

SALEM COUNTY REVOLVING LOAN FUND
PROGRAM GUIDELINES
Revised October 6, 2010

1. GENERAL PURPOSE

To offer financial assistance to Salem County Businesses for expansion and growth. In times of economic hardship, the Freeholders and board of the SCRLF may consider to allow for financial assistance to support other short term capital needs in the form of a direct loan program more fully described herein as the Salem County Business Capital Assistance Program.

2. THE PROGRAM SCOPE

- a. The Salem County Revolving Loan Fund (SCRLF) program is available to existing businesses located in Salem County and to businesses seeking to relocate to Salem County. Applications shall be reviewed and new projects selected based on the criteria outlined in section 5. Each application must be accompanied by the required documentation before being reviewed by the Loan Board. The SCBCAP would only be available to business currently located in Salem County.
- b. Funding levels will be \$10,000 to \$100,000 for the SCRLF and an amount not to exceed \$35,000 for the SCBCAP.

3. ELIGIBLE ACTIVITIES

The portion of any project funded by the Loan Board is limited to the following activities:

- a. The acquisition of land and buildings;
- b. The construction of new facilities (permanent mortgage);
- c. The rehabilitation of an existing structure;
- d. The purchase of machinery and/or equipment considered a fixed asset; and
- e. Site development and improvement.

SCBCAP would only be allowed for:

- a. Debt Reduction/Refinance
- b. Short term Working Capital – i.e. Pay suppliers, purchase inventory, pay operating expenses, and Emergency equipment replacement.

4. INELIGIBLE ACTIVITIES

THE SCRLF IS PROHIBITED FROM PARTICIPATING IN PROJECTS THAT ARE DEEMED SPECULATIVE IN NATURE BY THE LOAN BOARD

By definition, this would include office buildings, retail centers and other development projects with less than 75 percent occupancy rate.

THE SCBCAP CANNOT BE USED FOR REFINANCING DELINQUENT BANK LOANS OR DELINGUENT STATE AND FEDERAL TAXES.

5. ELIGIBLE APPLICANTS

The SCRLF is designed as a competitive loan program with limited funds available. To be eligible, the applicant must meet the following criteria:

- ❖ The business must create or maintain jobs. For each \$35,000 in assistance, one new full-time job or part-time equivalent should be created.
- ❖ The applicant must be credit worthy as determined by the Loan Board and the participating lending institutions.
- ❖ The business must have operated for at least one year.

The other important criteria lending decisions will be based upon include:

- ❖ Private for-profit enterprises with the potential for future growth and increased employment;
- ❖ Provisions of a service or product that have impact on the local economy and regional image;
- ❖ Project provides an increase in local tax ratable;
- ❖ The likelihood that the project will be implemented quickly, and maintains other positive aspects for overall economic development;
- ❖ A project that has multiple positive effects on the surrounding community.

Funds through the SCBCAP would be available to private, viable, for profit businesses located in Salem County that have the ability to show profitability in one of the past 3 years and be able to project sufficient cash flow to meet current and future loan payments. Eligible businesses would be otherwise profitable entities that are experiencing hardship with meeting operating costs and or making debt payments. This hardship may be a result of reduced revenue due to economic factors outside of the control of the business, high interest loans with restrictive terms, increased costs, and tightened supplier terms. There must be likelihood that this financial assistance will provide the necessary means to sustaining the business through challenging economic times. Businesses which are severely delinquent on their current obligations or are not viable would not be eligible for this program. SCBCAP – one time only.

6. REQUIRED DOCUMENTATION

A completed Project Sketch which should include:

- A. A description of the project and a detailed statement of the use of the proceeds;
- B. Business Plan (current)
- C. List of five (5) largest customers. (Include name, address, telephone number, and contact person); and
- D. List of five (5) largest supplier. (Include name, address, telephone number, and contact person).

