

Strategic Site Readiness Program Grant

Summary of Terms

This document summarizes the key terms and conditions of the potential Strategic Site Readiness Program (“SSRP”) Award for the University of Michigan (the “University”). The proposed terms and conditions herein will not be construed as binding upon either party until the mutual execution of a written grant agreement. Any obligations that may be deemed to arise under this Term Sheet are contingent on the University obtaining all necessary approvals, and the Michigan Economic Development Corporation (“MEDC”) obtaining all necessary Michigan Strategic Fund (“MSF”) Board and State of Michigan Legislature approvals.

SSRP Award: Up to \$135,000,000 to the University for Eligible Activities, as defined in the SSRP Guidelines approved by the MSF Board on January 11, 2022, related to site development, construction and other related activities necessary to construct to a new advanced laboratory facility project in Ypsilanti, Michigan (the “Project”). The Project will provide a location for at least two state-of-the-art advanced computing laboratories. One of the laboratories will be utilized by the University (the “UofM Building”) and the other is intended to be used by a Federal national research laboratory for advanced research (the “National Lab Building”). The SSRP grant funds will be used for site development costs for up to the entire site and construction costs for the National Lab Building.

The total cost of the project is expected to exceed \$785,000,000.

The Project is expected to support growth within Ypsilanti Charter Township and surrounding communities through support and spin-off businesses.

Term of the Agreement: Effective Date through the earlier of: (i) July 31, 2031; (ii) the grant manager’s approval of the Project Completion Milestone; or (iii) when the Parties agree in writing.

Disbursement of Grant Funds: Grant funds will be disbursed based on the University’s achievement of the following key milestones and, except as to Key Milestone One, only after the University has actually expended or encumbered at least seventy percent (70%) of the grant funds disbursed under the immediately preceding Key Milestone in accordance with the project budget:

- **Key Milestone One:** Not to exceed \$44,000,000
 - Disbursement request in the form determined by the MEDC;
 - Copies of written agreements between the University and any contractor currently engaged to perform the Eligible Activities for the Project;
 - Copies of the written agreement or memorandum of understanding between the University and a Federal national research laboratory for the Project;
 - Evidence that the University has obtained the funding or financial support necessary to complete the Project, which may include state appropriations, bond financing, or other federal, state, or local assistance;
 - Evidence of \$423,000,000 (net of any project funds previously expended) in University Funds available for the estimated project costs; and
 - Documentation demonstrating that the University has acquired the land necessary to support the Project.
- **Key Milestone Two:** Not to exceed \$31,000,000
 - Disbursement request in the form determined by the MEDC;
 - A spreadsheet describing and itemizing the actual expenditure for Eligible Activities of the grant disbursement received under Key Milestone Number One. The spreadsheet shall include the corresponding category of the budget, identify

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- the name of actual vendor or recipient of each expenditure, and be accompanied by supporting documentation; and
- A narrative describing in detail the Eligible Activities to be completed with the grant disbursement received under Key Milestone Two.
- Requirement to provide written agreements between the University and their contractors for activities that have not been provided for in Milestone One.
- Key Milestone Three: Not to exceed \$60,000,000
 - Disbursement request in the form determined by the MEDC;
 - A spreadsheet describing and itemizing the actual expenditure for Eligible Activities of grant disbursements received under Key Milestone Numbers One and Two. The spreadsheet shall include the corresponding category of the budget, identify the name of actual vendor or recipient of each expenditure, and be accompanied by supporting documentation;
 - A narrative describing in detail the Eligible Activities to be completed with the grant disbursement received under Milestone Three;
 - Requirement to have fully executed lease agreement for the National Lab Building with a term of no fewer than 10 years from the date of occupancy; and
 - Requirement to provide written agreements between the University and their contractors for activities that have not been provided for in Milestone Two.
- Project Completion Milestone:
 - A final milestone certificate in the form determined by the MEDC;
 - A spreadsheet describing and itemizing the actual expenditure of grant disbursements for all Eligible Activities completed during the Term. The spreadsheet shall include the corresponding reference category of the budget, identify the name of actual vendor or recipient of each expenditure, and be accompanied by supporting documentation;
 - Demonstrated verification that 100 percent of the funds disbursed in have been expended for Eligible Activities; and
 - Documentation satisfactory to the grant manager that the Project is complete.

