etc
 - o Exit plan (prospects for IPO, interest from strategic players, anticipated time frame for liquidity, etc) or if realized, mode of exit along with description of the exit process
3. Please provide the following financial information for all portfolio companies, both realized and unrealized, in Excel:
 - o Relevant financial information – Revenues, EBITDA and Net Debt – historical (past three years), at the time of investment, most recent financial period as well as projected (at least three years)
 - o Valuation multiples – Enterprise Value to Sales and Enterprise Value to EBITDA – at the time of investment as well as most recent financial period
 - o Fully diluted ownership stake, both at the time of investment as well as current

4. Valuation policy
 - For financial reporting purposes
 - If different than above, the methodology used for calculating returns in the track record
5. Most recent quarterly and annual reports (including most recent audited financials) for each prior partnership
6. Co-investments
 - Have you provided co-investment opportunities to your LPs in the past five years?
 - Have you syndicated excess investment capacity to other GPs?
 - How have your co-investments provided to LPs performed relative to other investments?

L. Legal documents

- Please provide electronic copies of the following:
 - Offering memorandum
 - Partnership Agreement
 - Fund management and/or advisory agreements
 - Subscription Agreement
 - Legal/Tax opinion letter
 - All side-letters
- Advisory Committee
 - Composition of the Committee
 - Criteria for selection of the members
 - Description of responsibilities

M. References

- Names and contact information (telephone and e-mail) for:
 - All portfolio company CEOs (including any replaced CEOs)
 - Former employees
 - All co-investors
 - All limited partners
 - Bankers and brokers
 - Law firms and auditors

N. A policy on conflict management

VII. GOVERNING BOARD AND ADMINISTRATION OF PROGRAM

The MSF Board is comprised of 11 members, including the Director of the Department of Licensing and Regulatory Affairs, the State Treasurer, the Chief Executive Officer of the MEDC and 8 additional members appointed by the Governor. A current list of MSF Board members can be found at the following internet link, www.michiganadvantage.org.

Under the 21st Century Jobs Fund initiative, the MSF Board sets the strategic direction for funding commercialization activity and authorizes funding decisions. The MSF Board has designated the MEDC staff to provide administrative services for the programs that fall under the Board's responsibilities, including administration of support service activities such as early stage funding programs.

This program is subject to Michigan law. In the event of any conflicts that proceed to court, jurisdiction will be in a Michigan court of law. Nothing in this document shall be construed to limit the rights and remedies of the State of Michigan, the MSF Board, or the MEDC. As provided by Michigan law, the MSF Board retains complete discretion to accept or reject any proposal. In accordance with PA 215 and in concert with the Chief Compliance Officer of the 21st Century Jobs Fund, the MSF Board has established a comprehensive conflict of interest policy.

Any award is subject to the availability of funds. Applicants acknowledge that the MSF Board's performance of its payment obligation is contingent upon the State Legislature's continued approval of funding for the 21st Century Jobs Fund initiative.

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Appendix A

Legal Requirements

A. Eligibility and Obligations

To receive funding under this program, the applicant organization must be a Michigan based venture fund at the time of the award. Approved venture funds must invest into Michigan based companies, at minimum, an amount equal to the MSF investment into the venture fund.

In addition, the Primary Contact must be located in Michigan for the duration of the project at the principal site at which, or from which, project activities will be performed. If a Primary Contact relocates outside of Michigan during the award period, the recipient organization must identify an alternate Primary Contact who is located in Michigan or a Michigan-based collaborator to take over the direction of the award. An alternate Primary Contact is subject to the final written approval of the Portfolio Manager. If such arrangements are not feasible, the award will be rescinded.

The award cannot be assigned or transferred without written authorization of both the MEDC Portfolio Manager and the MSF Fund Manager

Applicants, entities and/or collaborators that have received a previous award from the 21st Century Jobs Fund or the former MTTC/MLSC programs are eligible for an award. Applicants, entities, and/or collaborators must identify if they have received previous awards under these programs. Progress of previously funded proposals, including the status of any outstanding grants, investments or loans, will be evaluated as part of the review process.

B. Collaboration

The 21st Century Jobs Fund sets high standards for collaboration and requires evidence of genuine, productive collaboration. Collaboration is encouraged and will be given preference, but is not required. All collaborators shall be identified in the designated area of the application. In general, collaborating entities should be Michigan-based, as one of the goals of the 21st Century Jobs Fund is to increase collaboration between or among Michigan for-profit companies and Michigan institutions of higher education, Michigan non-profit research institutions, and Michigan non-profit corporations. Collaboration with non-Michigan-based entities may be permitted **if** the applicant can demonstrate that the collaborator: (i) provides access to specialized resources, scientific, technical, and commercial expertise that are not readily available in Michigan; and (ii) ultimately benefits Michigan in a manner consistent with the intent of the 21st Century Jobs Fund.

C. Award Agreement

The MSF Fund Manager, or MEDC staff on behalf of the MSF Fund Manager (provided that there are no material changes to the budget approved by the MSF Fund Manager), may adjust the proposed budget or term of the award based on input from the peer review process. The MSF Fund Manager may also choose to partially fund a project based upon the availability of funds. Post-award contract development, due diligence site visits, and financial and legal document submissions, among other things, may also require adjustments to proposed budgets. Program investment agreements will contain further information on the procedure for adjusting proposed budgets and milestones for the term of the award agreement.

MEDC staff will review contractual terms for the award agreement and structure an award-monitoring program. The successful applicant will be informed of the requirements for investment monitoring and progress reports. The investment agreement will contain reporting requirements as stipulated in Public Act 215 of 2005, including, but not limited to, the following:

- Entities that received funding, the amount received, and the type of funding
- Valuation of the Company
- The number of new patents, copyrights, or trademarks applied for and issued to the Company
- The number of new jobs created and new jobs projected by the Company
- Amounts of other funds leveraged by the Company
- Money or other revenues or property returned to the Company
- The total number of new licensing agreements by institution and the number of new licensing agreements entered into by the Company
- Products commercialized and revenues generated by the Company
- State business taxes paid by the Company

All award agreements approved by the MSF Fund Manager will contain a provision that the MSF, the MEDC, the Auditor General and the Chief Compliance Officer have access to the books and records, including financial records and all other information and data relevant to the terms of the investment agreement, related to the use of the investment.

Prior to an investment being disbursed, the MEDC and the Office of the Chief Compliance Officer will conduct due diligence on the awardee, including, but not limited to, criminal and civil background checks of the applicant, and review of the organizational documentation and financial information of the applicant. The background checks will include, but may not be limited to, affiliates, subsidiaries, officers, directors and managerial employees. To facilitate these background checks, applicants will be required to provide as part of the required due diligence the complete names, addresses, and birthdates of all persons who fall within the above definition.

D. Required Disclosures and Conflicts of Interest

All proposals shall include disclosure statements signed by the Primary Contact of the official proposal and by any other stakeholder(s) or collaborating entity involved in the activities being proposed.

For as long as the application is pending and during the term of the investment agreement, if applicable, the disclosure statement must be updated any time a *significant financial interest*, as defined on the disclosure statement, arises.

E. Breach of Contract

A violation of any provision of the award agreement is grounds for any or all of the following, among other possible remedies: (i) rescission of the award; (ii) termination of all related underlying contractual agreements in which the MSF Board or MEDC is a party; or (iii) repayment by the recipient (s) of the award or any portion thereof, actually disbursed, either directly or indirectly, to the recipient.

If the MSF Board and/or the MSF Fund Manager has a reasonable belief that a breach of award agreement has occurred, the MSF Board or the MSF Fund Manager has the right to have the award recipient's annual financial statements separately audited by an independent certified public accountant. If

the audit reveals that a breach has occurred, the award recipient shall reimburse the MSF for the fees and expenses incurred to perform the audit in addition to other remedies available to the MSF Board at law or equity.

Naming a figurehead from Michigan as Primary Contact while the project work is conducted by a non-Michigan-based organization or is substantially performed in another state is **not sufficient** for eligibility and, if discovered after an award has been made, will result in the termination or rescission of the award and subject the award recipient to any other remedies available to the MSF Board at law or equity. In addition to the requirements contained in this document and as provided by law, the contracts and policies of the MSF Board may provide for additional rights and remedies.

F. Notice of Proprietary Information Michigan Freedom of Information Act

Except as otherwise provided in these guidelines, all information in an applicant's proposal is subject to disclosure under Public Act No. 442 of 1976, known as the "Freedom of Information Act". This act also provides for complete disclosure of contracts, their attachments, due diligence materials, progress reports submitted throughout the term of the award agreement and financial documents submitted as required under the award agreements. Proposal information is furnished to the MEDC, independent peer review experts and the State of Michigan, through the MSF Board.