Business Financial Statements and other documentation

- A. Balance Sheet for three (3) years preceding the year of application, or those statements available;
- B. Profit and Loss Statement for three (3) years preceding the year of application, or those statements available;
- C. Most recent quarterly financial statement if fiscal statement is more than three (3) months old;

- D. Schedule of short-term notes and loans payable;
- E. Schedule of long-term debt

The Salem County RLF Loan Board may also require the following:

- A. Appraisals on real property and/or machinery and equipment. (Appraisers acceptable to Loan Board).
- B. Certificate of Non-Compliance (ISRA) if applicable;
- C. Accounts receivable aging;
- D. Accounts payable aging;
- E. Financial information to be prepared by a CPA acceptable to the Loan Board; and
- F. Additional information may be required as determined by a Salem County Department of Economic Development.

Borrower's Equity

Applicants must have available equity equal to at least 10 percent of the project funding requested from the SCRLF. This equity must be in the form of actual cash, equity in the real assets to be used or purchased as part of the total project (i.e., estimated land, existing building, and/or machinery and equipment value, or a combination of both). Applicants will be wholly responsible for closing costs, credit checks, and other associated financial fees.

Collateral and Repayment Guarantees

The equity and collateral available on the fixed assets affected by the SCRLF loan must be at least equal to the project request and subsequent loan provide. The lending institution should have senior lien position with respect to security and repayment. It may be reasonable to assume that the County Financing will be subordinated to the private loan.

To help insure the loan position is secured and the credit risk is minimized, the County will require the following items, as appropriate:

- a. The completion and filing of property liens and UCC forms;
- b. Personal guarantees by the principals of the applicant business;
- c. An appraisal of assets by an independent firm. This firm shall be required to meet the standards of an appraiser, as described in these policies; and
- d. Other forms of collateral that can be easily liquidated.

Upon any refinancing sale, transfer in title or other disposition of the property during the term of the loan, any outstanding balance shall become immediately due and payable to Salem County.

Appraisals

Any appraisal of real assets submitted as part of the SCRLF program application, must have been completed by a licensed New Jersey real estate or equipment appraiser. The contents of the appraisal must state the basis for the appraisal, including computations, descriptive and qualifying statements with regard to the property being appraised and a list of the qualifications for the appraiser. The need for an outside appraisal will be evaluated for each application. The Salem County Department of Economic Development will evaluate the appraisal and have the authority to request the completion of a second appraisal. Also, costs associated with the appraisals are the responsibility of the borrow.

Cost Estimates

Cost estimates for construction or renovation activities must be completed and submitted as part of the application for funding. Bids and/or estimates will be signed and dated by the prospective contractor, and witnessed and shall include an attested acceptance by the borrower. The SCRLF administrators will remain a third party to contractor selection; however, they will review all cost estimates as to their appropriateness.

Need to recognize we will likely be behind existing creditors but we want to try to minimize risk by having a reasonable collateral position

7. PARTICIPATION

The participating lending institution will provide SCRLF \$100,000 max loan amount 70% of the financing for each project. The County will provide 20% and there is an equity requirement of 10% on the part of the borrower.

8. INTEREST RATE AND LOAN TERMS

The loan repayment period shall not exceed a maximum of 5 years for SCBCAP and will be based on the use of funds. The basis for negotiations includes the monthly payment which the applicant can afford, and the need to match the loan terms to the useful life of the assets being financed.

The interest rate on the bank portion will be indexed to the prime rate as reported in the Wall Street Journal and either fixed or variable. The County portion of the loan will be equal to the Federal discount rate at the time of the approval of the loan but no lower than 4%.

Loans funded through the SCBCAP will be priced at the Federal Discount rate at the time of the approval, fixed for the term of the loan with a floor of 2%.

9. REVIEW PROCEDURE

- A. Once the loan application is received by the participating financial institution, the loan request will be reviewed by the Salem County Department of Economic Development. If the loan satisfies all program requirements, it is referred to the SCRLF Loan Board.
- B. The SCRLF Loan Board approves/declines the loan package. Once approved by the Loan Board,
 1. A title search and title insurance, at the expense of the applicant shall be required as part of the application process; and
 2. Certification shall be received by the County, from the municipal authority, that all taxes are current

10. LOAN SERVICING AGENT

The SCRLF will designate the participating lending institutions to service their respective loans. Any and all servicing costs associated with the loan shall be paid by the borrower.