

GREENE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY REVOLVING LOAN FUND

PART I

Program Guidelines

A. Statement of Purpose

The Greene County Industrial Development Authority (GCIDA) Revolving Loan Fund is designed to stimulate expansion and assist small business for the purpose of retaining and creating job development in Greene County.

B. Eligibility

1. Area of Eligibility

Borrowers must be located within Greene County, Pennsylvania, or agree to locate within the County prior to disbursement of the loan. Applicants must be classified as a "small business" at the time of application. A small business has one-hundred (100) or less full-time equivalent employees on an annual basis, including parent, subsidiary or affiliates in Pennsylvania.

2. Eligible Businesses

Firms classified in the following industries are eligible for GCIDA financing:

- a. Manufacturing and Industrial- these industries traditionally serve a regional or national market, and are primarily generators of net new jobs. Manufacturers are defined as for-profit firms giving new shapes, qualities or new combinations to materials through labor.
- b. Export Services- these firms are part of the strategic initiative to encourage small manufacturing and industrial businesses to expand into export markets and bring wealth into Pennsylvania's economy. Over fifty percent (50%) of the company's sales must be outside of Pennsylvania.
- c. Advanced Technology/Computer Related- these industries are described by the following characteristics:
 - (1) Conceive and develop new production or product technology.
 - (2) Improve current production technology by incorporating innovations.
- d. Retail, Personal & Professional Services

3. Eligible Activities

- a. Land costs, associated with the purchase, renovation, or new construction of a building. Land costs may include: acquisition, site preparation and testing, utilities, site mapping, legal and other related costs.
- b. Building costs: including acquisition, construction, rehabilitation, engineering, architectural, legal and other related costs.
- c. Machinery and equipment: including acquisition, delivery and installation limited to items directly related to the operation of the business.

4. Ineligible Activities

Firms classified in the following industries are ineligible for GCIDA financing:

- a. Real-Estate Speculation / Investor Developer - these are described as a landlord who owns rental properties, therefore making them ineligible to use those proceeds. However, if you run a business and you own the property that you are running the business for, you can apply.

C. Loan Parameters

1. Loan Size: The maximum loan amount for land, buildings, machinery and equipment is \$50,000 or 50% of the total eligible cost, whichever is less. The maximum loan amount for working capital is \$25,000 or 50% of the total eligible project cost, whichever is less.
2. Private Sector Investment: Loans will be made in conjunction with a private sector lending source, equity from the owners or investors or other private source.
3. Loan Security: All loans must be secured at the highest position available on one or more of the following assets: land, buildings, machinery, equipment, accounts receivable and inventory. In addition, GCIDA will generally require corporate and personal guarantees.
4. Terms: Loans used for real estate are permitted to have a repayment period of up to ten (10) years. Loans used for machinery and equipment will have a repayment period of up to seven (7) years. Loans used for working capital will have a repayment period of up to three (3) years. In projects where two or more uses of GCIDA funds are planned, loan terms may be blended.
5. Interest Rates: Contingent upon loan committee, Authority staff or an underwriter review the interest rate will be annual fixed rate between 2% above to 2% below prime.
6. Deferrals: GCIDA may approve special deferrals of principal and/or interest for up to six (6) months, based on the business climate.

7. Special rate: GCIDA may at times work with Chambers of Commerce, Main Street/Elm Street organizations, agricultural¹ entities or other business groups, and develop a special loan and interest package to fit that class which would enhance increased economic development.

8. Fees and Penalties:
 - a. The GCIDA will charge the applicant a non-refundable \$30.00 credit application fee.

 - b. The GCIDA will charge the borrower reasonable and customary documentation fees, filing fees and legal fees. This fee may be included as part of the total eligible project cost.

 - c. ***Failure to meet any of the terms or conditions of the loan may result in an increase in the interest rate to two percent (2%) above the current rate on the outstanding principal for the loan unless it is determined by the Board of Directors that failure was due to circumstances beyond the control of the business.***

D. Conditions of the Loan

1. Borrowers must demonstrate job creation potential.

2. Matching private lending sources must have either equivalent or longer terms than the GCIDA loan. Bank commitments for a working capital term loan must remain open for the full term of the GCIDA loan.

