



**MICHIGAN ECONOMIC
DEVELOPMENT CORPORATION**

DIFS  **DEPARTMENT OF
INSURANCE AND
FINANCIAL SERVICES**

SSBCI 2.0 ACCESS TO CAPITAL OVERVIEW WEBINAR

November 29, 2022



WELCOME

MEDC IS COMMITTED TO ENABLING LONG-TERM UPWARD ECONOMIC MOBILITY FOR ALL MICHIGANDERS



MISSION

Achieve long-term economic prosperity for Michiganders by investing in communities, enabling the growth of good jobs and promoting Michigan's strong image worldwide



VISION

Make Michigan's economy the nation's fastest growing, most equitable and most resilient by:

Achieving 'Top 10' status for:

- Job growth in targeted sectors
- Equitable job growth
- Real median household income growth

Attaining the largest net gain of talent in the Midwest

Becoming top ranked EDO

GUIDING PRINCIPLES



Sustained, long-term growth

Accelerate long-term job growth to address impacts of automation and protect Michigan's economy against downturns.



Regional impact

Support every region – from rural areas to urban centers – to improve economic outcomes for all.



Equitable, high-wage growth

Provide equitable pathways toward high-wage growth that supports opportunities for all.



Customer focus

Bring a customer-first, partner-driven mentality to all we do.

STRATEGIC FOCUS AREAS



Attract, retain, and grow business

Attract, keep and grow businesses in industries that support maximum growth in jobs, wages and investments



Support and grow our talent

Cultivate the skills and talent needed for in-demand and high-growth occupations statewide



Develop attractive places

Collaborate with local communities and partners to create places in which people and talent want to live, work, visit and play



Accelerate high-tech innovation

Support entrepreneurial growth to enable commercialization and new high-tech business creation



Market the state

Promote Michigan's image as a world-class business location and travel destination



Support small business

Help existing small and microbusinesses grow and thrive and improve economic prosperity for all through small business ownership



PROGRAM HISTORY

2011

Michigan received \$79 million in State Small Business Credit Initiative (SSBCI) funding from the U.S. Department of the Treasury – the third-largest amount of funds allocated.

2021

As part of the American Rescue Plan, \$10 billion was allocated to SSBCI, creating a second variation of the program referred to as SSBCI 2.0.

2022

U.S. Treasury approved Michigan's SSBCI 2.0 application for up to \$236,990,950

Additional focus on:

- Socially and Economically disadvantaged areas
- Micro and place-based businesses
- Entrepreneurs



CAPITAL ACCESS PROGRAM

Support small business with less than 500 employees with capital needs.

COLLATERAL SUPPORT PROGRAM

Support new lending by pledging cash which acts as collateral for new lending.

LOAN PARTICIPATION PROGRAM

Support new lending for expansion projects or for situations in which the lead lender is seeking to decrease its exposure.

CAPITAL ACCESS PROGRAM (CAP)



PURPOSE

Support small business with less than 500 employees with capital needs.

DETAILS

- No industry requirements
- Partial loan enrollment allowed
- No passive real estate
- Companies with 500 global employees or less
- Master agreement with Banking Institution & MEDC

CAPITAL ACCESS PROGRAM (CAP)

-Pooled Risk Concept = Boosts provision for loan loss reserve

-A Reserve Fund is created consisting of the following:

Borrower's fee (contribution):	1.5% - 3.5%
Lender's contribution:	1.5% - 3.5%
<u>MSF matching contribution:</u>	<u>3.0% - 7.0%</u>

Total Reserve Deposit: 6.0% - 14.0%

Example: \$100,000 loan

\$ 3,000 - 3% Borrower & Bank Contribution
<u>\$ 3,000 - 3% MSF Program money</u>
\$ 6,000 – Total Reserve Fund Deposit (6%)

COLLATERAL SUPPORT & LOAN PARTICIPATION

Under \$500,000, no industry requirements

\$500,001 or more, qualifying industries:

- Manufacturing
- Mobility
- High technology
- Professional and Corporate Services
- Medical Device Technology
- Engineering
- Design and Development
- Agribusiness
- Tourism
- Logistics
- Financial Services

Use of Proceeds:

- Real Estate
- Furniture, Fixtures & Equipment
- Working Capital

Must have public policy benefit

No retail or passive real estate

Companies with 750 global employees or less

Designed to work with bank policy and regulatory framework for commercial credit.

