



## MEMORANDUM

**TO:** Michigan Strategic Fund ("MSF") Board Members  
**FROM:** Kenneth Murdoch, Development Finance Manager  
**DATE:** October 24, 2012  
**SUBJECT:** Approval of Michigan Business Development Request for \$2 million Performance-based Grant to:

RNLF Acquisition LLC  
d.b.a. Michigan Renewable Carbon ("Applicant" or "Company")

513 4<sup>th</sup> Street  
Gwinn, Michigan 49841

### 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

RNLF Acquisition LLC d.b.a. Michigan Renewable Carbon ("MRC") is a wholly owned subsidiary of Biogenic Reagents. The company is a producer of renewable reagents and biofuels for use in the metals and energy production markets. MRC recently acquired the abandoned Cliffs Natural Resources RenewaFUEL biomass production facility in Forsyth Township and is actively converting the facility for production of its carbonized biomass products.

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

Michigan Economic Development Corporation

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## **PROJECT DESCRIPTION**

The Applicant plans to complete the installation of a 75-foot reactor and the installation of additional process, energy recovery and emission control equipment to produce carbon products from biomass. The company plans to install a second reactor in 2013 and have the capacity to produce over 200,000 tons of biomass per year. The project is expected to result in private investment of \$16 million and the creation of 27 jobs over the next three years.

- 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 Forsyth Township. The township has offered a financial commitment to the project in the form of transferring the existing Renaissance Zone to MRC. The Renaissance Zone would expire in 2023 and has an estimated value of \$1.7 million.
- c) The Applicant has demonstrated a need for financing assistance as they are in a pre-revenue stage and have a \$2 million dollar note that is due December 31, 2012. They have indicated that without this additional funding they are projected to have a cash shortfall in the fourth quarter of 2012 and that the project could be at risk.
- d) The Applicant plans to create 27 Qualified New Jobs above a statewide base employment level of 14.
- e) The project meets the program guidelines as follows: the company has indicated they will be making capital investment and creating jobs in 2012 and 2013 and this project has a positive projected return-on-investment for the State of Michigan.

## **INCENTIVE OPPORTUNITY**

This project involves the creation of 27 Qualified New Jobs, as a result of the Project, and a capital investment of up to \$16 million in Forsyth Township. The requested incentive amount from the MSF is \$2 million in the form of a performance-based grant. In addition there will be a revenue participation agreement in which the company agrees to repay 112% of the total MBDP grant (\$2,240,000) provided the amount is repaid by the fifth year of the agreement, or 126% of the total MBDP grant (\$2,520,000) if repaid during years 6-10 of the agreement. Any outstanding balance of the grant repayment shall be due by the end of the 10<sup>th</sup> year of the agreement. The company shall make annual payments to the MSF in an amount equal to at least 1.5% of annual gross revenues, as indicated on the Company’s audited financial statements, generated at the Forsyth Township facility until the balance is paid in full. 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”), satisfactory completion of due diligence, (collectively,

“Due Diligence”), finalization of all MBDP transaction documents, and further subject to the following terms and conditions:

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