3. An applicant may not receive more than \$50,000 from the GCIDA program during any twelve-month period.

4. The beneficial owner must have at least seventy percent (70%) ownership in the project. In addition, each partner or shareholder or the beneficial owner, except for family members, must have some interest in the project.

5. The applicant may not relocate from Greene County without all loans and financing provided by and received through the GCIDA being paid in full. In the event of such a relocation, the following penalties will be imposed on the outstanding balance and will be determined by the number of years the business has been in operation:

- A penalty of **10%** for one year.
- A penalty of **8%** for two years.
- A penalty of **6%** for three years.
- A penalty of **4%** for four years.
- A penalty of **2%** for five years.

¹ “Cultivation, Growing, Raising, Feeding, Housing, breeding, hatching or managing crops, plants, animals, birds, for fiber, food, or livestock feed”. Hydroponics, aquaculture, Forestry (timber, tree farms, etc.) and commercial nurseries are not considered agriculture.

6. The applicant and its principals must not be delinquent or in default on any existing private or publicly financed loan and will be required to sign an affidavit to that effect.
7. The applicant and its principals must be current in payment of all applicable state and local taxes and evidence of appropriate insurance coverage, not limited to: fire, liability, workers compensation and auto prior to disbursement of funds.
8. **LOAN PROCEEDS MAY NOT BE USED FOR:** refinancing existing debts (including leveraged buy-outs), investor-developers, real estate speculation, rent or other distributions or payments to the owners, partners, shareholders, or beneficiaries of the applicant or members of their families. Speculative ventures, adult entertainment, gaming operations, check cashing outlets or pawnshops. Except for emergency loans, funds cannot be used for paying off previous debts, or for loan consolidation. All loans are subject to final approval by the loan committee, Authority staff or an underwriter designated by the Authority and the GCIDA Board of Directors.

E. Emergency Loan Parameters

1. Conditions

In the event that a Declaration of Local Emergency is proclaimed by the Board of Greene County Commissioners the Emergency Loan parameters can be implemented. These loan parameters may also be following a situation where the GCIDA sees the need to increase economic development as an indirect cause of such declaration or for a period of one (1) year following. Program Guidelines will be applicable except for the for the follow special parameters.

- a. Eligible Activities – Working capital, utilities, rent/lease and vendor invoices. Refinancing and loan consolidation of existing debts already held with the GCIDA, loan consolidation and repayments of debts held with other agencies only if the original source of funds was used for retaining and creating job development or an eligible activity identified in Part 3 (a) of the Revolving Loan Guidelines.
- b. Interest Rates – The interest rate will be an annual fixed rate of 1% except for refinancing and debt consolidation loans which will be an annual interest rate of 2%.
- c. Term – Emergency Loans will have a repayment period of fifteen (15) years.
- d. Loan Amount – The maximum amount for loans will be \$50,000.
- e. Deferral – For the first ninety (90) days loan payments will be deferred and no interest will be charged.

