

ALLEGHENY SMALL BUSINESS LOAN PROGRAM 2007

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Allegheny Small Business Loan Program

PURPOSE

- To promote the establishment and expansion of new and existing small businesses, by providing low interest financing for land development, building improvements, machinery and equipment acquisition, infrastructure development, and working capital

LOAN LIMITS

- Up to 40% of eligible project costs up to \$150,000, but may increase to \$250,000 if located in Targeted Geographical Areas and/or “Allegheny Growth Cluster” industry
- A maximum amount of \$100,000 for working capital available to businesses located in Targeted Geographical Areas

TERM

Real Estate & Land Development	15 years maximum
Machinery & Equipment	5-7 years maximum
Working Capital	3 years maximum

RATE

<i>Allegheny Small Business Interest Rates</i>	Targeted Growth Cluster Industry	Non-Targeted Growth Cluster Industry
Targeted Geographical Area	25% of Prime Interest Rate	50% of Prime Interest Rate
Non-Targeted Geographical Area	75% of Prime Interest Rate	Prime Interest Rate

PRIVATE FINANCING

- Cash equity, private sector financing, and/or other public financing, of at least sixty percent (60%) of the total eligible project costs is required

ELIGIBLE BUSINESSES

- Minimum 10% non-borrowed cash equity
- Legal business entity located within, or seeking relocation to, Allegheny County with less than one hundred (100) full time employees at time of application
- Retail businesses located in Targeted Geographical Areas

PREFERENCES

- Lower interest rates and preference for eligible businesses located in, or seeking relocation to, a Targeted Geographical Area
- Projects identified as an “Allegheny Growth Cluster” industry

JOB CREATION REQUIREMENT

- One (1) job created for every \$35,000 loaned. Retail and retail services businesses are required to create one (1) job for every \$35,000 loaned

LOW/MOD INCOME REQUIREMENT

- At least 51% of jobs created must be filled by low/moderate income individuals

CONTENTS

SECTION I

Program Description..... 5
Source of Funds..... 5

SECTION II

Eligible Businesses..... 5
**Preference for Businesses Locating in Targeted
 Geographical Area..... 5**
Allegheny Growth Clusters..... 6

SECTION III

Loan Amount..... 6
Use of Proceeds..... 6
Real Estate Acquisition and Development..... 6
Machinery and Equipment..... 6
Working Capital..... 7
Loan Term..... 7
Real Estate & Development Financing..... 7
Machinery and Equipment Financing..... 7
Working Capital Financing..... 7
Restrictions..... 7
Loan Security..... 8
Interest Rate..... 8
Loans from Other Sources..... 9
Private Sector Financing..... 9
Job Creation & Low/Moderate Income Requirement..... 9
Ineligible Use of Proceeds..... 9
Ineligible Businesses..... 10

SECTION IV

Financing Application Procedure..... 10
Financing Application Processing..... 10
Business Loan Review Committee..... 11
General Requirements..... 11
Overview of Loan Process..... 12
Loan Frequency..... 12
Financing Application Evaluation Criteria..... 12
Financial Evaluation..... 13
Business Evaluation..... 13
Public Purpose Evaluation..... 14
Allegheny County Small Business Loan Fees..... 14
Allegheny County Small Business Loan Closing Procedures..... 15
Financing Closing Costs..... 15
Waiver of Provisions..... 15

APPENDIX A

Targeted Geographical Areas..... 16

APPENDIX B

Allegheny Growth Clusters..... 17

SECTION I

Program Description

Allegheny County is dedicated to expanding and diversifying the region's economic base to improve the quality of life for our citizens and businesses. In positioning itself for the future, Allegheny County must enhance the business environment in order to foster economic expansion of small businesses, and in particular those located in targeted areas of the region. This is the principle objective of the Allegheny Small Business Loan (ASBL) program.