Proposal materials submitted by applicants may contain "financial or proprietary information", which is defined as "information that has not been publicly disseminated or which is unavailable from other sources, the release of which might cause competitive harm". Applicants are provided an opportunity to specifically designate such proprietary or financial information.

Applicants must be aware that, pursuant to MCL 125.2005(9), information the applicant deems confidential must be acknowledged by the Michigan Strategic Fund (MSF) Board or delegated authority as confidential to protect such information from disclosure under the Michigan Freedom of Information Act, MCL 15.243(1)(d). Information that is not acknowledged as confidential by the MSF Board or delegated authority may be subject to disclosure under the Michigan Freedom of Information Act. Unless considered proprietary in nature, routine financial information cannot be acknowledged as confidential. The MSF Fund Manager will make the final decision on whether information designated as confidential by the applicant will be acknowledged as confidential.

Applicants agree that by failing to properly identify information that the applicant desires to be designated as confidential by the MSF Board or delegated authority, the applicant waives all rights and actions against the MEDC, the MSF Board, and the State of Michigan and its participants, officers, agents and employees regarding the release of information that could have otherwise been acknowledged as confidential but for the applicant's failure to properly designate the information as provided in this section or take other necessary action to have information acknowledged as confidential. It is the applicant's sole responsibility to identify information that it desires to be designated as confidential.

Neither the MSF Board nor the MEDC shall be liable for any inadvertent disclosure of any of the applicant's information designated as confidential by the applicant.

G. Submission Materials

Applicants may request confidential treatment for “financial or proprietary information” contained within proposal submission materials that meets the definition of “financial or proprietary information contained in the MSF Act. Such information **MUST** be identified directly within the material submitted by applicants by the following requirements:

*Identify each component and portion of the narrative for which you are requesting confidentiality. **Text, tables, or graphics MUST be bolded and marked with asterisks and brackets (*[bold if text]*) within the narrative.***

*Identify the attachment and the portion of the document for which you are requesting confidentiality. **Text, tables or graphics MUST be bolded and marked with asterisks and brackets (*[bold if text]*) on the attachment. If you are requesting confidentiality for portions of a multi-page document, such as the Business Plan, you MUST also list the page numbers on all pages that contain information marked by asterisks and bold brackets.***

Proposals that fail to differentiate truly proprietary information from public information by indiscriminately labeling large sections or entire proposals as proprietary cannot be properly protected and will be returned to the applicant without review and **may result in disqualification. Watermarks, footers and headers that state “Confidential” or similar general indications will be construed to be an indiscriminate labeling of confidential information and will not be acknowledged.**

Abstract/Executive Summary

The abstract or executive summary section required should not contain any confidential information. Applicants are advised that all information contained within the abstract or executive summary is subject to disclosure under the Michigan FOIA. By inserting confidential information in the abstract, applicants waive any and all rights and/or actions against the MEDC, the MSF Board and the State of Michigan for the release of information that otherwise would have been confidential information but for the applicant’s inclusion of the confidential information in the abstract.

H. Independent Peer Review Process

Names of review or interview panel members will not be available to applicants. Applicants and their representatives are NOT permitted to contact the peer review agency, reviewers, MSF Board members or the MSF Fund Manager regarding the applicant’s proposal. All communications regarding the proposal or review process should be conducted via the following email address: VDF@Michigan.org. Any attempt by an applicant to contact the above mentioned parties may result in proposal disqualification.

By submitting a proposal, the applicant acknowledges that the decision to award an investment is subject to the sole discretion of the MSF Fund Manager. The MSF Fund Manager’s decision is final and is not subject to appeal. Any attempt by an applicant, collaborating entity, or other party of interest to the proposed project to appeal and/or take any action, including, but not limited to, legal action, regarding the proposal or awards process in general may result in the applicant’s proposal being eliminated from award consideration. If the applicant has already received an award, the award(s) may be revoked at the discretion of the MSF Board or MSF Fund Manager. However, this paragraph should not be construed in a manner that would prevent an applicant from taking action, including legal, to protect any rights bestowed on the applicant in the actual award agreement negotiated with successful applicants.

I. Due Diligence

Prior to the disbursement of a the Program investment, the MEDC and the Office of the Chief Compliance Officer will conduct due diligence on the awardee, including, but not limited to, criminal and civil background checks of the applicant, and review of the applicant's organizational documentation and financial information. The background checks will include, but not be limited to, affiliates, subsidiaries, officers, directors and managerial employees. To facilitate these background checks, applicants will be required to provide the complete names, addresses, and birthdates of all persons for whom a background check will be conducted prior to the execution of an award agreement. All items must be submitted by **within two weeks of announcement of awards by the MSF Fund Manager**. If due diligence items are not submitted **within two weeks of announcement of awards**, the MSF Fund Manager reserves the right to rescind the award.

The following information will be required of the awardee. All items must be timely submitted and deemed satisfactory prior to the release of any award funds.

Individuals and Entities

Please immediately provide us the following information regarding your project and business entity.

Individuals: First, Middle, and Last Name for:

- Primary Contact
- Each Company Officer
- Each Company Director
- Each Management Employee

Entities (in addition to information on Individuals noted above):

- Legal Entity Name, Entity Location, and State and/or Country of Incorporation for:
- Applicant Business
- Each Affiliate of Applicant Business
- Each Subsidiary of Applicant Business
- If the Applicant Business conducts business with foreign countries, please list such countries.

Organization Registration:

To receive payment from the State of Michigan, Public Act 533 of 2004 requires that awardees be registered in the State of Michigan Vendor/Payee System, **and must** authorize payments to be made via electronic funds transfer (EFT). No awards will be finalized nor payments authorized until the required registration and authorization is complete.

If you have not registered with the State of Michigan, please initiate the process to do so. If you have already registered with the State of Michigan, please verify and update your information. If you have not authorized EFT payment, please initiate the process to do so.

Access the Vendor/Payee System, Contracts and Payment Express at www.michigan.gov/cpexpress. To speak with Vendor/Payee System staff for assistance, call (517) 373-6222. **REGISTRATION MUST BE COMPLETE AND UPDATED IN ORDER TO RECEIVE PAYMENT.**

Due Diligence Financial and Legal Documents:

Corporate Records, including but not limited to:

- Articles of Incorporation/Organization and Bylaws/Operating Agreement of the Company, as amended to date
- Certificate of Good Standing
- A copy of the most current organizational chart available for the Company, including all entities or investments in which the Company owns less than a 100% interest

Other Documents:

Copies of tax liens

Description of all pending or threatened litigation and unsatisfied judgments

Documents relating to any injunctions, consent decrees, or settlements to which the Company is a party

Submit a Disclosure and Conflict of Interest Statement. The Statement may be viewed by visiting www.michiganadvantage.org/PureMichiganVentureDevelopmentFund.

List of all State of Michigan awards

MICHIGAN STRATEGIC FUND

PROPOSED RESOLUTION 2012-

APPROVAL OF PURE MICHIGAN VENTURE DEVELOPMENT FUND

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

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

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

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

WHEREAS, the MSF desires to create the Pure Michigan Venture Development Fund (“VDF”) to make investments to qualified venture funds in order to assist in the growth of the venture industry and increase the number of venture investments in the State;

WHEREAS, the MSF has reviewed proposed guidelines and process for the VDF (“VDF Guidelines”), which includes provisions required by MCL 125.2088k and establishes a competitive proposal process for making awards to qualified venture funds. The VDF Guidelines are attached to this Resolution; and

WHEREAS, the MSF desires to initiate the competitive process to make awards to qualified venture funds under the VDF.

NOW, THEREFORE, BE IT RESOLVED, that the MSF approves the attached VDF Guidelines and authorizes implementation of the VDF; and

BE IT FURTHER RESOLVED, that the MSF authorizes the MSF Fund Manager to modify the VDF Guidelines as may be necessary or appropriate, if the modifications are not materially adverse to the interests of the MSF; and

BE IT FURTHER RESOLVED, the MSF Board authorizes the MSF Fund Manager to modify the VDF Guidelines as may be necessary or appropriate, if such modifications are not material.

Ayes:

Nays:

Recused:

Lansing, Michigan
May 23, 2012



MSF DELEGATED AUTHORITY QUARTERLY UPDATE
MSDF AND SSBCI PROGRAMS
CAPITAL SERVICES TEAM
January 1 – March 31, 2012

BACKGROUND

On May 20, 2009, the MSF Board approved the Michigan Loan Participation Program (“MLPP”) guidelines, and on June 24, 2009, the Michigan Collateral Support Program (“MCSP”). Both programs are housed under the Michigan Supplier Diversification Fund (“MSDF”), and are funded by the state’s 21CJF initiative. The MSF Board must approve MSDF requests over \$2.5 million, and as delegated by the MSF Board on March 28, 2012, requests for collateral support or loan participation of \$2.5 million or less may be approved by any two of the following: MSF Chairperson, or the MSF Fund Manager, or the MSF State Treasurer Director.

