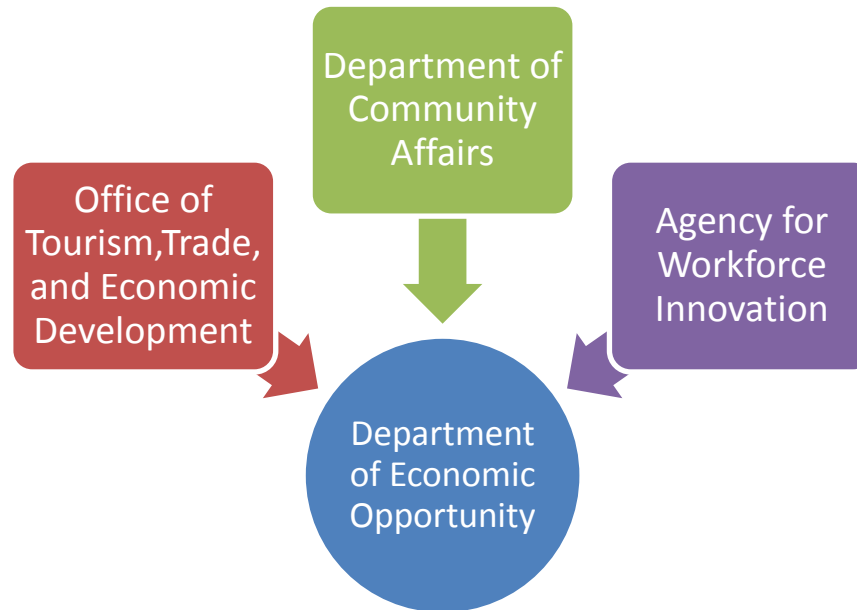




**FLORIDA DEPARTMENT *of*
ECONOMIC OPPORTUNITY**

Department of Economic Opportunity

- Formed in 2011 by Governor Scott
- Merger of three agencies



DEO Mission Statement

The Florida Department of Economic Opportunity promotes economic opportunities for all Floridians through successful workforce, community, and economic development strategies.



DEO Business Lines

- **Division of Strategic Business Development**
- **Division of Workforce Services**
- **Division of Community Development**

Division of Strategic Business Development

Florida's 5-year statewide economic development plan

- Strategies to promote business formation and expansion
- Policies and programs for economic diversity
- Rural job and business development
- Foreign investment planning
- Identify business trends
- Strategies for talent development

Division of Workforce Services

- Workforce program development
 - Provides guidance, oversight, training, and federal technical assistance
- Labor market information
 - Produces, analyzes and distributes labor statistics
- Unemployment compensation services
 - Provides temporary wage replacement benefits to qualified individuals who are out of work through no fault of their own

Division of Community Development

- **Bureau of Housing and Community Development**
 - Rural and urban small business assistance and economic development
- **Bureau of Community planning**
 - Comprehensive planning
- **Bureau of Economic Development**
 - Provides grants
 - Infrastructure
 - Economic development
 - Housing rehabilitation
 - Revitalization
 - Assistance programs for low-income Floridians

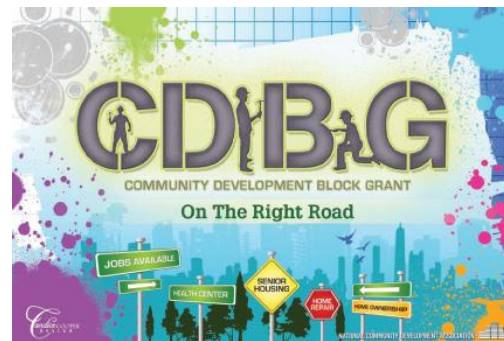
Bureau of Housing and Community Development

The Small Cities Community Development Block Grant (CDBG) Program is a federal program The national objectives of the CDBG Program are to:

- Benefit low- and moderate-income persons
- Prevent or eliminate slum or blight
- Address urgent community development needs

Program is competitive funding up to \$750,000 based on population to support:

- Economic Development
- Neighborhood Revitalization
- Commercial Revitalization
- Housing Rehabilitation



Bureau of Community Planning

The Comprehensive Plan

- Map Series
 - Future land use map
 - Future transportation map
 - Conservation map
- Five Year Schedule of Capital Improvements
- Data and analysis

Bureau of Economic Development

- Technical assistance to communities and businesses
- Administers grant programs.
- Offers access to capital and tax credits programs for businesses





Rural Programs

- Rural Areas of Economic Development (REDI)
- Rural Areas of Critical Economic Concern (RACEC)
- Rural Community Development Revolving Loan Fund
- Rural Infrastructure Fund



Community Development Programs

- Community Contribution Tax Credit Program
- New Markets Development Program
- Enterprise Zone Program
- Brownfield Areas Loan Guarantee Program



Before



After

Business Programs

- Black Business Loan Program
- Rural Jobs Tax Credit Program
- Urban Jobs Tax Credit Program
- Florida's State Small Business Credit Initiative - SSBCI

What is SSBCI?