The ASBL program promotes the establishment and expansion of new and existing small businesses, by providing low interest financing for land development, building improvements, machinery and equipment acquisition, infrastructure development, and working capital, which will enhance the taxable base within Allegheny County, as well as create jobs for its residents.

Source of Funds

Funds dispersed through the ASBL program utilize Community Development Block Grant (CDBG) funds received from the U.S. Department of Housing and Urban Development.

Allegheny County Economic Development (ACED) is the administrator of the ASBL program, and thus all applications are packaged, closed, and managed by the ACED.

SECTION II

Eligible Businesses

An eligible business is a for profit, legal business entity located within, or seeking relocation to, Allegheny County having less than one hundred (100) full time employees at the time of application. For working capital, an eligible retail business must be located in a Targeted Geographical Area.

In addition, the business must have the necessary owner equity and demonstrate the ability to repay. Businesses located within communities with CDBG entitlement programs are not eligible for the ASBL program unless such communities participate in the project financially or in kind. ACED reserves the right to require additional eligibility criteria from applicants.

Preference for Businesses Located in Targeted Geographical Areas

Eligible businesses located in, or seeking relocation to, Allegheny County will receive preference in the distribution of funds available. Lower interest rates are available to eligible businesses located in, or seeking relocation to, a "Targeted Geographical Area."

A Targeted Geographical Area is any community that exceeds the exception criteria for CDBG eligibility. For a list of eligible communities in Allegheny County please see Appendix A.

Allegheny Growth Clusters

Allegheny County has identified “Allegheny Growth Clusters.” Growth Clusters are defined as businesses or industry sectors that have already been established as, or have the potential to become, a substantial factor in the Allegheny County economy. As such, projects identified within these “growth clusters” will receive preference in funds available for distribution as well as reduced interest rates. For a list of Allegheny Growth Clusters please see Appendix B.

SECTION III

Loan Amount

Financing is available through the ASBL program for up to forty percent (40%) of eligible project costs. The maximum allowable loan amount will not exceed \$150,000 for fixed assets with a maximum amount of \$100,000 for working capital for businesses located in a Target Geographical Area. The maximum allowable loan amount may increase to \$250,000 if the business is located in, or relocating to, a Targeted Geographical Area and/or is a Target Growth Cluster industry.

Applicants may not receive more than \$250,000 in new financing through the ASBL program during any twelve (12) month period.

Use of Proceeds

The following are examples of approved uses of the proceeds from the ASBL program:

Real Estate Acquisition and Development

- The acquisition of land or building(s)
- New construction, conversion, expansion, or rehabilitation of existing facilities
- The preparation of the site(s) for use which may include testing, infrastructure installation, expansion and/or rehabilitation of existing facilities
- Engineering, architectural, legal, and other costs related to real estate acquisition and land development deemed appropriate by ACED

Real estate costs MUST be directly associated with the purchase, renovation, or new construction of a building or production facility related to the small business. In addition, Davis-Bacon wage rates apply to any loans made for development purposes

Machinery & Equipment

- The acquisition of equipment, machinery, or other fixed asset of depreciable value associated with the operation of the small business
- Computers, peripherals, and software integral to regular business operations are eligible for ASBL program proceeds.

Machinery and equipment loans shall be based on the lower of equipment value or cost. Loans utilizing existing equipment as collateral shall be based on the depreciated value of the asset.

Working Capital

ASBL proceeds may also be used to fund costs associated with the normal operations of a small business, so long as the business is located in a Targeted Geographical Area. Such uses include:

- Short and long term working capital
- Operating funds reasonably required by the business to sustain growth as demonstrated by its cash flow analysis.

Loan Term

Real Estate & Land Development Financing

- Generally, the loan term shall not to exceed 15 years and will be less than or equal to the term of any private lender.

Machinery & Equipment Financing

- The loan term for equipment shall be no less than five (5) years and no greater than seven (7), or based on the depreciable life of the asset, whichever is shortest.

Working Capital Financing

- The loan term for working capital shall not exceed three (3) years

*The ACED reserves the right to consider exceptions to these loan terms.

