

City of Detroit



Downtown Development Authority

500 Griswold, Suite 2200, 22nd Floor

Detroit, Michigan 48226

Phone: 313 963 2940

Fax: 313 963 8839

CODE DDA 17-12-02-602

APPROVAL OF MINUTES OF NOVEMBER 1, 2017

RESOLVED, that the minutes of the Special meeting of November 1, 2017 are hereby approved and all actions taken by the Directors present at such meeting, as set forth in such minutes, are hereby in all respects ratified and approved as actions of the Downtown Development Authority.

December 13, 2017

City of Detroit



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**DOWNTOWN DEVELOPMENT AUTHORITY
BOARD OF DIRECTORS SPECIAL MEETING
WEDNESDAY, NOVEMBER 1, 2017 – 3:00 P.M.**

BOARD MEMBERS PRESENT:

Marvin Beatty
Charles Beckham
Austin Black
Ehrlich Crain
Richard Hosey
Thomas Lewand (Mayor's Representative)
John Naglick
Steve Ogden

BOARD MEMBERS ABSENT:

David Blaszkiewicz
Sonya Delley
Melvin Hollowell
James Jenkins
David Massaron

OTHERS PRESENT:

Scott Fisher (Ilitch Holdings)
Ryan Harding (Ilitch Holdings)
Gay Hilger (DEGC/DDA)
Malinda Jensen (DEGC/DDA)
Jennifer Kanalos (DEGC/DDA)
Steve Kantor (Hilltop Securities)
Heather Kowalski (Comerica Bank)
John Lauve (Public)
Glen Long (DEGC/DDA)
Mike McLauchlin (Ilitch Holdings)
Rebecca Navin (DEGC/DDA)
Stephen Palms (Miller Canfield Paddock & Stone)
Ed Saenz (ODM)
Bill Shea (Crain's Detroit Business)

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**MINUTES OF THE DOWNTOWN DEVELOPMENT AUTHORITY
BOARD OF DIRECTORS SPECIAL MEETING
WEDNESDAY, NOVEMBER 1, 2017
DETROIT ECONOMIC GROWTH CORPORATION
500 GRISWOLD STREET, SUITE 2200 – 3:00 P.M.**

GENERAL

Call to Order

Noting that a quorum was present, Mr. Lewand, the Mayor's Representative and Acting Chair, called the Special meeting of the Downtown Development Authority Board of Directors to order at 3:03 p.m.

Approval of Minutes

Mr. Lewand questioned whether there were any additions, deletions or corrections to the minutes of the September 27, 2017 Regular Board meeting. Hearing none, the Board took the following action:

On a motion by Mr. Beckham, seconded by Mr. Crain, Resolution Code DDA 17-11-02-601 was unanimously approved.

Receipt of Treasurer's Report

Mr. Naglick reviewed the Treasurer's Report of Receipts and Disbursements for the month of September 2017 for the benefit of the Board and responded to questions.

Subsequent to the discussion, the Board took the following action:

On a motion by Mr. Crain, seconded by Mr. Beatty, Resolution Code DDA 17-11-03-476 was unanimously approved.

PROJECTS

Events Center Project: Series 2014B Bond Redemption, Swap Novation, and Amendment to Concession and Management Agreement

Ms. Navin reported that in December 2014, in order to finance the construction of the Events Center, now known as the Little Caesars Arena, the Michigan Strategic Fund ("MSF") issued \$200,000,000 in limited obligation revenue bonds, the proceeds of which were loaned to the DDA and secured by the DDA's bond (collectively, the "Series 2014B Bonds"). The 2014B Bonds were purchased by Comerica Bank and payable solely from certain concession payments under the

Concession and Management Agreement between the DDA and Olympia Entertainment Events Center, LLC ("Olympia"). In addition, the DDA entered into a forward-starting interest rate hedging agreement with Comerica in order to fix the interest rate starting in January 2018 and mitigate interest rate risk on the Series 2014B Bonds (the "Swap Agreement").