On May 25, 2011, the MSF Board approved the Michigan Business Growth Fund (“MBGF”), and its two programs, the Collateral Support Program (“MBGF-CSP”), and the Loan Participation Program (“MBGF-LPP”). The MBGF, and its programs were created under, and are to be funded by, the federal government’s State Small Business Credit Initiative (“SSBCI”). The MSF Board must approve MBGF requests over \$2.5 million, and as delegated by the MSF Board on May 25, 2011, requests for collateral support or loan participation of \$2.5 million or less may be approved by any two of the following: MSF Chairperson, or the MSF Fund Manager, or the MSF State Treasurer Director.

APPROVALS BY AUTHORIZED DELEGATES

Between January 1, 2012 and March 31, 2012 the following actions were approved by the MSF Chairperson and/or MSF Fund Manager, subject to due diligence, and available funding:

MSDF:						
Organization	Request Type	MSF Support	Loan Amount	Action	Date Approved	Closed
Thoroughbred Fulfillment, LLC	MSDF-MLPP	\$ 500,000	\$ 1,600,000	Approved by Chair	March 5, 2012	N
Total		\$ 500,000	\$ 1,600,000			

SSBCI - MBGF:						
Organization	Request Type	MSF Support	Loan Amount	Action	Date Approved	Closed
The Materials Group, LLC	MBGF-CSP	\$ 1,004,000	\$ 2,300,000	Approved by Chair and Fund Manager	January 17, 2012	N
Park Christy Holdings, LLC	MBGF-CSP	\$ 222,435	\$ 662,435	Approved by Chair and Fund Manager	January 17, 2012	Y
Benore Logistic Systems, Inc.	MBGF-CSP	\$ 2,000,000	\$ 9,000,000	Approved by Chair and Fund Manager	January 25, 2012	Y
GPX Software, LLC	MBGF-CSP	\$ 125,000	\$ 275,000	Approved by Chair and Fund Manager	January 30, 2012	N
Future Tool & Machine, Inc.	MBGF-CSP	\$ 170,000	\$ 1,020,000	Approved by Chair and Fund Manager	January 30, 2012	N
Amerisys, LLC	MBGF-CSP	\$ 130,000	\$ 658,000	Approved by Chair and Fund Manager	January 30, 2012	N
Vintech Real Estate Holdings, LLC	MBGF-CSP	\$ 310,000	\$ 990,000	Approved by Chair and Fund Manager	February 8, 2012	Y
Ross Design & Engineering, Inc.	MBGF-CSP	\$ 212,564	\$ 500,000	Approved by Chair and Fund Manager	March 26, 2012	Y
Advanced Blending Solutions	MBGF-CSP	\$ 106,400	\$ 298,500	Approved by Chair and Fund Manager	February 28, 2012	Y
United Engineered Tooling, Inc.	MBGF-CSP	\$ 74,850	\$ 350,000	Approved by Chair and Fund Manager	March 6, 2012	N
Health Business Solutions, LLC	MBGF-CSP	\$ 135,100	\$ 1,023,100	Approved by Chair and Fund Manager	March 28, 2012	N
Health Business Solutions, LLC	MBGF-CSP	\$ 62,890	\$ 257,000	Approved by Chair and Fund Manager	March 28, 2012	N
MPI Acquisition, LLC	MBGF-LPP	\$ 2,500,000	\$ 6,000,000	Approved by Chair and Fund Manager	March 16, 2012	N
RWC, Inc. & RWC Spare Parts, Inc.	MBGF-LPP	\$ 1,247,500	\$ 2,500,000	Approved by Chair and Fund Manager	March 22, 2012	N
Total		\$ 8,300,739	\$ 25,834,035			

	MBGF	MSDF	Total
Total # of Loans to date:	47	55	102
Total MSF support to date:	\$ 35,184,333	\$ 29,655,910	\$ 64,840,243
Total loan dollars to date:	\$ 97,798,972	\$ 79,552,406	\$ 177,351,378
# of Participating lenders to date:			28

**4. Cherry Growers, Inc.-
INFORMATION ONLY –**



Memorandum

Date: April 25, 2012

To: Michigan Strategic Fund Board

From: Eric Hanna, Director, Debt Capital Programs

Subject: Request for Approval of Modifications to Develop Michigan - Capital Conduit Program: Real Estate Initiative Guidelines and Operating Company Initiative Guidelines

Background

On December 21, 2011, the Michigan Strategic Fund Board (“MSF”) approved the Capital Conduit Program and, within it, the Real Estate Initiative (“REI”) and corresponding guidelines, as well as the Operating Company Initiative (“OCI”) and corresponding guidelines.

On January 25, 2012, the MSF designated Develop Michigan, Inc. (“DMI”), under the REI and further authorized a \$5.0M award from the Investment Fund in the form of a loan in order to begin funding investment activities, program development and rating activities. The MSF also approved Grow Michigan, LLC (“GMI”) under the OCI and further authorized a \$2.5M award from the Investment Fund in the form of a loan in order to begin funding investment activities and early pipeline development. In each case only \$500,000 of the loan was available for organization and formation activities with the balance being restricted to either the confirmation of private sector investments or in the case of DMI only, the institution of a program that will enhance the rating of bonds issued for eligible projects.

On February 22, 2012, the MSF allocated \$22,500,000.00 from the Investment Fund to the Capital Conduit Program but did not make any specific program awards.

On March 28, 2012, the MSF approved a request for public hearing regarding modification of the guidelines of the Capital Conduit Program, the Real Estate Initiative Guidelines, and the Operating Company Guidelines. The hearing took place on April 11, 2012. There was one attendee, Toni Panici, who is an employee of Northstar Capital Advisory Services. No other comments were received. Northstar is proposed to support back office due diligence on behalf of Grow Michigan, LLC. Mr. Panici was highly supportive.

Request

There being no suggested changes or further input, staff recommends that the MSF approve the proposed guideline changes.

MICHIGAN STRATEGIC FUND

RESOLUTION 2012-

**APPROVAL OF AMENDMENTS TO THE
DEVELOP MICHIGAN – CAPITAL CONDUIT PROGRAM REAL ESTATE INITIATIVE AND
OPERATING COMPANY INITIATIVE GUIDELINES**

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

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

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

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

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

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

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

WHEREAS, on April 11, 2012 a public hearing was held and public comments were received on amendments to the REI Guidelines, the OCI Guidelines and the Capital Conduit Program (collectively the “CCP Amendments”); and

WHEREAS, the MSF Board has reviewed and desires to approve the CCP Amendments contained in Exhibits A, B and C to this resolution.

NOW, THEREFORE, BE IT RESOLVED, that the MSF approves the CCP Amendments attached as Exhibits A, B and C to this resolution.

Ayes:

Nays:

Recused:

Lansing, Michigan
April 25, 2012

Exhibit A
Capital Conduit Program
General Requirements

Funds provided under the program must de-risk or enhance the terms of eligible risk capital instruments such as loans or investments in or for the benefit of eligible projects.

Funds will be provided either as a loan or an investment, such as, but not limited to, a Commercial Loan Guarantee instrument.

A recipient company shall provide the MSF three appointments to its Board of Directors. Appointments carry a specific term with the first term staggered such that the following term expirations occur:

Appointee #1	Initial Term 1 Year	Subsequent Term 5 Years
Appointee #2	Initial Term 3 Years	Subsequent Term 5 Years
Appointee #3	Initial Term 5 Years	Subsequent Term 5 Years

A maximum of \$500,000 per recipient company may be provided as a loan for the purpose of funding formation, investment and organizational activities. The loan may have favorable interest and cost terms and may extend for up to 10 years on a single approval with the Fund Manager authorized to create and execute such documents.

Recipients are required to submit audited financial statements to the MSF annually. Accompanying these reports will be a management discussion regarding overall financial performance and long term financial sustainability of the recipient.

Recipients are required to submit to the Fund Manager Activity and Progress reports to the MSF as requested, but at least annually. These reports will discuss the public benefits in the form of employment either created or retained, or an expansion of the tax base, or an additional physical capital investment.

Projects funded by recipients under this program must occur and be located within the State of Michigan.

Projects supported by capital provided under the MSF Act and/or the Investment Fund must comply with the MSF Act and meet all other applicable state and federal laws.