Restrictions

- The applicant and its principals may not be delinquent or in default of any existing loans related to the applicant, unless there has been a satisfactory workout agreement entered into with the respective creditor(s). Full compliance with the terms of such an agreement is required,

demonstrated by the execution of an affidavit to that effect. For purposes of the ASBL program, a “principal” of an applicant is any record or beneficial owner of 20% or more of an ownership interest in the applicant.

- The applicant and its principals must be current on the payment of all applicable federal, state, and local taxes unless a satisfactory workout agreement has been reached with the respective taxing authority and there is full compliance with the terms of such agreement.
- The applicant and its principals and managerial officers must disclose any potential conflicts of interest with any officials or employees of ACED or others involved in the review and disbursement process of the ASBL program.
- The applicant may not use the ASBL program in conjunction with the Allegheny Target Industry Loan program.

Loan Security

Typically, all loans dispersed through the ASBL program will be secured with the best possible lien position against the asset financed. Where loans are for working capital, the loan will be secured with the best possible lien position against one or more of the following assets: land, buildings, machinery, equipment, accounts receivable, or inventory.

Other collateral may be accepted at ACED’s discretion dependent upon the value of the proposed collateral. Personal guarantees of the principal owners, those who own twenty percent (20%) or more of the business, are required and where applicable corporate guarantees will also be required.

Interest Rate

Generally, each ASBL interest rate will be determined individually. In most cases the interest rate will be approximately 25% of the current published Wall Street Journal prime interest rate up to the full prime interest rate. The table below provides the basis on which interest rates are determined:

<i>Interest Rates for ASBL Program</i>	Targeted Growth Cluster Industry	Non-Targeted Growth Cluster Industry
Targeted Geographical Area	25% of Prime Interest Rate	50% of Prime Interest Rate
Non-Targeted Geographical Area	75% of Prime Interest Rate	Prime Interest Rate

Loans from Other Sources

Allegheny Small Business Loans are to be used in conjunction with other state and federal financing programs, as well as local and regional economic development providers. The utilization of both business and personal financial resources is reviewed as part of the eligibility criteria with a minimum of ten percent (10%) non borrowed cash equity required from the borrower.

Projects funded by the ASBL program are required to have a combination of cash equity, private sector financing, and/or other public financing, excluding public financing capitalized with CDBG proceeds, of at least sixty percent (60%) of the total eligible project costs.

Job Creation and Low/Moderate Income Requirement

Job creation is a key component to the sustainability of economic development in the region. In particular, one (1) job is to be created for every thirty five thousand dollars (\$35,000) loaned. Retail and retail services businesses, located in Targeted Geographical Areas, are required to create one (1) job for every thirty five thousand dollars (\$35,000) loaned.

Loan recipients have three (3) years from the date of Loan Review Committee approval to fulfill their job requirements unless extended by the ACED. Additionally, at least fifty one percent (51%) of the jobs created must be filled by low/moderate income individuals as defined by CDBG guidelines. Failure to meet these requirements may also result in a retroactive increase in the loan's interest rate to the prime interest rate plus two percent (2%).

Ineligible use of Proceeds

ACED will also impose certain restrictions for the use of proceeds distributed through the ASBL program. The following is a list, although not exhaustive, of purposes with which ASBL proceeds may not be used:

- Refinancing existing debt where ACED would take over a lien position sustaining any loss through refinancing;
- To effect a partial change of business ownership or a change that will not benefit the business;
- To reimburse funds owed to any owner, including any equity injection, or injection of capital for the purposes of the business' continuance until other loan proceeds are disbursed;
- To repay delinquent state or federal withholding taxes; and
- For any other non sound business purpose, as determined by ACED.

The ACED reserves the right to establish further restrictions as needed.

