



Credit Enhancement Fund (CEF)

Guarantee financial institution loans – increase availability of capital to assist Oregon businesses in creating and retaining jobs

- Traded sector business focus – compete in national or international markets
- **2012 HB-4150 makes most businesses eligible statewide thru June 2015**
- Can be used for fixed assets, working capital, export financing or to clean up a Brownfield site
- Bank sets rates and terms, uses bank loan documents
- Loan needs good and sufficient collateral
- Some restrictions apply, see program web site below for more information

Working capital lines of credit

- Evergreen Entrants
 - New working capital line
 - Maximum guarantee of \$1,500,000 or 75%
 - Fee: 1.25% of insured amount annually
- Evergreen Plus
 - Increase to existing working capital line
 - Maximum \$1,500,000 or up to 90% of new increment (80% of total line amount)
 - Fee: 2.5% of insured amount annually

Term loans

- Conventional Insurance
 - Up to 80% guarantee
 - Maximum \$2,000,000 exposure
 - Maximum term 15 years
 - Fee: 1.25% to 3% of insured amount depending on term
 - Secured primarily by fixed assets
- First Loss Insurance
 - 100% insurance on first 25% of loan amount
 - Maximum \$500,000
 - Fee: 2.5% to 6% of insured amount depending on term
 - Secured primarily by fixed assets

Credit Enhancement Fund Case Study Electrostatic Powder Coating Company

- \$100,000 term loan for equipment
 - 7-year term loan, fully amortized
 - 80% guarantee: \$80,000 exposure
 - Guarantee fee: 2%, \$1,600
- \$50,000 line of credit (working capital)
 - New line for company, 1-year term
 - 75% guarantee: \$37,500 exposure
 - Guarantee fee: 1.25%, \$468.75
- Impacts - Company employs 30 people, expects to hire 2 additional

<http://www.oregon4biz.com/Business-financing-resources/Oregon-Finance-Programs/Oregon-Credit-Enhancement-Fund/>



Credit Enhancement Fund (CEF) cont.

Based on input from our finance partners, Business Oregon added the First Loss Collateral Support term loan insurance to the CEF program in 2013.

- Designed to mitigate collateral shortfall in an otherwise good credit
- Provides coverage to the extent necessary to facilitate the collateral shortage
- Enrolled loans must meet a participating Lender's credit underwriting criteria with the exception of loan collateral adequacy
- Borrowers must demonstrate significant current and historical cash flow coverage and a strong credit history
- Significant owners must provide personal guaranties
- Can be used for new projects or to pay off existing debt
- Some restrictions apply, see below and program web site for more information

Term loans

- First Loss Collateral Support Insurance
 - 100% insurance on up to the first 25% of loan amount
 - Maximum 25% insurance up to \$500,000 insurance exposure
 - Maximum 20% insurance up to \$1,000,000 insurance exposure
 - Maximum insurance term 5 years
 - Fee: 2.0% to 3.5% of insured amount depending on term
 - Secured primarily by real property or other fixed assets

Credit Enhancement Fund Examples

- \$1,000,000 term loan
- Loan term - 10 years
- \$850,000 collateral coverage
- \$150,000 collateral shortfall
- \$150,000 Collateral Support insurance
- Insurance coverage 15%
- Term of insurance - 5 years
- Insurance premium - \$5,250 (3.5%)

- \$120,000 term loan
- Loan term - 4 years
- \$84,000 collateral coverage
- \$36,000 collateral shortfall
- \$30,000 Collateral Support insurance
- Insurance coverage 25% (maximum)
- Term of insurance - 4 years
- Insurance premium - \$900 (3.0%)

<http://www.oregon4biz.com/Business-financing-resources/Oregon-Finance-Programs/Oregon-Credit-Enhancement-Fund/>

Restrictions: •If any proceeds of the new loan are used to pay an existing loan from the same lender, in order for the new loan to be eligible for Collateral Support Insurance, the existing loan must have reached its maturity date and the new loan must also include new monies advanced to the borrower. (A restriction of the federal funds used to capitalize the program). These conditions do not apply if one lender is only refinancing a loan or loans from a different lender.

• Enrollment of a new loan in the Collateral Support Insurance will be limited to the amount of the collateral shortfall, and on a refinance limited to the decline in the collateral value if that is less.