The management of a recipient shall demonstrate that it has capital at risk either as an investment in an investment vehicle (such as a fund) or as paid-in-capital to the recipient which is expended in support of projects or in another allowable form acceptable to the Fund Manager.

Exhibit B
Real Estate Initiative
Guidelines

Projects financed by the recipient will consist of residential, commercial and/or industrial real estate, in any combination, and will be located on a site that has now or has in the past been developed or is determined by the Fund Manager to be an eligible site for redevelopment.

The Board of Directors will be comprised of MSF appointees, investor members, and members selected by the management team of the recipient.

The program may provide capital for project activities in the form of either a loan guarantee or investment or other category which is now or may become in the future eligible under the MSF Act and shall be used to support individual projects or pools of projects as determined by the recipient's Board of Directors or acting Formation Board prior to the full constitution of the Board of Directors.

The program may provide capital in the form of a loan or investment or other eligible category which is now or may become in the future available under the MSF Act as determined by the Fund Manager for up to \$500,000 for the purposes of supporting formation and capitalization activities and other administrative costs as may be required to execute the program's mission.

A recipient may have subsidiary entities, all of which shall have a Board of Directors identical to the recipient Board of Directors. The recipient may place MSF Capital with a subsidiary provided the program under which the funding is approved allows for such placement and the Fund Manager concurs.

Bylaws or an Operating Agreement of the recipient or any subsidiary shall have provisions which deal with Conflicts of Interest, Fraud, Theft, and Negligence which are satisfactory to the MSF or to its Appointees to the Board of Directors prior to the receipt of MSF capital in excess of \$500,000.

In addition to Financial Reporting and Activity Reporting required under the General Requirements of the Capital Conduit Program, the recipient shall report acreage and/or square feet redeveloped, zoning status, location, and any contamination or other environmental hazard which was mitigated through the process of redevelopment. It shall also report if the project has any LEED certification.

The recipient shall report all the sources of capital which account individually for more than 5% of the total capital for each transaction it arranges and supports and describe as a ratio, the leverage that MSF capital attracted to the project. It shall further describe any reduction in the cost of capital which it believes was associated with MSF capital support.

At least one MSF Appointee to the Board of Directors must participate in any board action involving compensation, staffing, any activity which involves incurring non-project related liabilities outside of a liability to the MSF under the program, and the replacement or sanction of any member of the Board of Directors who is not an MSF Appointee except where such participation is determined to create a conflict of interest.

A request for MSF Capital under this initiative over \$500,000 for project activities must project upon submission that it will produce leverage equal to or greater than \$3.00 in Private Financing for every \$1.00 of MSF Capital over the duration of the anticipated project activities.

Exhibit C
Operating Company Initiative
Guidelines

Projects financed by the recipient shall promote the revenue and/or employment growth, optimization of capital cost and/or terms, or facilitate succession or acquisition for the purpose of retaining or growing employment, revenues, or taxes within the State of Michigan.

The Board of Directors will be comprised of MSF appointees, investor members, and members selected by the management team of the recipient.

The program may provide capital for project activities in the form of either a loan or investment or other category which is now or may become in the future eligible under the MSF Act and shall be used to support individual projects or pools of projects as determined by the Board of Directors or acting Formation Board prior to the full constitution of the Board of Directors.

The program may provide capital in the form of a loan or investment or other eligible category which is now or may become in the future available under the MSF Act as determined by the Fund Manager for up to \$500,000 for the purposes of supporting formation and capitalization activities and other administrative costs as may be required to execute the program's mission.

A recipient may have subsidiary entities, all of which shall have a Board of Directors identical to the recipient Board of Directors. The recipient may place MSF Capital with a subsidiary provided the program under which the funding is approved allows for such placement and the Fund Manager concurs.

At least one MSF Appointee to the Board of Directors must participate in any board action involving compensation, staffing, any activity which involves incurring non-project related liabilities outside of a liability to the MSF under the program, and the replacement or sanction of any member of the Board of Directors who is not an MSF Appointee except where such participation is determined to create a conflict of interest.

Bylaws or an Operating Agreement of the recipient or any subsidiary shall have provisions which deal with Conflicts of Interest, Fraud, Theft, and Negligence which are satisfactory to the MSF or to its Appointees to the Board of Directors prior to the receipt of MSF capital in excess of \$500,000.

The recipient shall report all the sources of capital for each transaction which it arranges and supports and describe as a ratio the leverage that MSF capital attracted to the project. It shall further describe any reduction in the cost of capital which it believes was associated with MSF capital support.

The recipient shall report to the MSF the overall condition of its portfolio companies, a summary of the job retention and creation which occurred in portfolio companies, anticipated impacts on state and local tax receipts, and anticipated revenues from portfolio companies collectively in the form of a financial *proforma* which shall cover the entire term of the initial investments made or the longest term of any agreement to extend capital by the MSF.

Capital extended under a Loan or Investment shall be based on private sector investment and shall be at a ratio equal to or greater than \$2.00 in private investment for every \$1.00 in MSF Capital provided.

MICHIGAN STRATEGIC FUND

RESOLUTION 2012-

**APPROVAL OF THE DECISION DOCUMENT FOR THE
DEVELOP MICHIGAN – CAPITAL CONDUIT PROGRAM**

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

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

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

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

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

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

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

WHEREAS, on March 28, 2012, the MSF authorized the public notice of a public hearing to be held regarding the proposed revisions to the REI Guidelines, the OCI Guidelines and the CCP (collectively the “CCP Amendments”);

WHEREAS, pursuant the public notice, a public hearing was held on April 11, 2012 as required by MCL 125.2088c(5), and the MSF Board offered the public an opportunity to present data, views, questions and arguments regarding the CCP Amendments;

WHEREAS, there was one attendee at the public hearing who was supportive of the CCP Amendments and no other data, views, questions, and arguments regarding the proposed CCP Amendments were received by the MSF;

WHEREAS, on April 25, 2012, the MSF approved the CCP Amendments; and

WHEREAS, consistent with the requirements of MCL 125.2088c(5), the MSF Board desires to produce a final decision document which describes the basis for its decision approving the CCP Amendments.

NOW, THEREFORE, BE IT RESOLVED, the MSF Board approves the attached final Decision Document and authorizes the MSF Chairperson to sign it.

Ayes:

Nays:

Recused:

Lansing, Michigan
April 25, 2012

MSF Decision Document

Issue

Approval of the revisions to the Develop Michigan – Capital Conduit Program (“CCP”) Guidelines

Background

As provided for in MCL 125.2088d(1), the Michigan Strategic Fund (“MSF”) shall create and operate a loan enhancement program. On May 20, 2009 the MSF approved the Michigan Supplier Diversification Fund (“MSDF”). On December 21, 2011, the MSF Board also approved the creation and operation of the Develop Michigan – Capital Conduit Program (“CCP”) under the MSDF. On December 21, 2011, the MSF Board also approved the creation and operation of the Real Estate Initiative (“REI”) under the CCP and the Operating Company Initiative (“OCI”) under the CCP and adopted guidelines for the Real Estate Initiative (“REI Guidelines”) and for the Operating Company Initiative (“OCI Guidelines”). On January 25, 2012, the MSF designated Develop Michigan, Inc. (“DMI”), under the REI and further authorized a \$5.0M award from the Investment Fund in the form of a loan in order to begin funding investment activities, program development and rating activities. The MSF also approved Grow Michigan, LLC (“GMI”) under the OCI and further authorized a \$2.5M award from the Investment Fund in the form of a loan in order to begin funding investment activities and early pipeline development. In each case only \$500,000 of the loan was available for organization and formation activities with the balance being restricted to either the confirmation of private sector investments or in the case of DMI only, the institution of a program that will enhance the rating of bonds issued for eligible projects. On February 22, 2012, the MSF allocated \$22,500,000.00 from the Investment Fund to the CCP but did not make any specific program awards. The purpose of the CCP is to provide increased lending capacity to skilled providers of capital and services. It will act as an enhancement by assuming credit risk and accepting reduced earnings one or both of which shall result in the lending or investing of private sector capital to an entity which will then use the capital in pursuit of the activities for which it was organized and subject to the guidelines approved by the MSF.

Public Hearing

A public hearing was held on April 11, 2012 to allow interested persons the opportunity to express data, views, questions, and arguments regarding the proposed revisions to the MSDF Guidelines. There was one attendee at the public hearing and the attendee was supportive of the changes.

Decision

On April 25, 2012, the MSF Board approved the revisions to the MSDF Guidelines.