COLLATERAL SUPPORT PROGRAM



PURPOSE

Support new lending by pledging cash which acts as collateral.

DETAILS

Support up to 49.9% of the loan amount

Intended as a gap filling mechanism, not a stand-alone asset

Cash deposit in bank with deposit agreement tied to specific loan

Minimum claim is lessor of actual loss after liquidation of primary collateral or 90% of eligible deposit

Fees Structure:

- 1-2% at closing
- 1% of eligible balance annually
- (plus any deposit rate interest in account)

COLLATERAL SUPPORT & LOAN PARTICIPATION

- MEDC can provide up to \$5 million to an individual borrower
- Loans up to \$20 million may be supported (individual extension of credit, not total exposure to that borrower)
- Cannot provide assistance for credit facilities supported by the SBA and/or USDA federal guarantees
- Support strictly new lending exposure
- Both programs designed to use public capital to deal with an access issue, not a cost issue

COLLATERAL SUPPORT | TERM NOTE EXAMPLE

Real Estate Purchase with a \$1.3M price

Proposed loan amount of \$1.17M (90% LTC)

Appraised Value	LTV (80%)	MEDC Cash Collateral	Project Costs to be Financed (90%)
\$1,000,000	\$800,000	\$370,000	\$1,170,000

Collateral shortfall offset by MEDC contribution of \$370,000 or 31.6% of the loan amount

Periodic draw downs based on amortization of loan in order to maintain support at 31.6% of principal outstanding.

COLLATERAL SUPPORT | LOC Example

Proposed line amount of \$750,000

	% of A/R Less than 90 Days	% of Raw material & Inventory	Inventory Cap
Standard Bank Borrowing Base	75%	None	n/a
With MEDC Enhancement	90%	50%	\$200,000

MEDC collateral support of up to 367,500 or 49% of the maximum draw.

Entire \$367,500 deposited in account with Lender – no matching draws. No periodic withdraws from account. Borrower may not draw on collateral deposit.

LOAN PARTICIPATION PROGRAM



PURPOSE

Support new lending for expansion projects or for situations in which the lead lender is seeking to decrease its exposure.

DETAILS

Support up to 49.9% of a commercial credit facility

Potentially forgo the receipt of interest as well as defer the receipt of principal for a set period

Intended to:

- De-concentrate bank
- Reduce debt service demands for a short-term period

Fee Structure:

- 1% at closing
- After grace period, bank rate (pro-rate) plus a 1% annual fee of eligible balance