Oregon Business Development Fund (OBDF)	
<p>Statewide revolving loan fund providing long-term, fixed-rate financing for:</p> <ul style="list-style-type: none"> • Land • Buildings • Equipment • Term working capital <p>General funding structure:</p> <ul style="list-style-type: none"> • Up to 40% of total project cost • Private lender required • 10% minimum equity <p>Features</p> <ul style="list-style-type: none"> • Traded-sector businesses • Job creation/retention • Maximize other financing sources (financial institutions, economic development groups) • \$1,000,000 maximum* • Up to 20 year term • Fixed rate - comparable U.S. Treasury index plus 1% (4% floor) • 1.5% loan origination fee • Good and sufficient collateral • Lien position usually subordinate to financial institution • No prepayment penalty 	<p>Special cases/options:</p> <ul style="list-style-type: none"> • Royalty financing option – includes payments structured as a % of sales • If the project has been turned down by two financial institutions, OBDF may provide financing where: <ul style="list-style-type: none"> • OBDF loan may exceed 40% of the total project • No lending partner is required • Rate is fixed based on prime +5% • Targeted Development Account: <ul style="list-style-type: none"> • Distressed areas only • 5 year term up to 15 year amortization • Rate at prime minus 4% (4% floor) • Senior or co-senior collateral <p>* \$750,000 and above may trigger prevailing wage requirement.</p>
Oregon Business Development Fund Case Study #1 New Dental Equipment Technology	Oregon Business Development Fund Case Study #2 Brewery
<ul style="list-style-type: none"> • Project – equipment and working capital • Impacts – startup company, 23 new jobs • OBDF –five-year term, 4.52%, monthly P&I + royalties based on sales • Sources of funds <ul style="list-style-type: none"> – Bank line of credit \$375,000 – Private lenders 901,000 – Owner equity 424,000 – Other public funds 100,000 – OBDF “royalty” loan 300,000 Total \$2,100,000 	<ul style="list-style-type: none"> • Project – equipment • Impacts – expansion, up to 28 new jobs • OBDF – seven-year term and amortization, 4.0% • Sources of funds <ul style="list-style-type: none"> – Bank term loan \$550,000 – SBA 504 559,000 – OBDF 502,000 – Equity 538,000 – Total \$2,149,000
http://www.oregon4biz.com/Business-financing-resources/Oregon-Finance-Programs/Oregon-Business-Development-Fund/	



Capital Access Program (CAP)	Entrepreneurial Development Loan Fund (EDLF)
<p>Supports loan loss reserve account at financial institution</p> <ul style="list-style-type: none"> • Match 3%-7% reserve deposit up to \$35,000 • No Department underwriting • Quick turnaround, 3–5 days • Term loan or line of credit • Virtually any type of business qualifies • Exceptions: <ul style="list-style-type: none"> • construction or purchase of residential housing • property not used for business operations • existing loan refinancing • Other Federal exceptions may apply 	<p>Micro-lending fund for small business</p> <ul style="list-style-type: none"> • Loans up to \$50,000; follow-on loans, up to \$70,000 total loans • 5-year maximum term, fully amortized • Applicant provides minimum 20% equity • Fully secured by collateral • Fixed interest rate: prime + 2% • Borrower applies through Small Business Development Center or certified entity • Business must meet one of two criteria: <ul style="list-style-type: none"> - Revenues of \$500,000 or less prior 12 months, or - Owned by severely disabled person
Capital Access Program Case Study Bank CAP Lending Strategy	Entrepreneurial Development Loan Fund Case Study Contract Drilling Services Company
<ul style="list-style-type: none"> • Supplement weak collateral position for cash-based businesses (restaurants) • Help mitigate slightly deficient historic cash flows if believe future cash flows will be adequate • In general, mitigate small weaknesses in the overall credit 	<ul style="list-style-type: none"> • Project – equipment and working capital • Impacts - startup company, has created 6 new jobs and added to regional “green economy” • Five-year term, 6%, monthly P&I • Sources of funds: <ul style="list-style-type: none"> – Owner equity \$191,258 – EDLF loan 25,000 – Total \$216,258 • Obtained bank loans the following year: <ul style="list-style-type: none"> – \$135,000 term loan for equipment – \$50,000 LOC for working capital
http://www.oregon4biz.com/Business-financing-resources/Oregon-Finance-Programs/Oregon-Capital-Access-Program/	http://www.oregon4biz.com/Business-financing-resources/Oregon-Finance-Programs/Entrepreneurial-Development-Loan-Fund/



