

BUSINESS FINANCE PROGRAM OVERVIEW

John Saris, Finance Manager
January 23, 2019

Finance Programs

- Direct loans, loan guarantees, private activity bonds
- Intent: Leverage private capital, geographic diversity, increase financial capacity, and support business expansion/retention
- Funding: Non-recurring appropriations (Lottery, General, Federal Funds), Other Fund limitation

Cumulative Business Finance Program Capitalization

Fund	Direct Lottery	Lottery Bonds	General Funds	Federal Funds	Transfers	Total
OBDF	\$8,269,789	\$6,561,097	\$6,071,848	\$5,500,000	(\$11,700,000)	\$14,702,734
ORF					\$5,000,000	\$5,000,000
EDLF	\$1,590,000				\$3,050,000	\$4,640,000
CEF	\$3,481,283			\$12,924,704		\$16,405,987
CAP	\$2,104,326			\$317,315	\$3,650,000	\$6,071,641
Total	\$15,445,398	\$6,561,097	\$6,071,848	\$18,742,019	\$0	\$46,820,362

SSBCI Summary

Program	\$ Allocated (2011)	Adjustments (2013 & 15)	Final Allocation (2016)	\$ Allocated Final
CEF	\$10,000,000	\$2,850,000	\$74,704	\$12,924,704
CAP	\$4,016,197	(\$3,850,000)	\$0	\$166,197
OBDF	\$2,500,000	\$1,000,000	\$0	\$3,500,000
Total	\$16,516,197	-	\$74,704	\$16,590,901

Program	Approved Projects	Committed SSBCI	Leverage	Admin Expenses	Program Income	Recycled Money
CEF	163	\$12,258,079	\$142,139,140	(\$361,923)	\$1,081,529	\$911,354
CAP	88	\$143,031	\$8,549,563	(\$16,416)	\$0	\$0
OBDF	14	\$3,360,669	\$24,974,411	(\$139,331)	\$368,395	\$100,000
Total	265	\$16,279,449	\$175,663,114	(\$517,670)	\$1,449,924	\$1,011,354

SSBCI Close Out

- Federal program deployed more than \$1.4 billion
 - 50 states, District of Columbia and 4 US Territories
 - CAPs, Loan Guarantees, Loan Participations, Collateral Support & VC

Outcomes	Nationally	Oregon
Allocation	\$1.4 billion	\$16.6 million
Transactions Closed/Funded	21,962	265
Total New Financing	\$10.7 billion	\$175.7 million
Leverage	7.65 : 1	10.79 : 1
Jobs Created	79,193	887
Jobs Retained	161,476	809

Program Governance & Oversight

Delegation of Authority

Programs delegate specific authorities to the Oregon Business Development Commission and to the Director

Early 1990's Commission established the Finance Committee as the complexity and diversity of the Business Finance programs continued to expand

- Delegated authority to the Finance Committee
 - Bond Resolutions (Intent, Eligibility, Closing)
 - Direct loan awards more than \$250,000
 - Portfolio oversight (fiscal performance, risk rating, program modifications, administrative rule revisions, program efficacy)
 - Reviewing Legislative Concepts

Conduit Bond Programs

Industrial Development Bonds

1976

- Helps Oregon manufacturers grow by providing long-term financing for land, buildings and equipment through tax-exempt bonds issued by the state of Oregon.
- Lender is exempt from federal income tax on interest income and tax savings passed along to borrower.
- Not a state of Oregon obligation. Lender retains all risk and obligations associated with loan servicing.
- The role of Business Oregon is to ensure that the project meets the eligibility requirements of the Internal Revenue Code.

Aggie Bonds 2013

- Helps new farmers obtain lower-cost financing for land and equipment purchases through tax-exempt bonds issued by the State of Oregon.
- Lender exempt from federal income tax on interest income and tax savings passed along to borrower.
- Available to beginning farmers for depreciable agricultural property, used equipment and farmland purchases.
- Not a State of Oregon obligation. Lender retains all risk and obligations associated with loan servicing.
- The role of Business Oregon is to ensure that the project meets the eligibility requirements of the Internal Revenue Code.