The DDA has received a request from Olympia to prepay the concession fees payable under the CMA in order to fully redeem the Series 2014B Bonds. In addition, Olympia has agreed to assume the liability of the DDA under the Swap Agreement through a swap novation and pay all of the DDA's expenses in order to consummate the redemption and swap novation. Finally, representatives and counsel for Olympia and DDA have negotiated an amendment to the CMA reflecting the early redemption of the Series 2014B Bonds.

DDA staff has consulted with its bond counsel Dykema and its swap advisors Mohanty Gargulio, LLC in connection with the proposed transactions and has determined that the early redemption of the Series 2014B Bonds and the novation of the Swap Agreement is in the best interests of the DDA. The DDA Finance Committee has reviewed and recommends the proposed transaction to the Board of Directors.

A proposed resolution as well as current drafts of each of the following were included in the Board material for consideration: Master Agreement, Swap Novation Confirmation, and Amendment No. 3 to the CMA.

Mr. Naglick advised that from a finance perspective, the payoff of the bonds is a really good development for the DDA as we look to refinance the 2014A bonds--\$250 million plus the \$36 million we did for the Piston's relocation--next year. It will only make things incrementally easier to not have this \$200 million plus on the books. The Finance Committee met and thoroughly reviewed this transaction and recommends approval by the Board.

Subsequent to the discussion, the Board took the following action:

On a motion by Mr. Naglick, seconded by Mr. Ogden, Resolution Code DDA 17-11-123-57, was unanimously approved. A roll call vote was taken and all eight (8) members present voted in favor of approval.

Mr. Lewand complimented Ms. Navin and Mr. Long on an amazing job restructuring this deal. Mr. Naglick added that this sets us up for the mandatory redemption of the \$200 million and the \$36 million by January 2019.

Catalyst Development Project: Temple West Project Specific Development Agreement

Mr. Lewand informed that this item was being withdrawn from the agenda.

Mr. Lewand advised that he needed to leave and turned the Chair over to Mr. Naglick.

ADMINISTRATION

PUBLIC COMMENT

Mr. Naglick called for public comment and advised that two minutes would be given. Mr. John Lauve of Holly, Michigan stated the following:

"First thing is I'm going to give you a copy of this Supreme Court Case that is pending against the Governor on the Catalyst Project. So here is a copy. The Stadium Authority is going to have their meeting next Wednesday, a week from Wednesday it will take place. I got an Annual Report and I am a little unclear on this. It says here there is three quarters of a million dollars in profits outstanding so I guess you take that 200 and it will come off of

that. The other thing with the Annual Report is it says number of jobs created is nothing. There is nothing there. So I don't know if you figured out that there are no jobs created in all of this but there is a responsibility to put something _____[inaudible]. Because here we have no revenue from the hockey rink and they are tax exempt and all of the other things that they have with this deal.

The other things is I also got a copy of the Tiger tickets and it is labeled a donation program but it isn't a donation program. There is no credit given to the Stadium Authority or to Wayne County. So here's the tickets. They gave some to somebody in Wisconsin. There's no summary on there that explains what the utilization was. There is no number of how many kids got tickets. It just says the number of tickets they passed out. So it is superficial representation. I've talked about this in the past and I'm just wondering what is happening. The kids don't get anything but Ilitch gets everything and it is your responsibility to look out after everybody. The same thing, you build a parking deck and he gets catalyst credit when he has these eyesores left that should have been fixed that you put money into."

Mr. Naglick informed Mr. Lauve that his two minutes were up and thanked him for his comments.

OTHER MATTERS

ADJOURNMENT

With there being no other business to be brought before the Board, Mr. Lewand adjourned the meeting at 3:50 p.m.

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CODE DDA 17-11-03-476

RECEIPT OF TREASURER'S REPORT FOR SEPTEMBER 2017

RESOLVED, that the Treasurer's Report of Receipts and Disbursements for the period ending September 30, 2017, as presented at this meeting, is hereby in all respects received by the Downtown Development Authority.

November 1, 2017

City of Detroit



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CODE DDA 17-11-02-601

APPROVAL OF MINUTES OF SEPTEMBER 27, 2017

RESOLVED, that the minutes of the Regular meeting of September 27, 2017 are hereby approved and all actions taken by the Directors present at such meeting, as set forth in such minutes, are hereby in all respects ratified and approved as actions of the Downtown Development Authority.