Created as part of the Small Business Jobs Act of 2010, the State Small Business Credit Initiative (SSBCI) is managed by the U.S. Treasury Department to help states either strengthen existing loan and equity programs or create new programs.

SSBCI is: A loan and venture capital program designed to **leverage** private capital for Florida's small businesses.

SSBCI is not: *a Grant!*

Leverage:

Goal: 10 to 1 leverage



Small Business Jobs Act of 2010

- \$1.5 billion available from the U.S. Department of Treasury to establish or strengthen state programs that increase access to private capital for small businesses
- Florida was allocated \$97.6 million and is expected to leverage over \$976 million in private capital to lend to small businesses

SSBCI Funds Allocation



\$97.6MM



\$87MM



\$10MM

Venture
Capital

\$43.8MM

Loan
Support

\$43.8MM

- ☒ Loan Guarantees
- ☒ Loan Participations

CAP



Why are Credit Enhancements Needed?

New reality

- Increased pressure on lenders
- Increased regulatory focus on “prudent lending”
- Stringent compliance rules
- Deterioration in collateral values
- Credit scores negatively affected
- Tighter “credit box”
 - = Need for “**credit-enhancements**”



Loan Parameters

Targeted Loan Amounts

- Loans up to \$5 million

Loan Types

- Term loans
- Lines of credit

Organization Types

- Corporations
- Sole proprietors
- LLCs
- Not-for-Profit

Eligible Borrowers

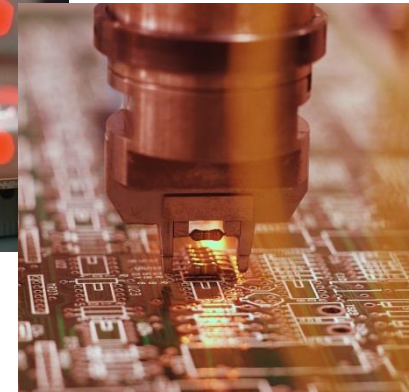
Target: Small business unable to find financing for start up or expansion

- Businesses located and legally authorized to do business in Florida
- Small Business with up to 500 employees
- For profit and not-for-profit businesses are eligible

Eligible Borrower Examples

The list of eligible companies is exhaustive. Some examples include, but certainly are not limited to:

- **Business Services**
- **Contractors**
- **Distributors**
- **Exporters**
- **Service Companies**
- **Trucking Companies**
- **Wholesalers**



Ineligible Borrowers

Additionally, the company cannot participate if it is:

- a business engaged in activities that are **prohibited by federal law** or applicable law in the jurisdiction where the business is located or conducted. (Included in these activities is the production, servicing, or distribution of otherwise legal products that are to be used in connection with an **illegal activity**, such as **selling drug paraphernalia** or operating a motel that knowingly permits **illegal prostitution**); or
- a business engaged in **gambling enterprises**, unless the business earns less than 33% of its annual net revenue from lottery sales.



Other Ineligible Borrowers

The company cannot participate if it is:

- a business engaged in **speculative activities** that develop profits from fluctuations in price rather than through normal course of trade, such as wildcatting for oil and dealing in commodities futures, unless those activities are incidental to the regular activities of the business;
- a business that **earns more than half of its annual net revenue from lending activities**;
- a business engaged in **pyramid sales**, where a participant's primary incentive is based on the sales made by an ever-increasing number of participants.



Eligible Loan Proceeds Use

- Proceeds must be used for a business purpose
- *Examples:* working capital, purchase and/or construction of owner-occupied real estate, purchase of equipment, lines of credit, receivables, inventory, trade cycle financing
- Refinancing of debt currently held with a non-affiliated financial institution is permitted

Eligible Loan Proceeds Use Examples

The loan/investment proceeds must be used for a “business purpose.” A business purpose includes, but is not limited to:

- Startup costs
- Working capital
- Business procurement
- Franchise fees
- Equipment
- Inventory
- Owner-occupied real estate
- Purchase, construction renovation or tenant improvements of an eligible place of business that is not for passive real estate investment purposes



Ineligible Loan Proceeds Use

The loan/investment proceeds may not be used to:

- acquire or hold **passive investments** such as commercial real estate ownership, purchase of securities; or financing lobbying activities,
- repay delinquent federal or state **income taxes** unless the borrower has a payment plan in place with the relevant taxing authority; or
- **repay taxes** held in trust or escrow, e.g. payroll or sales taxes; or
- reimburse funds owed to any owner, including any **equity injection** or injection of capital for the business' continuance; or
- support unguaranteed portions of SBA-guaranteed or other **federally guaranteed loans**.



