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# SENATE FISCAL AGENCY

## ISSUE PAPER

**DEPARTMENT OF COMMERCE  
THE MICHIGAN STRATEGIC FUND:**

**A SUMMARY OF ITS ORIGIN,  
SOURCES OF REVENUE, AND PROGRAMS**

*by*

*Jane Schultz, Fiscal Analyst*

*October 1989*

*"A Series of Papers Examining Critical Budgetary  
Issues Facing the Michigan Legislature"*



LANSING, MICHIGAN

DOUGLAS B. ROBERTS, DIRECTOR

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## PREFACE

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a.2 The Michigan Strategic Fund (MSF) was created in 1984 as the premier State program promoting economic development. An MSF Board was established at the same time to oversee the MSF. The MSF inherited the loans and revenue stream from the Michigan Economic Development Authority (MEDA) and established several new programs such as the Capital Access Program and Business Industrial Development Corporations (BIDCO) Program in an attempt to leverage limited public resources with private sector money to bridge the gap between bank and venture capital financing.

This issue paper is intended to provide information about the MSF: its origin, sources of revenue and programs. The information is timely since the Legislature has begun to appropriate MSF revenue for various new and existing programs in the Department of Commerce budget.

This issue paper does not attempt to evaluate whether or not the MSF concept works -- it is still too early to tell.



## ORIGIN

The MSF program was established by Public Act (P.A.) 270 of 1984 and was amended by P.A. 207 of 1987 and P.A. 278 of 1987. The purpose of the MSF program was to help diversify Michigan's economy, to assist in achieving the goal of long term economic growth and full employment, and to leverage private sector investment for those purposes. The MSF succeeded the Job Development Authority and the Michigan Economic Development Authority (MEDA), so it was not an entirely new program, but the concept of leveraging private investment to get more "bang for the buck" with limited public resources was new.

The MSF Acts provide for a nine-member Board of Directors (whose current members are listed on Attachment A) and prescribe the Board's powers and duties. The MSF Board consists of the Director of the Department of Commerce, the State Treasurer, and seven members appointed by the Governor with the advice and consent of the Senate. Of the seven members appointed by the Governor, one is appointed from the nominees of the Senate Majority Leader and one is appointed from the nominees of the Speaker of the House of Representatives. The MSF Board is authorized to make grants, loans, and investments for the MSF.

## SOURCES OF REVENUE

The MSF inherited the MEDA revenue stream from the Michigan Natural Resources Trust Fund (NRTF). The NRTF receives income from mineral, coal, oil, and gas leases and royalties. On the first day of each calendar quarter until the final principal and interest are paid on the economic development revenue bonds, series 1982A, dated December 1, 1982, the MSF receives \$5,000,000, or \$20,000,000 annually from the NRTF to be spent on economic development. (Prior to October 1, 1987, the MSF received \$3,250,000 quarterly for economic development.) The final payment on the bonds is expected to be made around September 1, 1994.

Through and including January 1, 1988, the MSF received an additional \$1,000,000 from the NRTF on the first day of each calendar quarter to be spent on research centers (Centers of Excellence). As of that date, \$25,000,000 had been contributed to the research center account, the maximum authorized by law.

The money that is deposited into the MSF for economic development is, by law, to be spent in the following order of priority:

1. Pay principal and interest on the revenue bonds
2. Pay any administrative costs of the MSF
3. Deposit the rest into a surplus account to be spent as follows:
  - a. Up to \$5,250,000 each fiscal year through FY 1992-93 shall be utilized for economic development
  - b. Up to \$2,667,000 each fiscal year through FY 1990-91 shall be utilized for research centers



If the entire amounts in a. and b. cannot be allocated, the available funds are to be prorated on the same basis as the amounts in a. and b..

The money allocated as priority 3 is the money that the MSF Board distributes to its programs. Any money appropriated by the Legislature from MSF revenue is considered an MSF administrative cost by the Department of Commerce and is included in priority 2 above. Attachment B lists the programs appropriated by the Legislature from MSF revenue since FY 1985-86. The MSF Board is not involved in these programs or the budget process. If the Legislature were to appropriate more money than the amount available, the MSF Board, being third in line for the money, would not receive its entire allocation.

