



MEMORANDUM

Date: November 16, 2012
To: Delegates of the Michigan Strategic Fund (“MSF”) for the Michigan Business Development Program
From: Stacy Bowerman – Development Finance Manager
Subject: Amendment to the Michigan Business Development Program Approval for:

Marrone Michigan Manufacturing, LLC (“Applicant” or “Company”)
700 Industrial Park Road
Bangor, Michigan 49013
www.marronebio.com

BACKGROUND

On September 28, 2012, the Michigan Strategic Fund (“MSF”) approved a Michigan Business Development Program (“MBDP”) performance-based grant in the amount of \$350,000 for the Company. The terms sheet included as part of MBDP approval, attached to this memo, incorrectly stated the Milestone due dates that were agreed upon by the Company.

RECOMMENDATION


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

- a) Amend the MBDP Milestone due dates as outlined in the attached term sheet.

APPROVAL AUTHORITY – MBDP SUPPORT MEMO

Michigan Economic Development Corporation

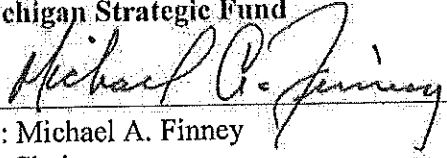

Amy Deprez, Director, Development Finance


Mark Mogante, Senior Vice President, Program Management

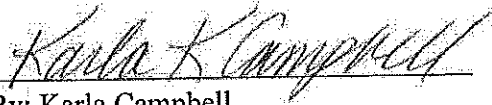
The Recommendation is approved subject to Available Funding and Completion of Due Diligence, and execution of all MBDP transaction documents, all in accordance with the MBDP and its guidelines:

Note: To utilize the delegation authority granted by the MSF Board, the approval of the Chairperson, and either the MSF Fund Manager or the MSF State Treasurer Director, are required for this commitment under the MBDP:

Michigan Strategic Fund



By: Michael A. Finney
Its: Chairman



By: Karla Campbell
Its: Fund Manager



By: Andy Dillon, State Treasurer
Its: Director



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

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

Date: 9/21/2012

1. **Company Name:** Marrone Michigan Manufacturing, LLC ("Company" or "Applicant")
2. **Company Address:** 700 Industrial Park Road
Bangor, Michigan 49013
3. **Project Address ("Project"):** 700 Industrial Park Road
Bangor, Michigan 49013
4. **MBDP Incentive Type:** Performance Based Grant
5. **Maximum Amount of MBDP Incentive:** Up to \$350,000 ("MBDP Incentive Award")
6. **Base Employment Level** 0 The number of jobs currently maintained in Michigan by the Company based on data submitted by the Company to the MEDC reflecting the Company's statewide employment level in Michigan prior to the proposed project. The Base Employment Level, including identification of the Company data used to establish this level, shall be included in the final MBDP Incentive Award agreement ("Agreement") between the MSF and the Company.
7. **Total Qualified New Job Creation:** 39 The minimum number of total Qualified New Jobs (above Base Employment Level) the Company shall be required to create in Michigan (above the Base Employment Level), in addition to satisfying other milestones if applicable, to be minimally eligible to receive the full amount of the MBDP Incentive Award. Each Qualified New Job must be performed for consideration by a Michigan resident (whose Michigan income taxes are withheld as required), and each Qualified New Job must be in excess of the Base Employment Level.

The final terms and conditions of the requirements for the minimum number of Qualified New Jobs that must be created, including provisions addressing disbursements of portions of the MBDP Incentive Award, shall be included in the final Agreement.

- a. **Start Date for Measurement of Creation of Qualified New Jobs:** Date of Approval of MSF Award
8. **Company Investment:** \$19,005,000 for acquisition, new construction and building renovations, leasehold improvements, machinery and equipment, furniture and fixtures, computers, pollution control equipment, and other personal property, *or any combination thereof, for the Project.*
9. **Municipality supporting the Project:** City of Bangor
- a. **Municipality Support.** One of the conditions of execution of the final Agreement is the requirement that the municipality shall have committed to provide: a property tax abatement for real property under Public Act 198 of 1974 and personal property under Public Act 328 of 1998. The final terms and conditions demonstrating this support shall be included in the final Agreement.
10. **Disbursement Milestones:** The final terms and conditions of each of the disbursements of any portion of the MBDP Incentive Award shall be included in the final Agreement, including that before any disbursement is made to the Company, the Company must have maintained: (i) the Base Employment Level (exclusive of the number of Qualified New Jobs then created) and (ii) any Qualified New Jobs created for which disbursements by the MSF have been made, and must otherwise be in compliance with all terms and conditions of the final Agreement, and further shall include:
- a. **Disbursement Milestone 1:** Up to \$250,000 Upon demonstrated verification that the Company has secured financing for the initial phase of the project of at least \$5,000,000 and the creation of 22 Qualified New Jobs above the Base Employment Level and verification of final approval of municipality support by no later than December 31, 2013.
- b. **Disbursement Milestone 2:** Up to \$50,000 Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 5 additional Qualified New Jobs above the Base Employment Level, by no later than December 31, 2014.
- c. **Disbursement Milestone 3:** Up to \$50,000 Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, and upon demonstrated creation of 12 additional Qualified New Jobs above the Base Employment Level, by no later than December 31, 2015.