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Part II

Application Procedures

- A. The applicant will submit the loan application to the GCIDA office, 93 East High Street Suite 214, 2nd Floor Waynesburg PA 15370
- B. The GCIDA staff will review the application to ensure the application is complete and meets basic eligibility criteria. If the application is initially acceptable, the loan committee, the Authority staff, or an underwriter designated by the Authority will do a financial analysis and review the applicant's business plan information then will present each application to the Board with the recommendation for or against approval based on this analysis. The Board will formally determine if the loan is approved using the application (minus financials) facts and loan committee, Authority staff or an underwriter's recommendations.
- C. The loan committee, Authority staff or an underwriter designated by the Authority will review each completed application in the order that it is received in the GCIDA office as long as funds are available. Applicant's information will remain valid for six (6) months following submittal. Applications kept on file longer than six (6) months, waiting for the fund to recoup with payments made by the borrowers, must be submitted with updated financials and project costs.
- D. The loan committee, Authority staff or an underwriter designated by the Authority will recommend the approval or rejection of the loan application and formally notify the applicant of the decision within thirty (30) days of receipt of the Board's decision. The Board's commitment will be good for a period of ninety (90) days from the date of approval and may be extended upon request for an additional ninety (90) days.
- E. Upon formal acceptance by the GCIDA and the applicant of the commitment, execution of legal documents and provision of personal guarantees, loan funds will be available. A closing date may then be scheduled.
- F. Before the GCIDA will disburse funds, the borrower will ensure and confirm, in writing, twenty (20) days before the closing date:
 - 1. That all other sources of funding will be in place at the time of closing.
 - 2. That all parties agree to the collateral, as approved by the GCIDA Board; and,
 - 3. The closing date and place.
- G. Any material changes in project budget, collateral, private lending items or terms must be reviewed by the loan committee, Authority staff or an underwriter designated by the Authority, recommended to and approved by the GCIDA Board.

- H. The GCIDA will make arrangements to close the loan using the standard closing documents established for the Revolving Loan Fund within seven (7) days of the closing date.
- I. The borrower will execute a promissory note with the GCIDA for the loan amount. The GCIDA will provide an amortization/payment schedule.
- J. Completed applications with all required items/documentation are due in the GCIDA office by the first business day of the month in order for the application to be presented at that month's board meeting for review. Any application received after this deadline would be presented and reviewed at the subsequent month's board meeting. Note: that the GCIDA Board meets only once a month, normally the second Tuesday of each month.

Disbursement Procedures

- A. Loans will be disbursed at the closing, unless other mutually agreeable arrangements are made.
- B. Principal and interest payments are due every thirty (30) days. Borrower is responsible for making timely payments as indicated on the amortization schedule.
- C. The borrower must provide verification that loan funds are being used in the manner approved by the Board. Invoices, purchase orders, cancelled checks, and/or the requirement for co-payable checks, must be submitted at the time of disbursement. Failure to comply will result in an increased interest rate of two percent (2%) for the term of the loan, or constitute default.

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Part III

Evaluation Criteria

- A. Business Evaluation:** The historical performance of an existing business will be evaluated to assess its ability to repay the GCIDA loan. Specifically, this evaluation will include:
1. Financial performance of the business: this involves an evaluation of the prior three (3) years financial performance, including an examination of income statements, balance sheets, cash flow statements and notes to financial statements.
 - a. Financial statements should be prepared by an independent accountant. If an internal accountant is used their qualifications must be provided. Annual statements prepared internally must also include appropriate notes to financials. If the closing date of the most recent statement is six (6) months or older, the most current company internal statements must be submitted.
 - b. Payment on notes payable to officers and investors who own twenty percent (20%) or more of the applicant must be subordinated to all long-term debt prior to loan disbursement.
 - c. Notes receivable from officers and shareholders reflected on the company's balance sheet must be repaid prior to loan disbursement.
 2. Financial performance of the owners: this involves an evaluation of the current personal financial statements of any principal with at least twenty percent (20%) or greater ownership in the business. Personal financial statements should be signed and dated.
 3. Market performance: this involves an evaluation of the local and national market and the applicant's current and projected position or market share.
 4. Management ability: this involves an evaluation of the experience and skills of the proprietor, partners and directors. This includes general business experience as well as specialized experience in the particular industry.
 5. Start-up firms: new businesses are eligible to apply as long as they meet all GCIDA loan requirements and conditions. In these cases, applicants must be able to demonstrate management and industry experience or expertise, along with expectations for a strong potential market for their product or service, including a three (3) year pro-forma financial projection.