Industrial Development Bond (IDB)	
<p>State tax-exempt, conduit bonds</p> <ul style="list-style-type: none"> • Issue tax exempt bonds for manufacturing and solid waste facilities (and some non-profits) • State issues “conduit bonds” on behalf of private borrowers • Borrower is legally obligated to repay bonds • State does not guarantee repayment and has no repayment obligation <p>Issued 208 bonds totaling \$1.465 billion (to 12/31/2010)</p>	<ul style="list-style-type: none"> • Regular IDB <ul style="list-style-type: none"> • Public offering or private placement • Most cost-effective for borrowings of \$5 million or more • Department charges bond closing fee of 0.5% of bond amount + \$500 application fee; other fees apply • Market sets rates • Generally, all-in interest rate is 75–80% of conventional rates • In most cases, a letter of credit is provided by a rated bank as credit enhancement
<p>Key IRS requirements for projects:</p> <ul style="list-style-type: none"> • \$10 million maximum bond amount (no limit on solid waste facilities) • \$20 million capital expenditures limit (6-year window, 3 back and 3 forward, n/a for solid waste facilities) • Fixed assets only, generally new fixed assets 	<ul style="list-style-type: none"> • Express Bond <ul style="list-style-type: none"> • Streamlined process, standardized documents • Reduced bond closing fee of 0.25%, \$500 application fee, lower bond counsel and other fees • Best for projects of at least \$1 million • Loans originated by participating bank, loan exchanged for bond at closing, bank serves as trustee • Typical rate savings of 1 - 2.5% • Lender determines rate based on <ul style="list-style-type: none"> • cost of funds • lender’s tax bracket • credit quality of borrower • type of bond purchased (fixed or variable)
<p>Industrial Development Bond Express Bond Case Study Manufacturer and Distributor of Fresh Pastas and Other Food Products</p>	
<ul style="list-style-type: none"> • Project - costs of land and building purchase and renovation for a new facility to support company’s growth • Impacts - company has 23 employees, estimates creating 15 new jobs • \$3.3 million Express Bond • Interest rate savings of 1.25% (December 2010 bond closing) 	
<p>http://www.oregon4biz.com/Business-financing-resources/Oregon-Finance-Programs/Oregon-Industrial-Development-Bonds/</p>	

