

## Cash Flow

by John Shegda

### Money where you don't know it exists:

So, we just got approved for our first PA State funded loan request – \$400,000 for some equipment that we needed to handle a big, new medical project. We accomplished this through the PA Industrial Development Authority (PIDA), with the huge help of the Bucks County Economic Development Corp (BCEDC). This may not seem like such a big deal on the surface – it is still a loan, we still have to pay it back...well, as it turns out – for cash flow for a startup company – it is a big deal.

Our cash flow at Meron Medical was impacted very positively in two significant ways. First – if we only used bank funds to finance the \$800,000 total project, they would only commit to 80% loan to value – meaning that we would have to come up with 20%, or \$160,000. This is a lot of cash for any company, let alone a new venture. By splitting the loan between the bank, and the State of PA – the bank looked at the State money as a very significant “down payment”. This lowered their requirements for the loan to value amount and resulted in us only having to come up with \$26,000. The bank financed \$372,000 and the State funded \$400,000 and we kicked in the \$26K. This was huge for us.

Second – the bank gave us a great rate – 4% for 60 months. This made the payments \$7366/month on a \$400,000 loan amount. However, the State got us **3% over 10 years!** This reduced our payment to \$3862/month – freeing \$3500/month in cash for us to use for the many other cash-sucking needs of a young company. Wow.

I urge you not to look past this tremendous resource that is right under your nose. Your county EDC, and the State are there to work for you! They can fund a project, or look at re-financing existing debt to improve your cash-flow. Heck, we pay our taxes to support these programs....we might as well benefit from them when we can!