Loan Insurance Programs

Capital Access Program 1991

- CAP helps banks and credit unions make commercial loans to small businesses providing capital for business startup or expansion
- Loan proceeds can be used for the acquisition of fixed assets and working capital
- Enrollment fee: 3% to 7%
- Program used almost exclusively by community banks and credit unions

Capital Access Program

2015-17

- Enrolled 44 loans matching \$92,146 in borrower, lender fees
- Average enrolled loan is approximately \$60,000
- Leveraged \$2,628,695 in private funding
- Projected to create and retain 186 jobs
- 60% of loans made outside Portland metro market
- Average number of employees per borrower: 6

Credit Enhancement Fund 1993

- Loan insurance program available to private lenders to assist businesses with loans and lines of credit
- Available to most businesses statewide regardless of industry
- Enrollment fee of 1.25% to 3.5%
- Covers up to 80% of the loan with a cap of \$2m and 15-year term
- Covers up to 75% of the lender's line of credit with a maximum term of one-year

Credit Enhancement Fund

2015-17

- Approved 64 loans leveraging \$30.2m in private funding
- Projected to create or retain 707 jobs
- 93% of loans insured outside of the Portland MSA, with strongest demand from community and regional banks
- Average enrolled project is \$685,000
- Average number of employees per borrower at application: 22

Insurance Comparison Table

Primary:	CAP	CEF
Industry Sector(s)	Retail and Service	Predominately Traded Sector
Use of Proceeds	Fixed Assets – 75% Working Capital – 25%	Fixed Assets – 70% Working Capital – 30%
Security (Collateral)	Fixed Assets, Corporate and Personal Guarantees	Fixed Assets, Corporate and Personal Guarantees
Processing Time	1-2 business days	7-10 business days
Insurance Fee	3-7%	1.5-4%
Average Loan Size	\$50-75,000	\$500-700,000
Default Rate	5-8%	2-5%

Direct Loan Programs

Oregon Business Development Fund

1983

- Direct loans to small businesses
- Revolving loan fund, with fixed-rate financing for land, buildings, equipment, machinery, and permanent working capital.
- Participants must project to create or retain jobs and must be traded-sector.
- Preference given to businesses located in, or that draw their work force from, rural or distressed areas
- Up to \$1m and 20-year term

Oregon Business Development Fund

2015-17:

- 21 loans totaling \$6.7m approved
- Leveraged \$29.5m in private funding
- Projects projected to create/retain 363 jobs
- 80% of loans made outside of Portland metro area
- Average loan is \$300,000
- Average number of employees per borrower: 18

Entrepreneurial Development Loan Fund

1991

- Direct loans to help start-ups and micro-enterprises expand or become established in Oregon.
- Fills a niche not typically available through traditional lending markets.
- Up to \$75,000 and 10-year terms
- Fixed rate loans starting at prime + 2% APR
- Includes mentorship from Small Business Development Centers

Entrepreneurial Development Loan Fund

2015-17

- 9 loans totaling \$353,000
- Leveraged \$1,258,784 in private funding
- Projected to create 37 jobs
- 100% of loans made outside Portland metro market
- Average loan is \$35,000
- Average number of employees per borrower: 1

Oregon Royalty Fund 2018

- Direct loans to help traded sector, high growth companies grow in Oregon.
- Fills a niche not typically available through traditional lending markets providing capital typically used for sales and marketing.
- Up to \$250,000 and 5-year terms
- Repayment primarily based upon royalty payments that scale with company revenue growth
- Benefits – Retain ownership and control; Demonstrate proof of concept; Attract future equity funding; Repayment aligned with sales

Oregon Royalty Fund

2015-18

- 10 loans totaling \$1,979,100
- Projected to create more than 40 jobs
- Average loan is \$200,000
- 6 loans made outside of Portland metro market

Direct Loan Comparison Table

Primary:	EDLF	OBDF	SBELF
Industry Sector(s)	Retail and Service	Traded Sector	Traded Sector
Use of Proceeds	Fixed Assets	Fixed Assets	Working Capital
Security (Collateral)	Fixed Assets, Corporate and Personal Guarantees	Fixed Assets, Corporate and Personal Guarantees	Personal Guarantee, Corporate Guarantee, or Fixed Assets
Repayment Terms	Principal and Interest	Principal and Interest	Revenue Payments
Processing Time	2-3 weeks	3-4 weeks	2-3 weeks
Loan Rate of Return	1.1 to 1.2X	1.1X	1.6 to 2.0X
Average Loan Size	\$40-60,000	\$400-600,000	\$150-250,000
Default Rate	10-12%	2-5%	20-25%

Questions