**Strategic Reserve Fund
Return on Investment - Personal Income Tax Returned to State's General Fund
2011-2013 Loans**

Project #	Date of Award	Company Name	Location	Amount of SRE Award	# of Jobs Required	Average Annual Wage Per Full-Time Equivalent Job	Annual Income Tax 2009 (10.1% Effective Tax Rate)	# Years Jobs Required (or Loan Forgiveness)	Personal Income Tax Generated During Contract Term	Anticipated Return on SRI Investment	Production Line Average Hourly Wage	Company pays benefits?	County Average Wage 2010-2012	Company's Wage % of County Average Wage
11-13-566	7/27/2011	Pioneer Hi-Bred International, Inc.	Hermiston	\$150,000	18	\$49,749	\$41,192	2	\$82,384	55%	\$21.65	Y	\$31,585	157.51%
11-13-567	7/27/2011	RXi Pharmaceuticals	Portland	\$100,000	15	\$225,000	\$205,875	2	\$411,750	412%	n/a	Y	\$45,754	491.76%
11-13-568	8/18/2011	American Industrial	Garibaldi & Eugene	\$200,000	225	\$51,400	\$543,555	2	\$1,087,110	544%	\$20.50	Y	\$31,948	160.89%
11-13-569	10/26/2011	Shimadzu U.S.A. Manufacturing, Inc.	Canby	\$100,000	50	\$35,000	\$77,000	2	\$154,000	154%	\$16.83	Y	\$42,129	83.08%
11-13-570	10/26/2011	Columbia	The Dalles	\$50,000	40	\$35,131	\$61,831	2	\$123,661	247%	\$11.92	Y	\$28,580	122.92%
11-13-573	2/6/2012	PhytoTechnology	Stayton	\$125,000	100	\$22,730	\$79,555	2	\$159,110	127%	\$11.50	Y	\$33,496	67.86%
11-13-574	2/15/2012	Mastercraft Furniture, Inc.	Hillsboro	\$250,000	250	\$67,819	\$619,828	2	\$1,627,656	651%	n/a	Y	\$57,777	117.38%
11-13-575	2/15/2012	Jireh Semiconductor	Tualatin	\$500,000	650	\$66,858	\$2,879,343	2	\$5,758,685	1152%	\$19.38	Y	\$43,327	200.47%
11-13-577	4/26/2012	Novellus Systems, Inc.	Portland	\$40,000	92	\$38,523	\$155,941	2	\$311,882	780%	n/a	Y	\$47,268	81.50%
11-13-578	5/29/2012	Azumano Travel Service, Inc.	Albany	\$25,000	15	\$43,378	\$29,931	2	\$59,862	239%	\$20.85	Y	\$36,406	119.15%
11-13-579	6/7/2012	W.R. Grace & Co. - Conn.	Redmond	\$250,000	250	\$32,699	\$343,340	2	\$686,679	275%	\$15.21	Y	\$34,888	93.73%
11-13-580	6/12/2012	Consumer Cellular	Walla Walla County	\$45,000	9	\$25,723	\$9,029	2	\$18,058	40%	\$12.45	Y	\$24,913	103.25%
11-13-581	6/12/2012	Integrated Biomass	Union County	\$100,000	21	\$29,848	\$24,446	2	\$48,891	49%	\$14.35	Y	\$29,544	101.03%
11-13-583	6/26/2012	KML Corp.	Portland	\$25,000	10	\$85,000	\$44,200	2	\$88,400	354%	n/a	Y	\$47,268	179.83%
11-13-585	6/26/2012	Hi-Tec Sports USA, Inc.	Gresham	\$30,000	40	\$43,600	\$80,224	2	\$160,448	201%	\$20.96	Y	\$47,268	92.24%
11-13-586	6/26/2012	Capasa Solutions, LLC	McMinnville	\$40,000	15	\$33,737	\$21,254	2	\$42,509	106%	\$11.25	Y	\$34,264	98.46%
11-13-588	8/21/2012	Betty Lou's, Inc.	Sheridan & Tualatin	\$72,000	54	\$47,763	\$119,351	2	\$238,701	332%	\$15.00	Y	\$49,442	96.60%
11-13-589	9/13/2012	Construction Equipment Co.	Boardman	\$350,000	130	\$38,322	\$215,446	2	\$430,891	123%	\$16.50	Y	\$40,140	95.47%
11-13-592	11/20/2012	ConAgra Foods Lamb Weston, Inc.	Hillsboro	\$750,000	462	\$95,566	\$2,344,447	2	\$4,688,894	625%	\$15.73	Y	\$58,672	162.88%
11-13-594	1/9/2013	Oracle America, Inc.	Eugene	\$100,000	440	\$22,400	\$344,960	3.25	\$1,121,120	1121%	\$10.00	Y	\$36,232	61.82%
11-13-596	4/17/2013	SYKES Enterprises	Boardman	\$32,000	14	\$44,700	\$28,787	2	\$57,574	180%	\$21.49	Y	\$41,085	108.80%
11-13-597	5/8/2013	Columbia Plywood	Boardman	\$32,000	14	\$40,133	\$25,846	2	\$51,691	162%	\$19.29	Y	\$41,085	97.68%
11-13-598	5/8/2013	Upper Columbia Mill LLC	Prineville	\$250,000	274	\$27,273	\$291,441	2	\$582,882	233%	\$14.67	Y	\$39,475	69.09%
11-13-600	5/31/2013	Woodgrain Millwork, Inc.	Tillamook	\$150,000	27	\$35,848	\$42,587	2	\$85,174	57%	\$15.82	Y	\$30,059	119.26%
11-13-601	6/6/2013	Pelican Brewing Company												
Totals				\$3,816,000	3,215		\$8,823,406		\$18,078,012	474%				