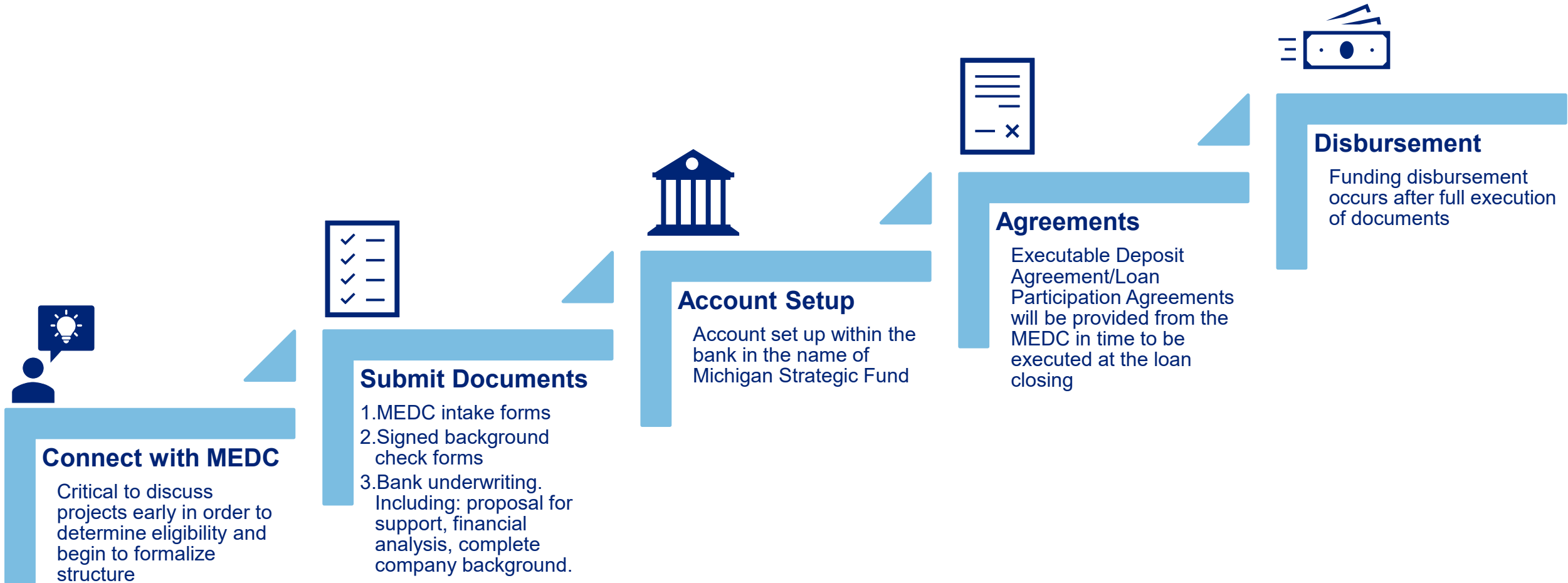
LOAN PARTICIPATION | TERM NOTE EXAMPLE

- Equipment Purchase

Lender's Loan	MEDC Participation	% of Participation	MEDC's payment adjustment:
\$472,000	\$235,528	49.9%	- forgoes interest for 9 months (still paying principal)

- Interest adjustment from MEDC allows for equipment acquisition, installation, production runs, A/R, etc.
- Deferment provides cash flow relief until investment results in collection of revenue
- P & I payments are pro-rate after grace period
- Pari passu on security

APPLICATION PROCESS



EXIT STRATEGY



No limit on the amount of time that MSF can support a credit

Structure that requires investment in balance sheet of borrower or encourages early repayment (assuming company performs well)

Willing to work with lender to develop an exit strategy on a transactional basis.

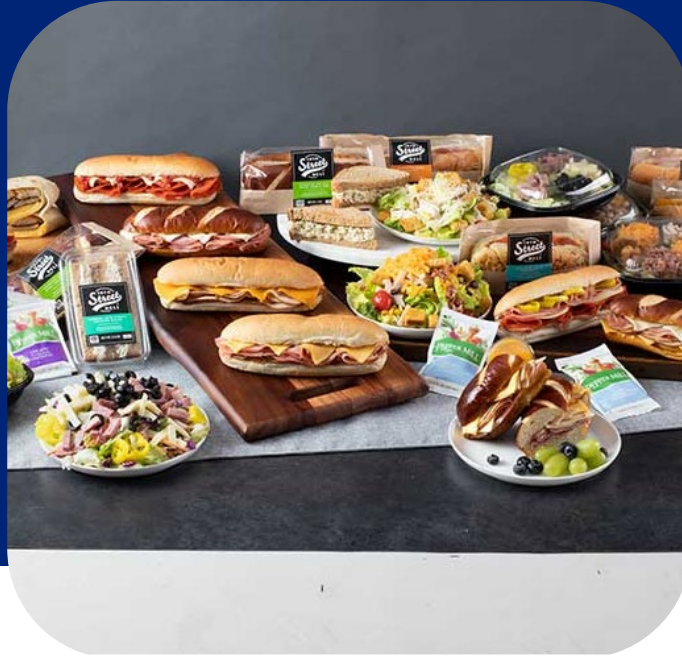
All principal repayment, fees and interest returned to MEDC are used to fund new projects

PURE OPPORTUNITY



Superior Foods Company

Grand Rapids: A wholesale processor and food distributor builds on decades of success, grows through pandemic with support from MEDC's Collateral Support program.



18th Street Deli

Hamtramck: Fresh food distributor accesses capital through MEDC's Collateral Support Program to expand its operations.



Great Lakes Ag Irrigation

Six Lakes: Customized irrigation and water management solutions companies found support to keep up with the ever-growing demand for their services with help from MEDC.

GET SUPPORT

Chris Cook

cookc@michigan.org

Rachel Bakken

bakkenr1@michigan.org

Amber Westendorp

westendorpa1@michigan.org

Sign up for MEDC's Capital Access Newsletter at
michiganbusiness.org/access-capital



THANK YOU
