



Financing Businesses. Strengthening Communities.

Memphis Small Business Opportunity Fund

HISTORY: Established in 2018 in collaboration with Memphis based Epicenter, Pathway Lending's Memphis Small Business Opportunity Fund (MSBOF) provides loans to underserved small business owners throughout the Memphis MSA. The MSBOF was launched in May of 2018 with an initial capitalization of \$16 million.

GEOGRAPHY SERVED: Memphis MSA
Tennessee Counties: Shelby, Fayette, and Tipton
Mississippi Counties: Tunica, DeSoto Tate, Marshall, and Benton
Arkansas County: Crittenden

INITIAL MSBOF CAPITALIZATION:

Loan Loss Reserve:	\$1MM
Capital for TN Portion of MSA:	\$10MM
Capital for TN, MS and AR:	<u>\$5MM</u>
TOTAL CAPITALIZATION	\$16MM

Requested Investment Types:

Option 1: Limited Risk

10 year Unsecured Subordinated Loan (Equity Equivalent Agreement provides CRA Investment or Community Development Loan Test Credit. Bank receives a 10% per year State of TN Franchise and Excise tax credit for 10 years (allows principal to be repaid through the F & E tax credit over 10 years). Lender receives a 3% annual interest rate. Available for Tennessee portion of MSA only for CRA purposes.

Option 2: Higher Return

10 Year Unsecured Subordinated Loan (Equity Equivalent Agreement) – CRA Investment Test or Community Development Loan Test Credit. Bank provides loan at Prime -4 and receives a 5% annual Franchise and Excise tax credit under the Tennessee Community Investment Tax Credit. Available for Tennessee portion of MSA only for CRA purposes.

Option 3: Traditional Borrowing

10 Year Unsecured Subordinated Loan (Equity Equivalent Agreement) – CRA Investment Test or Community Development Loan Test Credit. Bank provides loan at 3% annual interest rate. Available for entire Memphis MSA including Mississippi and Arkansas counties for CRA purposes.