

EMPIRE STATE DEVELOPMENT NEWS

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EMPIRE STATE DEVELOPMENT ANNOUNCES ENHANCEMENTS TO NEW YORK'S LINKED DEPOSIT PROGRAM

Empire State Development (ESD) today announced the expansion of ESD's Linked Deposit Program to assist small businesses in obtaining access to low-cost financing. Today's announcement comes on the heels of the recent expansion of ESD's Community Development Financial Institutions small business lending program, designed to help ease the financial burden of small businesses as a result of the current challenging credit markets.

"Comprising over 98 percent of businesses across New York State, small businesses are the backbone to our State's economy," said Governor David A. Paterson. "It is imperative that New York State take appropriate action to ensure that our small businesses not only survive, but have the opportunity to thrive in this economy. Further, expanding such essential programs for our small businesses is in line with President Obama's belief that our economic recovery and prosperity directly depend upon the success of America's small businesses and entrepreneurs. I am extremely pleased that New York State continues to assist and cultivate local entrepreneurship in this manner."

The Linked Deposit Program is capitalized as a revolving fund of \$560 million: \$460 million from the Office of the State Comptroller and \$100 million from several public authorities. The Program assists small businesses finance improvement projects by reducing the cost of interest on commercial loans by two or three percent. Lenders are compensated by deposits of state funds at comparably reduced rates.

"With \$560 million committed to this program, ESD is very proud to be able to continue supporting our small businesses and manufacturers at a time of such critical need," said ESD President & CEO Marisa Lago. "These reforms to our Linked Deposit Program will enhance participation in the Program by allowing businesses to undertake several small projects and increasing the amount of capital available to each business. Aiding businesses in their endeavors each step of the way will ensure the enduring success of our local businesses for years to come."

Effective today, ESD is raising the limit on multiple Linked Deposit projects from two to three open loans and is expanding the cap on concurrently open projects from \$500,000 to \$1 million, though no single loan may exceed \$500,000. The total lifetime Linked Deposit Eligibility limit will remain at \$1 million. Expanding the number and value of concurrent Linked Deposit loans will enable small businesses to engage in more overlapping projects as their operations and cash flow grow, and will ease their access to capital.

New York State Comptroller Thomas P. DiNapoli said: "Small businesses are facing a serious shortage of bank credit which impedes their ability to modernize operations, improve competitiveness and access new markets. A vibrant business sector is essential to continue the State's economic health and ability to generate jobs. Governor Paterson and ESD are doing their part to help small businesses grow exponentially by these enhancements to the Linked Deposit Program. "

New York Bankers Association President & CEO Michael P. Smith said: "The Linked Deposit loan program has proven an essential element in the State's economic development efforts. The New York Bankers Association applauds the Governor and the Empire State Development for their additional support for this program."

The Linked Deposit Program is an interest rate subsidy program that was developed in 1993. The Program assists eligible businesses to make investments and undertake projects that improve their performance and competitiveness, leading to a stronger economic climate for New York State.

Linked Deposits are reserved for four years; however, they renew at 12-month intervals to allow for any principal payment and interest to be returned to the State. During the four year term, the certificate of deposit and adjusted loan rates do not change. Any principal that pays down during the four years, as well as any remaining principal balance after the four-year term concludes, returns to the Linked Deposit Program's revolving pool of available monies to fund new projects and the interest accrued on those deposits is returned to the State funding source. Further, financial institutions do not profit from the Linked Deposit, as the interest subsidy is applied to the borrower's loan to reduce the cost of interest.

In 2008, the Linked Deposit Program reduced the cost of borrowing for 403 projects with deposits of \$114.5 million, supporting \$297.6 million in private sector capital investment. The cost of the Program to New York State during 2008 was \$1.9 million, which is the value of the foregone interest on deposits that were applied to reduce interest costs for small business loans.

A business seeking financing for a new project should discuss its eligibility for the Linked Deposit Program with a commercial bank, savings bank, savings and loan association or farm credit institution with which it does business or with the New York Business Development Corporation. The lender will make the credit decision and then apply to the Linked Deposit Program on behalf of the business.

New York State firms that are eligible for a two percent rate reduction include:

- Manufacturers with 500 or fewer full-time employees in New York State; and
- Service firms with 100 or fewer full-time employees in New York State that are independently owned and operated and not dominant in their field.

New York State firms undertaking expansions that are eligible for a three percent rate reduction include:

- Empire Zone certified business with 100 or fewer full-time employees in New York State;
- Businesses in highly distressed census tracts with 100 or fewer full-time employees;
- Certified Minority- or Women-Owned Business Enterprises (MWBs) that need financing to fulfill a New York State or federal procurement contract; and
- Defense industry manufacturers with at least 25 percent of gross revenue derived from defense contracts/subcontracts investing to reduce dependence on the defense industry by diversifying production to non-military markets.

Empire State Development is New York's chief economic development agency. ESD also oversees the marketing of "I LOVE NY," the State's iconic tourism brand. For more information, visit www.nylovesbiz.com.

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