Michael A. Finney, Chairperson
Michigan Strategic Fund Board

Memorandum

Date: April 25, 2012

To: Michigan Strategic Fund Board

From: Eric Hanna, Director, Debt Capital Programs

Subject: Request for Approval of Revised Business Terms for Loan Facility, Pledge or Deposit Facility, and approval of up to an additional \$15M from the Capital Conduit Program to Develop Michigan, Inc.

Background

On December 21, 2011, the Michigan Strategic Fund Board (“MSF”) approved the Capital Conduit Program and, within it the Real Estate Initiative (“REI”) and corresponding guidelines, as well as the Operating Company Initiative (“OCI”) and corresponding guidelines.

On January 25, 2012, the MSF also approved Develop Michigan, Inc. (“DMI”) under the REI and authorized a \$5.0M award from the Investment Fund in the form of a loan in order to begin funding investment activities and early pipeline development. As a part of that authorization, \$500,000 in the form of a loan was available for organization and formation activities with the balance being restricted to a loan which acted as a credit enhancement and was tied to the attainment of certain thresholds of private investment commitments.

On February 22, 2012, the MSF allocated \$22,500,000.00 from the Investment Fund to the Capital Conduit Program but did not make any specific program awards.

On March 28, 2012 the MSF approved a request for public hearing regarding modification of the guidelines of the Capital Conduit Program, the Real Estate Initiative Guidelines, and the Operating Company Guidelines. The hearing took place on April 11, 2012. There was one attendee, Toni Panici who is an employee of Northstar Capital Advisory Services. Northstar Capital Advisory Services is proposed to support back office operations and due diligence on behalf of Grow Michigan LLC. Mr. Panici was highly supportive. No other comments were received.

Adjustment under 21st Century Investment Fund from Loan to Investment

As was previously discussed in March, based on considerable financial and legal due diligence it was determined that rather than the program providing a loan to DMI (outside of the still proposed \$500,000 for organizational and early operation expenses) that the provision of loan guarantees or the pledge of collateral support was a more appropriate vehicle. The contemplated structure, a Pledge or Deposit Agreement, functions as a highly effective credit enhancement for bond investors and leverages between \$4 and \$5 dollars of funded bonds per \$1 guarantee dollar. Bonds are attractive due to the longer term and lower debt service required as compared to a traditional commercial loan.

At this time, the management team for DMI has fully developed the underwriting criteria necessary to ask Standard and Poor’s ® (“S & P”) to rate bonds issued within the enhancement program. The Chicago office of S & P will perform the due diligence and rating. As a prerequisite to this process, the capital used for the rating, in this case \$19.5M from the MSF, must be in the custody and control of DMI.

The management team is also in the process of working with other philanthropic investors to seek matching funds to further augment the capacity of DMI to issue and enroll bonds in the program. Finally, they continue to pursue as a separate matter, \$75M in the form of a Community Reinvestment Act motivated Investment Real Estate mezzanine fund with significant interest among community and regional banks.

Recommendations

Staff recommends that in addition to the \$5.0M which has been made available to DMI in prior approvals, the MSF authorize the transfer of up to an additional \$15.0M from the Capital Conduit Program to Develop Michigan, Inc. Of this \$20M \$500,000 shall be available as a line of credit upon approval and subject to proper final due diligence and \$19.5M shall be available in the form of a Pledge or Deposit Agreement subject to final due diligence as may be necessary.

Staff further recommends the MSF approve the revised loan terms attached as Exhibit A. The MSF has previously delegated authority to the MSF Fund Manager, the MSF Chairperson, or the State Treasurer Director, with only two required to act, the authority to negotiate and approve all final award terms and to execute all the necessary documents.

Finally, Staff recommends that the MSF approve the Bond Enhancement Program attached as Exhibit B. The MSF has previously delegated authority to the MSF Fund Manager, the MSF Chairperson, or the State Treasurer Director, with only two required to act, the authority to negotiate and approve all final award terms and to execute all the necessary documents.

Exhibit A
Develop Michigan, Inc.
Administrative Loan Terms (Revised)

Maximum Loan Amount:	\$500,000	Maximum of 1 draw per month
Principal Payments:	100% at Maturity	No Prepayment Penalty
Term:	10 years	
Interest Payments:	Year 1	0%
	Year 2	1% Simple Interest on Outstanding Balance as of the anniversary date of the Note.
	Year 3	1% Same
	Year 4	2% Same
	Year 5	2% Same
	Year 6	2% Same
	Year 7	2% Same
	Year 8	2% Same
	Year 9	3% Same
	Year 10	3% Same
Extensions:	As determined by the MSF annually after maturity.	
Draw Procedure:	Certification by Officer of the Company Invoice Describing Use of Proceeds Consent and Recommendation of Portfolio Manager Wire within reasonable administrative time.	
Acceleration:	Event of Default under the Loan Agreement that is not cured within 45 days of written notice.	
Events of Default:	Failure to adhere to Program guidelines Fraud, negligence, misconduct, failure to avoid conflict, failure to make progress toward economic development objectives measured by the consummation of at least one qualified transaction within 12 months of the closing of the loan, breach of a representation or warranty under the Loan Agreement.	

Exhibit B

Proposed Bond Enhancement Program

Purpose

The Develop Michigan Bond Guarantee Program will provide DMI with the ability to issue bonds for sale in the public markets carrying an “Investment Grade” rating rather than no rating or a “Junk” rating. Carrying an Investment Grade rating allows bonds to be purchased by a very wide pool of investors and allows for cheaper rates and longer terms. Those factors are extremely important when the transactions have tight cash flows and are being pursued for primarily public policy objectives.

Indicative Underwriting Guidelines

Maximum Loan to Value:	75%
Minimum Debt Service Coverage (DSCR)	1.30:1
Asset Types:	Office, Industrial/Manufacturing, Retail, Multi-Family, Recreational, all located within the State of Michigan
Amortization:	Varies by property type, age, leverage, no more than 30 years
Term:	Varies by property type, age, leverage, generally not more than 30 years
Rates:	200 to 300 basis points over reference treasury (currently 4.5%-5.5%)
Required Reserves:	TI/LC tenant improvement, CapX, taxes and insurance
Prepayment:	Defeasance or yield maintenance with possible lockout period.

Structure Proposed

The Program utilizes a layered reserve structure which insulates investors from the risk of principal and interest payment defaults. The structure is used commonly in State Revolving Loan Funds, State Bond Banks, and other Pooled Economic Development Authorities. The Ohio Port Authorities utilize the system very successfully.

Enrollment Process

- Multiple Bond issues are enrolled on a rolling basis underwriting multiple projects.
- All projects are enrolled on a *pari passu* (equal) basis.
- Borrower Posts a Letter of Credit (“LC”) with 10% of the bond financing amount
- Borrowers Pay Trustee
- Trustee Pays Bondholders
- The program generates fees and income which in part are contributed to a layer of reserve

Default Scenario

- Layer 1: Primary Reserve Defaulting projects LC is exercised by trustee.
- Layer 2: Program Development Fund Program Earnings Reserve is exercised by trustee.