House Task Force on Small Business

June 18, 2013

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IFA Projects FY 2010-1013

Representative Barton

FY 2013	North Clackamas Water Comm.	Treatment Analysis	\$30 K
	North Clackamas Water Comm.	Drug Drop Boxes	\$20 K
FY 2010-11	Oak Lodge Sanitary District	Treatment Plant	\$8 M

Representative Freeman

FY 2013	City of Grants Pass	Food Bank	\$1.5 M
	City of Canyonville	Wastewater System	\$2.4 M
FY 2010-11	Green Sanitary District	Wastewater System	\$115 K
	City of Myrtle Creek	Water System	\$4.9 M
	Winston Dillard Water Dist.	Water System	\$3 M
	City of Riddle	Wastewater System	\$2.4 M
	City of Glendale	Wastewater Facility Plan	\$54 K
	City of Canyonville	Wastewater System Design	\$700 K

Representative Bentz

FY 2013	Baker County	Microenterprise	\$40 K
	City of Nyssa	Water System	\$6 M
	City of Halfway	Wastewater System Design	\$40 K
FY 2012	City of Huntington	Wastewater Facilities Plan	\$117K
	City of Richland	Wastewater System	\$1.4M
	City of Vale	Housing Rehabilitation	\$400K
	City of Halfway	Wastewater System Design	\$20 K
FY 2010-11	City of Haines	Wastewater System	\$1.2 M
	City of Vale	Senior Center	\$1.0 M
	City of Adrian	Water System	\$560K
	Malheur County	Domestic Violence Shelter	\$1.0 M

Representative Gombert

FY 2013	Lincoln County	Microenterprise program	\$50 K
	Port of Newport	Business Plan	\$50 K
	Port of Toledo	Marketing Plan	\$30 K
	Bayshore Road Dist.	FEMA match, sand removal	\$68 K
FY 2012	Lincoln County	Microenterprise program	\$51 K
	City of Toledo	Sediment Assessment	\$54 K
	Port of Newport	International Pier	\$3.5 M
	Port of Newport	International Pier	\$322K
	Port of Tillamook	Pelican Feasibility Study	\$37 K
	Port of Toledo	Business Plan	\$50 K
FY 2010-11	Port of Tillamook	FEMA Match – Road Repair	\$90 K
	Port of Tillamook	FEMA Match – Eqp. Purchase	\$143K
	Depoe Bay	Marina Repair	\$59 K
	City of Siletz	Water System	\$805K
	City of Hebo	Water System	\$1.2 M
	Port of Toledo	Boatyard Acquisition	\$1.2 M

Representative McKeown

FY 2013	Port of Coos Bay	Charleston Dock	\$600K
	Douglas County	Gardiner Sanitary Dist. Study	\$50 K
	Port of Coos Bay	Business Plan	\$50 K
	Port of Coos Bay	Tug Assist Study	\$4 K
FY 2012	Heceta Water District	Water System	\$1.8 M
	Port of Coos Bay	Coos Bay Rail	\$2.8 M
	City of Coos Bay	Wastewater System	\$4.8 M
FY 2010-11	Douglas County	Wave Energy Study	\$45 K
	City of Coos Bay	Water System	\$5.0 M
	City of North Bend	Water System	\$5.0 M
	Coos County	Food Bank	\$800K
	City of North Bend	Microenterprise	\$100K
	Port of Siuslaw	Dock Rehabilitation	\$140K
	Port of Siuslaw	Dock Rehabilitation	\$375K

Representative Thatcher

FY 2013	City of St. Paul	Wastewater Lift Station	\$635K
FY 2012	City of Newberg	Housing Rehabilitation	\$400K
FY 2010-11	City of St. Paul	Wastewater Lift Station Design	\$20 K

AGENCY MISSION

Business Oregon works to create, retain, expand and attract businesses that provide sustainable, living-wage jobs for Oregonians through public-private partnerships, leveraged funding and support of economic opportunities for Oregon companies and entrepreneurs.