Ineligible Businesses

The ACED has deemed certain businesses ineligible for ASBL program funds. Specific types of businesses not eligible include, but are not limited to:

- Speculative activities where firms realize profits from fluctuations in price rather than through the normal course of trade.
- Lending activities, such as banks, finance companies, factors, leasing companies, insurance companies (not agents), and any other firm whose stock in trade is money.
- Pyramid sales plans where there are endless chains of distributors and sub-distributors, and where a participant's primary incentive is based on the sales made by an ever-increasing number of participants. Such products as cosmetics, household goods, and other soft goods lend themselves to this type of business.
- Illegal activities conducted in the jurisdiction where the business is located are not supported by ASBL program proceeds.
 - Included in these activities is the production, servicing, or distribution of otherwise legal products that are to be used in connection with an illegal activity, such as selling drug paraphernalia or operating a motel that permits illegal prostitution.
- Any business whose principle activity is gambling, excluding any business that obtains less than one-third of their annual gross income from the sale of official state lottery tickets under a state license, or legal gambling activities licensed and supervised by a state authority
- Vehicle dealers are ineligible for ASBL program proceeds.
- Bars, taverns, or any establishment which sells alcoholic beverages
- Owner-operator trucking firms
- Personal care and nursing homes, day care centers
- Live adult entertainment establishments and/or production facilities
- Game rooms and/or gaming establishments
- Recreation and fitness facilities
- Professional services firms

SECTION IV

Financing Application Procedures

Financing Application Processing

A complete Financing Application accompanied by all the required attachments and exhibits should be returned to the ACED for processing and analysis. After the ACED

conducts due diligence associated with the application and determines the proposal's eligibility based upon both (1) the objectives of the ASBL program and (2) concurrence with the project eligibility requirements, the ACED will submit the application for consideration by the Business Loan Review Committee.

Business Loan Review Committee

The Business Loan Review Committee is comprised of representatives from the private and public sectors that have proven expertise in both credit analysis and economic development. It may advise and provide expertise on the availability of any and all services and private and public funding sources which may be available to assist the development of the project. After review of the proposal, the Committee may take one of the following actions:

- 1) Approve and recommend the project for funding.
- 2) Approve contingent upon certain modifications.
- 3) Deny approval and recommend further analysis by the Department of Economic Development.
- 4) Deny approval with no recommendation for further review.
- 5) Table the application pending further review

The Loan Review Committee meets on the third Wednesday of every month. Complete applications must be received by ACED by the first of the month in order to be considered on that month's agenda.

General Requirements

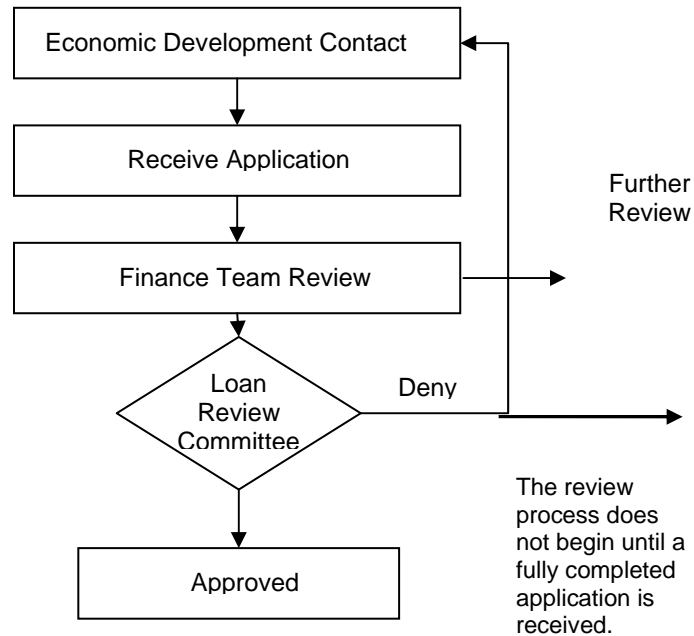
- The applicant must meet all deadlines for the submission of documents as required by the ACED. The failure of the applicant to meet established deadlines may result in the cancellation of the application, or the applicant's loss of priority position in loan processing.
- Loan approval will be evidenced in writing to the applicant. Construction activity or equipment purchases prior to loan closing are prohibited and as such would be considered ineligible costs for the purpose of the ASBL program
- Any denial of a loan application by the ACED will be communicated in writing to the applicant. In the event of an application denial, the applicant shall bear the cost of any and all expenses incurred in connection with either the preparation or processing of the loan application, including, but not limited to, credit reports, appraisals and feasibility studies.
- An applicant may withdraw a loan application from consideration for funding at any time after the Business Loan Review Committee approval, and prior to loan closing, by giving written notice to ACED. The applicant shall bear the cost of