If there is any money remaining after paying the priorities above, the money is to remain in the surplus account until the final principal and interest payment is made on the bonds on September 1, 1994, unless the NRTF cannot pay the entire amount to the MSF in any one calendar year. If that happens, the surplus from prior years may be used to supplement the payments to the MSF up to the maximum (currently \$20,000,000 annually).

At the end of FY 1987-88, there was a surplus of approximately \$4,500,000 after the MSF obligations were met. A surplus of \$4,500,000 also is expected at the end of FY 1988-89 since the Governor vetoed a \$4,500,000 appropriation that would have been funded by MSF revenue in P. A. 160 of 1989, the supplemental appropriations bill.

There also is a reserve account that was established to satisfy the bond rating services. The reserve account would pay the principal and interest on the bonds issued if the MSF were to receive less revenue than mandated by law in any calendar year. The balance in the reserve account as of August 31, 1989, was approximately \$6,667,000.

Any interest earned by the MSF is retained by the MSF to be spent on the MSF Board's programs. The MSF earned approximately \$7,600,000 interest income on loans and investments in FY 1987-88. Attachment C lists the MSF income and expenses from FY 1985-86 through FY 1988-89.

## PROGRAMS

The MSF has established and administers several programs that can be put into five categories: programs the MSF Board established that leverage public funds, direct loan programs, Research Centers, Product Development Corporations, and all other programs. The programs are explained below.

### PROGRAMS THAT LEVERAGE PUBLIC FUNDS

The MSF Board decided that there was a "financing gap" in Michigan that was hindering Michigan's economic development. The MSF Board established several programs to span the "financing gap" in Michigan between bank loans serving low-risk, low-return businesses at one end and the venture capital financing serving the high-risk, high-return businesses at



the other end; to stimulate investment; and to provide new jobs and retain jobs; while leveraging the limited public resources. The programs are the Capital Access Program, the Seed Capital Program, the BIDCO Program, and the Minority BIDCO Program, and they are described below.

#### **Capital Access Program**

The Capital Access Program, launched in August 1986, provides a reserve on loans made by banks to encourage banks to make riskier loans than they would make normally. For each loan made under the program, the borrower pays a premium charge of between 1.5% and 3.5%, which is matched by the bank making the loan. The MSF matches the combined premium, providing for a reserve on each loan of from 6% to 14% of the loan. Each bank has its own reserve account and is responsible for deciding which loans to make. If the bank experiences a loss on a loan made under the program, the entire reserve amount may be used to reimburse the bank for its loss. Although the loan is more expensive to the business than a conventional loan, the program provides access to financing to more companies.

The MSF Board has allocated \$5,000,000 to the program and as of August 31, 1989, approximately \$1,300,000 of MSF money was leveraged for over \$25,000,000 worth of loans to 436 business by the 86 participating banks.

#### **Seed Capital Program**

The Seed Capital Program is a program to finance the business pre-start-up stage that exists after having a good idea for a product and before producing the product. The purpose of the program is to start a formal, private seed capital industry in Michigan to help businesses that have rapid growth potential, the potential to become major companies, and the ability to attract private investment. The seed capital funds make an equity investment in the businesses to provide them with seed capital.

The MSF Board allocated \$8,000,000 to the program. As of August 31, 1989, three seed capital funds had been formed and a fourth had received a commitment for \$2,000,000 from the MSF Board. The three existing seed funds received \$2,000,000 after they each raised at least \$1,000,000 in private equity. The MSF requires the seed funds to have their investments diversified geographically and across industry lines. The three seed capital funds currently have equity investments in 20 businesses.

