

The Michigan Strategic Fund Board (MSF) today established a new Michigan Supplier Diversification Fund (MSDF) and allocated \$12 million to help auto suppliers hammered by the auto company's financial problems to diversify their businesses.

The money is coming from two sources: \$3 million is being shifted from the Jobs for Michigan Investment Fund and \$9 million from the Choose Michigan Fund in 2008 through the 21st Century Jobs Fund.

In addition, all repayments to the MSF from participations and investments will flow into the MSDF to establish a revolving fund.

The Supplier Diversification Fund is divided into three programs: Loan Participation, Collateral Support and Gap or Mezzanine Financing. Under the \$12 million Loan Participation Program, companies will be able to take advantage of loans of up to \$500,000 for capital improvements with little or no interest payments.

The other two programs are not funded. The Collateral Support Program designates funds to supply cash collateral accounts to lending institutions, which will cover a shortfall in case of default. The MSF Board approved guidelines and a required public hearing date of June 4 for this program.

The Gap Funds/Mezzanine Financing format provides loans and investments that are considered too speculative by traditional lenders. Guidelines are still being established for this program.

State Treasurer Bob Kleine asked how long the \$12 million would last. The response: Not long. Michigan Economic Development Corporation (MEDC) CEO Greg Main said they have eyes on additional resources, but it will take legislative action.