MEMORANDUM

TO: Delegates of the Michigan Strategic Fund ("MSF") Board for the Michigan Business Development Program

FROM: Stacy Bowerman, Development Finance Manager

DATE: September 28, 2012

SUBJECT: Approval of Michigan Business Development Request for \$350,000 Performance-based Grant to:

Marrone Michigan Manufacturing, LLC ("Applicant" or "Company")
700 Industrial Park Road
Bangor, Michigan 49013
www.marronebio.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 Development Finance 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 Applicant is a new subsidiary created to manufacture products developed by its parent company, Marrone Bio Innovations ("MBI"). MBI develops environmentally-friendly, natural pest management products for the agricultural and water treatment markets. MBI's primary products include a biofungicide and bioinsecticide used to control insects and mites. MBI has also developed a naturally-derived product to selectively control invasive mussels.

MBI is considering bringing in the manufacture of biopesticides to the newly acquired former Michigan BioDiesel facility in the City of Bangor, VanBuren County. Since the facility was purchased at a bankruptcy auction, MBI did not have sufficient time to assess the cost associated with opening a new facility. After assessment, it was determined the facility in Bangor would require a significant amount of capital investment in building renovations and new equipment in

Michigan Economic Development Corporation

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order to be operational. MBI is considering selling the Bangor facility and purchasing a new facility in Wisconsin or continuing to outsource their manufacturing. Both of these options would require less upfront capital than the Bangor facility.

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

PROJECT DESCRIPTION

The Applicant plans to open a new operations in the City of Bangor, make investments and create jobs related to the manufacture of its biopesticide products.

- 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 Bangor. The City has offered a "staff, financial, or economic commitment to the project" in the form of a real and personal property tax abatement with an estimated value of \$1.2 million.
- c) The Applicant has demonstrated a need for the funding. The Applicant has identified a facility in Wisconsin that could support the Company's manufacturing need. The Company can also continue to outsource the manufacture of its products.
- d) The Applicant plans to create 39 Qualified New Jobs above a statewide base employment level of Zero.
- e) Pursuant to the program guidelines, the following was taken into consideration for the proposed project: the Applicant plans to commence the project in 2012 and will hire the majority of the new jobs by the end of 2013; the project involves out-of-state competition, the project will reuse an existing vacant facility in a distressed community, and has a net positive return to Michigan with a ROI of 6.9.

INCENTIVE OPPORTUNITY

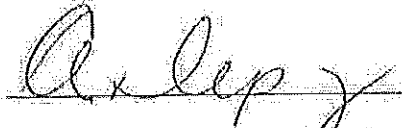
This project involves the creation of 39 Qualified New Jobs as a result of the Project, and a capital investment of up to \$19 million in the City of Bangor. The requested incentive amount from the MSF is \$350,000 in the form of a performance-based grant. Please see below for more information on the recommended action.

RECOMMENDATIONS

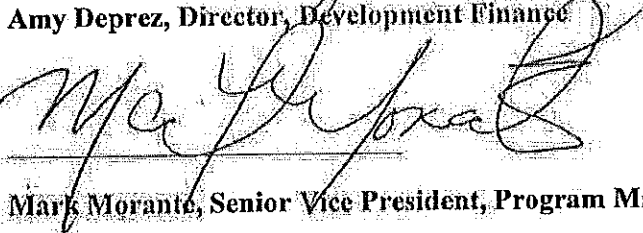
MEDC Staff recommends (the following, collectively, "Recommendation"):

- a) Approval of the MBDP Proposal as outlined in the attached term sheet (collectively, "MBDP Proposal");
- b) Closing the MBDP Proposal, subject to available funding under the MBDP at the time of closing ("Available Funding"), satisfactory completion of due diligence, (collectively, "Due Diligence"), finalization of all MBDP transaction documents, and 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.

APPROVAL AUTHORITY – MBDP SUPPORT MEMO
Michigan Economic Development Corporation



Amy Deprez, Director, Development Finance

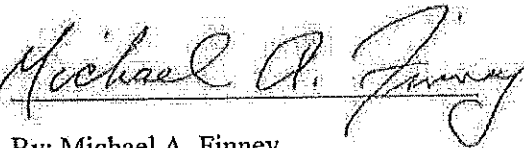


Mark Morante, Senior Vice President, Program Management

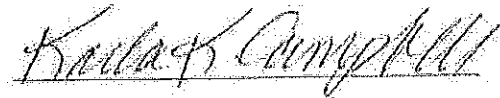
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Note: To utilize the delegation authority granted by the MSF Board, the approval of the Chairperson, and either the MSF Fund Manager of the MSF State Treasurer Director, are required for this commitment under the MBDP:

Michigan Strategic Fund



By: Michael A. Finney
Its: Chairman



By: Karla Campbell
Its: Fund Manager



By: Andy Dillon, State Treasurer
Its: Director

11. Term of Agreement:

Execution of Agreement to December 31, 2017

12. Repayment Provisions:

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

13. Reporting Requirements:

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

14. Public Announcements:

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

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

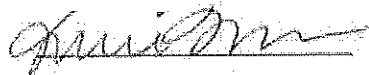
If the Company is interested in the MEDC pursuing a recommendation to the MSF for a possible MBDP Incentive Award for the Company along the above parameters, please sign and date this Term Sheet. If the MEDC does not receive the signed Term Sheet from the Company by September 28, 2012, the MEDC may not be able to proceed with any recommendation to the MSF.

Marrone Michigan Manufacturing, LLC

By:

Its:

Dated:


VP Corporate Dev + Opns
9-28-12


Acknowledged as received by:

Michigan Economic Development Corporation

By:

Its:

Dated:


Development Finance Manager
9-28-12