#### **Business and Industrial Development Corporations Program**

The Business and Industrial Development Corporations (BIDCOs) Act, P.A. 89 of 1986, was passed to license and regulate a new class of privately owned financial institutions designed to address the moderate-risk, growth-capital needs of businesses. Unlike banks, they are not prohibited by law from taking investment risks. The MSF Board's commitment to BIDCOs catalyzed their development. The MSF makes equity investments of up to \$3,000,000 in each BIDCO and requires the BIDCO to raise \$2 for every \$1 invested by the MSF. The MSF requires the management team that will run the BIDCO to have an extensive business



track record and will make loans to target groups that will provide growth in jobs and investment in Michigan.

The MSF Board has allocated \$24,000,000 to the program. As of August 31, 1989, \$15,100,000 was committed to seven BIDCOs and \$6,500,000 had been disbursed to three BIDCOs. The MSF plans to sell its stock in these BIDCOs, hopefully at a profit, after they are well established (in approximately five to ten years).

#### **Minority BIDCO Program**

The Minority BIDCO Program was established by the MSF Board to provide capital to minority-owned businesses and to businesses in economically distressed areas. A Minority BIDCO is different from a regular BIDCO in that the MSF can provide a loan of up to \$3,000,000 (convertible to a grant) to a minority-owned BIDCO that has raised at least \$500,000 in equity (at least half from minority individuals) and can demonstrate the potential to raise enough capital from other sources to match the MSF loan. The MSF loan is convertible to a grant if the Minority BIDCO meets specific job creation or sales performance levels in distressed areas.

In Public Act 236 of 1984, the Legislature appropriated for a pilot small business program \$1,750,000 that was reallocated for Minority BIDCOs by P.A. 127 of 1987, and the MSF Board allocated another \$10,250,000 for a total program of \$12,000,000. As of August 31, 1989, one Minority BIDCO had raised \$500,000 from minority individuals and was expected to be operating by the end of the year, and one other Minority BIDCO was in the advanced stages of development.

#### **DIRECT LOAN PROGRAMS**

The MSF Board also established two direct loan programs: Minority Direct Loans and Inducement Loans, and inherited the MEDA Direct Loan Portfolio. The three programs are described below. Attachment D lists the loans for these three programs that were outstanding as of August 31, 1989.

#### **Minority Direct Loan Program**

The Minority Direct Loan Program was created by the MSF Board to provide direct loans to minority-owned businesses to help them establish a credit record in order to obtain private sector financing. The businesses that receive the loans have good management skills, industry-related experience, and steady growth capability but cannot obtain a private sector loan due to their lack of a track record.

The MSF Board has allocated \$8,500,000 to this program and as of August 31, 1989, had loaned almost \$6,000,000 to twenty businesses to create almost 700 jobs and retain almost 500 jobs in Michigan.



### Inducement Loans

The MSF Board also introduced the Inducement Loans Program to provide low-interest loans to businesses as an inducement to locate their new facilities in Michigan. The low-interest loan is intended to put Michigan on a level playing field when competing with other states for a new facility such as a corporate headquarters or a manufacturing plant.

The MSF Board allocated \$10,000,000 to the program and as of August 31, 1989, had loaned \$5,640,000 to six companies to bring over 800 jobs to Michigan and retain almost 200 jobs.

### MEDA Direct Loan Program

The MSF Board inherited the MEDA Direct Loan Program when the MSF program succeeded the MEDA Program. The MEDA focus was to loan money to businesses, that presumably could not get a loan from a private source, to enable a business to remain or expand in Michigan. The portfolio had more risk than a typical bank portfolio and has had more loans go into default than a typical bank portfolio. MEDA loaned a total of \$25,000,000 to almost 40 businesses in order to gain or retain jobs in Michigan. There currently remains almost \$14,000,000 of outstanding loans to 20 businesses that generated almost 1,500 new jobs and retained almost 2,000 jobs.

### RESEARCH CENTERS

The MSF Board inherited (from the MEDA), and changed the focus of, Michigan's research and development (R & D) based economic development program. Originally, in 1982 Michigan established three "Centers of Excellence": independent, nonprofit organizations focused on applied research to bridge the gap between University research and private-sector needs.

Michigan's original commitment of \$27,000,000 for the three "Centers" was generic support. The three "Centers" and the amount of original funding received were: the Industrial Technology Institute (ITI) - \$17,500,000, the Michigan Biotechnology Institute (MBI) - \$6,000,000, and the Metro Center for High Technology (MCHT) - \$3,500,000.

