

Huntington-Ironton Empowerment Zone

ZONE LOAN

Funding Guidelines

Zone Loan, LLC has created a revolving lending program known as the ZONE LOAN. Eligible applicants for the loan funds include for-profit and not-for-profit entities that implement projects that assist economic revitalization within the Zone. These initiatives will facilitate the creation and/or retention of employment opportunities through increased investment of private and public capital within the Zone.

One of the primary goals of the Empowerment Zone designation is to increase the amount of capital investment within the Zone. This is best accomplished by leveraging the ZONE LOAN dollars with other community lenders and private lenders such as banks. The ZONE LOAN proceeds should be used as a tool to entice other lenders to participate in each deal. The ZONE LOAN should only be a piece of the entire financing of your project.

The following procedural outline has been developed to ensure fair and equitable management of the disbursement of funds for these economic revitalization activities. The programs and activities, as outlined in these guidelines, may be changed from time to time to reflect economic conditions and best respond to the needs of the empowerment zone program and the private sector.

OBJECTIVES

- To provide loan financing for for-profit and not-for-profit businesses that implement projects that assist economic revitalization within the Huntington – Ironton Empowerment Zone.
- To facilitate the creation and/or retention of employment opportunities within the Huntington - Ironton Empowerment Zone.
- To increase the amount of capital investment within the Huntington – Ironton Empowerment Zone.
- To increase industrial, manufacturing, commercial and technological business development within the Huntington – Ironton Empowerment Zone.

EQUAL OPPORTUNITY

Each application will be considered upon its merits without regard to age (provided the applicant is of age prescribed by law), race, creed, marital status, national origin, or sex.

OTHER FUNDING CRITERIA

- The proposed project must be deemed to be financially feasible. This shall include a determination that the project will generate sufficient revenues to meet scheduled loan repayment. This shall be determined as a result of an independent underwriting of the project proposal. In addition to financial feasibility of the project, the underwriting shall consider the credibility of the applicant and the quality of the funding commitments.
- As part of the application process, the Zone Loan, LLC will require information that demonstrates the applicant is prepared to proceed with the project and that there is sufficient information to determine the quality of the project. The information required is part of the loan application form and business plan (if required).
- The Zone Loan, LLC will also consider the extent of the economic impact of the project as it relates to the amount of private funds leveraged with public dollars and the number and type of permanent, full-time (or equivalent) jobs to be created or retained through implementation of the project. Those projects creating a higher leveraging of private investment and/or produce a greater number of jobs will be given priority consideration.
- The applicant shall demonstrate that the project will cause substantial leveraging of private capital. Applicants are required to make use of a loan from a traditional lender, such as a bank, in combination with a subordinate ZONE LOAN. Zone Loan, LLC reserves the right to make a direct loan to an applicant without the use of a corresponding bank loan only if the applicant has been rejected by at least two banks. The borrower must still meet the other Zone Loan Funding Guidelines.
- Retail development projects located within the following commercial corridors shall be given priority if all other requirements are deemed equal:

Huntington and Ironton– Central Business District Neighborhoods

- Applicants with limited business experience are required to receive technical assistance consisting of entrepreneurship training and business plan development. Approved provider lists will be maintained by the Zone Loan, LLC.
- If deemed appropriate, real estate development feasibility studies may be required for specific economic development projects.
- Any project deemed to have an adverse impact on the environment must submit a plan with proposed mitigation measures. Should these measures be deemed unsatisfactory, or if the impacts cannot be mitigated, the application will be rejected.
- All taxes and utilities on property to be purchased, expanded or rehabilitated must be paid in full and current.

- **Ineligible** applicants include: bars/taverns or restaurants where more than 80% of gross revenues are from the sale of beer, liquor and wine, businesses with video lottery terminals, Keno or bingo and facilities primarily offering adult entertainment and adult paraphernalia.

BORROWER'S EQUITY

At a minimum, loan applicants must provide a 10% equity contribution to the project. Evidence of this must be presented in the form of a certificate of deposit or equivalent security, equity or a combination of both. All borrowers with 20% or more ownership in the business must personally guarantee the loan.

LOAN LIMITS

Loan amounts cannot exceed \$250,000. The minimum loan size is \$35,000.

