

# **LAWRENCE COUNTY ENTERPRISE ZONE REVOLVING LOAN FUND**

## **PURPOSE**

The Lawrence County Enterprise Zone Revolving Loan Fund (LCEZ-RLF) is designed to assist business growth and job creation in designated Enterprise Zone areas within Lawrence County by making below market rate loans for fixed assets and permanent working capital.

LCEZ-RLF provides low-interest loan financing for up to 30% of the total project costs associated with the purchase of land, building, machinery and equipment to businesses unable to fully finance these projects with equity, bank financing, or other private and public sources.

LCEZ-RLF may be used in conjunction with other state financing programs or with programs operated by local or regional economic development providers. The Lawrence County Economic Development Corporation (LCEDC) has overall administrative responsibility for the LCEZ-RLF program and all loan applications are packaged, closed, and managed by the LCEDC.

## **ORGANIZATION**

The Lawrence County Economic Development Corporation (LCEDC), a non-profit, 501(c)3 corporation existing under the laws of the Commonwealth of Pennsylvania, administers the Fund on behalf of all of the municipalities included in the designated Enterprise Zone areas including:

- City of New Castle
- Neshannock Township
- Shenango Township
- Union Township
- North Beaver Township
- Taylor Township

LCEDC's staff assists the client in packaging and analyzing the loan information and presents the loan application material to its Loan Review Committee for final analysis and recommendation. The Loan Review Committee is comprised of LCEDC members from the business and banking sectors. Once the Loan Review Committee has reviewed the request for funding along with all applicable documentation, it prepares a recommendation to the LCEDC's Executive Committee who then presents a recommendation to the full Board of Directors. The Board of Directors is responsible for the final action of approving or denying the loan request. The LCEZ-RLF is capitalized by grants received through Commonwealth of Pennsylvania's Enterprise Zone program.

## **ELIGIBLE APPLICANTS**

An eligible small business enterprise is a for-profit corporation, limited liability company, partnership, proprietorship or other legal business entity located within or intending to locate in a Lawrence County Enterprise Zone designated area meeting the definition of one of the following enterprises:

1. **Agricultural Enterprise** – An enterprise that is engaged in one of the following:
  - a. The manufacture, development or preparation for sale of one or more farm commodities, which add value to those commodities.
  - b. The conversion of a farm product into a marketable form, including, but not limited to, livestock by slaughtering, fruits and vegetables by canning and freezing and forest products by secondary processing.
2. **Agricultural Producer** – A small business enterprise involved in the management and use of a normal agricultural operation for the production of a farm commodity. Such operations consist of, but are not limited to, the production, harvesting or preparation for market of poultry, livestock and their products (including bee products), agricultural crops, timber, horticultural crops (including flowers, fruits, vegetables and shrubs), and aquaculture crops including fish and plants grown in water. The enterprise must operate on not less than ten contiguous acres in area or operate on less than ten contiguous acres in area but with an anticipated yearly gross income of at least \$10,000.
3. **Industrial Enterprise** – An enterprise other than a mercantile, commercial, or retail business. Examples include: warehouse and terminal facilities, office buildings utilized as national or regional headquarters and computer or clerical operations centers.
4. **Manufacturing Enterprise** – An enterprise engaged in the giving of new shapes, new qualities or new combinations to matter by the application of skill and labor.
5. **Research and Development Enterprise** – An enterprise for the discovery of new, or the refinement of known, substances, processes, products, theories, and ideas, but does not include activities directed primarily to the accumulation or analysis of commercial, financial or mercantile data.
6. **Computer-Related Services Enterprise** – An enterprise engaged in the development of computer software; business-to-business computer related consulting solutions, including but not limited to network development or e-business applications or development of custom programs for businesses. Computer training providers are not eligible under this category.
7. **Construction Enterprise** – Building contractors that derive 80% or more of their income from the construction of new business-related or residential buildings.

8. **Business-to-Business Enterprise** -- An enterprise that is primarily engaged in providing a service or offering a product to other business enterprises. At least 85% of the businesses' revenue must be derived from other manufacturing, industrial, retail or commercial businesses.

*If a portion of the applicant's small business engages in an ineligible activity such as retail sales or service, no more than 25% of the business's income may be derived from the ineligible activity.*

### **INELIGIBLE APPLICANTS**

Any business considered to be a professional service, retail operation, restaurant, hospitality industry or not described above is not eligible to receive funding through Lawrence County Enterprise Zone program.

### **ELIGIBLE LOANS**

- A. New or used machinery and equipment used as part of the production process. No over-the-road, licensed rolling stock or office equipment.
- B. Land and/or building acquisition.
- C. Building rehabilitation.
- D. New construction.
- E. Real property improvements.

