

## **Revolving Loan Fund**

### **Background**

**And**

### **Credit Policy, Terms and Procedures**

As part of its efforts to foster economic development, the Industrial Properties Corporation (“IPC”) and the Williamsport/Lycoming Chamber of Commerce (Chamber), in partnership with the City of Williamsport (City), have established a revolving loan program to assist businesses with partial financing for economic development projects.

Eligibility for participation as a borrower in the Revolving Loan Program is determined by the partners from time to time. Currently, eligibility requirements are as follows:

1. The borrower can be an individual, corporation, Limited Liability Company or any other entity, including non-profit corporations. However, the borrower must be a “small business”. Under current policy, a borrower is considered to be a small business if the borrower’s gross sales are less than \$1,000,000.00 annually or the borrower employs less than 50 people.
2. The borrower has its principal place of business in Lycoming County, Pennsylvania or does a significant or proposes to do a significant business in Lycoming County, Pennsylvania. Normally, more than half of the borrower’s work force would be expected to be employed in Lycoming County for the borrower to be considered doing significant business in Lycoming County.
3. One of the following criteria must be met: (a) the borrower’s business is a start-up enterprise, (b) the borrower is expanding the borrower’s business or (c) the borrower is relocating existing business operations to Lycoming County, Pennsylvania.
4. The borrower has at least one (1) year of experience in the type of business for which the loan is to be used.
5. Borrowers who have an owner, employee or individual affiliated with that Borrower on the Revolving Loan Committee are not eligible for loans under the Revolving Loan Program.

Loans are available only for the costs of projects which are eligible under the guidelines for the Revolving Loan Program and which are consistent with the

IPC and Chamber's mission to promote, foster, expand and protect the business and industrial life of Lycoming County. Currently, eligible projects include machinery and equipment purchases, leasehold improvements directly related to installation of equipment, new construction, building renovations and working capital. Activities or projects which are not eligible include activities or projects which the RLC deems to be of a speculative nature, such as spec buildings, subsidized interest payments, or refinancing of existing debt. Projects which are not consistent with organizations' mission because of situation, industry, purpose or other reason are not eligible under the Revolving Loan Program.

The borrower is required to contribute at least 10% of the project costs as a minimum equity contribution, unless otherwise approved by the Revolving Loan Committee. The RLC may establish a different equity contribution for a project, based on the borrower's credit history, credit worthiness, cash flow, credit of any guarantors and the purpose of the project.

As part of the application process, borrowers are required to submit such documentation and information as may be required from time to time by the the Revolving Loan Committee. Currently, the following items are normally required to process an application for a loan:

1. Three years of financial statements, signed by the borrower, if the borrower has been in business for at least three years or, if not, for the number of years the borrower has been in business.
2. Signed federal tax returns for the borrower for a period of three years or such lesser number of years as the borrower has been in business.
3. For any proposed guarantors, signed federal tax returns and financial statements for that guarantor, in each case for a period of three years.
4. A business plan with cash flow projections that can support the debt service.
5. If the borrower is not an individual, copies of the organizational documents of the borrower.

The amount of the loans may range from a minimum amount of \$5,000.00 to a maximum amount of \$50,000.00, as may be approved by the Revolving Loan Committee. The amount of available credit will depend upon a number of factors, including the amount of the eligible project costs and the funds available in the Revolving Loan Program.

## Procedures and Terms

1. The prospective borrower must complete and submit an application form approved by the Partners, together with the supporting documentation required by the Revolving Loan Fund guidelines or as otherwise required by the Revolving Loan Committee, from time to time. The form of the application as currently approved is attached as Exhibit "A".

2. In order to defray the costs to the Chamber of administering this program, the prospective borrower will be required to pay the IPC a non-refundable loan application fee equal to 3% of the amount borrowed not to exceed \$600. If the prospective borrower is a member of the Chamber, the application fee will be 1% of the amount borrowed not to exceed \$300. In addition to the non-refundable application fee, borrowers who are not members of the Chamber are required to pay a \$275.00 per year administrative servicing fee to the Chamber. Loans made to borrowers who are members of the Chamber are herein called "Member Loans". Loans made to borrowers who are not members of the Chamber are herein called "Non-member loans".

3. The completed application will be reviewed by the Revolving Loan Committee for approval. If the loan is approved by the Revolving Loan Committee, the approval by the Revolving Loan Committee will include: (1) the term for which the loan is approved, (2) the principal amount of the loan approved, (3) the collateral required for the loan and the lien position, (4) any required guaranties, and (5) such additional terms, conditions and/or requirements as the Revolving Loan Committee deems appropriate. If the loan is approved, the terms of the loan will normally fall within the following criteria:

- Working capital loans will be for a term not to exceed three (3) years. All other loans will be for a term not to exceed the lesser of seven (7) years or the estimated life of the collateral pledged for the loan.
- The interest rate will be fixed for the term of the loan.
- Initially, the fixed interest rate for the loans will be 50% of the Prime Rate plus 2%, but not less than 5%. The Prime Rate will be the Prime Rate as published in The Wall Street Journal. The interest rate will be fixed based on the Prime Rate in effect within three days of the closing date.
- The Revolving Loan Committee may from time to time review and re-evaluate the interest rate charged with respect to loans made under the Revolving Loan Program, based upon market conditions and other factors deemed relevant by the Revolving Loan Committee. Based on that review, the Revolving Loan Committee may from time to time adopt an interest rate for the loans different from the initial interest rate provided for in the preceding paragraph. In establishing such subsequent interest rate(s), the Revolving Loan Committee can change the index, the floor, or the formula for determining the interest rate or otherwise adjust the

interest rate to such interest rate as the Revolving Loan Committee determines to be appropriate.

- Loans will be in a principal amount not to exceed the lesser of \$50,000.00, 1/3 of the total eligible project costs, or the principal amount approved by the RLC. The aggregate amount of all loans to any borrower cannot exceed \$50,000.00 at any one time. Eligible project costs shall be determined by the Revolving Loan Committee.
- All loans shall require monthly payments on an amortized basis of principal and interest.
- Events of default will be set forth in the loan documentation, together with the applicable rights and remedies of the IPC.

4. If the loan is approved, the prospective borrower will be notified in writing by the IPC, which notice shall include the terms of the approval as outlined in Paragraph 3 above, to be accepted by the prospective borrower within the time specified in the written notice from IPC. If the loan is not approved, the prospective borrower will be notified by IPC and given such information as to the reasons for disapproval as the Revolving Loan Committee deems appropriate.

5. Loans will be documented using the IPC's standard loan documentation.

6. All loans will be secured by collateral having the lien position required by the Revolving Loan Committee.

7. All costs and fees, including attorney's fees, incurred by the Partners in the connection with any loan, including, without limitation, preparation of loan documentation, recording and filing fees, costs of collection and enforcement and preservation of any collateral, shall be paid by the borrower, in addition to any fees payable in connection with the Revolving Loan Program. By submitting an application for a loan under the Revolving Loan Program, the prospective borrower acknowledges that it is the borrower's sole obligation to make payment of such fees and charges.