

**MICHIGAN STRATEGIC FUND BOARD MEETING
TUESDAY, MAY 27, 2014
MEDC OFFICE, LANSING
APPROVED MEETING MINUTES**

MEMBERS PRESENT:

Paul Andersen
Andrew Lockwood (on behalf of Treasurer Kevin Clinton)
Mark Morante (on behalf of Chairman Mike Finney)
Bill Martin
Terri Jo Umlor
Jody Vanderwel
Shaun Wilson
Mike Zimmer (on behalf of Director Steve Arwood)

MEMBERS ABSENT:

Mike Jackson

Mr. Morante brought the meeting to order at 10:01 am.

COMMUNICATIONS

Andrea Robach, MSF Board Administrator, notified the Board of the following:

- Introduced Mr. Paul E. Anderson as new member of the MSF Board.

PUBLIC COMMENT

At this time Mr. Morante asked if there was any public comment from the audience, and noted that any comments should be kept to three minutes. No members of the public wished to make comment.

UNFINISHED BUSINESS

Mr. Morante asked the Board if there was a motion to bring the matter of unfinished business back to the table for discussion. Andrew Lockwood motioned to continue discussion regarding Systems in Motion. Bill Martin seconded the motion.

Resolution 2014-065 Systems in Motion – MEGA Tax Credit Amendment

Trevor Friedeberg, Business Development Finance, provided the Board with information regarding this action item. He introduced Colin Chapman, VP and General Manager of Systems in Motion's Ann Arbor location, who provided the Board with information regarding the company history, product acquisitions, and performance history. This is a request from the Applicant for an amendment to its existing Standard MEGA Tax Credit. The amendment is required to accurately reflect how the Company hired its Qualified New Jobs related to the original Job Creation MBT Credit. The Company is requesting the 400 job minimum requirement be changed to a minimum of 50 qualified new jobs, which is consistent with the requirement for the first 4 years of credit. A 50 job minimum is also consistent with the requirement for all Standard MEGA Credits under statute. The Company has also requested the project site be expanded to include Meridian Township, Ingham County, Michigan to support and encourage the growth of their Michigan footprint.

Staff Recommendation

MEDC Staff recommends amendments to the Standard MEGA Tax Credit (Resolution 2009-150) as outlined in the proposed resolution.

Board Discussion

Mr. Morante asked if there were any questions from the Board. Discussion ensued pertaining to the strategy for recruiting talent, and the cost advantages to expanding their operation in Michigan. There being no further questions, Bill Marin motioned for the approval of Resolution 2014-065. Mike Zimmer seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

Resolution 2014-066 Approval of May 2014 Consent Agenda

Mr. Morante asked if there were any questions from the Board regarding any items listed under the consent agenda. There being none, Bill Martin motioned for the approval of the following items:

- Adoption of Proposed April 22, 2014 Meeting Minutes
- Export Request to Issue 2015 RFPs **(2014-067)**
- Export Request to Amend Program Delegation of Authority **(2014-068)**
- Grow Michigan, LLC Reappointment of Board Member **(2014-069)**
- Revocation of Tool and Die Recovery Zone: Precision Design and Manufacturing **(2014-070)**

Terri Jo Umlor seconded the motion. **The motion carried: 8 ayes, 0 nays; 0 recused.**

BUSINESS INVESTMENT

Entrepreneurship

Resolution 2014-071 2014 University RFP Award Recommendations

Roselyn Zator, Entrepreneurial Services, provided the Board with information regarding this action item. The MEDC requests that the MSF Board approve total funding of \$3,000,000 to the following university programs: \$1,375,000 for University of Michigan – Technology Transfer Talent Network, \$1,450,000 for University of Michigan – Michigan Corporation Relations Network and \$175,000 for PrecisEd for their 2014 University Technology and Commercialization Programs. Since 2011 the Michigan Strategic Fund (“MSF”) has provided funding to universities to encourage the State’s public universities to collaborate and identify the commercial potential in advanced technologies from individual institutions, facilitate the bundling of inventions into packages that could be of interest to the public sector, encourage business formation efforts and to increase the number of institution of higher education related start-up companies. The Michigan Economic Development Corporation (“MEDC”) provides administrative services for the university technology commercialization grants. The talent and corporate relations programs have supported collaboration of 7 universities as well as enhanced business engagement activities that support industry and university collaboration throughout the state of Michigan.

