

SHENANGO VALLEY ENTERPRISE ZONE CORPORATION

Revolving Loan Fund Program Manual

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I Program Introduction

The Shenango Valley Enterprise Zone Corporation (hereinafter EZ Corporation) is a Pennsylvania, non-profit corporation organized for the purpose of providing financial assistance to businesses. The EZ Corporations membership is comprised of representatives of the Cities of Sharon, Farrell and Hermitage and the Boroughs of Wheatland, Sharpsville and Greenville.

The EZ Corporations loan program has been established to stimulate the expansion of business and industry within designed enterprise zone areas of Mercer County for the purpose of creating or retaining jobs. Loans to businesses must serve a public purpose. They must primarily promote the health, safety, or welfare of the public at large, and provide overall benefit to the citizens of the community.

This manual has been developed to provide a summary of the eligibility, policies, procedures, administrative process and compliance standards for the **SVEZC** loan program Applicants to apply for assistance and to maintain compliance in the event that project funding assistance is approved. All questions concerning the information set forth herein should be directed to the corporations Coordinator.

Accompanying this Manual are specific guidelines for each lending program

II Applicant Eligibility

Eligible Applicants are all new and existing businesses and industries located in the Enterprise Development Area as designated by the Commonwealth of Pennsylvania as the Shenango Valley Enterprise Zone, which consists of portions of the Cities of Sharon and Hermitage, portions of the Boroughs of Wheatland, Sharpsville, West Middlesex, and Greenville, all of the City of Farrell, and certain portions of the Townships of Pymatuning, South Pymatuning, Hempfield, Shenango and Delaware. For specific questions pertaining to location, contact the corporation=s Coordinator.

The following types of firms are eligible for Enterprise Zone Program financing: (1) manufacturing; (2) industrial; (3) business-to-business services, including warehousing and distribution; (4) advanced technology firms; and (5) a separate limited fund has been set aside for other firms meeting additional criteria. In evaluating these other firms, the following criteria will be considered: (1) job quality, as indicated by full-time positions paying at least 150% of minimum wage and providing some fringe benefits; (2) higher multipliers in the form of secondary spin-off jobs; (3) community economic base diversification as part of an effort to

build economic base or Aexport@ firms in communities which had lost previous concentrations of such firms; and (4) counter-cyclical insulation provided by firms with markets located outside the economic region of each enterprise zone.

No loans will be made for any project outside the Enterprise Zone Boundaries as set forth under Article VI herein.

Loans will be made for renovation, additions, the purchase of land or buildings, machinery and equipment purchases, contract lending, and the payment of some soft costs of a project (such as professional fees, architect/engineers, attorneys, etc) provided that the soft costs being financed do not exceed 10% of the amount being lent.

Applicants must be credit-worthy and the purpose of the loan must be economically feasible.

III Standards

Minimum Requirements for Loan or Investment:

The Applicant shall prove that the loan or investment is necessary to complete a feasible financing plan; that the financing plan will not be feasible without the financial assistance of the EZ Corporation and other sources as outlined in the plan. Loans will be made in conjunction with other lending sources and equity from the owners or investors. A minimum of ten (10%) percent of the total project cost shall consist of Applicant equity input. The EZ Corporation=s Loan Review Committee will make a commitment of the loan only upon satisfactory evidence of the commitment of the other sources of financing, for which terms and amounts the Loan Review Committee may determine appropriate. No loan in excess of \$100,000 may exceed 50% of the total project cost less the equity infusion, with a maximum loan amount of \$250,000.00

All loans shall be secured by lien positions on collateral of the highest level of priority which accommodate the Applicant=s ability to raise sufficient debt and equity capital. The Applicant shall set forth the sources of funds for the total project, as well as the intended use of those funds. Applicant shall also represent to the EZ Corporation the lien position that is being offered and/or available, as well as the lien positions of other providers of funds to the project.

The Applicant's business must benefit the Enterprise Zone. There will be a provision in the Loan Agreement that the Applicant will:

(a) create a reasonable number of jobs within a reasonable time, the ratio of job to dollars loaned to be consistent with current State Enterprise Zone Guidelines;

(b) for projects that are designed to retain jobs, documentation must be provided to demonstrate that the jobs would actually be lost without assistance. Jobs are considered retained only when it can be clearly and objectively demonstrated that without assistance, the jobs would be lost;

(c) The Applicant will provide employment for Enterprise Zone residents where feasible and/or otherwise provide tangible benefits to the Zone in such matters as increased overall economic activities and/or enhanced economic environment of the Zone.

In addition, if the Applicant's business relocates outside of the Enterprise Zone, or ceases to do business, during the term of the loan, then the Agreement will provide that the loan amount is accelerated, and the interest rate is then increased to 2% above current Wall Street prime, with the full balance being accelerated and then due and owing, unless it is determined that failure was due to circumstances beyond the control of the business.

The activity financed by the loan or investment shall commence and be completed within a reasonable time. Provision shall be made for immediate or accelerated repayment or penalty if the activity is not started or completed within a reasonable and agreed-upon time, unless there are mitigating reasons accepted by the EZ Corporation.

The loan or investment agreement shall include requirements which the Applicant must meet in satisfaction of the loan or investment, shall provide for monitoring of the progress of the Applicant's activity, and provide means for enforcing compliance with the terms of the Agreement. Additionally, the Loan Agreement shall provide for the return to the EZ Corporation of loan repayment funds to be used for additional loans or investments, or other activities in accordance with the provisions and purposes of the Enterprise Zone Program.

