

**MICHIGAN STRATEGIC FUND BOARD
APPROVED MEETING MINUTES
JANUARY 27, 2015**

Members Present:

Paul Anderson
Steve Arwood
Mike Jackson
Andrew Lockwood (on behalf of Treasurer Clinton)
Bill Martin
Jim Walsh
Shaun Wilson
Mike Zimmer

Members Absent:

Terri Jo Umlor
Jody DePree Vanderwel

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

Public Comment: Mr. Arwood asked if there were any members of the audience.

Communications: Andrea Robach, MSF Board Administrator, advised the members that the Chief Compliance Officer's quarterly report was provided in the packet. Also, that a revised terms sheet was provided at each seat for Covisint, for which staff is seeking a MBDP amendment, under the Consent Agenda.

Resolutions 2015-001 through 2015-006

Shaun Wilson recused himself from the Borgwarner action item, and left the room for the entire Consent Agenda discussion and vote.

Mr. Arwood asked if there were any questions from the Board on any of the Consent Agenda (2015-001) items. There being none, Mike Jackson motioned for the approval of the following:

December 16, 2014 Proposed Meeting Minutes
HTI Cybernetics – Tool & Die Recovery Zone Amendment **2015-002**
Covisint – MBDP Amendment **2015-003**
Borgwarner – MBDP Reauthorization **2015-004**
Access Business Group, LLC – MBDP Grant Amendment **2015-005**
Moran Iron Works – MBDP Amendment **2015-006**

Bill Martin seconded the motion. **The motion carried: 7 ayes; 0 nays; 1 recused.**

Shaun Wilson returns.

BUSINESS INVESTMENT

Entrepreneurship

Resolution 2015-007 – Pure Michigan Venture Capital Development Fund

Paula Sorrel & Mike Flanagan, Entrepreneurship & Innovation, provided the Board with information regarding this action item. On January 23, 2013 the MSF Board authorized a second round of funding for the

PMVDF Program, and on October 23, 2013, the MSF approved two awards under the second round of the Program to Detroit Venture Partners and to Detroit Innovate. Subsequent to approval of those awards, significant changes were made to the proposal submitted by Detroit Innovate. As a result of employee departures, Detroit Innovate has hired two new managing directors, Patti Glaza and Martin Dober, to run the fund. While both are well regarded and have quality track records, the original MSF approval to fund Detroit Innovate, and the prior recommendations of the expert peer reviewer and Joint Evaluation Committee (“JEC”), assumed the original management team. Due to these changes, the MEDC recommends that the PMVDF award to Detroit Innovate be rescinded and that the Program be opened for a third round of funding. MEDC intends to operate the third round in the same manner as previous rounds, in accordance with the attached Program Application, Process, and Guidelines, in order to award a qualified venture fund.

Staff Recommendation

MEDC staff requests that the MSF Board approve the following related to the Pure Michigan Venture Development Fund (“PMVDF” or “Program”):

- rescind the existing PMVDF award of \$2.25 million to Detroit Innovate I, LP, which had been approved by the MSF Board in 2013;
- open a third round of funding for the Program to make additional award(s) to qualified venture fund(s);
- authorize the updated Program Application, Process, and Guidelines (attached); and
- delegate authority to the MSF Fund Manager to modify the Program Application, Process, and Guidelines as necessary, so long as such modifications are not materially adverse to the interests of the MSF.

Board Discussion

Mr. Arwood asked if there were any questions from the Board. There being none, Andrew Lockwood motioned for the approval of Resolution 2015-007. Bill Martin seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused**

Business Growth

Resolution 2015-008 & -009 Forest River Products/St. Joseph County – CDBG & MBDP

Mike Gietzen, Development Finance Team, provided the Board with information regarding this action item. The Village of White Pigeon is requesting the approval of a Community Development Block Grant (“CDBG”) for the Forest River Manufacturing LLC on the job training project in the amount of \$1,600,000. Forest River Manufacturing LLC is also requesting approval of a Michigan Business Development Program (“MBDP”) performance-based grant in the amount of \$350,000. Forest River Manufacturing LLC anticipates that the project will result in \$7,080,000 in total capital investment in the Village of White Pigeon, St. Joseph County and the creation of up to 396 jobs.

Forest River Manufacturing, LLC is a world leader in the recreational vehicle industry. The Company now operates multiple manufacturing facilities throughout the Midwest and West coast U.S. producing motorized Class A, B and C RVs, travel trailers, fifth wheels, pop-up tent campers, park model trailers, destination trailers, cargo trailers, commercial vehicles, buses, pontoons, restroom trailers and mobile offices. The Company currently has headquarters and a very strong manufacturing presence in Indiana. The Company is launching various new products and needs additional facilities to house each new line. The Company plans to construct three facilities of approximately 100,000 square feet each to house new product lines over a three-year timespan.

Staff Recommendation

MEDC Staff recommends approval of a CDBG job training grant agreement, in the amount of \$1,600,000 be authorized for the Village of White Pigeon for the Forest River Manufacturing LLC expansion project subject to submittal of an executed special fee agreement between the Village of White Pigeon and Forest River Manufacturing, LLC, as well as approval of the MBDP request, as outlined in the resolution and terms sheet.

Board Discussion

Mr. Arwood asked if there were any questions from the Board. Discussion ensued pertaining to the anticipated wage per hour for the proposed jobs created. There being no further questions, Mike Jackson motioned for the approval of Resolutions 2015-008 & 2015-009. Paul Anderson seconded the motion.

The motion carried: 8 ayes; 0 nays; 0 recused.