Staff Recommendation

The MEDC requests that the MSF Board approve funding of \$1,375,000 for University of Michigan– Technology Transfer Talent Network, \$1,450,000 for University of Michigan– Michigan Corporation Relations Network and \$175,000 for PrecisEd for their 2014 University Technology and Commercialization Programs.

Board Discussion

Mr. Morante asked if there were any questions from the Board. There being none, Jody DePree Vanderwel motioned for the approval of Resolution 2014-071. Andrew Lockwood seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

Business Growth

Pure Michigan Program Update

Deanna Richeson, Export Program Director, provided the Board with a brief presentation regarding the Export Program's year in review, highlighting program successes, and forecast for the upcoming fiscal year.

Resolution 2014-072 Fairlife, LLC Infrastructure Project – Community Development Block Grant

Stacy Bowerman, Business Development Finance, provided the Board with information regarding this action item. She introduced three guests in support of the project: Hawk Dobbins, General Manager/Projects – Fairlife, LLC, Steven R. Patrick, City Manager, City of Coopersville and Ken Rizzio, Director of Business Services, Lakeshore Advantage. Mr. Dobbins provided the Board with a brief company history, their business plan, and project overview. The City of Coopersville is requesting \$2,400,000 in Community Development Block Grant (CDBG) funds for infrastructure improvements needed for the Fairlife, LLC Infrastructure Project located in Ottawa County, Michigan. The City of Coopersville (the "City") expects that this project could result in private investment of \$96,254,850 and the creation of 100 jobs. Fairlife, LLC (the "Company"), headquartered in Chicago, Illinois, is a health and wellness company that is based on the natural nutrition of dairy. The Company makes nutrient-rich milk products, including Core Power®, a high-protein muscle recovery drink. The Company is owned by Select Milk Producers and The Coca-Cola Company and has production facilities in Dexter, New Mexico and Fair Oaks, Indiana.

Staff Recommendation

The MEDC Staff recommends that a CDBG Infrastructure grant agreement in the amount of \$2,400,000 be authorized for the City of Coopersville for the Fairlife, LLC Infrastructure Project.

Board Discussion

Mr. Morante asked if there were any questions from the Board. Discussion ensued pertaining to the positive impact this project will have on the City of Coopersville, including the refurbishing of a now vacant Delphi plant. There being no further questions, Andrew Lockwood motioned for the approval of Resolution 2014-072. Bill Martin seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

Resolution 2014-073 Challenge Mfg Company, LLC – Michigan Business Development Program

Marcia Gebarowski, Business Development Finance, provided the Board with information regarding this action item. She introduced Boyd VorBroker, VP of Finance, Challenge, Doug Bradley, VP, Challenge, and John Byl, Warner Norcross Judd who attended the meeting in support of this project. Mr. Boyd provided the Board with a brief company history, and project overview. This is request from the Applicant for a \$2,500,000 performance-based grant. This project involves the creation of 450 Qualified New Jobs, and a capital investment of up to \$50,000,000 in the City of Pontiac, Oakland County. The applicant has requested confidentiality on proprietary information supplied in their application materials.

Staff Recommendation

MEDC Staff recommends approval of the MBDP Proposal as outlined in the term sheet and proposed resolution.