IV Application Procedure

Application forms may be obtained from the Enterprise Zone Corporation or from the Coordinator at their offices at 165 Euclid Avenue, Sharon, Pennsylvania 16146 (telephone: 724-342-1300). Completed forms must be returned to the Coordinator no later than the first day of the month within which the Applicant wishes to have the application reviewed. An original and 10 copies of the application, and all attachments, must be submitted. The Applicant must contact the EZ Corporation=s Coordinator prior to the submission of the application in final form.

Applications will be forwarded to the Loan Review Committee for review in general conformance with the Program Guidelines.

If applications conform to the Program Guidelines, they will then be reviewed for determination of the economic feasibility of the project, the credit worthiness of the Applicant and a determination of the loan amount, interest rate and term of the loan.

Approved applications will be given to the Board of Directors of the Shenango Valley Enterprise Zone Corporation and the Applicant notified of the decision. Loans receiving final Board approval must be accepted within sixty (60) days of the date of the commitment letter; otherwise, the loan approval will be canceled. Loans must be closed within forty-five (45) days of acceptance by the Applicant, unless written extension is requested, and granted.

If an application is rejected by the Loan Review Committee, a written explanation will be given. The Corporation will so notify the Applicant.

Approved loans will be secured by a mortgage, note or other instrument established by the Loan Review Committee. The EZ Corporation reserves the right and option to require the personal guarantees of the owners and their spouses of the Applicant business as an additional repayment source for the proposed loan.

Submission of documents as required by the EZ Corporation=s loan commitment shall be submitted to the offices of the Corporation=s legal counsel, who shall disburse the loan funds once all requirements have been met.

V Revolving Loan Fund Application and Loan Fees

1. Application fee. A non-refundable application fee in the amount of \$200.00 must be submitted with the completed application, made payable to the AShenango

Valley Enterprise Zone Corporation.@

2. Legal fees. With the signed acceptance of the loan commitment, a check is required, in the amount of \$500.00, payable to the EZ Corporation=s Solicitor as retainer for services rendered to the Enterprise Zone Corporation in the processing of the loan agreement and security documents relative thereto. Services provided by the EZ Corporation=s Solicitor shall be billed at \$125.00 per hour, rounded to the nearest 1/10 of an hour. Any balance due over and above the \$500.00 retainer shall be paid by Applicant prior to disbursement of the loan funds. Applicant shall also pay any costs incurred by the Enterprise Zone Corporation in the recording and/or filing of the mortgage or other security documents.

VI Loan Terms and Conditions

1. Loan Amount. The maximum loan amount is 50% of the project cost after the required equity infusion, except in cases where the amount borrowed is \$100,000 or less, in which case the loan may represent 100% of project costs after the equity infusion, with a maximum of \$250,000.00.

2. Interest Rates. The interest rate will be a fixed rate. The interest rate will be established pursuant to the EZ Corporation=s interest policy on the date of first approval or the date two business days prior to the Applicant=s scheduled closing date, whichever is lower. Interest rates and terms are as follows:

For loans up to a 5-year term 60% of Wall Street Journal prime

For loans with a 7-year term 60% of Wall Street Journal prime, plus 1/2%

For loans with a 10-year term 60% of Wall Street Journal prime, plus 1%

For Contract Loans Wall Street Prime plus 1%

3. Terms. Loans primarily used for real estate may have a repayment period of up to ten (10) years. Loans primarily used for machinery and equipment will have a repayment period of up to five (5) years. Loans used exclusively for Contract Lending will have a repayment period of up to one (1) year. Loans used for a combination of real estate, machinery and equipment may have a blended repayment period of up to seven (7) years.
4. 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. Personal guarantees may be required for additional

security. If required, personal financial statements will be submitted for review. Other security may be required at the discretion of the Loan Review Committee after review of Applicant=s financial information. All financial information is kept strictly confidential.

5. Ownership. The loan will immediately become due and payable upon the change of ownership. However, loans may be assumable if the purchaser applies and qualifies under the program guidelines and incurs all costs associated with the application and legal fees.
6. Non-Prejudicial Approvals. The Applicant may request, in writing, Anon-prejudicial approval.@ If non-prejudicial approval is granted, the Applicant may continue with the project at its own risk while the loan request is under review. Costs incurred following non-prejudicial approval may be included in the scope of the project. In these instances, the Applicant is continuing at its own risk in the event the loan is not approved. In cases where non-prejudicial approval has not been granted, only costs incurred following submission of the application may be included in the scope of the project.
7. Matching lending sources must have either equivalent or longer terms than the Enterprise Zone loan.
8. The maximum aggregate loan balance and commitment to any one Applicant shall not exceed \$500,000.00 at any time.
9. The Applicant and principals must be current in payment of all applicable state, local and federal taxes.
10. Loan proceeds may not be used for refinancing existing debts; real estate speculation; rent; or distribution or payment to the owners, partners, shareholders or beneficiaries of the Applicant or members of their families.
11. The Enterprise Zone Corporation reserves the right and option to require a financial report on an annual basis be submitted or as otherwise required by the corporation.
12. Other terms and conditions as may be established by the Shenango Valley Enterprise Zone Corporation.

VII Enterprise Zone Boundaries

Business which qualifies for loans under the guidelines as set forth herein must be located within the boundaries of the Enterprise Zone Areas.