any and all expenses incurred to that point in connection with either the preparation or processing of the loan application or documentation.

- An applicant shall bear the cost of any and all expenses incurred in the preparation of loan documentation which shall be satisfactory to the ACED. All or a portion of these expenses may be financed.

Overview of Loan Process

Allegheny Small Business Loan Application Process



Loan Frequency

Additional loans may be available to businesses provided they are current on their existing loan, their job creation requirements have been met, and the loan being financed is a separate and stand-alone project. The maximum loan balances outstanding to any one business entity or affiliate under the ASBL program is \$500,000. No more than two (2) loans may be outstanding under all Allegheny County funded loan programs.

Financing Application Evaluation Criteria

The following documentation will be the minimum amount of information required by ACED in order to evaluate the financing application. ACED reserves the right to request any and all information it deems necessary to evaluate a proposal/application for the ASBL Program.

Financial Evaluation

The current performance of the business and the financial status of the proposed owners will be evaluated to determine the ability to repay the loan. The evaluation will include, but not be limited to the following criteria:

Financial Status of the Business

This involves an evaluation of prior years' and current financial performance. Independently prepared financial statements, with an accountant's opinion, and tax returns for the prior three years must be submitted. If the business is a start-up or if this documentation is unavailable, balance sheets, income statements and statements of cash flows must be provided.

Financial Status of the Owners

This involves an evaluation of the prior three years personal tax returns, personal financial statements, and credit history for any individual or entity owning twenty percent (20%) or more of the business seeking financing. A similar evaluation of a Guarantor, if applicable, will also be conducted.

Projected Cash Flow Analysis

Profit and loss statements and cash flow statements projected for at least the next three (3) years will be required.

Collateral/Security Analysis

An analysis of the assets which are used to secure the loan, showing evidence of their economic useful life, must be submitted. Appraisals, when necessary, are to be provided. Existing machinery and equipment utilized as collateral will be based on the depreciated value of the asset.

Business Evaluation

An evaluation of the proposed or present business will include, but not be limited to the following criteria:

Business Plan

A complete business plan, including in some cases a market study or market documentation acceptable to the ACED will be required. The business plan should demonstrate evidence for a strong potential market for the product or service through an evaluation of the relevant local and national market.

Management Ability

The general business skills, as well as the specialized experience in the particular industry of the owners, partners or directors will be evaluated. Evidence of expertise must be submitted.

Tenant Commitments

For build-to-suit projects, the strength of anchor tenant commitments will be thoroughly evaluated.

Public Purpose Evaluation

Because there may be insufficient funds to approve all eligible applications, priority will be given to those applications showing a significant "public purpose" or "benefit" based upon an evaluation of the following criteria:

- The total number of jobs created, with an emphasis on the number of employed Allegheny County residents.
- The quality of jobs in terms of salary, skill level, stability, etc.
- The ratio of ASBL funds to private investment.
- The amount of alternative funding from sources other than the ASBL proceeds invested in the project.
- The projected tax revenues for ten (10) years to Allegheny County and the municipality in which the project is located.
- The overall benefit to the community or neighborhood.
- Projects in Distressed/Act 47 communities.
- Reuse or maintenance of sites formerly or currently used for economic activities (brownfield sites) such as sites in established community business and industrial districts, provided project is consistent with municipal plans and land use regulations.
- Projects must be supported by the municipality in which they will be located, and the degree to which the project is supported or opposed locally will generally be a factor in decisions on applications.