Board Discussion

Mr. Morante asked if there were any questions from the Board. Discussion ensued pertaining to the future Brownfield work plan which will be proposed to the Board at a future date, and the City's support of the project in offering tax savings by abatement. Additionally, the proposed project site is a vacant General Motors facility, the refurbishing of which is a tremendous asset to the community. There being no further questions, Bill Martin motioned for the approval of Resolution 2014-073. Terri Jo Umlor seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

Access to Capital

Resolution 2014-074 Kilbourn Produce, LLC – MBGF-CSP

Christopher Cook, Business Capital, provided the Board with information regarding this action item. Kilbourn Produce, LLC (“Kilbourn Produce”) is a new entity that was formed in order to operate a new twelve acre greenhouse facility in Marshall. Kilbourn Produce is a joint venture between two existing companies, Kilbourn Farms, Inc. (“Kilbourn Farms”) and 2246690 Ontario Inc. o/a Darpa Systems & Technology (“Darpa”). The project is anticipated to cost \$11,930,000. Fifth Third Bank (“Bank”) has proposed an \$8,650,000 construction note in order to provide financing for the project, with the remainder of the cost be contributed as equity from Kilbourn Farms and Darpa. In addition, the Bank is proposing a \$1,000,000 non-revolving working capital line of credit. The proposed financing will be used to construct a 547,469 sq. ft. hydroponic greenhouse, acquire equipment related to its operation, and provide access to working capital that will be available to pay for start-up and operational expenses.

Staff Recommendation

MEDC Staff recommends the approval of the MBGF-CSP proposal as outlined in the resolution.

Board Discussion

Mr. Morante asked if there were any questions from the Board. There being none, Andrew Lockwood motioned for the approval of Resolution 2014-074. Jody DePree Vanderwel seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

Shaun Wilson recused

Resolution 2014-075 Dominican Health Care Corporation – Bond Authorizing

Christopher Cook, Business Capital, provided the Board with information regarding this action item. Dominican Health Care Corporation d/b/a Lourdes Senior Community (“Lourdes”) is requesting private activity bond financing for the conversion of all of its skilled nursing rooms to private rooms. These renovations will be made to Lourdes Nursing Home, which is located on Lourdes’ 38-acre campus in the Charter Township of Waterford, Oakland County. Lourdes is a Michigan nonprofit corporation founded in 1965 which maintains its tax-exempt status under Section 501(c)(3) of the Internal Revenue Code. Lourdes owns and operates four senior living facilities in Michigan. These facilities allow Lourdes to offer independent and assisted living, Alzheimer’s care, and skilled nursing amenities to their residents.

Staff Recommendation

Based upon a determination by Clark Hill PLC, and the State of Michigan Attorney General’s office that the project complies with state and federal law requirements for tax exempt financing, the staff recommends the adoption of a Bond Authorizing Resolution in the amount not to exceed the amount of \$14,500,000.

Board Discussion

Mr. Morante asked if there were any questions from the Board. There being none, Jody DePree Vanderwel motioned for the approval of Resolution 2014-075. Bill Martin seconded the motion. The motion carried with a roll call vote: 7 ayes; 0 nays; 1 recused.

Shaun Wilson returns

Resolution 2014-076 YMCA Detroit – Bond Authorizing

Christopher Cook, Business Capital, provided the Board with information regarding this action item. The

Young Men’s Christian Association of Metropolitan Detroit, doing business as YMCA of Metropolitan Detroit (“YMCA”), is requesting private activity bond financing for the purpose of refunding the Michigan Strategic Fund’s outstanding Variable Rate Demand Limited Obligation Revenue Bonds (YMCA of Metropolitan Detroit Project), Series 2001, originally issued in the aggregate principal amount of \$15,000,000 (the “2001 Bonds”), and its outstanding Variable Rate Demand Limited Obligation Revenue Bonds (YMCA of Metropolitan Detroit Project), Series 2003, originally issued in the aggregate principal amount of \$20,000,000 (the “2003 Bonds”). The 2001 Bonds and the 2003 Bonds are currently secured by letters of credit which expire on August 31, 2014.

Staff Recommendation

Based upon a determination by Miller, Canfield, Paddock and Stone, P.L.C., and the State of Michigan Attorney General’s office that the refunding complies with state and federal law requirements for tax-exempt financing, the staff recommends the adoption of a Bond Authorizing Resolution in the amount of not to exceed \$30,000,000.