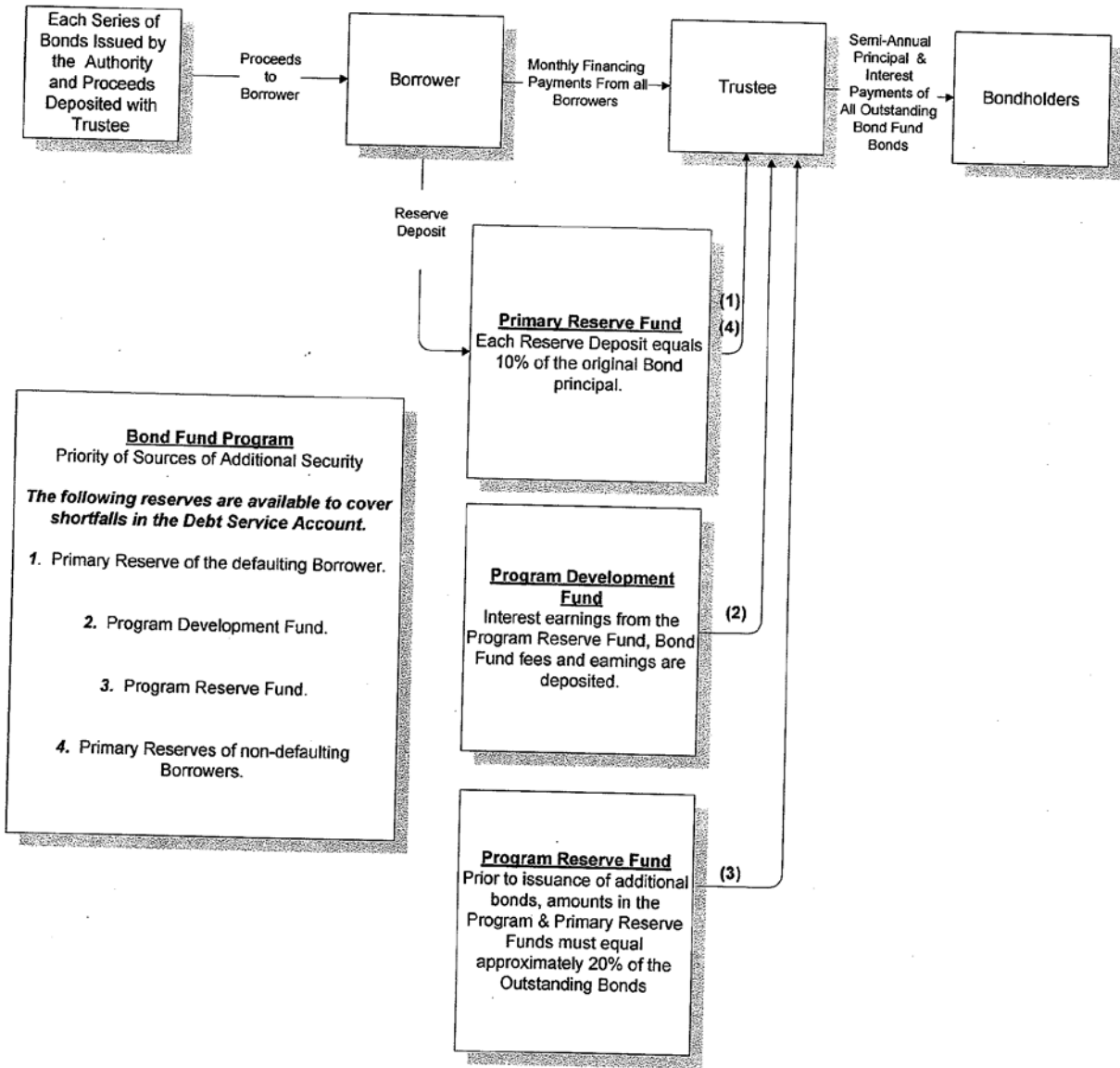
- Layer 3: Program Reserve Fund (MSF) Program Reserve is exercised by trustee.
- Layer 4: Primary Reserve LC's on non-defaulting projects are exercised by trustee.

Anticipated Leverage

Based on the experience of similarly structured programs, DMI can expect to be able to enroll between 4X and 5X the reserve size under a homogenized underwriting profile before the investment grade rating is placed at risk of downgrade due to excessive obligations relative to reserves.

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Illustration



MICHIGAN STRATEGIC FUND

RESOLUTION 2012-

APPROVAL OF REVISED BUSINESS TERMS FOR LOAN FACILITY, PLEDGE OR DEPOSIT FACILITY, AND ADDITIONAL FUNDING FOR THE DEVELOP MICHIGAN – CAPITAL CONDUIT PROGRAM

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

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

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

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

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

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

WHEREAS, on December 21, 2011, the MSF approved the creation and operation of a Develop Michigan – Capital Conduit Program under the MSDF (“CCP”) and allocated \$7,500,000 from the Investment Fund to the CCP;

WHEREAS, on December 21, 2011, as a subprogram of the CCP, the MSF also approved the Real Estate Initiative (“REI”) and the program guidelines for the REI, and on April 25, 2011, approved revisions to the REI Guidelines (“REI Guidelines”);

WHEREAS, on January 25, 2012, the MSF approved an award to Develop Michigan, Inc. (“DMI”) of \$5 million (the “DMI Award”) to operate the REI pursuant to the REI Guidelines;

WHEREAS, on February 22, 2012, the MSF directed additional funding of the CCP using \$22,500,000 from the Investment Fund;

WHEREAS, the MEDC recommends that the MSF award additional funds to DMI in the amount of \$15 million, subject to the terms and conditions contained in attached Exhibit A;

WHEREAS, the MEDC recommends that the MSF approve the Bond Enhancement Program attached as Exhibit B; and

WHEREAS, the MEDC recommends that the MSF delegation regarding DMI and the DMI Award in Resolution 2012-008 remain in place and apply to the terms of this resolution.

NOW, THEREFORE, BE IT RESOLVED, the MSF approves additional funding to DMI in the amount of \$15 million, subject to the terms and conditions contained in attached Exhibit A;

BE IT FURTHER RESOLVED, the MSF approves the Bond Enhancement Program attached as Exhibit B; and

BE IT FURTHER RESOLVED, the MSF approves the delegation regarding DMI and the DMI Award in Resolution 2012-008 remaining in place and applying to this resolution.

Ayes:

Nays:

Recused:

Lansing, Michigan
April 25, 2012

Memorandum

Date: April 25, 2012

To: Michigan Strategic Fund Board

From: Eric Hanna, Director, Debt Capital Programs

Subject: Request for Approval of Revised Business Terms for Loan Facility, Investment Facility, and approval of up to an additional \$7.5M from the Capital Conduit Program to Grow Michigan, LLC.

Background

On December 21, 2011, the Michigan Strategic Fund Board (“MSF”) approved the Capital Conduit Program and, within it the Real Estate Initiative (“REI”) and corresponding guidelines, as well as the Operating Company Initiative (“OCI”) and corresponding guidelines.

On January 25, 2012, the MSF also approved Grow Michigan, LLC (“GMI”) under the OCI and authorized a \$2.5M award from the Investment Fund in the form of a loan in order to begin funding investment activities and early pipeline development. As a part of that authorization, \$500,000 in the form of a loan was available for organization and formation activities with the balance being restricted to a loan which acted as a credit enhancement and was tied to the attainment of certain thresholds of private investment commitments.

On February 22, 2012, the MSF allocated \$22,500,000.00 from the Investment Fund to the Capital Conduit Program but did not make any specific program awards.

On March 28, 2012 the MSF approved a request for public hearing regarding modification of the guidelines of the Capital Conduit Program, the Real Estate Initiative Guidelines, and the Operating Company Guidelines. The hearing took place on April 11, 2012. There was one attendee, Toni Panici who is an employee of Northstar Capital Advisory Services. Northstar Capital Advisory Services is proposed to support back office operations and due diligence on behalf of Grow Michigan, LLC. Mr. Panici was highly supportive. No other comments were received.

Adjustment under Investment Fund from Loan to Investment

As was previously discussed in March, based on considerable financial and legal due diligence it was determined that rather than the program providing a loan to Grow Michigan, LLC (outside of the still proposed \$500,000 for organizational and early operation expenses) an investment was a more appropriate vehicle. The contemplated investment structure functions as a highly effective credit enhancement for the investors and allows the MSF to participate in profits if the investment meets performance expectations.

At this time, the management team for Grow Michigan, LLC estimates it is approximately 40% through the fund raising process. It has received “soft circle” commitments from private sources including, but not limited to, super regional banks in the amount of \$35M. The team continues to believe it will easily hit its \$50M target in private capital; however, it intends to proceed to an early close at the \$35M level so it may begin transacting business.

Recommendations

Staff recommends that in addition to the \$2.5M which has been made available to Grow Michigan, LLC in prior approvals, the MSF authorize the transfer of up to an additional \$7.5M from the Capital Conduit Program to Grow Michigan, LLC. Of this \$10M \$500,000 shall be available as a line of credit upon approval and subject to proper final due diligence and up to \$9.5M shall be available in the form of an investment tied to a Member Unit Purchase Agreement (or similar document) and additional documents as may be necessary.

Staff further recommends the MSF approve the revised loan terms attached as Exhibit A. The MSF has previously delegated authority the MSF Fund Manager, the MSF Chairperson, or the State Treasurer Director, with only two required to act, the authority to negotiate and approve all final award terms and to execute all the necessary documents.

Finally, Staff recommends that the MSF approve the revised investment terms attached as Exhibit B. The MSF has previously delegated authority to the MSF Fund Manager, the MSF Chairperson, or the State Treasurer Director, with only two required to act, the authority to negotiate and approve all final award terms and to execute all the necessary documents. The attached business terms provide for a minimum private investment and several investment milestones. The final amount of the investment is tied to these milestones.