Eligible Activities: Activities related to site due diligence and remediation, as well as the design, construction of, and installation of infrastructure servicing a \$785M computing laboratory campus, incurred after MSF Board approval related to the Project. Construction costs will be limited to the National Lab Building. The University and the MSF will develop a detailed budget for the Project that includes budget categories for the Eligible Activities. The budget will be incorporated into the written agreement signed by the parties.

Security Interest: The University shall maintain a separate account (the “Project Funds Account”) into which the grant funds will be disbursed. The University shall grant the MSF a security interest in the Project Funds Account. The MSF and the University will execute all documents necessary for the MSF to perfect its interest in the Project Funds Account.

Suspension of Disbursements: The MSF may immediately suspend making disbursements of the SSRP Award upon the occurrence of: (i) an event resulting in a Repayment Amount, (ii) an event of default, which shall be defined in the grant agreement, but shall include, without limitation, material noncompliance with the terms of the grant agreement, (iii) default in any other agreement with the State of Michigan or (iv) the occurrence of an event which, with the giving notice or the passage of time, or both, would constitute an event of default

Clawback Provisions: The University will be required to repay all or a portion of the grant disbursements made under the SSRP Award upon the occurrence of one or more of the following events (each resulting in a “Repayment Amount”), and repayment is subject to the highest

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applicable Repayment Amount if one or more of the same circumstances give rise to such events. All Repayment Amounts must be paid within 90 days of written notification by the MSF. Any Repayment Amount not paid within 90 days is subject to a penalty of 1% per month, prorated on a daily basis:

- **Project Abandonment:** if the University voluntarily abandons the project after the SSRP Award is disbursed and on or before the end of the Term it will be required to repay 100% of grant disbursements made under the SSRP Award.
- **Bankruptcy or Insolvency** – If the University files for bankruptcy or otherwise becomes insolvent on or before the end of the Term, with any such proceedings against the University not being set aside within sixty (60) calendar days from the date of institution thereof and results in the material reduction to the University's operations for the Project, it will be required to repay 100% of grant disbursements made under the SSRP Award. The MSF would be entitled to foreclose on any security interest and, in the case of bankruptcy, submit a proof of claim in any such bankruptcy proceedings and seek recovery of the SSRP Award.
- **Material Misrepresentation.** If the University makes a material misrepresentation under the grant agreement, any required submissions thereunder, or any reimbursement request to the MSF on or before the end of the Term it will be required to repay 100% of grant disbursements made under the SSRP Award.
- **Misuse of Funds:** if the University uses the SSRP Award for a prohibited purpose during the Term it will be required to repay 100% of grant disbursements made under the SSRP Award.
- **Material Failure to Comply.** If the University fails to materially comply with its obligations to submit materials required under the (i) Key Milestones, (ii) annual progress reports, or (iii) annual compliance certificates under the grant agreement, it will be required to repay 100% of grant disbursements made under the SSRP Award.
- **Project Funds Account Balance.** In the event there is any remaining balance in the Project Funds Account upon the earlier of: (i) the University's submission of the Final Milestone Certificate or (ii) December 31, 2030, the University shall pay the MSF the balance of funds in the Project Funds Account.

Additional State Required Terms:

- **Amendments** – As required under Section 88t(8) of the MSF Act, MCL 125.2088t(8) ("Section 88t"), the MSF will provide written notice to the Legislature of any requests to modify the fully executed written grant agreement and will otherwise comply with requirements of Section 88t(8) prior to taking any action on such amendment request.
- **Annual Compliance Certificate** – During the Term, the University will be required to sign and submit an annual compliance certificate certifying that the University is in compliance with the terms and conditions of the grant agreement.
- **Annual Progress Report** – During the Term, the University will be required to submit annual progress reports. This information will be transmitted by the MSF to the Legislature as required under Section 9 of the MSF Act, MCL 125.2009.
- **Access to Records & Audit Rights** – During the Term, and for a period of three years after the expiration of the Term, and upon reasonable advance notice, the University is required to permit the MSF, MEDC, the Office of the Auditor General, the Department of Technology, Management and Budget, and the MSF Chief Compliance Officer to visit the University, and any other location where books and records of the University are normally kept, to inspect the books and records, including financial records and all other information and data relevant to the terms of the grant, all at times and locations mutually agreed upon by the parties.

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- **Other provisions.** The grant agreement will include standard representations, covenants, and other provisions required by the MSF, including without limitation, non-discrimination and unfair labor practices, termination of funding, any other requirements of the SSRP Guidelines, as approved by the MSF, and any requirements of the Michigan Strategic Fund Act, including without limitation, cross default, and any other provisions of Section 88t.

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