**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

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**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
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.

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.

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:

<table>
<thead>
<tr>
<th>Source of Contribution</th>
<th>Percentage Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrower’s fee (contribution):</td>
<td>1.5% - 3.5%</td>
</tr>
<tr>
<td>Lender’s contribution:</td>
<td>1.5% - 3.5%</td>
</tr>
<tr>
<td>MSF matching contribution:</td>
<td>3.0% - 7.0%</td>
</tr>
</tbody>
</table>

Total Reserve Deposit: 6.0% - 14.0%

Example: $100,000 loan

$ 3,000 - 3% Borrower & Bank Contribution
$ 3,000 - 3% MSF Program money

$ 6,000 – Total Reserve Fund Deposit (6%)
Under $500,000, no industry requirements

$500,001 or more, qualifying industries:
  o Manufacturing
  o Mobility
  o High technology
  o Professional and Corporate Services
  o Medical Device Technology
  o Engineering
  o Design and Development
  o Agribusiness
  o Tourism
  o Logistics
  o 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)

<table>
<thead>
<tr>
<th>Appraised Value</th>
<th>LTV (80%)</th>
<th>MEDC Cash Collateral</th>
<th>Project Costs to be Financed (90%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1,000,000</td>
<td>$800,000</td>
<td>$370,000</td>
<td>$1,170,000</td>
</tr>
</tbody>
</table>

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.
Proposed line amount of $750,000

<table>
<thead>
<tr>
<th>Standard Bank Borrowing Base</th>
<th>% of A/R Less than 90 Days</th>
<th>% of Raw material &amp; Inventory</th>
<th>Inventory Cap</th>
</tr>
</thead>
<tbody>
<tr>
<td>With MEDC Enhancement</td>
<td>75%</td>
<td>None</td>
<td>n/a</td>
</tr>
<tr>
<td>With MEDC Enhancement</td>
<td>90%</td>
<td>50%</td>
<td>$200,000</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Lender’s Loan</th>
<th>MEDC Participation</th>
<th>% of Participation</th>
<th>MEDC’s payment adjustment:</th>
</tr>
</thead>
<tbody>
<tr>
<td>$472,000</td>
<td>$235,528</td>
<td>49.9%</td>
<td>- forgoes interest for 9 months (still paying principal)</td>
</tr>
</tbody>
</table>

- 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

Connect with MEDC
Critical to discuss projects early in order to determine eligibility and begin to formalize structure.

Submit Documents
1. MEDC intake forms
2. Signed background check forms

Account Setup
Account set up within the bank in the name of Michigan Strategic Fund.

Agreements
Executable Deposit Agreement/Loan Participation Agreements will be provided from the MEDC in time to be executed at the loan closing.

Disbursement
Funding disbursement occurs after full execution of documents.
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
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