The MSF Board has committed an additional \$50,300,000 to the three "Centers" and eight additional research centers. The focus of the additional funding is to finance specific, rather than generic, programs that would benefit Michigan's economy. Attachment E lists the research centers and the amount of additional funding committed and disbursed to each by the MSF Board as of August 31, 1989.

### PRODUCT DEVELOPMENT CORPORATIONS

The Product Development Corporations (PDC) Program, established by the Michigan Strategic Fund Act, is a program under which the MSF invests in a particular product of a company as the product is being commercialized and brought to market. The MSF invests in the product in return for royalty rights in that product.

The MSF Board invested \$3,000,000 in the PDC program. As of July 31, 1989, five businesses had received PDC grants and generated almost \$150,000 in royalty payments in FY 1988-89.

### OTHER PROGRAMS

The MSF unit in the Department of Commerce implements the MSF Board's recommendations and administers the issuance of any Industrial Development Revenue Bonds. The MSF unit also administers several other programs that are appropriated in the Department of Commerce budget and not reviewed by the MSF Board: the Federal Community Development Block Grant (CDBG) Program, the State Research Fund, and the Michigan Information Technology Network (MITN); and starting in FY 1989-90 will administer two new programs appropriated in the Department of Commerce budget, the University/Business Research Development Program and the Minority/Women/Handicapper Extension Service. The MSF unit also administers all of the Department of Commerce Revolving Loan Funds that are also not reviewed by the MSF Board: the Urban Land Assembly Fund, the Employee-Owned Corporations Fund, the Resource Recovery Fund, and the Title IX Fund.

### SUMMARY

In summary, the MSF has been in existence for almost five years and has established many new programs that attempt to promote economic development in Michigan while leveraging private sector investment. The MSF revenue also has been used increasingly to fund Department of Commerce programs. It is too soon to evaluate the various programs' effectiveness, but this paper should give you an idea of what the MSF is trying to do and where the MSF receives the money to do it.



MICHIGAN STRATEGIC FUND BOARD MEMBERS

President	Peter Plastrik Department of Commerce
Vice-President	S. Martin Taylor Vice-President of Community and Governmental Relations, Detroit Edison (Speaker of the House of Representatives nominee)
Chairman	William Vititoe President, Michigan Bell Telephone Company (resigned September 12, 1989)
Members	Robert Bowman Treasurer, State of Michigan  Andrea Fischer Attorney and Consultant (in Private Practice) (Senate Majority Leader nominee)  Larry L. Meyer Director, Department of Commerce  Rodica Seward Regional Director of Strategic Valuation Planning, Coopers and Lybrand  Craig Smith Real Estate Developer, Lewiston & Smith Realty  Joseph Spruit President, Auto Die, Inc.

## ATTACHMENT B

MICHIGAN STRATEGIC FUND REVENUE  
BUDGET PROGRAMS FUNDED  
(in 000s)

	AMOUNT BUDGETED				
	FY 1985-86	FY 1986-87	FY 1987-88	FY 1988-89	FY 1989-90
Program Administration	\$2,158.9	\$2,585.7	\$2,723.3	\$2,783.7	\$2,821.9
Export Finance Program	0.0	500.0	0.0	0.0	0.0
*Department of Natural Resources-Minerals Management	0.0	0.0	0.0	752.6	0.0
*Eastern Michigan University Entrepreneurial Institute	0.0	0.0	0.0	0.0	250.0
*Technology Transfer Network	0.0	0.0	0.0	0.0	375.0
State Research Fund	0.0	0.0	0.0	0.0	225.0
Minority/Women/Handicapper Extension Service	0.0	0.0	0.0	0.0	751.6
*Technology Workforce Project	0.0	0.0	0.0	0.0	251.9
*Training Incentive Fund	0.0	0.0	0.0	0.0	1,000.0
University/Business Research Development	0.0	0.0	0.0	0.0	1,501.6
*Urban Investment/Economic Development	0.0	0.0	0.0	0.0	403.8
*Center for Local Economic Competitiveness	0.0	0.0	0.0	0.0	355.6
*World Trade Center - Port Huron	0.0	0.0	0.0	0.0	200.0
<b>TOTAL DEPARTMENT OF COMMERCE</b>	<b>\$2,158.9</b>	<b>\$3,085.7</b>	<b>\$2,723.3</b>	<b>\$3,536.3</b>	<b>\$8,136.4</b>
Attorney General (General Government Appropriation)	442.1	463.7	597.9	622.4	631.1
<b>TOTAL APPROPRIATION FROM MICHIGAN STRATEGIC FUND</b>	<b>\$2,601.0</b>	<b>\$3,549.4</b>	<b>\$3,321.2</b>	<b>\$4,158.7</b>	<b>\$8,767.5</b>

