



Department of
Development

Ohio Enterprise Bond Fund

Program Guidelines & Application Process

Ohio Department of Development
Strategic Business Investment Division
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The Ohio Enterprise Bond Fund (OEBF Loan), rated AA- by Standard & Poor's, promotes economic development, business expansion and job creation by providing financial assistance for allowable costs of eligible projects in the State of Ohio.

The Ohio Department of Development (Development) issues bonds, the proceeds of, which are loaned to business for allowable costs of eligible projects. The OEBF Loan provides long-term, fixed-rate, one-stop project financing for qualifying businesses that create or preserve employment opportunities in the State of Ohio. The OEBF Loan also enables large and small creditworthy businesses access to capital at costs comparable to those of rated multi-national corporations.

Eligible Projects

Eligible projects include those related to industry, commerce, distribution or research activities. Retail projects are **ineligible** for the OEBF Loan.

Allowable Project Costs/Uses

- Land and/or building purchase; if the project involves the purchase of an existing building, the business must occupy at least 51% of the premises
- Machinery & equipment purchase
- Building construction and/or renovation costs; if the project involves new construction the business must occupy at least 60% of the premises
- Long-term leasehold improvements
- Ongoing businesses fixed asset purchase
- Capitalizable costs directly related to a fixed-asset purchase
- Refinancing is **ineligible**

Available Funding

The OEBF Loan may finance up to 90% of allowable project costs with loans ranging in size from \$2,000,000 to \$10,000,000.

Term

The OEBF Loan term is based upon the useful life of the allowable project costs/uses financed. The term for real estate is up to 15 years and the term for machinery and equipment is up to 10 years.

Interest Rate

The interest rate is fixed for the term of the loan and is determined by the market when the bonds are sold. Please contact Development staff for current rates.

Job Creation/Retention

Development requires the creation or retention, within a three-year period, of one job for each \$100,000 of OEBF Loan proceeds. Priority may be given to eligible projects with higher wage and job creation commitments or projects located in a Priority Investment Area.

Applicant Contribution

Development requires a 10% minimum equity contribution in the allowable project costs/uses. The required contribution may be higher for early stage companies and special purpose facilities. At least 10% of the allowable project costs must be funded by the borrower either directly or indirectly through third party investors and/or lenders.

Security & Collateral

Development requires a first and/or shared first priority mortgage and/or lien position on assets financed with the loan proceeds. Development may consider a shared position with participating third party lenders. This position is established via a multi-party agreement between the participating lender(s), Development and the borrower.

Development may require the following additional collateral or credit enhancements.

- Personal guarantees from owners with more than 20% ownership
- Corporate guarantees from related companies
- Full or partial letter of credit
- Reserve of 10% of the OEBF Loan satisfied by a letter of credit or cash reserve
- Life insurance on key business owners and/or managers
- Other types of credit enhancement, if necessary

Program Fees

- Non-refundable \$1,500 application fee is due upon submitting a completed Financial Assistance Application
- Non-refundable \$30,000 deposit is required upon receipt of a signed loan approval, confirmation and commitment letter. These funds are applied to the project's closing costs
- Closing costs equal to 2% - 3% of the bond amount is due at closing
- Annual servicing fee equal to ¼ of 1% (.25%) of the outstanding principal amount of the loan is 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 for construction, renovation and the installation of machinery and equipment. Rates and payment of prevailing wages are determined by the Ohio Department of Commerce's Wage and Hour Bureau. A request for prevailing wage determination is required for all projects.

Application Process

- Contact Development's Business Development Manager 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 Development staff.
- A preliminary project term sheet will be provided by Development staff.
- Loans will be presented to the Development Financing Advisory Council (DFAC) for review and recommendation. (DFAC generally meets on the last Monday of each month.)
- Loans will be presented to the State Controlling Board for final approval.
- A loan approval, confirmation and commitment letter will be issued by Development upon approval by the State Controlling Board.
- Loan-closing documents are prepared upon receipt of a signed loan approval, confirmation and commitment letter and processing fee.
- Loan proceeds are normally disbursed after project completion and loan closing ("take-out" financing), interim financing may need to be arranged by the business.

Application Checklist

Complete application and attachments may include any/all of the following information:

Business Information

- Description of business and operational history
- Description of market, industry and competition
- Description of products and services
- Bios of owners and/or key managers
- Capitalization table with ownership, subsidiary and affiliates information

Financial Information

- Income statement and balance sheet for past three fiscal years and accompanying notes
- Current business financial statement (less than 90 days old)
- Business financial projections for three fiscal years (privately held companies only)
- Business financial information for the last three fiscal years on affiliate businesses (if applicable)
- Conditional bank commitment and/or term sheet (if applicable)

Project Information

- Project description
- Sources of funds with commitment levels, conditions and financial terms
- Uses of funds with detailed project plan, equipment list and contractor quotes
- Cost verification-purchase agreement and/or third party cost estimates
- Appraisal by qualified appraiser
- Phase I Environmental Review