N.F.C. Development Corp. Loan Program Policies and Procedures

Adopted September 23, 2013

Section 1 General:

1.1: The following Loan Program Policies and Procedures ("the Program") have been approved by the N.F.C. Development Corporation Board of Directors ("the Board"). Any changes or amendments to said Program must be approved by the Board.

1.2: The primary objectives of the Program is to provide funding to business enterprises that retain and/or create jobs, aid in business expansion and attraction, and leverage other sources of capital.

1.3: The Program is a subordinate fixed asset loan program to be used in conjunction with borrower equity and other loan funds.

1.4: On a specific project applicants are restricted to applying to this program or the N.F.C. Development Corp. Micro Enterprise Assistance Program, but not both.

Section 2 Eligibility Requirements:

2.1: Only businesses located in the jurisdictional limits of the City of Niagara Falls, NY ("the City)"are eligible to apply for Program Funds.

2.2: Eligible businesses include those in good standing that are engaged in manufacturing, warehousing, retail and services, **excluding** "sin" businesses such as adult entertainment and media, liquor stores, massage parlors, and gambling activities.

2.3: Applicants must have been in business for at least two full years of operation.

2.4: Eligible applicants include United States citizens and non US Citizens who are lawfully in the United States as demonstrated by a Resident Alien Card or Permanent Resident Card.

2.5: Eligible applicants include sole proprietorships, partnerships, Corporations, Subchapter S Corporations, and Limited Liability Corporations.

2.6: Fixed productive assets purchased with program funds must be physically located in the City.

Section 3 Ineligible to Apply:

3.1: Ineligible applicants include business startups, businesses with less than two years of operations, not for profits, governmental and quasi-governmental entities, lending institutions, the aforementioned sin businesses in **Section 2.1b** in this document.

3.2: If the applicant, its owners and/or principals is in default on any existing loan(s) or grant(s) with the N.F.C. Development Corp. ("the NFC."), or the City and any of its entities, it is ineligible to apply.

3.3: If the applicant, its owners and/or principals are delinquent in the payment of any school taxes, city and county real property taxes, PILOTS, it is ineligible to apply. This ineligibility also applies to any applicant business located at the site of the aforementioned delinquency(s).

3.4: If the applicant, its owners and/or principals have filed for corporate or personal bankruptcy in the last five (5) years it is ineligible to apply.

3.15 Employees of the NFC and the City of Niagara Falls, N.Y. are ineligible to apply during employment and one year thereafter.

Section 4 Eligible and Ineligible Use of Program Funds:

4.1: Eligible use of program funds include the acquisition of real property, new construction, renovation or leasehold improvements, and the purchase of machinery, equipment, furniture, fixtures, and equipment.

4.2: Ineligible use of program funds include rolling stock, working capital, refinancing of existing debt, inventory, and project related soft costs such as legal, accounting, environmental, architectural and engineering. However, such costs are eligible project costs that can be paid using other debt and/or applicant equity.

4.13 NFC loan program funds cannot be used in any project that has a residential component.

Section 5 Program Lending Terms and Conditions:

5.1: Minimum and Maximum Loan Amounts range from $25,000 to $250,000.

5.2: Program funds cannot not exceed 40% of the Total Project Cost (TPC). For example, if the TPC is $105,000, then Program funds could not exceed $40,000.

5.3: Loan Terms are as follows: No more than twenty (20) years if program funds are used for the acquisition of real property or new construction. No more than ten (10) years if program funds are used for renovation or leasehold improvements of said real property. No more than ten (10) years for machinery and equipment. No more than five (5) years for furniture, fixtures and equipment.

5.4: The loan interest rate is fixed only. There are no variable rates. The rate will be the published Wall Street Journal Prime Rate at the time of closing.

5.5: All program loans will be repaid by equal monthly payments of principal and interest sufficient to fully amortize the loan over its term. There is provision for interest only payments at the beginning of the term. Also, borrowers are allowed to prepay the loan in whole or in part without penalty. However, program loans will not have a balloon payment option.

5.6: Collateral and Security: In exchange for program funds NFC requires a security interest in the assets purchased with its program funds, and any and all additional assets it believes are necessary to secure its loan.

5.7: The NFC may also require a security interest in the personal assets of owners and principals that have a least a 20% ownership of the borrowing entity.

5.8: The NFC requires the personal guarantee of those who own at least 20% of the borrowing entity.

Section 6 Related Parties and Subordination:

6.1: The applicant is required to provide equity of at least 10% of the TPC. For example, if the TPC is $105,000, the borrower must provide a minimum of $10,000 in cash equity. The equity cannot be "sweat equity", nor can it be borrowed funds of any kind such as a home equity loans, or cash advances on credit cards. Also, the equity cannot be a grant from NFC's Micro Enterprise Assistance Program.