November 1, 2017



CITY OF DETROIT DOWNTOWN DEVELOPMENT AUTHORITY

RESOLUTION AUTHORIZING THE REDEMPTION OF THE MICHIGAN STRATEGIC FUND SERIES 2014B EVENTS CENTER PROJECT BONDS, THE TRANSFER AND NOVATION OF THE AUTHORITY'S RELATED INTEREST RATE SWAP AGREEMENT, AND A THIRD AMENDMENT TO CONCESSION AND MANAGEMENT AGREEMENT

At a special meeting of the Board of the City of Detroit Downtown Development Authority (the "Authority"), County of Wayne, State of Michigan, held at the offices of the Detroit Economic Growth Corporation, 500 Griswold Street, Suite 2200, Detroit, Michigan, on Wednesday, November 1, 2017, at 3:00 p.m., Michigan time, there were

Present: Marvin Beatty, Charles Beckham, Austin black, Ehrlich Crain, Richard Hosey, Thomas Lewand, John Naglick, and Steve Ogen.

Absent: David Blaszkiewicz, Sonya Delley, Melvin Hollowell, James Jenkins, and David Massaron.

The following preamble and resolution were offered by Mr. Naglick and seconded by Mr. Ogen:

Recitals

WHEREAS, the Michigan Strategic Fund (the "MSF"), a public body corporate created under the laws of the State of Michigan, issued its \$200,000,000 Michigan Strategic Fund Limited Obligation Revenue Bonds, Series 2014B (Events Center Project) (Federally Taxable) (the "Series 2014B MSF Bonds"), pursuant to a Trust Indenture dated as of November 1, 2014 (the "Series 2014B Indenture") between the MSF and U.S. Bank National Association, as Trustee (the "Bond Trustee"), in order to provide funds to make a loan of the proceeds of the Series 2014B MSF Bonds to the Authority pursuant to a Loan Agreement dated as of November 1, 2014 (the "Series 2014B Loan Agreement") between the MSF and the Authority; and

WHEREAS, in order to secure its loan repayment obligations under the Series 2014B Loan Agreement, the Authority issued its Concession Revenue Bond (Development Area No. 1 Projects), Series 2014B, in the nominal principal amount of \$200,000,000 (the "Series 2014B DDA Bond") pursuant to Act No. 197, Public Acts of Michigan, 1975, as amended ("Act 197"); and

WHEREAS, the proceeds of the Series 2014B MSF Bonds have been used by the Authority pursuant to Act 197 to finance a portion of the costs of development of a "catalyst development project" (as defined in Act 197), consisting of the acquisition, construction, installation, furnishing and equipping of a new multipurpose events center, now named Little Caesars Arena, and serving as the home arena of the Detroit Red Wings professional hockey league team and the Detroit Pistons professional basketball team and as a year-round venue for a wide range of sports and entertainment events (the "Events Center Project"), and the development or redevelopment of vacant and/or underutilized properties within the area adjacent to or near the Events Center Project; and

WHEREAS, the Series 2014B MSF Bonds were sold to Comerica Bank ("Comerica"), as purchaser for its own investment account pursuant to a Bond Purchase Agreement entered into

among the MSF, the Authority and Comerica, and Comerica remains the sole holder of the Series 2014B MSF Bonds as of the date hereof; and

WHEREAS, the outstanding principal amount of the Series 2014B MSF Bonds as of the date hereof, based on the final aggregate amount of Comerica's advances of proceeds of the Series 2014B MSF Bonds pursuant to Section 201(C) of the Series 2014B Indenture, is \$188,500,000; and

WHEREAS, the Series 2014B DDA Bond was issued as a special, limited obligation of the Authority, payable solely from the Base Concession Fee, Base Concession Fee Obligor Obligations and Swap Counterparty Payments, each as defined and pledged under the Authority's resolutions authorizing the issuance of the Series 2014B DDA Bond adopted on September 16, 2014 and November 24, 2014 (the "Series 2014B DDA Bond Resolutions"); and

