

OHIO ENTERPRISE BOND FUND PROGRAM

The Ohio Enterprise Bond Fund (OEBF), rated AA- by Standard & Poor's, allows large and small credit worthy, but unrated businesses access to the national capital markets. Through the OEBF, the Ohio Department of Development (ODOD) issues bonds, the proceeds of which are provided to businesses for eligible projects in the form of a loan.

The OEBF was created to provide long-term, fixed-rate, one-stop project financing for qualifying businesses that create or retain jobs in the state of Ohio.

The OEBF enables large and small creditworthy businesses access to capital at costs comparable to those of rated multi-national corporations.

Eligible Businesses

Eligible businesses include those engaged in, but not limited to, manufacturing, research and development and distribution. Retail projects are ineligible for the OEBF.

Eligible Project Costs

- § Purchase of land and/or building; if the project involves the purchase of an existing building, the business must occupy at least 51 percent of the premises
- § Purchase of machinery and equipment
- § Building construction and/or renovation costs; if the project involves new construction, the business must occupy at least 75 percent of the premises
- § Long-term leasehold improvements
- § Purchase of ongoing business' fixed assets
- § Limited soft costs directly related to the fixed-asset purchase
- § Refinancing is ineligible

Available Funding

The OEBF may provide financing up to 90 percent of the total eligible project costs directly related to the fixed-asset purchase. The minimum loan amount is \$1.5 million and the maximum loan amount is \$10 million.

Term

The term of any loan awarded through the OEBF is conditioned upon the useful life of the financed assets, with the maximum limit up to 15 years for real estate and up to 10 years for machinery & equipment.

Interest Rate

The interest rate is fixed for the term of the loan and is determined at the time the bond is sold. For current rates, please contact the ODOD staff.

Job Creation/Retention

The ODOD requires, under the OEBF, the creation or retention of one job for each \$75,000 of OEBF proceeds within a three-year period to the State of Ohio.*

* If the eligible project is located in a priority investment area, the job to dollar ratio shall be 1 to \$100,000.

Equity

The ODOD requires, under the OEBF, a minimum of 10 percent equity. The equity requirement may be higher for start-ups and special purpose facilities.

Collateral

The ODOD will require a first priority mortgage and/or lien position on assets financed with OEBF proceeds to be established via a multi-party agreement between the participating lender(s), the ODOD and the borrower.

Security Requirements

The following may be required:

- § Personal guarantees from owners with more than 20 percent ownership in the company;
- § Corporate guarantees from related companies;
- § Full or partial letter of credit;
- § Life insurance on key business owners and/or managers; and
- § Other types of credit enhancement, if necessary.

Debt Service Reserve

Each borrower is required to fund a debt service reserve equal to 10 percent of the original bond amount. If the borrower defaults on the OEBF loan, this reserve is forfeited and will be used by the ODOD to make debt payments. The reserve can be funded with a letter of credit and/or cash.

Program Fees

- § A \$1,500 non-refundable application fee is required upon filing a completed Financial Assistance Application.
- § A \$20,000 deposit is required upon signing the ODOD's term sheet. These funds will be applied to the project's closing costs.
- § Closing costs are estimated to equal two to three percent of the amount of the bond and are due at closing.
- § An annual servicing fee equal to .25 percent of the outstanding principal balance of the loan will be assessed, pro-rated and payable monthly.

Prepayment

Prepayment of any bond is subject to a make-whole premium, if applicable.

Prevailing Wage

Ohio prevailing wage is required to be paid for construction, renovation and installation of machinery and equipment. Rates and payment of prevailing wages are determined by the Ohio Department of Commerce's Wage and Hour Bureau.

Application Process

- § Contact the ODOD staff to discuss the project.
- § Submit a completed Financial Assistance Application, which includes applicable items on the application checklist below.
- § An eligibility review and credit analysis will be conducted by the ODOD staff.
- § A preliminary project term sheet will be provided by the ODOD staff.
- § Loans will be presented to the Development Financing Advisory Council (DFAC) for review and recommendation. (DFAC generally meets on the last Monday of every month.)
- § Loans will be presented to the State Controlling Board for final approval.
- § Upon receipt of a signed term sheet and commitment fee, closing documents will be prepared.
- § Loan proceeds will normally be disbursed after the loan closing (interim financing may need to be arranged by the business).

Application Checklist

- q History and description of business
- q Description of market, industry and competition
- q Resumes of owners and/or key managers
- q Project description including sources and uses of funds (include specific use of loan proceeds)
- q Business financial information:
 - o Income statement and balance sheet for past three fiscal years, and accompanying notes;
 - o Current business financial statements (less than 90 days old);
 - o Business financial projections for three fiscal years (privately held companies only); and
 - o Business financial information for the last three fiscal years on affiliate businesses (if applicable).
- q Current personal financial statement from all 20 percent or more owners
- q Conditional bank commitment and/or term sheet (if applicable)
- q Phase I environmental audit (if applicable)
- q Cost verification-purchase agreement and/or third party cost estimates
- q Appraisal by qualified appraiser

For More Information

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