

## PRACTICAL GUIDE What is an OSEO Guarantee?

*This practical guide is for informational purposes only and is not a comprehensive presentation of all the OSEO guarantees. It does not constitute legal advice.*

OSEO is a French national Public Establishment of an Industrial and Commercial nature (EPIC) that is responsible for supporting innovation and growth for PME (small and mid-sized businesses). This establishment was created in 2005 with the perspective of **facilitating access to financing for PMEs**. The plan to revive the French economy of December 2008, aiming to provide companies access to loans, permitted a **strengthening of the OSEO guarantee means**.

While the PMEs have an increasingly difficult time financing new investments, the OSEO guarantee establishes itself as an incontrovertible assistance next to the financial institutions. It is in the best interest of entrepreneurs wishing to create their own company or companies wishing to develop new projects to examine the possibility of resorting to an OSEO guarantee.

### ➤ **The Guarantee's Key Principle**

The OSEO guarantee is based on **allocating the risks among certain financial institutions and OSEO**. OSEO proposes its guarantee to credit establishments and to capital stock bodies intervening throughout the lifespan of a company (creation, development, and revival of businesses).

OSEO does not deal with the entrepreneurs directly: the financial bodies will contact OSEO (the banks, the special credit establishments, and leasing companies authorized by OSEO and the venture capital companies authorized by OSEO). Nevertheless, nothing prevents the entrepreneur from seeking out his financial institution to have recourse to an OSEO guarantee.

In addition, the OSEO guarantee presents non-negligible advantages for the entrepreneur. Indeed, the **bank guaranteed by OSEO cannot mortgage the principle residence of the business leader**. Additionally, **personal security deposits are in general limited to half of the amount of the loan**.

### ➤ **Beneficiaries**

The TPEs (very small businesses) and the unlisted PMEs can benefit from the OSEO guarantee, regardless of when they were founded. Eligible businesses can exercise all types of activities, with only a few exceptions (including traditional agriculture whose revenue is less than 750,000 €, real estate and financial intermediation). Conditions may also be required concerning the shareholding of eligible companies.

### ➤ **Modalities**

#### ▪ Guaranteed Financial Transactions

- Financing for the creation or development of businesses;
- Contributions by entities authorized by OSEO;
- Participative loans;
- Loans lasting longer than two years (mid and long term);
- Real estate and property leases;
- Loans granted to business leaders directly or indirectly for bringing in capital.

It is necessary that the financial structure of the project complies with certain conditions and ratios that vary according to the nature of the project.

- Extent of the Guarantee

The extent of the guarantee varies according to the type of risk, namely:

- Up to 70 % for financing the creation of businesses initiated by individuals (exceptionally 90 % in situations involving a revival plan), the bringing about of businesses established in French overseas departments and loans accompanying PCEs (Loan for the Creation of a Business);
- 40 % for the development of businesses (with some exceptions);
- 50 % for other interventions.

- Cost: Commissions Owed by the Business Holding the Guarantee Granted by OSEO

- Commission of 0.90 % of the remaining capital due yearly for the creation of businesses *ex nihilo*;
- Commission of 0.45 to 0.70 % in other cases.

It is to be noted that the revival plan permits OSEO from now on to offer bank guarantees to the ETI (Mid-Sized Businesses, meaning less than 5,000 people). Moreover, when the situation of the business will warrant it, the guarantee can apply to up to 90 % of the amount of financing.

➤ **Consequences for the Entrepreneur**

**The OSEO guarantee only operates on a subsidiary basis.** Indeed, in case of non repayment of the loan, the bank must first trigger the personal guarantees of the entrepreneur. Only as a second step can the financial institution trigger the OSEO guarantee to obtain the repayment it did not obtain from the entrepreneur.

Consequently, the beneficiaries of an OSEO guarantee should be careful since, if the OSEO guarantee permits the reduction of the entrepreneur's personal securities, these will nonetheless be activated in priority in case of a disagreement.

Finally, it shall be fitting to note that other specific OSEO tools are available for entrepreneurs, like the Prêt Participatif d'Amorçage (Equity Security Priming Loan, anticipating the arrival of an investor), the Contrat de Développement Innovation (Innovation Development Contract, to finance the launch of innovations in the market), the Contrat de Développement International (International Development Contract), la Garantie Biotech (Biotech Guarantee) or the guarantee of contributions to a subsidiary abroad.

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