Florida Venture Capital Program

- Via the *Florida Venture Capital Program*, **Florida Opportunity Fund** provides equity investments and convertible debt instruments to emerging Florida companies (or companies locating in Florida) with perceived long-term growth potential.

- Emphasis will be toward transactions within Florida's targeted industries, which include:
 - Aviation & Aerospace
 - Information Technology
 - Clean Tech
 - Life Sciences
 - Financial & Professional Services
 - Advanced Manufacturing
 - Homeland Security & Defense

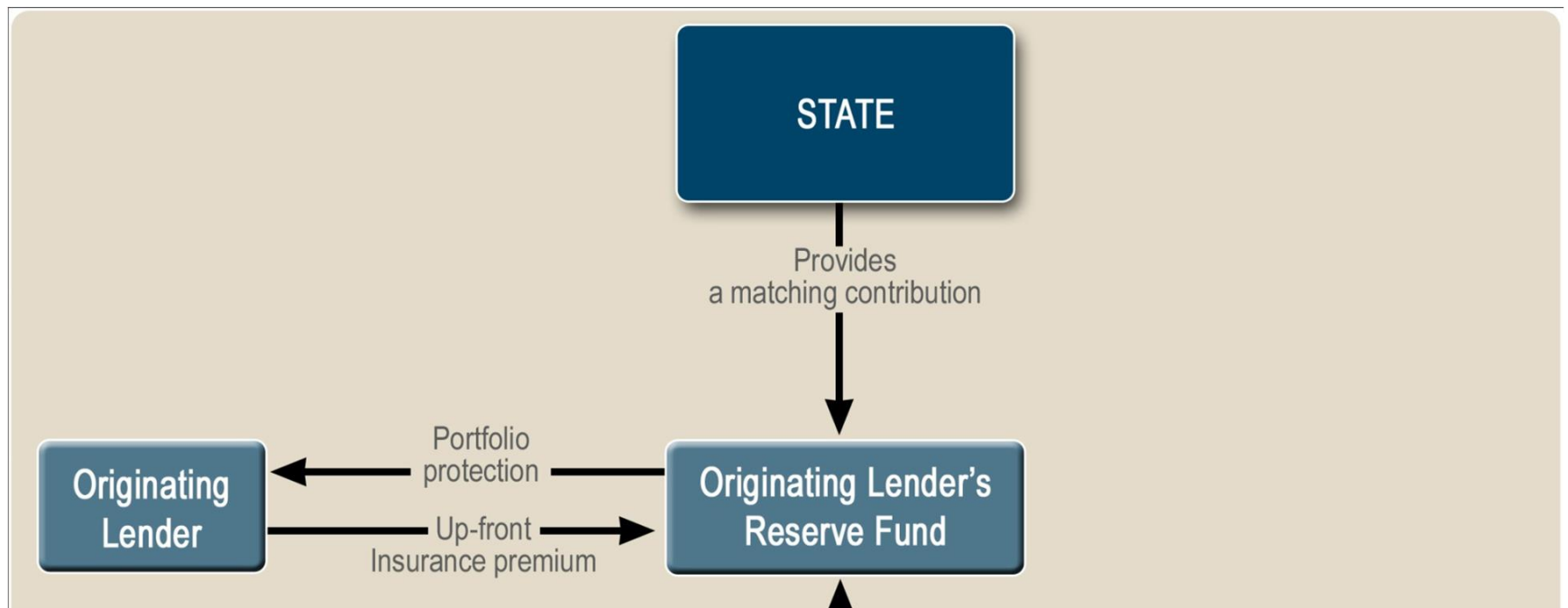


Capital Access Program (CAP)

A CAP is a form of loan portfolio insurance that can provides up to 100% coverage on charged off loans by creating a matching funds reserve account