Board Discussion

Mr. Morante asked if there were any questions from the Board. There being none, Bill Martin motioned for the approval of Resolution 2014-076. Terri Jo Umlor seconded the motion. **The motion carried with a roll call vote: 8 ayes; 0 nays; 0 recused.**

Resolution 2014-077 Green Box NA Michigan, LLC – Bond Inducement

Christopher Cook, Business Capital, provided the Board with information regarding this action item. He introduced Ron Van Den Heuvel who provided the Board with a brief overview of the company history, the proposed project, and the technology behind the waste management process the company developed. Green Box NA Michigan, LLC, is seeking the inducement of \$125,000,000 in tax exempt bond financing in order to partially finance a \$200,000,000 project in two separate Michigan locations, one in the City of Detroit, Wayne County and the other at the location of the existing operations of Great Lakes Tissue in the City of Cheboygan, Cheboygan County. The project will take large amounts of commercial waste, primarily from the restaurant industry, collected from in and around the Detroit metropolitan area and pre-process it in a newly developed facility in the City of Detroit and then ship it via tractor trailer in the form of bails and pellets to Cheboygan for final processing into both commodity and value-added finished product components.

Staff Recommendation

After reviewing the Private Activity Bond application for GreenBox NA, Michigan, LLC, staff recommends the adoption of an Inducement Resolution in the amount of \$125,000,000.

Board Discussion

Mr. Morante asked if there were any questions from the Board. Discussion ensued pertaining to the profoundly “green” process the company has developed and the positive impact it will have on minimizing the waste sent to landfills by sanitizing and recycling this waste. There being no further questions, Andrew Lockwood motioned for the approval of Resolution 2014-077. Jody DePree Vanderwel seconded the motion. The motion carried: 8 ayes; 0 nays; 0 recused.

Resolution 2014-078 Middleville Tool & Die/Middleton Enterprises LLC – Bond Inducement

Christopher Cook, Business Capital, provided the Board with information regarding this action item. Middleville Tool & Die, Co. (“Middleville”) and Middleton Enterprises, L.L.C. (“Middleton”) are requesting private activity bond financing to invest in new machinery, equipment, and office furnishings as well as add an additional 53,000 sq/ft to their current manufacturing facility located in Yankee Springs Township within Barry County. Middleville spent \$51,000 dollars to define and detail the completed

design of the new expansion, which will adjoin their current facility, and will add 53,000 sq/ft. Building investments of \$3.544 million and renovation expense of \$197,500 will be needed to expand the current facility to the north. Additionally, investments in machinery, equipment and office furnishings will total \$2.862 million over the next 3 years commencing from March, 2014. Job creation is estimated at 35 jobs thru 2016.

Staff Recommendation

After reviewing the Private Activity Bond application for Middleville Tool & Die, Co., staff recommends the adoption of an Inducement Resolution in the amount of \$6,300,000.

Board Discussion

Mr. Morante asked if there were any questions from the Board. There being none, Mike Zimmer motioned for the approval of Resolution 2014-078. Andrew Lockwood seconded the motion. The motion carried: 8 ayes; 0 nays; 0 recused.

ADMINISTRATIVE

Resolution 2014-079 Transition of MSF Fund Manager

Mark Morante, Fund Manager, provided the Board with information regarding this action item. Karla Campbell has transitioned to another role within the MEDC, therefore a new MSF Fund Manager has been named. This resolution names the following:

- Mark Morante, Fund Manager
- Karla Campbell, Alternate Fund Manager
- Diane Cranmer, Alternate Fund Manager & Secretary
- Minesh Mody, Treasurer.

Staff Recommendation

MEDC/MSF Staff recommends the appointments as outlined in the resolution.

Board Discussion

Mr. Morante asked if there were any questions from the Board. There being none, Andrew Lockwood motioned for the approval of Resolution 2014-079. Mike Zimmer seconded the motion. The motion carried: 8 ayes; 0 nays; 0 recused.

The meeting was adjourned at 11:12 am.