Exhibit A
Grow Michigan, LLC
Administrative Loan Terms (Revised)

Maximum Loan Amount:	\$500,000	Maximum of 1 draw per month
Principle Payments:	100% at Maturity	No Prepayment Penalty
Term:	7 Years	
Interest Payments:	Year 1	0%
	Year 2	1% Simple Interest on Outstanding Balance as of the anniversary date of the Note.
	Year 3	1% Same
	Year 4	1% Same
	Year 5	2% Same
	Year 6	2% Same
	Year 7	3% Same
Extensions:	As determined by the MSF annually after maturity.	
Draw Procedure:	Certification by Officer of the Company Invoice Describing Use of Proceeds Consent and Recommendation of Portfolio Manager Wire within reasonable administrative time.	
Acceleration:	Event of Default under the Loan Agreement which was not cured within 45 days after written notice.	
Events of Default:	Failure to adhere to Program guidelines, Fraud, negligence, misconduct, failure to avoid conflict, Failure to make progress toward economic development objectives measured by the consummation of at least one qualified transaction within 18 months of the closing of the first round of fundraising, Breach of a representation or warranty under the Loan Agreement.	
Conversion:	At the discretion of the Board of Managers and upon the consent of the MSF Fund Manager, the loan may be converted to equity with terms and valuation to be negotiated at the time of conversion, but the conversion shall not occur if immediately upon conversion a loss of principle is realized.	

Exhibit B
Grow Michigan, LLC
Business Terms of Investment

The following is a summary of the terms of, and is qualified by reference to, the Operating Agreement of (the “Operating Agreement”) and the Subscription Agreements relating to the purchase of interests therein (the Subscription Agreements,” and, together with the Operating Agreement, the “Agreements”). The forms of the Agreements will be furnished to qualified investors and their advisors upon request and should be reviewed carefully.

The Enterprise: Grow Michigan, LLC, a Michigan Limited Liability Company (the “Enterprise”).

The Incorporators: The Incorporators/Managers are E. Mark Gregory III, David L. Treadwell, Russell C. Youngdahl, Jr., and Henry J. Brennan III (the “Managers”).

Objective of the Enterprise: Grow Michigan, LLC will have both financial and economic development objectives.

The financial objective of the Enterprise will be to generate superior financial returns by making subordinated debt and senior equity investments in small and middle-market, post-revenue companies located in Michigan. Such portfolio investments will generally consist of subordinated debt with warrants or conversion rights. The target annual internal rate of return for the Enterprise’s investments will be 18-22%.

Investments will focus on the underserved lower middle market of growth companies with \$5 to \$75 million in sales in manufacturing, distribution, transportation, life sciences and enabling technology. Transactions will generally range from \$1 to \$5 million for terms generally from 3 to 5 years. Financing may facilitate growth, restructuring or ownership change and will be located in Michigan.

The economic development goals of the Enterprise will center on the creation of jobs and economic opportunity for the residents of Michigan and increased tax revenue for the state of Michigan and its subdivisions. Investment philosophy and guidelines will also be consistent with recent federal legislation (Dodd-Frank legislation and so-called “Volker Rule”) and regulation regarding eligible exceptions to the ban on proprietary trading by commercial banks and their affiliates. These exceptions include: investments in small business investment companies, “public welfare” investments authorized for national banks and other investments in small businesses.

Future Licensure: The enterprise intends to seek licensure as a regulated issuer of loans and investments with the State of Michigan Office of Finance and Insurance Regulation (OFIR) at such time as enabling legislation allows.

Committed Capital: The Enterprise will target \$60,000,000 in Total Capitalization

comprising \$50,000,000 in Class A Investment (“Investors” or “Investor Commitments”) and \$10,000,000 in Class B Investment from the Michigan Strategic Fund (described below), subject to a minimum of \$25,000,000 in capitalization.

Michigan Strategic Fund Commitment:

The Michigan Strategic Fund (“MSF”) has approved \$10,000,000 of capital support (“MSF Commitment”) to the Enterprise in the form of a (a) \$9,500,000 Class B subordinated equity (“Class B Investment”), and (b) \$500,000 loan provide funding to defray organization and early operating expenses.

The MSF will advance the Class B Investment commitment as follows:

- \$2,000,000 upon the first \$10,000,000 of Investor Commitments,
- \$2,500,000 upon the aggregate commitment of \$20,000,000 of Investor Commitments,
- \$2,500,000 upon the aggregate commitment of \$35,000,000 of Investor Commitments, and
- \$2,500,000 upon the aggregate commitment of \$50,000,000 of Investor Commitments.

Further, the MSF reserves the right to advance at a ratio of Investment Commitment to MSF Commitment equal to, or greater than (depending on the amount of the Investor Commitments), two-to-one.

The Class B Investment will incur 75% of all Enterprise investment losses until the MSF Commitment has been eliminated.

Minimum Commitment by Investors:

The minimum Commitment for an Investor will be \$5,000,000. However, the Enterprise reserves the right to reduce the minimum Commitment for selected Investors.

Managers’ Capital Commitment:

By action of the Board, the Managers may be required to invest 1% of the total capital Commitments to the Enterprise. Such investment may be contributed at any time but no later than on a parity basis with other investors. If such capital commitment is required, management shall be paid a management fee (see below) that may be credited against such capital commitment.

Management Fee:

Managers will be paid a management fee if a capital commitment is required. If paid, such fee may be credited against any required management capital commitment.

Management of the Enterprise:

A nine-member Board of Managers consisting of three representatives nominated by the managers, three members nominated by the MSF and three members nominated by Investors will manage the Enterprise. Initial terms of members shall be one, three and five years for each group and thereafter five years for all members. There shall be no limit on

reappointments. Each Board member shall have equal voting rights except for purposes of selection of the Investment Committee (see below). For that purpose, the manager representatives shall have 50% voting weight and the other six members shall have 50% voting weight.

David Treadwell will serve as Executive Chairman of the Board and will undertake active oversight and leadership of the organization. A full-time CEO and support staff will manage the day-to-day operations of the Enterprise. Subject to required vetting and background checks and Board approval, Russ Youngdahl shall be retained to serve as CEO and members of NorthStar Capital Advisory Services, LLC (“NorthStar” - a firm owned by Russell Youngdahl) will be employed to provide such support with the day-to-day operations of the Enterprise to the CEO and Board of Managers.

The Enterprise will leverage the relationships and contacts of the Managers, Investors, MEDC, and other referral sources for deal flow.

The Managers, assisted by enterprise leadership will be responsible for investigating, structuring and negotiating potential portfolio investments, monitoring the performance of portfolio investment and managing liquidity events of portfolio investments.

Succession Plan:

A leadership and management Succession plan, acceptable to the board, shall be developed within six months of the commencement of operations.

Removal of Management:

Managers may be removed from the Enterprise, with Cause, upon the vote of a majority of the members of the Board. “Cause” shall include malfeasance, fraud, gross negligence, and failure to conform to the investment guidelines and policies of the Enterprise. Managers may be removed without Cause only upon a unanimous vote of the investor and MSF representatives on the Board. Removal of any Manager shall mean his removal from any managerial or Board position, but shall not affect his ownership interest in the Enterprise.

Investment Committee:

All Portfolio Investments will be subject to the review and approval of an Investment Committee appointed by the Board of Managers. The Investment Committee will comprise five members, appointed by the Board (per above), chaired by E. Mark Gregory, III and shall include one MSF representative.

Limit on Size of Investment:	The Enterprise will not invest more than 20% of its total capital in any investment.
Commitment Period:	The Commitment to provide funds will expire at the earlier of (i) the date when all of the Commitments have been invested, or (ii) the fifth anniversary of the initial closing (the "Commitment Period"). At the end of the Commitment Period, the Investors will have no further obligation to provide funds except to (i) cover expenses, liabilities and obligations of the Enterprise; (ii) complete investments by the Enterprise in transactions that are in process as of the end of the Commitment Period; and (iii) fund follow-on investments in existing Portfolio Investments
Reinvestment of Capital:	Proceeds from the disposition of investments in Portfolio Investments will not be subject to reinvestment except to the extent the Enterprise has received and distributed to Investors the cost basis of its investment in a Portfolio Company within twenty-four months of investment, and such receipt occurs during the Commitment Period. The amount of such cost basis will be added to unfunded Commitments and will be subject to recall.
Initial Term:	The term of the Enterprise will be from the initial closing to December 31, 2018, subject to two (2) additional extensions, at the option of the board of managers for two (2) years each.
Takedown of Commitments:	Commitments will be drawn to fund investments as called.
Allocation of Income, Expenses, Gains and Losses:	Allocation of Income, Expenses, Gains and Losses will be done in a manner consistent with distribution of proceeds described below ("Distributions")
Distributions:	<p>Net proceeds attributable to the disposition of Portfolio Investments, as well as in-kind distributions of securities, together with any dividends or interest income received with respect to Portfolio Investments, will generally be distributed in the following order of priority:</p> <ul style="list-style-type: none"> (a) First, 100% to Investors in proportion to funded Class A Investment until the cumulative amount distributed equals the aggregate of the funded Class A Investment less 33% of the funded Class B Investment; (b) Second, 75% to the Class B Investment and 25% to the Class A Investment until the Investors and MSF have received 100% of their funded Commitments; (c) Third, to the Class B Investment to provide annual return of 0.25% on the funded Class B Investment; (d) Thereafter, for annual returns (i) up to 15%, 90% to all Investors in proportion to funded Class A Investment and 10% to the Managers, and, (ii) over 15%, 80% to all Investors in proportion to funded Class A Investment,

10% to the MSF and 10% to the Managers.