WHEREAS, the Authority entered into an Amended and Restated Concession and Management Agreement for the Events Center Project dated December 11, 2014, as subsequently amended on July 11, 2016 and August 9, 2017 (the "CMA"), among the Authority, as owner, Olympia Development of Michigan Events Center, LLC, a Delaware limited liability company ("ODMEC"), as concessionaire (the "Concessionaire"), and the Detroit Red Wings, Inc., as sub-concessionaire, providing for the payment of annual concession fees by ODMEC to the Authority during the term of the Series 2014B MSF Bonds in varying semi-annual installments as described therein (the "Base Concession Fee"), which payments were guaranteed by Mr. Michael Ilitch and his revocable trust (the "Concession Fee Obligor"); and

WHEREAS, after the issuance of the Series 2014 MSF Bonds, ODMEC assigned its rights and obligations under the CMA, except for the obligation to pay the Base Concession Fee, to Olympia Entertainment Events Center, LLC, a Delaware limited liability company ("OEEC"); and OEEC assumed all of the obligations of ODMEC under the CMA, except for the obligation to pay the Base Concession Fee; and

WHEREAS, ODMEC's obligation under the CMA to pay the Base Concession Fee was assumed by Michael Ilitch, individually and as Trustee of the Michael Ilitch Trust Agreement ("Ilitch Trust"), and after Mr. Ilitch's death on February 10, 2017, has become the sole obligation of Garden Trust Company, LLC, not individually but as Trustee of the Michael Ilitch Trust Agreement ("Ilitch Trust Trustee"), and Garden Trust Company, LLC, as Executor of the Estate of Michael Ilitch ("Executor"); and

WHEREAS, the Series 2014B MSF Bonds were issued as variable interest rate obligations, bearing interest at a floating rate determined pursuant to a LIBOR-based formula, without provisions for optional or mandatory tender, with a final maturity date of July 1, 2045; and

WHEREAS, in connection with the issuance of the Series 2014B MSF Bonds, the Authority entered into a forward-starting interest rate hedging agreement with Comerica, as swap counterparty, pursuant to an ISDA 2002 Master Agreement and Schedule to the 2002 Master Agreement, each dated as of December 5, 2014 (the "2014 ISDA Master Agreement"), and Confirmation dated December 11, 2014 (collectively, the "Swap Agreement"), to synthetically fix the interest rate on the Series 2014B MSF Bonds, commencing on January 2, 2018 through their scheduled July 1, 2045 maturity date, in order to mitigate the interest rate risk associated with the variable interest rate structure of the Series 2014B MSF Bonds, which are secured by the fixed amounts of the Base Concession Fee and Concession Fee Obligor Obligations; and

WHEREAS, by entering into the Swap Agreement, the Authority would pay interest, beginning to accrue on January 2, 2018, at a fixed rate as provided under the Swap Agreement for the duration of the Series 2014B MSF Bonds, in exchange for receipt of payments from Comerica, as swap counterparty, equal to interest payable on the Series 2014B MSF Bonds at the applicable floating rate; and

WHEREAS, the security for the Authority's obligations under the Swap Agreement were limited to the same Base Concession Fee and Concession Fee Obligor Obligations securing the

Series 2014B DDA Bond, and correspondingly the Series 2014B MSF Bonds, without recourse to any tax increment revenues or any other revenues of the Authority; and

WHEREAS, the Ilitch Trust and the Executor desire to have the Ilitch Trust prepay the Base Concession Fee to the Authority in an amount sufficient for the Authority to fully redeem the Series 2014B MSF Bonds and the Series 2014B DDA Bond, to discharge all outstanding liability of the Authority relating to the Swap Agreement, and to pay all expenses of the Authority in connection with those transactions; and

WHEREAS, pursuant to Section 501(C) of the Series 2014B Indenture, the Concessionaire (as defined therein) has the right to direct the redemption of the Series 2014B MSF Bonds, with the approval of Comerica; and