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\* Not administered by the MSF unit.



# MICHIGAN STRATEGIC FUND CHANGES IN RETAINED EARNINGS

	FY 1985-86	FY 1986-87	FY 1987-88	FY 1988-89 <sup>a</sup>
<b>PROGRAM INCOME:</b>				
Prior programs' equity <sup>b</sup> . . . . .	\$54,723,266	\$ 0	\$ 0	\$ 0
Retained earnings balance forward . . .	0	72,082,537	79,729,841	90,546,167
Michigan Natural Resources Trust Fund .	19,000,000	19,000,000	22,000,000	20,000,000
Investment revenue on fund balances . .	5,657,381	5,889,002	6,759,707	7,926,851
Interest income on loans . . . . .	1,787,651	1,540,797	861,909	1,475,899
Bond application and issuance fees . .	1,974,034	780,339	375,393	468,619
Product Development Corp. appropriation	2,768,500	0	0	0
Minority Direct Loan appropriation . .	2,500,000	0	0	0
Export Program appropriation . . . . .	500,000	0	0	0
Minority BIDCO appropriation . . . . .	0	0	1,750,000	0
Other income . . . . .	0	0	41,800	190,700
<b>Subtotal Retained Earnings &amp; Income . .</b>	<b>\$88,910,832</b>	<b>\$99,292,675</b>	<b>\$111,518,650</b>	<b>\$120,608,236</b>
<b>LESS PROGRAM EXPENSES:</b>				
Administrative expense . . . . .	\$2,416,631	\$3,300,238	\$3,483,527	\$3,551,386
Interest expense on bonds . . . . .	3,245,669	2,806,471	2,473,906	2,183,465
Loss provision - loans receivable . . .	2,300,000	6,700,000	3,539,844	760,525
Research center grants . . . . .	5,250,000	4,687,500	7,769,326	5,784,945
Loss on sale of loans receivable . . .	3,615,995	0	0	0
Product Development Corp. grants . . .	0	1,568,625	1,205,880	0
Export finance program transferred . .	0	500,000	0	0
Manufacturing science grants . . . . .	0	0	2,000,000	4,060,000
Supercollider grant . . . . .	0	0	500,000	0
<b>Subtotal Expenses . . . . .</b>	<b>\$16,828,295</b>	<b>\$19,562,834</b>	<b>\$20,972,483</b>	<b>\$16,340,321</b>
<b>RETAINED EARNINGS AT YEAR-END . . . . .</b>	<b>\$72,082,537</b>	<b>\$79,729,841</b>	<b>\$90,546,167</b>	<b>\$104,267,915<sup>c</sup></b>

<sup>a</sup> Estimated.

<sup>b</sup> This money was inherited from the Michigan Job Development Authority and the Michigan Economic Development Authority.

<sup>c</sup> Of the \$104,267,915 estimated Retained Earnings at the end of FY 1988-89, all but about \$5,700,000 is committed by the MSF board to the various programs and not spent yet, or is held in reserve accounts, as follows: Capital Access - \$3,700,000, Seed Capital - \$2,000,000, BIDCO - \$17,500,000, Min. BIDCO - \$12,000,000, Min. Direct Loan - \$2,700,000, Inducement Loan - \$4,400,000, Res. Centers - \$36,800,000, Debt Service Reserve - \$10,500,000, Surplus Account - \$9,000,000.

