GUIDELINES

FOR

INDUSTRIAL DEVELOPMENT

REVOLVING LOAN FUND (Title IX)

(These Guidelines are subject to amendment without notice)

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1. THE PROGRAM

The Industrial Development Revolving Loan Fund (RLF) was established with a grant from the Economic Development Administration (EDA) of the U.S. Department of Commerce and is supplemented with grants from the City of Fort Wayne and the Allen County, Indiana governments. The purpose of the program is to provide an incentive for industrial expansion which will create permanent private sector jobs. Funds in the RLF will generally be used to make loans in conjunction with conventional loans from private lenders. If conventional private financing is not available, the RLF may loan up to $50,000 for eligible projects as described below. As the loans are repaid, the money will revert back to the fund and will be used to make additional loans.

2. ELIGIBILITY CRITERIA

2.01 Applicant Eligibility

Applicant must be a for-profit business involved in a manufacturing or wholesaling trade. Only companies whose North American Industry Classification System (NAICS) code within manufacturing or wholesaling categories are eligible. Applicant may be an existing business or a "start-up."

2.02 Geographic Eligibility

Projects funded by the RLF must be located within Allen County, Indiana, and must be in property zoned appropriately for the proposed use. Funds may not be used to relocate a business into Allen County from another labor market. If the business subsequently moves out of the area, the loan will be immediately due and payable.

2.03 Eligible Use of Loan Proceeds

Loan proceeds, up to $300,000* may be used for the following purposes:

Building and Land Acquisition
Building Construction, Expansion and Renovation
Machinery and Equipment

*Up to $100,000 of loan proceeds may be used for the following purposes:

Working Capital
Inventory Purchase

Loan proceeds may not be used to refinance existing debt. Closing costs may be financed as part of the total project cost. Although the program is designed to assist existing businesses, loans to start a business will be considered if the applicant meets the credit and job creation criteria of the program.

3. LOAN SELECTION CRITERIA

The Industrial Development Revolving Loan Fund Program has been designed by the CDC to assist only those companies which meet the specific criteria for loan selection.

3.01 Number of Jobs to be Created and/or Retained

The primary purpose of the program is to create and retain jobs. Each project must create and/or retain one job for every $35,000 of RLF funds loaned by the CDC for the project. Jobs must be created within three years of loan closing. In order to count jobs retained, a company must document, to the satisfaction of the CDC staff and board, that those jobs would be lost if the loan were not made.

3.02 Types of Jobs to be Created

The employment positions to be created by the program must be meaningful, full-time, permanent jobs within the company applying for financing. The program encourages borrowers to work closely with agencies, such as WorkOne and the Urban League, to find and screen economically disadvantaged individuals to fill jobs created by the project.

3.03 Financial Need

Because this program is capitalized with public funds, it is designed to assist those businesses that are unable to finance their projects privately. The business assets and personal assets of the owners will be taken into consideration when determining financial need. Businesses that are able to finance their projects privately do not qualify for this program.

3.04 Environmental Considerations

The City will take into account the environmental impact arising from each project when selecting and approving loans. Projects that will have an obvious detrimental effect upon the environment will not be considered. All projects must comply with environmental audit requirements of the private lender and/or the CDC.

3.05 Generation of Tax Revenues

The effect upon the generation of tax revenues, such as real estate and personal property, will be considered when selecting and approving loans.

4. LOAN TERMS AND CONDITIONS

4.01 Maximum/Minimum Loan

The maximum amount of the CDC's participation in any one project is $300,000 or 45% of the total project cost, whichever is less. The minimum loan is $5,000. Out of the

$300,000 maximum, up to $100,000 may be used for working capital. If conventional private financing is not available for the project, a maximum, up to $50,000 may be loaned.

4.02 Leverage Ratio with Private Funds

Typically, up to forty-five percent (45%) of the total project can be loaned by the CDC. At least fifty-five percent (55%) must be funded privately including the borrower's down payment of at least ten percent (10%) of the total project cost. The down payment must be cash or equivalent assets purchased within the last 6 months in support of the project (for example, land). Loans to start a business will usually require a down payment by the borrower of more than 10%. If conventional private financing is not available, up to $50,000 may be borrowed from the RLF with no private loan leverage. Down payment requirements, however, will still apply for fixed asset projects.

4.03 Interest Rate

The loan by the private lender will be at their conventional interest rate as on other commercial and industrial loans. The interest rate on the CDC loan will be determined at time of approval. Once the rate is determined, it will be fixed for the entire term of the loan.

4.04 Term

The term of the loan will be based upon the economic life of the assets acquired with the loan proceeds. Working capital loans will usually have a term of 3-5 years. The maximum term for fixed asset loans is generally 15 years. Equipment financing will usually have a term of 7-10 years. Generally, the term on the CDC portion will be the same as the term on the private sector loan. In no event will the term of the CDC loan exceed the term of the private sector loan or 15 years.

4.05 Collateral Requirements

Collateral required to secure the loan will be determined by the CDC on a case by case basis. Generally, the CDC will subordinate its lien position to the private sector loan. At a minimum, a personal guarantee of the business owners will be required.

4.06 Prepayment

A borrower may prepay any or all outstanding principal to the CDC at any time and without penalty.

4.07 Loan Cancellation Provisions

The CDC reserves the right to cancel an approved loan if the borrower fails to commence the project within the period of time specified in the loan commitment or if the borrower fails to submit the paperwork required for the loan closing within the time period specified in the commitment.

4.08 Recall Provision

The purpose of the RLF is to support business activities for which credit is not otherwise available on terms and conditions which would permit completion and/or the successful operation or accomplishment of the project within Allen County. The CDC reserves the right to recall the loan if these requirements are not met.