WHEREAS, upon the prepayment of the Base Concession Fee and application of the proceeds to redemption of the Series 2014B MSF Bonds and the Series 2014B DDA Bond, it is proposed that the Ilitch Trust, the Executor, OEEC and the Authority amend the CMA to terminate the Ilitch Trust's or the Executor's obligation to pay any further amounts otherwise payable as a Base Concession Fee through July 1, 2045 (the "CMA Amendment"), because the Authority will then have no further obligation for payment of the Series 2014B MSF Bonds; and

WHEREAS, in the event the MSF's Limited Obligation Revenue Bonds, Series 2014A (Events Center Project), or any bonds issued to refund such bonds by the MSF, the Authority or other authorized issuer (the "Series 2014A MSF Bonds Indebtedness"), remain outstanding beyond July 1, 2045, the Additional Concession Fee payment obligations under the CMA would continue beyond that date until such time as the Series 2014A MSF Bonds Indebtedness is fully retired and discharged, as provided in Sections 7.4(d) and 9(a) (iii) of the CMA; and

WHEREAS, under the terms of the Swap Agreement, the prepayment of the Series 2014B MSF Bonds constitutes an "Additional Termination Event" as defined in the Swap Agreement, which could result in the required payment of an Early Termination Amount by the Authority to Comerica, determined pursuant to Section 6(e) of the ISDA 2002 Master Agreement, for which the Authority would concurrently require reimbursement by the Ilitch Trust Trustee or the Executor; and

WHEREAS, in lieu of terminating the Swap Agreement and to avoid the payment of the Early Termination Amount to Comerica, it is proposed that Comerica, the Authority, and the Ilitch Trust enter into a swap novation transaction, pursuant to which (i) the Authority, the Ilitch Trust and Comerica will execute a Novation Confirmation, by which the Authority's obligations under the Swap Agreement will be transferred to and accepted by the Ilitch Trust, (2) Comerica and the Ilitch Trust will enter into a new ISDA Master Agreement and the 2014 ISDA Master Agreement will be terminated, and (3), the Authority will be fully released and discharged of any further obligations under the Swap Agreement (collectively, the "Swap Novation"); and

WHEREAS, pursuant to the Series 2014B Bond Resolutions, the Authority retained the firm of Mohanty Gargiulo LLC, to act as its Qualified Independent Representative, as defined in Commodity Futures Trading Commission Regulation 23.450 (b), (c) and (d) (the "Swap Advisor"), to review the structure and terms of the Swap Agreement as contained in the Swap Agreement and to provide ongoing monitoring and reporting of the Authority's obligations under the Swap Agreement and the risks, including providing mark to market valuations, confirmation of ongoing swap payments, GASB 53 testing and disclosure, Dodd Frank or other regulatory compliance requirements and ratings monitoring, and the Swap Advisor has advised the Authority with respect to the proposed Swap Novation; and;

WHEREAS, the Authority has been provided with the proposed forms of documents relative to the proposed transfer and novation of the Swap Agreement, including the forms of a Novation Agreement and Novation Confirmation (the "Swap Novation Documents"); and

WHEREAS, the Ilitch Trust and the Executor have provided the Authority with the proposed form of the CMA Amendment, and the proposed form of a Master Agreement to be entered into among the Authority, OEEC, the Ilitch Trust and the Executor, setting forth the overall plan and relative rights and obligations of the respective parties with respect to the redemption of Series

2014B MSF Bonds and the Series 2014B DDA Bond, the Swap Novation and the CMA Amendment, all as described above; and

WHEREAS, the redemption of the Series 2014B MSF Bonds and the Swap Novation will relieve the Authority of certain administrative burdens associated with the Series 2014B MSF Bonds and the maintenance, monitoring and financial reporting of the Authority's obligations under the Swap Agreement, and will be accomplished at no cost to the Authority, as provided in the Transaction Documents and the Expense Reimbursement Agreement among the Authority, ODMEC, Michael Ilitch, individually and as Trustee of the Ilitch Trust, dated December 11, 2014 (the "Reimbursement Agreement"); and

WHEREAS, it is necessary and appropriate for the Board to authorize the prepayment of the Base Concession Fee as described above, the redemption of the Series 2014B MSF Bonds and the Series 2014B DDA Bond with the proceeds of such prepayment, and the Swap Novation, and to authorize the execution and delivery of the Master Agreement, the Swap Novation Documents and the CMA Amendment by the appropriate officers of the Authority.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Authority as follows:

ARTICLE I DEFINITIONS

Section 1.01 Definitions.