INTEREST RATE

The interest rate will depend upon market conditions at the time of the funding as well as the risk associated with the loan. Loans will have a fixed interest rate for the term of the loan. Targeted interest rates will range from Prime + 2% to Prime – 1% based upon Wall Street Journal Prime Rate at the time of loan closing. To induce project implementation, the Zone Loan, LLC may offer a lower rate in instances where a project will potentially have a significant impact on the Empowerment Zone target area and the projected project income cannot support repayment of the targeted interest rate.

INTEREST METHOD

Interest is calculated daily on a 365-day year (Daily-365 Simple Interest Method)

TERMS OF THE LOAN

The period of repayment needs to match the useful life of the asset being financed. No loan term shall be longer than fifteen (15) years.

Short-term construction loans will only be considered if a firm commitment for permanent financing is in place at the time of application.

REPAYMENT TERMS

Loans including principal, interest and fees are to be paid in full to Zone Loan, LLC. Crediting of payments will occur in the following order: Past Due Fees, Past Due Interest, Current Interest, and Principal. Prepayment of the loan is permitted without penalty.

Prepayment of the loan shall also be required upon any refinancing, sale, transfer in title or other disposition of the property in which loan funds have been invested during the term of the loan. Any outstanding balance will become immediately due and payable to the Zone Loan, LLC. Transfer of interest shall not include intra-company transfers, or changes in stock or partnership interests in amounts less than 50%. (The Zone Loan, LLC should be notified of any changes in stock ownership of 20% or more and any partnership changes).

APPLICATION SUBMISSION DATE

The application process is on-going. There are currently no application deadlines. Applications will be reviewed as received.

APPLICATION FEE

A non-refundable application fee of \$250 payable to the Zone Loan, LLC must accompany the loan application when submitted for review.

LOAN SERVICING FEE

A one half percent (0.5%) loan-servicing fee is due at loan closing.

LATE FEES

A late fee of 5 percent (5.0%) of any unpaid monthly payment will be assessed. The fee is assessed if a full monthly payment is not received within a 10 day grace period following the payment due date.

NSF FEES

A \$30.00 fee will be assessed for any returned check or returned ACH transaction.

PROJECT APPLICATION PROCESS

- A. The Loan and Tax Manager will meet with the applicant for a consultation on general information and requirements of the loan program. The applicant will be provided a loan application with an Authorization to Release Information and Certification of Application.
- B. The applicant will then submit the completed loan application, business plan (if required), and \$250 application fee to the Loan and Tax Manager.
- C. All applicants with **less than two years** business history must submit a business plan. The business plan will include the following information:
 - History of the company – type, starting date, amount of initial investment/loan
 - History of all owners and operators – resumes, other companies owned or have interests in, bankruptcies
 - Operation and location of current business operations – nature of business, types of products and services, number of employees, selling methods, and office or building space description
 - Financial data for life of business – current income statement, statement of cash flows with explanations, balance sheet, complete federal and state tax returns, and personal financial statement for all owners
 - Professional assistance available – accountant, attorney, banker, insurance representative
 - Number and type of new jobs created and jobs retained – estimated number and type of jobs created in first three years, number of current jobs held by zone residents
 - Detailed pro forma projections for revenues and expenses and cash flow analysis

If a business plan does not exist or is deemed incomplete by the Loan and Tax Manager, the applicant will be referred to the appropriate entity for assistance with developing the required business plan. In addition, if the applicant has limited business experience the applicant will be referred to an appropriate entity for entrepreneurship training.

- D. Once a business plan is submitted and received, the Loan and Tax Manager will perform loan underwriting. The Loan and Tax Manager will call a meeting of the Loan Review Committee within 60 days of receipt of the completed loan application

E. The Loan Review Committee will take one of the following actions:

1. Recommendation to approve the application
2. Request additional information
3. Recommendation to deny the application

Notice will be given in writing to the applicant of the action taken within five days of decision

F. If approved, terms and conditions are set for borrower's acceptance

G. Zone Loan, LLC will perform an environmental review if required. Any environmental remediation costs are the responsibility of the borrower

H. If borrower accepts terms, the loan is closed

I. Applicable lien, mortgage, UCC-1, etc. will be filed with the appropriate county clerk or secretary of state

J. All normal and customary legal fees are payable by the applicant

K. Borrower will be responsible for timely monthly loan payments, financial statement reporting as agreed upon and annual employment reporting. Loan and Tax Manager will provide borrower an annual statement of loan activity