## ATTACHMENT D

LOAN STATUS REPORT AS OF AUGUST 31, 1989  
SOURCE: Michigan Strategic Fund.

NAME & LOCATION	APPROVED	DATE AUTHORIZED	DATE CLOSED	OUTSTANDING 8/31/89
MEDA LOANS				
Arya International Foods and Services, Inc. - Pontiac	\$195,100	5/2/84 & 9/18/85	12/13/84 & 12/13/85	\$274,510.96
Cameo Color Coat, Inc. - Detroit	1,000,000	11/24/84	5/17/85	638,049.81
DataMag of Michigan, Inc. - Gr. Rapids (Cartrex Novation)	1,550,000	8/18/88 MSF#88-103	9/1/88	1,546,324.35
Eastern Market Beef Processing - Detroit	525,000	9/25/85	2/5/86	136,906.71
Hancock Steel Processing Co. - Detroit	450,000	9/18/85	3/30/87	373,545.38
Hodgeon & Anderson Ironworks - Muskegon Heights	275,000	9/18/85	12/18/85	238,934.85
Jack-Post Corporation - Buchanan	537,000	6/22/83	12/15/83	335,625.00
Kischnick Co., d/b/a K.C. Engineering & Machine - Saginaw	175,000	12/5/84	3/22/85	132,793.24
Meridian Instruments Inc. - Okemos (Meridian Twp.)	225,000	8/10/83	10/15/84	160,030.80
Metro Detroit Investment Co. - Farmington Hills	1,500,000	4/3/85	3/27/86	1,182,612.50
Michigan Biotechnology Inst. - Lansing	3,000,000	3/6/85	9/27/85	2,840,470.39
Milltown Products, Inc. - Paradise	225,000	12/9/83 & 12/19/84	6/9/84 3/26/85	320,989.44
New Haven Foundry, Inc. - New Haven	500,000	12/9/83	11/27/84	29,996.47
New Tehnology Dev. Limited Partnership - Detroit	1,000,000	5/22/85	8/19/85	1,265,089.29
Renaissance Mfg. Co./ VanDresser Corporation - Detroit	1,000,000	6/22/83	12/12/84	612,128.64
Robert & Norma Riccardi/ Display & Exhibit Co. - Wayne	360,000	6/22/83	12/15/83	4,650.50



LOAN STATUS REPORT AS OF AUGUST 31, 1989  
SOURCE: Michigan Strategic Fund.

NAME & LOCATION	APPROVED	DATE AUTHORIZED	DATE CLOSED	OUTSTANDING 8/31/89
Robinson's Furniture Manufacturing, Inc. - Wilson	500,000	8/14/85	11/12/86	409,037.60
Fred Sanders, Inc. - Detroit	2,750,000	6/22/83 & 8/14/85	10/4/83 9/25/85	2,750,000.00
Seal-Dry/USA, Inc. - Pontiac	600,000	3/6/85	3/28/85	416,195.64 100,000.00
Temp-Rite Steel Treating, Inc. - Warren	208,715	5/1/85	8/2/85	166,612.06
<b>TOTAL - MEDA LOANS</b>	<b>\$16,575,815</b>			<b>\$13,934,503.63</b>
<b>INDUCEMENT LOANS</b>				
Arlington Metals Corp. - Berrien County	\$440,000	7/9/86	10/30/86	\$266,680.57
Michigan Milk Producers Assn. - Novi	950,000	10/20/88 1988-147	1/18/89 ck #1315	950,000.00
Philips Display Components Co. - Ann Arbor	2,000,000	12/15/88 #1988-185	5/17/89 ck #1356	1,000,000.00
Stirling Power Systems Corp. - Ann Arbor	1,000,000	5/21/87	5/29/87	990,215.70
Thomson Saginaw Ball Screw Company, Inc. - Saginaw	750,000	1/14/88 #1988-12	5/3/88	750,000.00
United Tech Automotive, Inc. - Dearborn	500,000	4/21/88 #1988-49	10/10/88	500,000.00
<b>TOTAL - INDUCEMENT LOANS</b>	<b>\$5,640,000</b>			<b>\$4,456,896.27</b>
<b>MINORITY LOANS</b>				
Apex Mold & Engineering, Inc. - Sterling Heights	\$400,000	6/16/88 #88-75	9/20/88	\$400,000.00
Auto Deposition Coating Services, Inc. - Detroit	100,000	12/17/87	2/12/88	81,866.21
Barfield Manufacturing Co. - Ypsilanti	500,000	9/15/88 #1988-118	3/14/88 ck #1332 #13-3 MSF	470,196.87
Bell Plastics, Inc. - Royal Oak	250,000 (#1988-66)	9/21/87 #1987-116	10/24/88 ck #1250	241,677.76
National Minority Supplier Development Council/Business Consortium Fund, Inc. - New York, NY	500,000	4/17/86	5/24/88	500,000.00
CRC Computer Repair Corp. - Southfield	267,000	2/18/88	3/3/88	267,054.40