The Enterprise will distribute net cash proceeds from the disposition of Portfolio Investments, together with dividends, interest and other income received with respect thereto, at least annually, other than reasonable amounts held in reserve to meet Enterprise obligations.

To the extent cash is available for distribution, the Enterprise will make cash distributions to the Investors in an amount sufficient to pay the Investors' income taxes on income allocated for tax purposes to the Investors, but only to the extent previous cash distributions from the Enterprise to the Investors during the relevant fiscal year are not sufficient to pay such taxes.

Financial and Tax Information:

Investors in the Enterprise will receive (a) audited annual financial statements for the Enterprise (including a statement of each Investor's closing capital account balance), (b) unaudited quarterly financial statements, (c) annual tax documentation necessary for completion of each Investor's tax returns, and (d) a semi-annual summary and valuation of the Portfolio Investments by the Enterprise Management.

Investor Meetings and Reporting:

The Enterprise will hold an annual meeting of Investors to review and discuss the Enterprise's investment activities. The Incorporators will also make themselves available to Investors during the year as necessary. Semi-Annual reporting will be provided to MSF.

Economic Development Objectives:

The Board shall set objectives for the performance of the Enterprise as a function of non-financial, economic development objectives. Such objectives shall be adopted by the Board, based on recommendations of experts in this field. Such objectives shall include the contribution of investments to non-executive payroll growth and the promotion of capital investment, among others.

Reporting of Economic Development Objectives:

The Board shall establish a reporting mechanism for Economic Development Objectives.

The Enterprise will provide investment level and portfolio level Impact Reports, relative to the economic development and fiscal impacts of individual investments, as well as the portfolio as a whole.

Organization and Offering Expenses:

Offering/Organizational expenses will not exceed \$500,000 and will be covered by Loan provided by the MSF.

Other Expenses:

The Enterprise will pay all costs and expenses relating to its activities (to the extent not reimbursed by a Portfolio Investment), including all legal, auditing, consulting and accounting expenses (including expenses associated with the preparation of Enterprise's financial statements and tax returns), expenses of the Board of Managers and Investment Committee,

management compensation, if authorized, and insurance and other expenses associated with the investment, holding and disposition of its Portfolio Investments, all third party expenses in connection with transactions not consummated, and extraordinary expenses incurred in connection with investigating investment opportunities and monitoring investments, and will provide for normal operating overhead in respect of proposed investments that are not consummated. These expenses will not exceed 1.75% of Investor Commitments in any year without Board approval.

Transaction, Break-up, Director and Monitoring Fees:

All Enterprise transactional break-up, and Director, monitoring or transaction fees received from a Portfolio Investment shall be credited to the Enterprise.

Withdrawal and Transfer:

Investors may not withdraw from the Enterprise. In addition, Investors may not transfer any of their interests, rights or obligations under the Operating Agreement except with the consent of the Board of Managers.

Borrowing and Related Activities:

Other than the MSF capital support, the Enterprise will not borrow money. At the discretion of the Board of Managers, the Enterprise may attempt to establish itself or a captive subsidiary as an SBIC.

Conflicts of Interest, Other Business Activities:

All Board, management, staff and consultants will be required to execute standard and customary conflict of interest, non-disclosure and non-compete agreements, in a form agreed by both the Board and the MSF and consistent with the principles outlined herein, prior to their engagement and will be subjected to a background check.

Indemnification:

The Enterprise will indemnify the Managers, the Board of Managers, Investment Committee, consultants, its members and employees against claims, liabilities, costs and expenses (including legal fees, judgments and amounts paid in settlement) as incurred, in connection with their activities on behalf of, or their association with, the Enterprise, except for acts or omissions constituting gross negligence or willful misconduct.

Legal Counsel:

Howard & Howard, PLLC

MICHIGAN STRATEGIC FUND

RESOLUTION 2012-

APPROVAL OF REVISED BUSINESS TERMS FOR LOAN FACILITY, INVESTMENT FACILITY, AND ADDITIONAL FUNDING FOR THE DEVELOP MICHIGAN – CAPITAL CONDUIT PROGRAM

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

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

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

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

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

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

WHEREAS, on December 21, 2011, the MSF approved the creation and operation of a Develop Michigan – Capital Conduit Program under the MSDF (“CCP”) and allocated \$7,500,000 from the Investment Fund to the CCP;

WHEREAS, on December 21, 2011, as a subprogram of the CCP, the MSF also approved the Operating Company Initiative (“OCI”) and the program guidelines for the OCI, and on April 25, 2011, approved revisions to the OCI Guidelines (“OCI Guidelines”);

WHEREAS, on January 25, 2012, the MSF approved an award to Grow Michigan, LLC (“GMI”) of \$2.5 million (the “GMI Award”) to operate the OCI pursuant to the OCI Guidelines;

WHEREAS, on February 22, 2012, the MSF directed additional funding of the CCP using \$22,500,000 from the Investment Fund;

WHEREAS, the MEDC recommends that the MSF award additional funds to GMI in the amount of \$7.5 million, subject to the terms and conditions contained in attached Exhibit A;

WHEREAS, the MEDC recommends that the MSF approve the Business Terms of Investment attached as Exhibit B; and

WHEREAS, the MEDC recommends that the MSF delegation regarding GMI and the GMI Award in Resolution 2012-007 remain in place and apply to the terms of this resolution.

NOW, THEREFORE, BE IT RESOLVED, the MSF approves additional funding to GMI in the amount of \$7.5 million, subject to the terms and conditions contained in attached Exhibit A;

BE IT FURTHER RESOLVED, the MSF approves the Business Terms of Investment attached as Exhibit B; and

BE IT FURTHER RESOLVED, the MSF approves the delegation regarding GMI and the GMI Award in Resolution 2012-007 remaining in place and applying to this resolution.

Ayes:

Nays:

Recused:

Lansing, Michigan
April 25, 2012



**MSF DELEGATED AUTHORITY QUARTERLY UPDATE
FOR 21CJF LOAN/GRANT PORTFOLIO**

April 16, 2012

FOR QUARTER ENDED 03/31/12

BACKGROUND

On January 25, 2012, the Michigan Strategic Fund (“MSF”) Board approved by resolution a delegation of authority for decisions with regard to awards under the (i) Company Formation and Growth Fund, (ii) 21st Century Jobs Fund 2006 and 2008 business plan competition rounds, as well as its predecessor programs, Michigan Technology Tri-Corridor Fund program and Michigan Life Sciences Corridor Fund program, and (iii) those loans awarded under the Choose Michigan program, including the authority to approve loan restructure requests (“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 Investment 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.

In addition, under Executive Order No. 2010-8, the Governor abolished the Strategic Economic Investment and Commercialization (“SEIC”) Board and all powers, duties, and functions of the SEIC Board were transferred to the MSF. On October 27, 2010 the MSF Board delegated to the MSF Chairperson or the MSF State Treasurer Director the authority to approve final disbursements and no-cost amendments to grants and other contracts previously administered by the SEIC Board under the 21st Century Jobs Fund and its predecessor programs.

APPROVALS BY AUTHORIZED DELEGATE

Between January 1, 2012 and March 31, 2012 the following actions were approved by one of the authorized MSF Board members:

Award ID	Organization	Action	Award Amount (full award amount)	Disbursed Amount (actual amount disbursed)	Date
2005-0178	Advanced Photonix, Inc.	Subordination to SVB for \$6 million loan.	\$1,200,000	\$1,200,000	January 25, 2012
2006-0154	Translume	Restructure	\$1,650,310.00	1,212,902.00	January 25, 2012

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2003-0597-ENL	Enliven	Restructure	\$50,000	\$50,000	February 15, 2012
2006-0589-SEN	SenX Technologies	Resturcture	\$50,000	\$50,000	February 22, 2012
2006-0138	Everist/Genomics Squared	Conversion	\$1,569,999	\$1,569,999	March 9, 2012
2006-0378	Evigia	Subordination	\$1,736,300	\$1,736,3000	March 23, 2012
2006-0616	Electroject	Confidentiality	\$962,600	\$962,600	March 23, 2012