### **INELIGIBLE USE OF FUNDS**

The following activities may not be funded through the LCEZ-RLF Loan:

- 1. Refinancing any portion of the total project cost, except for short-term "bridge" financing where the bridge financing is being promptly replaced by the proceeds of the loan and the bridge financing has been disclosed to the LCEDC in connection with its review of the loan.
- 2. Providing funds, directly or indirectly, for payment, whether as loan repayment, dividend distribution, return of capital, loans, or otherwise, to owners, partners or shareholders of the small business enterprise, except as ordinary compensation for services rendered.
- 3. Related party transactions, i.e., costs associated with a less than arms length transaction where the buyer and the seller are one and the same or

are related to each other by marriage, blood, or law.

4. Projects which have commenced, or to which the small business enterprise has committed, before receiving approval of the LCEDC, unless the small business enterprise has received a letter of non-prejudice to commence.
5. Fees charged to the small business enterprise by brokers, finders, financing consultants and economic agencies are not eligible project costs, except the fees payable to the LCEDC and fees and expenses charged to the applicant by other financing entities included as part of the eligible project cost.
6. Working capital expenses.

### **LOAN LIMITS**

- A. Except for loans to agricultural producers, one full-time job must be demonstrated to be created or preserved within three years from completion of the project for each \$35,000 loaned from LCEZ-RLF.
- C. The maximum loan participation shall be set at \$350,000, or thirty percent (30%) of the project, whichever is less. A ten percent (10%) equity injection from the owner is required.
- D. An applicant may not receive more than \$350,000 in new financing under the LCEZ-RLF program in any 12-month period.

### **RATES AND TERMS**

- A. Interest on the loans will be charged at a fixed rate of 75% of the prime lending rate as reported by the Wall Street Journal with a floor of 4%. Rate will be fixed at the time a *completed* application is received by the LCEDC.
- B. The monthly-amortized term of land and building loans will not exceed fifteen (15) years and machinery and equipment loans will not exceed ten (10) years in term. If loan proceeds are utilized for land and building as well as for the purchase of machinery and equipment, the term shall be blended.
- C. All loans must be secured at the highest lien position available on the assets being funded and/or on one or more of the following assets: land, buildings, machinery, equipment, accounts receivable, inventory, fixtures or contract rights with no less than a second position to be considered.

- D. If a business receives financing from the LCEZ-RLF and relocates that entity outside Lawrence County, the balance and accrued interest thereon will automatically become due and payable without demand.
- E. Upon presentation of unique circumstances to LCEDC, the above rates and terms may be changed.
- F. Loan Recipients may prepay this loan at anytime without financial penalty.
- G. Any default on any current or future indebtedness with LCEDC or indebtedness with other creditors including but not limited to taxing bodies is considered a default on all the Borrower's indebtedness with LCEDC whether direct or indirect. A default includes but is not limited to failure to pay interest or principal when due.
- H. Collateral pledged or assigned by the Borrower to secure any current or future indebtedness with LCEDC secures all current and future indebtedness with LCEDC whether direct or indirect.
- I. A loan to value ratio of 90% or less will be required at the time of loan closing and shall be maintained throughout the term of the loan. Any request for exceptions to this requirement must be made to and approved by the LCEDC Executive Committee and Board of Directors.

### **FEES AND CHARGES**

- A. Loan application must be accompanied by the appropriate advance, non-refundable application fee due before application is submitted for review by Loan Review Committee.
- B. A commitment fee will also be due upon acceptance of commitment letter.
- C. .25% annual maintenance fee based on principal balance of loan at anniversary (minimum \$100).
- D. Borrower responsible for all legal/doc fees incurred by the LCEDC in regards to the loan transaction and will be paid by the commitment fee proceeds as described in "B" above.

### **POLICIES**

- A. Loans will be evaluated on the ability of the applicant to repay the loan, sufficient collateral and the economic impact of the project on Lawrence

- County within the Enterprise Zone area.
- B. Projects that solely involve refinancing will not be considered.
  - C. All loans will be collateralized.
  - D. Personal guarantees of any owner of more than 20% of the applicant will be **required**.
  - E. Applicants must have a written commitment from an approved lending source and/or evidence of the required equity contribution before the LCEDC Loan Review Committee will consider their application.
  - F. Projects that involve the acquisition of property where more than 10% of the floor space of the structure is to be leased to parties other than the applicant will be reviewed on a case-by-case basis for the LCEZ-RLF.
  - G. The LCEDC reserves the right to impose additional conditions on the loan.
  - I. All applications are due the first day of each month and will be reviewed within 45 days.
  - J. Any exceptions to the above referenced provisions must meet with the approval of the Loan Review Committee.

### **PENALTIES**

- 1. Failure to meet any of the terms or conditions of the loan may result in an increase in the interest rate to a rate not exceeding 2% above the current prime interest rate on the outstanding principal for the remainder of the loan unless it is determined by LCEDC that failure was due to circumstances beyond the control of the business.
- 2. Any material misrepresentation in any application or use of loan funds for ineligible activities may be cause for rejection of an application or for calling an LCEZ-RLF loan in default. In addition, the matter may be referred to the appropriate authorities for criminal investigation.

### **INSPECTIONS**

Upon reasonable request of the LCEDC, the applicant shall permit duly authorized representatives of the LCEDC to inspect the plant, books and records of the small business enterprise.