LOAN STATUS REPORT AS OF AUGUST 31, 1989  
SOURCE: Michigan Strategic Fund.

NAME & LOCATION	APPROVED	DATE AUTHORIZED	DATE CLOSED	OUTSTANDING 8/31/89
Delaco Supreme Tool & Gear Co. d/b/a Supreme Gear Co. - Roseville	150,000	4/23/86	4/13/87	140,208.13 9,791.87
Down River Precision Piping - Romulus	150,000	4/17/86	6/2/86	124,969.65
Flint Coatings, Inc. - Flint	250,000	9/18/86	9/30/86	127,691.09
Gonzalez Design Engineering Co. - Madison Heights	350,000	4/21/88 #1988-47	6/30/88	350,000.00
Grandville Electric, Inc. - Grandville	130,000	5/19/88 #1988-68	9/1/88	124,176.40
Mehra Tube, Inc. - Ann Arbor	500,000	11/17/88 #1988-164	12/21/88 ck #1313	500,000.00
North Industrial Park Limited/Partnership - Detroit	300,000	10/20/88 #1988-146	2/14/89 ck #1323	300,000.00
Plastech Engineered Products - St. Clair Shores	500,000	5/4/89 #1989-75	6/27/89 ck #1364	320,000.00
Plastech Manufacturing, Inc. - Caro	180,000	5/19/88 #1989-67	8/9/88	180,000.00
Trumark, Inc. - Lansing	300,000	9/15/88 #1988-117	12/28/88 ck #1308	300,000.00
V-Tech, Inc. & MI Corp. Subsid. - Dexter	750,000 (#1988-63)	4/21/88 #1988-46	10/7/88 ck #1241	716,073.15
TOTAL - MINORITY LOANS	\$5,577,000			\$5,153,705.53



MICHIGAN STRATEGIC FUND  
FUNDING FOR RESEARCH CENTERS  
AS OF AUGUST 31, 1989  
(dollars in millions)

RESEARCH CENTER	MSF BOARD COMMITMENT	DISBURSED TO-DATE
Industrial Technology Institute (ITI) .....	\$7.0	\$4.0
Michigan Biotechnology Institute (MBI) .....	7.0	2.6
Metro Center for High Technology (MCHT) .....	4.8	0.5
Merit/National Science Foundation .....	5.0	1.0
Michigan Energy Resource & Research Association (MERRA) .....	1.5	0.0
Michigan Materials and Processing Institute (MMPI) .....	7.0	0.0
Michigan State University - Science and Technology Center .....	1.0	0.1
National Center for Materials Sciences (NCMS) .....	10.0	4.0
National Aeronautics and Space Administration (NASA) .....	0.4	0.2
Research and Technology Institute (RTI) .....	5.8	1.1
University of Michigan - National Science Foundation .....	0.8	0.0
<b>TOTAL*</b> .....	<b>\$50.3</b>	<b>\$13.5</b>

\* This line does not include the original \$27,000,000.