

BROOME COUNTY BUSINESS RETENTION AND EXPANSION FUND

Program Guidelines and Operating Criteria

1. STATEMENT OF PURPOSE

The Broome County BR+E Fund is designed to stimulate the creation and expansion of small business for the purpose of retaining and/or creating jobs in Broome County.

The BR+E Fund provides low interest financing to small business concerns unable to fully finance their projects with equity, conventional financing, or other private and public sources.

2. GOALS AND OBJECTIVES

One of the major problems in local business development, and a significant contributing factor to local economic distress, is the problem of credit availability. Even when available, the cost and terms of the credit may prevent businesses from expanding or continuing operations. The result may be a community's loss of jobs, tax revenues and private investment.

While the BR+E Fund is not a substitute for conventional financing, it can fill in the gaps in existing local financial markets and attract additional capital, which would otherwise not be available for economic development.

3. PROGRAM DESCRIPTION

The BR+E Fund is primarily designed to assist start-up and existing businesses in Broome County by offering low interest financial support for the purchase of fixed capital assets or working capital. Eligible businesses may finance up to 90% of a project's cost not to exceed \$50,000.

The BR+E Fund may take a subordinated security position to a lender institution.

The successful applicant must be able to document that the planned project will result in business retention and/or expansion in Broome County.

4. ELIGIBILITY

AREA: Broome County BR+E Fund borrowers must use loan proceeds in operations located within Broome County.

BUSINESS ACTIVITIES: Firms classified in the following for-profit industries are eligible for Br+E financing:

- A. Manufacturing; this category includes all industries having a Standard Industrial Classification of 20 through 39.
- B. Industrial/Commercial; this category recognizes the shift from manufacturing to the service sector in today's economy. In recognition of this trend, the Advisory Loan Committee (ALC) will consider businesses including but not limited to data management, computer software, agri-business, printing, publishing, research and development, warehousing and distribution, tourism, healthcare services, and professional business services.
- C. Exception; if warranted, a project may be presented by a business other than those mentioned for consideration if substantial economic impact is determined by job creation and/or retention or any other special criteria that are deemed acceptable.
- D. All applicants must demonstrate need for funds.
- E. BR+E loans will normally finance industrial, trading or commercial activities, including assistance for light manufacturing and service industries, where the opportunity for private sector job creation/retention are the greatest. However, credit will be extended at the discretion of The Agency Board of Directors.

COSTS: The following costs are eligible for funding:

- A. Land costs, associated with the purchase, renovation or construction of a building, including acquisition, site preparation, infrastructure, engineering, legal and other related activities.
- B. Building costs, including acquisition, construction, renovation, engineering, architectural, legal and other related costs.
- C. Machinery and equipment, includes purchase, delivery and installation and related costs.
- D. Working Capital.
- E. Refinancing of debt.

5. LOAN PARAMETERS

LOAN SIZE: The maximum loan one applicant may borrow is \$50,000 or 90% of the total project cost whichever is less.

PRIVATE SECTOR INVESTMENT: Loans will preferably be made in conjunction with private sector lending sources, owner equity, private equity or other private or public sources.

EQUITY: Projects will normally require a minimum 10% owner equity. Exceptions to this structure may be considered on a case-by-case basis.

LOAN SECURITY: All loans will be secured by the highest position available on one or more of the following assets: Land, Buildings, Machinery, Equipment, Accounts Receivable, Inventory and/or personal assets or such other assets as are deemed appropriate. In addition loans will require corporate and/or personal guarantees.

TERMS: Loans for real estate will have a typical repayment period of up to twenty (20) years. Machinery and equipment loans (on new equipment) will have a maximum term of seven years or no longer than the useful life of the assets being financed. Used equipment loans will have a maximum term of five (5) years.

INTEREST RATE: BR+E Fund loans generally have an interest rate set at seventy five percent (75%) of the lowest published (Wall Street Journal) prime rate, fixed at day of closing.

FEES AND PENALTIES: The Agency charges the following processing fees:

- A. Application fee; \$75.00. This fee is non refundable.
- B. Closing fee; reasonable and customary legal costs, filing and recording fees may be charged.
- C. Failure to meet any of the terms and conditions of the loan may result in an increase in the interest rate of up to two points above the prevailing prime rate.

6. INELIGIBLE LOANS

- A. Speculative activities, such as land banking and the construction of speculative buildings are not permitted.
- B. Loan activities and economic benefits resulting from these activities must be located within Broome County. BR+E Fund assistance will be withdrawn if for any reason the activity financed is moved from Broome County.
- C. Prohibitions concerning BR+E that would create a potential conflict-of-interest for any officer or employee of The Agency/LDC, or any current member of the LDC's loan administration staff who reviews, approves or otherwise participates in decisions on BR+E loans.

Former members of the Board, former members of staff and former members of the Loan Advisory Committee are barred from BR+E for a period of one year from the date of termination of their service to the Board, Loan Advisory Committee or staff position of The Agency or any of its subsidiaries. Loan activities which directly benefit individuals or people related to them by blood, marriage, or law will be prohibited, for a period of one year from the date of termination of service of such related person.

D. Proceeds from the BR+E cannot be used to purchase equity in private business, subsidize payments on existing loans, or provide the equity contribution required of borrowers.

7. LEGAL REQUIREMENTS

All borrowers of the BR+E must comply with the requirements of Federal and State and local laws concerning civil rights, the environment, flood protection insurance, and access to the physically handicapped.

8. DELINQUENT LOAN & COLLECTION PROCEDURES

The Agency/LDC as the Administrator of the BR+E loan fund will provide its best effort to collect all monies lent under the BR+E Loan program.

Delinquent Loan Definition: All loan accounts that have not had any payment activity during a sixty (60) day period or those loans that are sixty (60) days in arrears.

The Agency will monitor the monthly repayment activity of all outstanding loan accounts and initiate normal collection procedures, i.e., notice for payments, collection calls and other legal means necessary to collect the outstanding debt. When normal procedures fail to produce the desired results the account will be turned over for legal remedies and pursued to a conclusion.

9. PROCEDURE FOR AMENDMENT

As necessary, the Advisory Loan Committee shall review the overall operations of the BR+E Fund loan program. When the need for change or modification of policy arises, the Advisory Loan Committee shall submit such recommendations to the Board of Directors of The Agency for review and subsequent action.

10. LOAN APPLICATION REVIEW

All loan applications shall be reviewed by the members of The Agency's BR+E Advisory Loan Committee. Said committee will provide recommendations to The Agency/LDC Board of Directors for final approval.