6.2: Besides the aforementioned equity component, other sources of project funding include private sources such as banks, trust companies, credit unions, savings and loans. Public sources of funds include federal, state and regional loan programs.

6.3 NFC loan funds can be secured by a first security interest, or be co-equal, pari parsu, or subordinate to other project loan funds. However, in all instances, any notes payable to any owner, officer, or principal of the borrowing entity, or the relative of the owner, officer or principal of the borrowing entity will be subordinate to the NFC loan.

Section 7 Program Job Requirements:

7.1: For every $50,000 in program funds at least one (1) Full Time Equivalent (FTE) non seasonal job must be retained or created. However, the FTE cannot be the borrower(s).

7.2: A FTE is defined as one (1) full time job of at least 40 hours a week, or two (2) part time jobs of at least 20 hours a week each.

Section 8 The Application Process:

8.1: NFC staff will entertain loan requests, and determine the eligibility of the business, and its owners and operators, and the appropriateness of the proposed use of loan funds based on **Sections 2, 3 and 4** above. Once eligibility and appropriateness are determined the applicant is required to complete an application, and furnish staff with the applicable support documentation, and any and all information that staff believes necessary to complete its analysis.

8.2: Once staff believes it has all the required information it will complete its analysis and prepare written loan report for the NFC Loan Committee. The staff report will contain a narrative describing the project, and identify the business and its principals. Also, based on company and personal financial information furnished by the applicant, together with credit checks, staff will evaluate the financial strength of the project, the business and its owners, and make a recommendation to the loan committee to either approve, modify or decline the loan request. If staff recommends approval it will suggest a rate, term, payment structure, collateral and a security position for the loan.

8.3: The Loan Committee will meet and discuss staff's loan report and recommendation(s), following which it will make its recommendation to the NFC Board of Directors.

8.4: The Board of Directors will either approve, modify or decline loan requests. In making its decision the board will give serious consideration to the input of NFC staff, the Loan Committee, and NFC's attorney.

8.5: Within ten (10) calendar days of a board approval of a loan agreement specifying the use of loan proceeds, the loan amount, rate, term, payment terms, collateral, security, guarantees and other conditions will be sent to the applicant. Should the loan request be denied a decline letter will be sent to the applicant within ten (10) days specifying the reason(s) for the denial.

Section 9 The Closing Process:

9.1: The NFC attorney in collaboration with NFC staff has the sole responsibility to direct the preparation of all required closing documents based on the loan terms approved by the NFC Board of Directors. Further, the attorney and staff will make certain that the loan closing is in compliance with all applicable federal, state and local laws, regulations and approvals.

9.2: The NFC attorney will be responsible for perfecting all of the NFC's security interests including, where appropriate, the execution of security agreements, the filing of financing statements, the execution and filling of mortgage documents, the execution of guarantees, and any other appropriate actions to adequately protect the NFC's security interests. The borrower will pay all filing and recording fees. The borrower is also responsible for all tax costs in connection with the perfection of NFC's security interest(s).

Loan Fund Disbursement Procedures:

10.1: The disbursement of NFC loan proceeds shall be the sole responsibility of the NFC staff and attorney.

10.2: Funds shall be disbursed only if the borrower is in compliance with the terms and conditions of the NFC loan agreement(s), and is deemed ineligible under any of the conditions set forth in **Sections 3, 4 and 5** in this document.

10.3: Should other debt and/or equity be part of the total project funding, said debt and/or equity must be in evidenced by documentation such as executed commitment letters, bank statements and escrow accounts.

10.4: NFC loan proceeds may be disbursed in one lump sum or over a number of separate draws. However, regardless of the method of drawdown, the borrower is required to submit documentation (voucher, receipts, and cancelled checks) evidencing paid or accrued project expenses.

Loan Portfolio Management Procedures:

11.1: In the case of delinquent loan payments the borrower will be contacted by NFC staff five (5) calendar days after the first day the payment is delinquent to assist in curing the situation. However, if the delinquency continues ninety (90) days past the first day the payment is delinquent the matter will be referred to the NFC attorney.

11.2: Any requests by the borrower to amend or adjust any terms and conditions of the loan will be first reviewed by the NFC staff and attorney to determine if it merits consideration. If so, said request will be processed as follows:

11.3: Staff will prepare a written narrative of the request replete with any support documentation, and its recommended course of action to the NFC Loan Committee for its consideration. Should the loan committee concur with staff's recommendation it will send the request onto the NFC Board for its review and final decision.

11.4: The board's decision will be sent to the borrower in writing within ten (10) calendar days regardless if it is denied, approved with modifications, or approved as requested. In the case of approvals, any costs associated with modifications of the loan agreements and security agreements will be paid by the borrower.