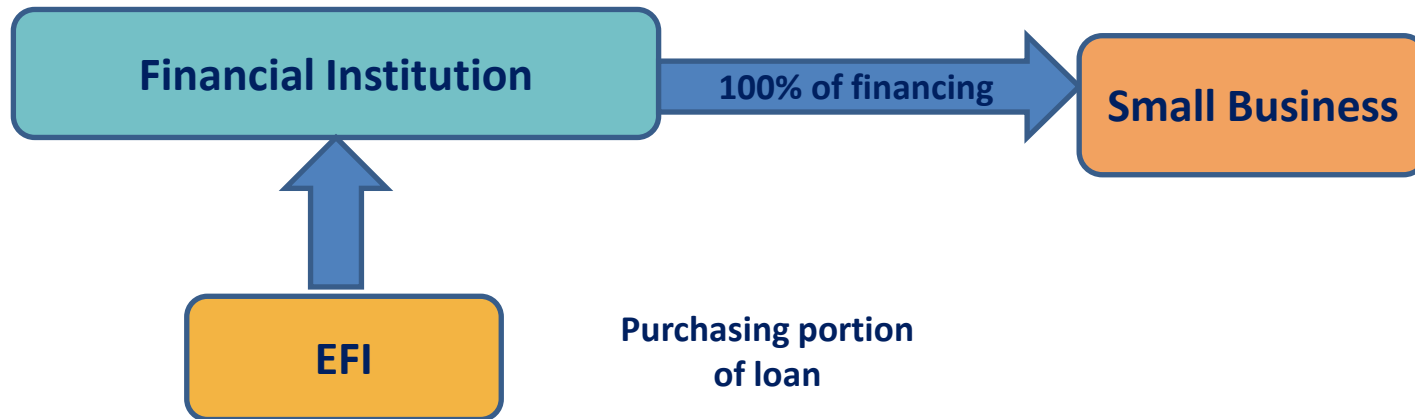
How Does a Cap Work?



Loan Participation Programs (LPP)

Regular Participation

Permits the purchase of a portion of the loan originated by the lender.



- ✓ Typical loan participation will be between 20-80% of the loan amount
- ✓ Loan amount generally range from \$250,000 to \$5,000,000.
- ✓ Maximum loan term permitted is five (5) years.

Loan Participation Programs (LPP)

504 Bridge Loan Participation

Permits the purchase of the second mortgage originated by the lender on an interim basis, until SBA take-out.



- ✓ Typical loan participation is 100% of second mortgage note
- ✓ Minimum \$250,000 loan amount; maximum \$5,000,000.
- ✓ Typical term between 3 to 18 months (until SBA take-out)

How Lenders Benefit from LPP

Lenders can:

- Mitigate risk through obtaining a subordinate participation
- Use participations to supplement lending limit cases
- Make loans where values do not meet minimum internal or regulatory standards

Loan Guarantees (LGP)

Provides a lender with a partial guarantee as the credit enhancement required to ultimately approve a loan.



- ✓ Typical guarantee will be between 20-80% of the loan amount
- ✓ Loan amount generally range from \$250,000 to \$5,000,000.
- ✓ Maximum loan term permitted is five (5) years.
- ✓ Interest rate is determined by the lender

How Lenders Benefit from LGP

Lenders can:

- Mitigate risk through obtaining loan insurance on a portion of the loan
- Receive full benefit of interest payments
- Guarantee may shore up a loan weakness

What Types of Lenders Can Participate?

- **Lenders types may include:**
 - Qualified public depositories
 - Federally insured bank and credit unions
 - Community development financial institutions
- **Lenders must demonstrate sufficient commercial lending experience, and financial and managerial capacity to participate**

Some Differences with SBA...

SBA	SSBCI
✓ Only for-profit businesses qualify	✓ Non-profits qualify
✓ “Personal liquidity test”	✓ No restrictions on personal liquidity
✓ Only US Citizens / LPRs are eligible	✓ No citizenship requirement
✓ SOP for underwriting and servicing	✓ No SOP
✓ Guarantee up to 90%	✓ Guarantee up to 80% (typically 50%)
✓ No leverage requirement	✓ No collateral requirement
✓ No time limit to deploy funds	✓ Until 2017 to deploy allocation
✓ Uniform product in all states	✓ Varies from state to state

SSBCI Advantages to Florida's Small Businesses, Lenders & Investors

SSBCI advantages to Florida's small businesses include:

- ✓ Access to debt and venture capital financing that may not otherwise be available
- ✓ A flexible and non-bureaucratic source of capital
- ✓ Limits exposure to losses

SSBCI advantages to Florida's lenders and investors include:

- ✓ Ability to approve a loan that might otherwise be declined
- ✓ Provides a non-competitor participant on loans and investments
- ✓ No cost to the small business lender or investor



What's In It For Me?

- CDFI's are eligible as lender participants
- CDFI's may be eligible borrowers
- CDC's may be eligible borrowers
- Shared knowledge about the program furthers "trusted advisor" status increasing good will

Questions?

Marianne Arbulu

Development Representative III

(850) 491-1822

Marianne.Arbulu@deo.myflorida.com

Contact:

David Rodriguez

Manager

Capital Programs

Enterprise Florida, Inc.

(407) 956-5682

www.eflorida.com/ssbci

ssbci@eflorida.com

Brook Pace

Small Business Coordinator

Bureau of Economic

Development

(850) 717-8519

www.floridajobs.org

Brook.pace@deo.myflorida.com





Thank you