Lowest Effective Business Tax Rate

Ernst & Young
C.O.S.T. Study, 2011

State	Rank
Oregon	5
Utah	6
Colorado	15
Idaho	12
Arizona	29
Illinois	30
California	34
Texas	33
Nevada	35
Washington	37

Best States for Business

Forbes magazine, 2011

State	Rank
Utah	1
Colorado	5
Texas	6
Washington	7
Oregon	9
Idaho	16
Arizona	20
Nevada	36
California	39
Illinois	41

Helping Oregon Companies Access International Markets

Business Oregon's Global Strategies team helps Oregon businesses access global markets to enhance Oregon's position in the global economy. In cooperation with state, local and federal partners, Business Oregon helps small- and medium-sized Oregon companies become exporters, and assists existing exporters to grow their business and access new markets.

Business Oregon offers counseling, market research, evaluation of international partners and other services to help companies develop and expand their products and services in key overseas markets.

Overseas Assistance

Personal assistance is available from professionals located here in Oregon, as well as from the state's trade representatives in China, Japan, Korea and Europe. These offices are staffed by bilingual professionals equipped with both private-sector experience in their markets and knowledge of Oregon products, companies and culture.

Services Provided

Company-specific Counseling: Business Oregon offers companies counseling on export-related questions and concerns by providing the services and expertise of our global trade specialists.

Matchmaking: Business Oregon can assist Oregon companies looking for foreign agents/distributors, foreign customers or joint venture partners.

Trade Shows: International trade shows are an effective tool that can help companies enter new markets or expand sales in existing markets. Business Oregon's team of global trade specialists organizes Oregon participation in various trade events.

Trade Missions: Business Oregon helps plan and execute the Governor's trade missions.

Foreign Offices: Through our overseas representatives in Japan, China, Korea and EU, we are able to make Oregon's international networks of foreign government officials, foreign companies and foreign trade associations available to companies. Our foreign offices provide due diligence when researching potential agents and distributors in foreign markets; supply on the ground knowledge of global competition in foreign markets; and can offer expertise on business protocol in foreign cultures.



Outreach & Training Events: Business Oregon's global trade specialists and our foreign offices conduct strategically targeted outreach and training events for new and established Oregon exporters.

Market Research: Business Oregon is able to offer Oregon companies targeted market research in foreign markets, depending on the market and the industry.

Trade Show Promotion Programs

Through the **Oregon Trade Promotion Program** and the **STEP Program** we offer financial assistance for selected trade shows that cover targeted industry cluster areas. Funds from these programs allow Oregon companies to showcase their products or services in foreign markets.

Strategic Partnerships

State & Regional Partners: Business Oregon coordinates with other state agencies, such as the Department of Agriculture, Travel Oregon and the Port of Portland, on trade-related issues.

Federal Partners: Business Oregon works closely with the US Commercial Service/US Export Assistance Center, and the federal Export-Import Bank on both market development and export financing projects.

Industry Partners: Softwood Export Council: Business Oregon works closely with the Softwood Export Council to facilitate and increase foreign sales of Oregon's softwood and secondary wood product companies.

Other Partnerships: Business Oregon helps maximize export potential by working closely with various partners: Japan External Trade Organization (JETRO), US-Saudi Arabia Business Council, NW China Business Council and other organizations.

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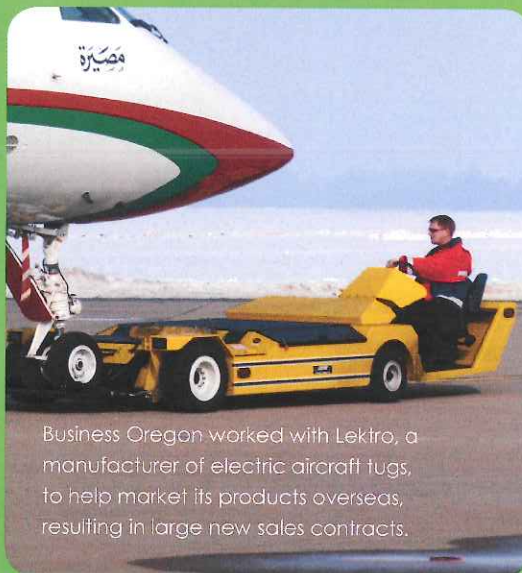
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Business Oregon worked with Lektro, a manufacturer of electric aircraft tugs, to help market its products overseas, resulting in large new sales contracts.