Resolution 2015-010 Toyota Motor Engineering & Manufacturing

Trevor Friedeberg, Development Finance Team, provided the Board with information regarding this action item. This is a request to amend the Michigan Business Development Program Grant Agreement for the Company by increasing the total grant award by \$1 million dollars for the creation of 85 additional Qualified New Jobs and an additional capital investment of \$75,150,000 in Ann Arbor Township, Washtenaw County, Michigan. The Company also evaluated sites in California. State and Local Incentive assistance were crucial to ensure the project would move forward in Michigan.

On August 26, 2014 the Michigan Strategic Fund approved a \$4 million award for the Company under the Michigan Business Development Program (“MBDP”). The Company proposed to relocate its direct procurement from Erlanger, Kentucky to its campus in York Charter Township. The expansion required the Company to construct a new facility and create 250 new jobs at its York Charter Township, Washtenaw County campus. The Company is proposing to expand its powertrain engineering at its existing Ann Arbor Charter Township facility as part of a larger nationwide initiative to evaluate where various units of Toyota North America will conduct their operations. To support this growth the Company will expand its existing powertrain facility by 45,000 square feet and create 85 new jobs. This expansion will involve a capital investment of approximately \$75,150,000.

Staff Recommendation

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

Board Discussion

Mr. Arwood asked if there were any questions from the Board. Discussion ensued pertaining to the facility construction proposed timeline. There being no further questions, Mike Jackson motioned for the approval of Resolution 2015-010. Andrew Lockwood seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

Access to Capital

Resolution 2015-011 Huron River Ventures Amendment – Accelerator Fund

Mike Flanagan, Entrepreneurship & Innovation, provided the Board with information regarding this action item. On August 9, 2010, the former Commercialization Board approved Huron River Ventures I, to receive an Accelerator Fund award of \$6 million. On September 14, 2010, the MSF and the Fund signed the final convertible loan agreement, and thereafter the MSF entered into the limited partnership agreement, side letter, and other ancillary documents to memorialize the MSF investment into the Fund (collectively, “Fund Documents”). However, the Fund Documents permit a Principal to manage another fund with the consent of the MSF, in the event that at least 70% of the aggregate capital commitments of

the Fund have either been invested, or reserved for future investments (“Investment Threshold”). The Fund advises that it has reached the Investment Threshold.

Huron River Ventures I (the “Fund” or “HRV”), a venture capital fund awarded under the Accelerator Fund Program, both Principals of the Fund, Ryan Waddington and Tim Streit, and MEDC staff are requesting that:

- (i) the MSF amend the Fund Documents to reduce Ryan Waddington’s time commitment to the Fund from 100% to at least 50% of his regular monthly business time;
- (ii) the MSF clarify the Fund Documents to require that Tim Streit’s continue to devote 100% of his regular weekly business time to the Fund; and
- (iii) each of the Principals maintain the required Fund Membership Requirements (the aforementioned, collectively, “Modified Commitment”).

Staff Recommendation

MEDC Staff recommends that the MSF Board approve the Modified Commitment.

Board Discussion

Mr. Arwood asked if there were any questions from the Board. There being none, Mike Jackson motioned for the approval of Resolution 2015-011. Shaun Wilson seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

COMMUNITY VITALITY

Resolution 2015-012 Alpena Holiday Inn Express – Brownfield TIF

Dan Leonard, Community Assistance Team, provided the Board with information regarding this action item. The City of Alpena Authority for Brownfield Redevelopment is seeking approval of local and school tax capture for MSF eligible activities in the amount of \$1,278,250. The school taxes will be utilized to redevelop approximately 1.93 acres of property located at 225 River Street in the City of Alpena. The project includes the redevelopment of a vacant lot in downtown Alpena for construction of a new ninety room four-story hotel. The property is currently owned by Alpena Lodging, LLC, an affiliate of the Amerilodge Group. This is a Michigan-based hotel operations and development company with fifteen hotels, predominately in Michigan.

The project includes the development of a Holiday Inn Express in downtown Alpena that will serve as the sole hotel within walking distance to the central business district. Redevelopment of this property will feature approximately 54,000 square footage of commercial space, infill the vacant land and the active patrons staying at the hotel will support existing businesses in the downtown. The subject property has remained vacant for several years due to the contamination issues. In addition to the requested Act 381 Brownfield Plan, the City of Alpena has approved a Commercial Rehabilitation Act PA 210 abatement consisting of a local property tax exemption with an estimated value of \$776,000 in total for the first ten (10) years at 100% upon completion of the hotel.

Staff Recommendation

The MEDC recommends approval of the request by City of Alpena Authority for Brownfield Redevelopment to capture local and school taxes for the MSF eligible activities totaling \$1,278,250 as described above. Utilizing the blended state to local capture ratio, the amount of school tax capture for this project is estimated at \$813,619.

Board Discussion

Mr. Arwood asked if there were any questions from the Board. Discussion ensued pertaining to the existing vacancy rate for the other hotels in the area, and the need for State assistance with the extensive geotechnical support needs of the site. There being no further questions, Bill Martin motioned for the approval of Resolution 2015-012. Andrew Lockwood seconded the motion. **The motion carried: 8 ayes; 0 nays; 0 recused.**

ADMINISTRATIVE

President's Update

At this time, MSF President and Chairman Steve Arwood gave a brief overview of the Governor's Executive Order which reorganized a selection of State Agencies, including the Michigan Strategic Fund, in creating the Department of Talent and Economic Development. This new department will take effect on March 16, 2015, and among the transfer of duties and powers, includes the transfer of the MSF from the Department of Treasury, to the new department. The MSF Board, as it currently exists, will be abolished, and a new MSF Board will be created under DTED, though the existing Board Members will be reappointed to seats within the new Board.

Mr. Arwood adjourned the meeting at 10:34 am.