Terms not defined in the foregoing Recitals or otherwise herein shall have the meanings specified in Section 1.01 of the Series 2014B DDA Bond Resolutions and in the Recitals thereto. In addition to the terms defined above, the following are defined terms under this Resolution:

(a) "Authorized Officers" means the Chairman, Vice Chairman, Secretary, Treasurer and the Authorized Agents of the Authority (each individually, an "Authorized Officer").

(b) "Authorized Agent" means those individual staff members of the Detroit Economic Growth Corporation designated in writing by the President of the Detroit Economic Growth Corporation, pursuant to the Professional Services Contract, dated July 1, 2016, between the Authority and the Detroit Economic Growth Corporation, to execute documents on behalf of the Authority as its "duly authorized agents" (each individually, an "Authorized Agent").

ARTICLE II APPROVAL OF TRANSACTION DOCUMENTS

Section 2.01 Approval of Master Agreement, Swap Novation Documents and CMA Amendment. The terms and provisions of the Master Agreement, the Swap Novation Documents and the CMA Amendment (collectively, the "Transaction Documents") in substantially the forms presented to the Board are hereby approved.

Section 2.02 Authorization of Execution of the Transaction Documents. The Authority hereby authorizes and directs the Chairman, Vice Chairman, Secretary or Treasurer, together with an Authorized Agent, to execute and deliver each of the Transaction Documents on behalf of the Authority, with such changes as the Authorized Officers executing such documents determine to be necessary and appropriate, not inconsistent with the terms of this Resolution, and not materially adverse to the interests of the Authority. Each of the Authorized Officers is further individually authorized to execute and deliver such additional instruments, documents and certificates as may be required under the Transaction Documents.

Section 2.03 Redemption of Series 2014B MSF Bonds. Upon the Authority's receipt of the written request of OEEC, the Ilitch Trust and the Executor for the Authority to direct the Bond Trustee to call all Series 2014B MSF Bonds for redemption, accompanied by Comerica's written

approval as sole bondholder and waiver of notice of redemption, each of the Authorized Officers are authorized to execute and deliver such written redemption direction to the Bond Trustee, and to execute and deliver such other notices and directions, instruments, documents and certificates and to take such other actions as may be necessary and appropriate in connection with the redemption of the Series 2014B MSF Bonds and the Series 2014B DDA Bond, the termination and discharge of the 2014B Indenture and Series 2014B Loan Agreement, and the release and discharge of the Authority with respect to such obligations.

ARTICLE III **ADDITIONAL PROVISIONS**

Section 3.01 Authorization of Officer Actions. The actions of the Authorized Officers of the Authority heretofore taken with respect to the transactions contemplated by the Transaction Documents are hereby ratified and confirmed. In addition to the authority provided elsewhere in this Resolution, the Authorized Officers are each hereby individually authorized and directed to do and perform any and all acts and things with respect to the transactions contemplated by the Transaction Documents which are necessary or appropriate to carry into effect, consistent with this Resolution, the authorizations herein contained, including, but not limited to, the incurrence and payment of reasonable fees, costs and expenses incidental to the foregoing to the extent the Indemnity Agreement, Reimbursement Agreement or other agreements provide for payment or reimbursement by others.

Section 3.02 Conflicting Resolutions. All resolutions and parts of resolutions in conflict with the foregoing are hereby rescinded.

A roll call vote on the foregoing resolution was taken, the result of which is as follows:

YES: Marvin Beatty, Charles Beckham, Austin black, Ehrlich Crain, Richard Hosey, Thomas Lewand, John Naglick, and Steve Ogden

NO: None

ABSTAIN: None

THE RESOLUTION WAS THEREUPON DECLARED ADOPTED.