

## MICHIGAN BUSINESS GROWTH FUND COLLATERAL SUPPORT PROGRAM

The recent economic downturn has resulted in suppliers' property, plant, and equipment being devalued by as much as 80 percent. This leaves suppliers little or no collateral value to borrow against in order to fund diversification projects.

The intent of the Michigan Business Growth Fund—Collateral Support Program (MBGF—CSP) is to supply cash collateral accounts to lending institutions to enhance the collateral coverage of borrowers. These accounts will cover all or a portion of a calculated collateral shortfall as described by the lending institution. Borrowers with a collateral shortfall will apply for coverage through the Michigan Economic Development Corporation (MEDC), which provides the administrative services for the program for the Michigan Strategic Fund (MSF). If approved, the MSF will deposit the cash into an interest bearing account with that lender and this account will then be pledged as collateral on behalf of the borrower. Based on an amortization schedule, the MSF will draw down the account as the loan principal is paid. In the event of full default, the lender will have rights to the account less a liquidation fee.

### ELIGIBLE BORROWERS

- To qualify, a business must be engaged with a private lender for the purpose of acquiring a commercial extension of commercial credit and must exhibit a collateral shortfall according to the lender's analysis.
- Borrower must have no more than 750 employees, and otherwise comply with all state and federal requirements for the program.

### APPLICATION

- The MEDC is now accepting applications for the Michigan Business Growth Fund—Collateral Support Program (MBGF—CSP).
- Interested borrowers and/or lenders can contact the MEDC through the program's email address at [businessloans@michigan.org](mailto:businessloans@michigan.org). See Lender Facts and Information for more details on how to apply.

### LENDER FACTS AND INFORMATION

The Michigan Business Growth Fund—Collateral Support Program (MBGF—CSP) is the one of the programs launched under the Michigan Business Growth Fund. The program is funded by federal support provided under the federal State Small Business Credit Initiative Act of 2010, and is designed

to assist lenders and borrowers in financing expansion or diversification projects. Specifically the program seeks to enable suppliers to acquire the necessary financing that might otherwise be unavailable due to a collateral shortfall according to the lender's analysis. The program will supply pledged cash collateral accounts to lenders to achieve this goal for approved projects. The following list of program facts and guidelines should give your lending institution the necessary information to begin the process should you encounter an opportunity to work with us on a project.

### PROGRAM GUIDELINES

Among the guidelines:

- To be eligible for the program the borrower must participate in a qualified industry: mining, manufacturing, research and development wholesale and trade, film and digital media productions, office operations, or a business that is a qualified high technology business as described in MCL207.803(n). Generally this includes businesses dealing with most technological products and services.
- The entire proceeds of the credit facility must be used for projects within the State of Michigan.
- The program can support up to 49.9 percent of a new extension of commercial credit.
- The maximum participation is capped at \$5,000,000, and may not be used to support individual extensions of commercial credit of greater than \$20,000,000.
- The program shall enhance the collateral position of borrowers by depositing cash into accounts at participating lending institutions which will then be pledged as collateral on behalf of the borrower on a transaction by transaction basis.
- Personal guarantees are required from any individual holding a 20 percent or more ownership interest of the borrower. The guaranty is normally subordinate to the existing exposure for the project of the participating lender at the time of closing.
- The program balance shall be reduced proportionately with the principal reduction of the extension of commercial credit so as to eliminate over-reliance on program deposits as part of the collateral commitment on the extension of commercial credit.
- Losses resulting in a distribution to the lender of program funds may be paid at a rate less than 100 percent of the

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pledged security based on a formula in the deposit agreement.

- The program shall collect at its determination, from the lead bank, its credit analysis, borrower financial statements, risk rating justification, cash flows and other documents which the program deems necessary.
- The program validates that assessment and evaluates the economic development benefits to the state to determine project approval.
- The program charges a fee at closing. This fee will be 1–3 percent of the MSF participation amount.
- The program charges an annual fee. This fee will be 1–3 percent of the MSF amount balance at the time.
- Participating lending institution shall be required to make periodic reports to the MSF.
- The lender must sign the State Small Business Credit Initiative Cash Collateral Deposit Agreement, which requires the lender and the borrower to sign their respective assurances.

### APPLICATION PROCESS

Potential borrowers must complete a loan application with your institution. If a borrower does not meet the collateral coverage requirements of a lender in order to obtain the targeted loan amount, the borrower may be eligible to participate in the Michigan Business Growth Fund—Collateral Support Program.

Please submit the following in order to be considered for participation:

1. The [Michigan Loan Enhancement Intake Form](#) (*click to open*).
2. The participating lender's credit approval documents including: all financial analysis, risk rating, statement spreads, cash flows, relationship and historical documentation and collateral analysis which would typically be required to adequately satisfy traditional commercial loan underwriting.

These documents, along with any questions should be directed to:

Capital Markets Development  
Michigan Economic Development Corporation  
Attn: Chris Cook  
300 North Washington Square  
Lansing, MI 48913  
[businessloans@michigan.org](mailto:businessloans@michigan.org)

### WHAT TO EXPECT NEXT

The MEDC will be in contact in order to confirm receipt of application materials and answer any questions. We will process applications on a timely basis. The MEDC will contact the participating lending institution as soon as a decision has been reached. If approved, the participating lender will be required to sign State Small Business Credit Initiative Cash Collateral Deposit Agreement, outlining the terms of the deal. Once received, the MEDC will assist to process the MSF's deposit of collateral support.

We look forward to working with you!

### PARTICIPATING FINANCIAL INSTITUTIONS

To date, 23 financial institutions in Michigan utilize the Collateral Support Program. More are being added as the MEDC continues to market the program statewide.

#### Current List of Participating Financial Institutions:

Ann Arbor State Bank  
Bank of Ann Arbor  
Chemical Bank  
Citizens Bank  
Comerica Bank  
County National Bank  
Fifth Third Bank  
Firstbank  
Flagstar Bank  
Huntington National Bank  
Huron Valley State Bank  
Isabella Bank  
JP Morgan Chase  
Lake Osceola State Bank  
Lapeer County Bank & Trust  
Monroe Bank & Trust  
MSU Federal Credit Union  
My Personal Credit Union  
Omni Community Credit Union  
Sturgis Bank & Trust  
Talmer Bank & Trust  
United Bank of Michigan  
United Bank & Trust