



MICHIGAN ECONOMIC
DEVELOPMENT CORPORATION

MEDC ACCESS TO CAPITAL

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The background of the image is a clothing store interior. Shelves filled with stacks of folded blue jeans are visible. The wall is decorated with numerous framed pictures and photographs of various sizes and subjects, including cityscapes, portraits, and abstract art. Two industrial-style pendant lights hang from the ceiling. On the right, a blue button-down shirt is hanging on a rack. In the bottom left corner, a metal milk can is partially visible.

CAPITAL ACCESS PROGRAM

Support small business lending through pooled loan loss reserve

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.

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 individuals and communities
- Micro and place-based businesses

PROGRAM HISTORY

Total Use – CSP & LPP

- \$288 million MSF support
- \$1.19 billion private investment
- 288 companies

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 lender with deposit agreement tied to specific loan

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

Fees Structure:

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

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.

COLLATERAL SUPPORT PROGRAM

Benefits

- Full collateral coverage
- High level of support (49.9% or \$5 million)
- Increased deposits
- Fully funded at closing

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

LOAN PARTICIPATION PROGRAM

Benefits

- Fully funded at loan closing
- High level of support (49.9% or \$5 million)
- Support for speculative cash flow projects

COLLATERAL SUPPORT & LOAN PARTICIPATION

Under \$500,000 loan - no industry requirements

\$500,001 or more loan, 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 passive real estate

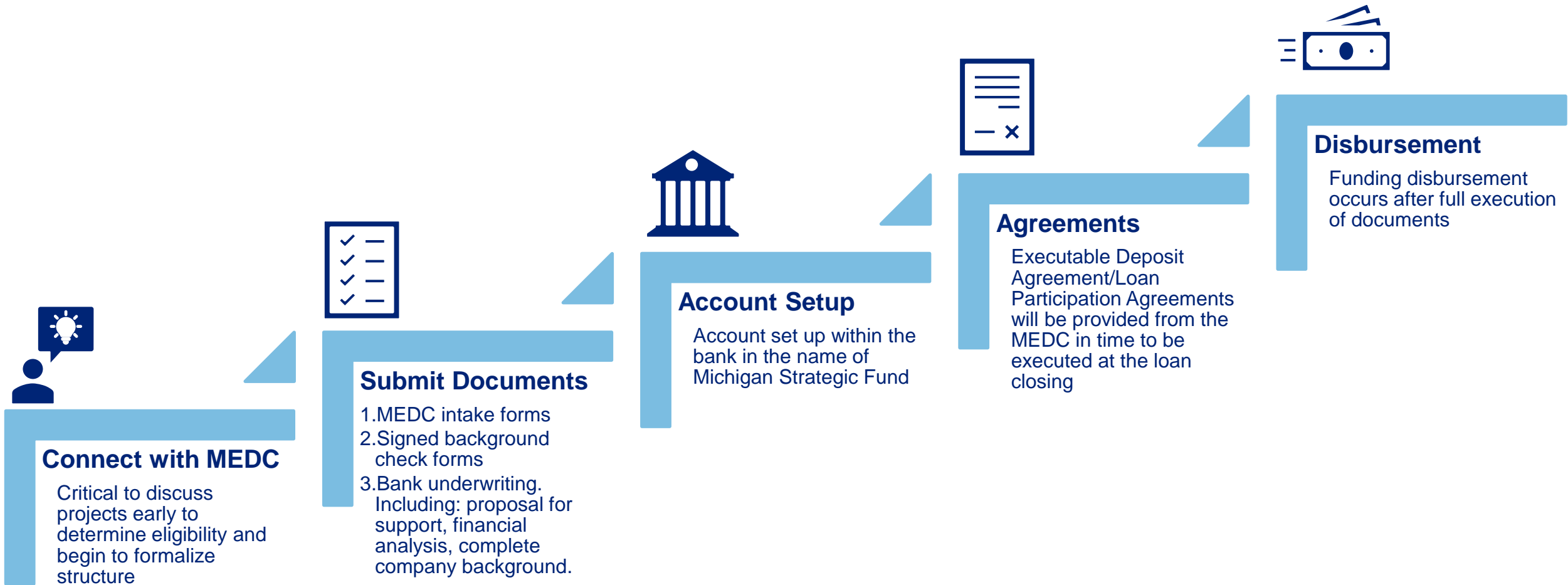
Companies with 750 global employees or less

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

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 at the lender level
- Both programs designed to use public capital to deal with an access issue, not a cost issue

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

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%
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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%)

CAPITAL ACCESS PROGRAM (CAP)

Benefits

- Lowered chance of financial loss to lender
- Quick turnaround
- Minimal MEDC review per enrollment
- Increased deposits

GET SUPPORT

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



THANK YOU