4.09 Disbursement

For all projects, private match funds must be expended before any CDC funds are disbursed to borrower. Borrower must submit proof that private funds have been spent (i.e. copies of invoices and canceled checks) prior to loan closing.

For all projects involving construction or renovation, loan funds will not be disbursed until all construction is complete, all bills paid, and final lien waivers have been obtained from all contractors, subcontractors and materialmen. Thus, it may be necessary for the borrower to obtain a short term construction loan to pay for the construction costs. Borrower must submit proof that construction is complete and all bills have been paid prior to the CDC loan closing. At the loan closing, the CDC funds will be disbursed to reimburse borrower or directly to the interim lender to pay off construction loan.

For projects involving the purchase of specific assets such as equipment, funds may be disbursed under one of the following two options:

A. Borrower pays entire cost of equipment using an interim loan or his/her own funds. Borrower submits proof of payment to CDC prior to loan closing. At loan closing, the CDC funds will be disbursed to reimburse borrower or will be disbursed directly to interim lender to pay off interim loan.

B. Borrower submits supplier's invoice and CDC loan funds are disbursed directly to supplier along with borrower's funds.

For all other purposes, CDC loan funds shall be disbursed as follows: Borrower submits proof that private funds have been spent in accordance with loan commitment. CDC funds shall be disbursed to the borrower at closing. Borrower shall provide documentation satisfactory to the CDC as to how the funds were expended within 90 days after disbursement.

4.10 Transfer of Assets Financed

Ownership or leasehold interest of assets purchased or improved with RLF financing may be transferred only with the prior written approval of the CDC.

4.11 Follow-Up Visits

The CDC staff will conduct periodic on-site visits to the business to observe how loan funds have been spent, how many people are employed, and to obtain financial information.

5. FEDERAL REGULATIONS

5.01 Civil Rights

The CDC ensures that loans will be made available on a non-discriminatory basis. No applicant will be denied a loan on the basis of race, color, national origin, religion, age, handicap or sex. In order to ensure that borrowers do not discriminate against employees or applicants for employment, the CDC will require that all borrowers sign Form ED-503, which states loan recipient will comply with Title IX of the Civil Rights Act of 1964.

Monitoring activities will be undertaken by the staff of the Division of Community Development. City staff will perform all necessary monitoring as it relates to compliance with civil rights, and compliance with other requirements related to the use of funding.

5.02 Flood Insurance

Projects located within the 100-year flood plain will be reviewed carefully by CDC staff to ensure that all aspects of the project are allowable within the flood plain. The purchase of flood insurance shall be required for properties located within the 100-year flood plain.

5.03 Historic Preservation

If applicable, the CDC staff shall consult with the City's Historic Preservation Planner and/or the State Historic Preservation Officer to identify properties listed in or eligible for inclusion in the National Register of Historic Places and shall require the applicant to comply with all requirements established by HUD to avoid or mitigate adverse effects upon such properties.

5.04 Relocation

Federal funds may not be used to relocate a business from one labor area to another. (A labor area is generally defined as the area within a radius of approximately 35 miles.) Therefore, program funds may not be used to move a business to Allen County from another labor area. All borrowers will be required to sign a certificate of non-relocation which certifies that the project to be undertaken will not adversely affect jobs in other labor areas.

Additionally, if a business borrowing funds under the program subsequently relocates to a site outside the geographic boundaries of the program, the loan will be immediately due and payable.

5.05 Access for the Handicapped

All new construction and rehabilitation projects must meet local building codes for handicap access.

5.06 Access to Books and Records

All duly-authorized representatives of the City of Fort Wayne, the Department of Commerce, Economic Development Administration and the Comptroller General of the United States shall, at all reasonable times, have access to any books, documents, papers, and records of the contracts which are directly pertinent to the project for a period of time of three years after final payment is made and all matters closed.

6. FINANCIAL REPORTING REQUIREMENTS

All loan recipients will be required to submit periodic financial statements (balance sheets and income statements) as specified in the loan commitment. Statements must be in proper accounting form.

7. FEES AND COSTS

A one-time non-refundable application fee of $50.00 will be charged to the borrower at the time of application. In addition, a commitment fee of 1% of the loan amount is payable to the CDC upon borrower's acceptance of commitment. The commitment fee is not refunded even if the Borrower later decides not to accept the loan or is unable to close for any reason. The fees are used to offset administrative costs associated with the program. Any incidental costs incurred by either the applicant or the CDC with regard to the CDC loan will be the responsibility of the applicant. Such costs may include but are not limited to recording fees, legal fees, and closing costs.

8. ADDITIONAL REQUIREMENTS FOR FEDERALLY-FUNDED LOANS

8.01 Federal Labor Standards Provisions

Where federal funds are used to fund a project involving construction or building renovation, the contractors performing the work must comply with the Federal Labor Standards Provisions of the U.S. Department of Housing and Urban Development. A copy of these provisions is attached to these guidelines. These regulations include a provision that all laborers on the project be paid a wage at a rate not less than the minimum wage specified in the current wage determination specified by the U.S. Department of Labor. The current minimum wage rates for the different classes of workers is available from the CDC staff. In addition, contractors are required to pay wages not less often than once a week.

8.02 Pre-construction Conference

In order to ensure compliance with the Federal Labor Standards Provisions, all contractors hired to perform work on the project shall be required to obtain a current wage determination from the City of Fort Wayne's Compliance Office before submitting a bid. The contractor will also attend a meeting with the staff of the City's Compliance Office before any construction begins. The compliance officers will explain the regulations and distribute the reporting forms to the contractors. Contractors will be required to submit periodic payroll reports throughout the project.