Alternate Financing Solution

Business Oregon’s newest financing option allows businesses to pay a periodic royalty payment as a percentage of sales to accommodate growing companies that do not qualify for traditional financing.

HOW IT WORKS

The percentage of sales varies with each project, but will yield a 2X return from royalty payments over a three– to five–year period. Additional payments may be required in event of sale of the company or change in ownership. Once the 2X repayment has been achieved, royalty payments stop and the company has satisfied its repayment obligation.

KEY REQUIREMENTS

The company must satisfy all requirements of the Oregon Royalty Fund (ORF) program including, but not limited to, being a traded sector business. Loans may available up to $250,000. Each royalty financing request will be evaluated on a case-by-case basis, but in general the applicant will be required to have:

• Existing history of sales
• Potential for rapid growth in sales
• History of significant gross profit margins or reasonable expectation of achieving significant gross profit margins
• Collateral to secure the loan or personal guarantees of major owners

Combining ORF financing with funding from other sources is preferred, but not required.

BENEFITS

Royalty financing provides benefits to Oregon businesses comparable to traditional debt and equity financing, including:

• The business owner does not dilute ownership interest.
• Royalty financing may be less expensive than equity-based investment.
• Loan payment structure may better align with business cash flow.
• Makes financing available that may not be available from traditional sources of debt or Business Oregon’s other business finance programs.

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REVENUE FINANCING EXAMPLE:

An information-industry company with existing products and sales plans to add new product line and create 12 new jobs. The total funding for the expansion project is $500,000, primarily for working capital. Business Oregon provides a $125,000 ORF loan with the balance coming from equity investors. The company’s annual sales are projected to total $6,000,000 during the next three years after project funding. The ORF loan will be repaid from monthly payments based on 4% of monthly sales. Once total payments of $250,000 (2X) are received, payments will end.