B. Project Criteria: The merits of the proposed uses of the funds will also be assessed to determine the ability to repay the loan. Specifically, this evaluation will include:

1. Projected sales and revenues: this involves an assessment of the validity and risk of the sales and revenue projections.
2. Financial Statement Analysis: a thorough credit analysis will be performed using both historical and projected financial statements. Projection should be done for one complete twelve (12) month period on a monthly cash flow basis following anticipated closing of the GCIDA loan. As indicated earlier, start-up businesses will submit three (3) year projections.
3. Value of the assets and collateral: appraisals, when appropriate, will be required to assist the GCIDA in evaluating the Borrower's ability to secure the loan. The borrower prior to closing will pay for appraisals. All loans must be secured by lien positions in collateral at the highest level of priority, which can accommodate both the business's ability to raise sufficient private match and the program requirement for sufficient security. The GCIDA must ensure that all collateral is covered with appropriate insurance designating the GCIDA as the loss-payee.
 - a. Projects involving the purchase of used machinery and equipment will be allowed to submit sales agreements in lieu of appraisals.
 - b. Projects involving the acquisition of existing buildings will be required to submit one current independent appraisal or other acceptable evidence of the value of the property.
 - c. Projects involving buildings offered as collateral must include at least one current independent appraisal or other acceptable evidence of the value of the property.
 - d. Projects involving working capital are required to include at least lien positions on accounts receivable and inventory.
4. Changes in market strategy and/or management strategy: any proposed significant changes in the business plan; market strategy or management team will be reviewed.
5. The total number of full-time equivalent jobs created.
6. The number of full-time equivalent jobs to be created per GCIDA dollar invested.
7. The private investment to be leveraged as a result of the GCIDA investment.
8. The increase percentage of sales or receipts.
9. Economic distress and strategic importance of the industry group.

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Part IV

Management Procedures

A. Delinquency and Default Policies

1. Loan repayment will be submitted by the applicant to the Greene County Industrial Development Authority, at, 93 East High Street Suite 214 2nd Floor Waynesburg PA 15370.
2. Any loan repayment not received by the GCIDA within fifteen (15) days of the due date will result in a written reminder to the borrower and a late charge of 5% of the payment will be added to the loan.
3. If a borrower falls two payments in arrears, a second notice will be sent certified mail and penalty charges will be assessed at a rate of ten percent (10%) per month on the overdue payment.
4. If a borrower falls three payments in arrears, a default notice will be issued to the borrower and principals. Borrower will be responsible for any legal costs associated with collecting the debt. At that time the GCIDA must:
 - a. Advise the business in writing that its loan is in default.
 - b. File judgment against the assets of the business.
 - c. Submit a collection strategy and progress report to the Board of Directors.
 - d. Obtain year-end tax returns and accountant prepared financials, if available.

B. Reporting and Inspection Requirements

1. **Periodic Reports** - Each borrower is required to submit an annual report to the GCIDA. The report should be prepared as of December 31st of each year and include the following information:
 - a. Accountant prepared financial statements and/or tax returns by April 30th or 120 days following fiscal year-end.
 - b. Project status.
 - c. An enumeration of any problems or issues that have arisen in regard to the loan.
 - d. A statement regarding the number of full-time equivalent jobs created and a projection of the number of full-time jobs to be created over the next year.

2. **Updating** - Borrower shall update the information given to the GCIDA in the application if conditions change or to the extent that the information given orally becomes inaccurate or misleading.
3. **Inspection**- All small business enterprises applying for and/or receiving assistance under this act, upon reasonable request of the GCIDA Board, shall permit duly authorized employees of the GCIDA and members of the loan committee, to inspect the premises, books (including tax returns) and records of the small business enterprise.

C. **Amendments**

Any amendments, changes or variations of the above regulations and numbers must be ratified by fifty percent (50%) of the Board of Directors.

CLIENT'S CONFIRMATION

I, the undersigned, hereby state that I have read the information contained in the Greene County Industrial Development Authority's Revolving Loan Fund Guidelines, Application Procedures, Evaluation Criteria and Management Procedures. I understand that the application will be approved at a public meeting and that some portions of the loan portfolio may be subject to right to know law.

Name

Company Name

Date

Witness

Date