Allegheny County Small Business Loan Fees

The Borrower will be responsible for the payment of the following fees:

Financing Application Fee

A non-refundable application fee in the amount of \$300 will be required to submit a financing application to the Allegheny Small Business Loan Program. An applicant shall bear the cost of any and all expenses incurred in the preparation of loan documentation which shall be satisfactory to the Business Loan Review

Committee. All or a portion of these expenses may be financed. The ACED retains the right to waive this fee.

Commitment Fee

A Commitment fee of \$500 for loans greater than \$25,000 will be due at loan closing.

Annual Administrative Fee

An annual administrative fee \$250 for loans greater than \$25,000 will be due on each anniversary date of the loan as long as the loan is outstanding. The annual fee is to be paid in advance and is non-refundable in the event of loan prepayment. The annual fee due for the initial year of the loan term is to be paid at loan closing

Allegheny Small Business Loan Closing Procedures

The legal counsel for the ACED will arrange with Borrower's counsel all matters regarding the loan closing, including the responsibilities for the preparation of certain loan documents.

Financing of Closing Costs

The Borrower may finance all or a portion of the closing costs of the ASBL, including those incurred on behalf of ACED's legal counsel, construction loan inspection engineer, and any other professional services which the ACED deems necessary to expedite the loan process. The Commitment Fee and the initial Annual Administrative Fee may not be financed in this manner but rather must be paid at loan closing.

Waiver of Provisions

The ACED may waive certain provisions of these Program Guidelines based upon a determination of the private and public benefits are significant enough to warrant such a waiver.

For Additional Information regarding the Allegheny Small Business Loan Program, you may contact the Allegheny County Department of Economic Development at (412) 350-1198.

APPENDIX A

The following communities meet the low/mod income exception criteria on a municipal wide basis:

Avalon
Bellevue
Blawknox
Brackenridge
Braddock
Clairton
Duquesne
East Deer
East McKeesport
East Pittsburgh
Elizabeth Borough
Glassport
Homestead
Leetsdale
McDonald
McKees Rocks
McKeesport
Millvale
Mt. Oliver
North Braddock
Pitcairn
Port Vue
Rankin
Sharpsburg
South Versailles
Stowe
Swissvale
Tarentum
Trafford
Verona
Versailles
Wall
West Elizabeth
Wilkinsburg
Wilmerding

APPENDIX B

Allegheny Growth Clusters

Advanced Manufacturing

Industrial Research for Manufacturing, Materials Production, and Steel Making
Metal Work
Machine Tools
Process Equipment
Metal Processing
Casting and Forging
Food Processing
Food Science Research

Information Technology

Household Audio and Video Equipment
Instruments – Measuring and Controlling Devices
Research Organizations
Electronic Components and Assemblies
Electro-Optics
Data Storage
Photonics
Software
 Artificial Intelligence
 Search Technology
 Cyber Security
 Spend Management and Optimization
 Entertainment Technology
Communication Equipment and Services
Robotics

Biotechnology/Pharmaceutical/Chemical

Packaging
Containers
Specialty Chemicals
 Coatings and paints
 Plastics and rubber
 Polymers
 Resins
 Synthetic dyes
 Pigments
Laboratory Instruments and Process Equipment
 Laboratory Analytical Instruments
 Surgical and Medical Instruments and Apparatus
 Orthopedic, Prosthetic, and Surgical Appliances and Supplies
 X-Ray Apparatus and Tubes and Related Irradiation Apparatus
 Electromedical and Electrotherapeutic Apparatus

Pharmaceuticals

Medicinal Chemicals and Botanical Products

Pharmaceuticals Preparations

Biological Products, Except Diagnostic Substances

Industrial Organic Chemicals

Distribution

Research

Tissue Engineering